



**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



**2014**  
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 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 two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively) (“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.





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## Contents

2	Financial Highlights	92	Distribution Statement
3	Chairman's Statement	94	Consolidated Statement of Financial Position
9	Management Discussion and Analysis	96	Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Non-Controlling Interest
34	Corporate Governance	97	Consolidated Statement of Cash Flows
46	Connected Party Transactions	99	Notes to the Consolidated Financial Statements
52	Disclosure of Interests	145	Summary Financial Information
55	Directors' Biographical Information	147	Performance Table
60	Key Personnel's Biographical Information	148	Investor Calendar
61	Valuation Report	149	Corporate Information
88	Trustee's Report	151	Glossary
89	Independent Auditor's Report		
91	Consolidated Statement of Comprehensive Income		

## FINANCIAL HIGHLIGHTS

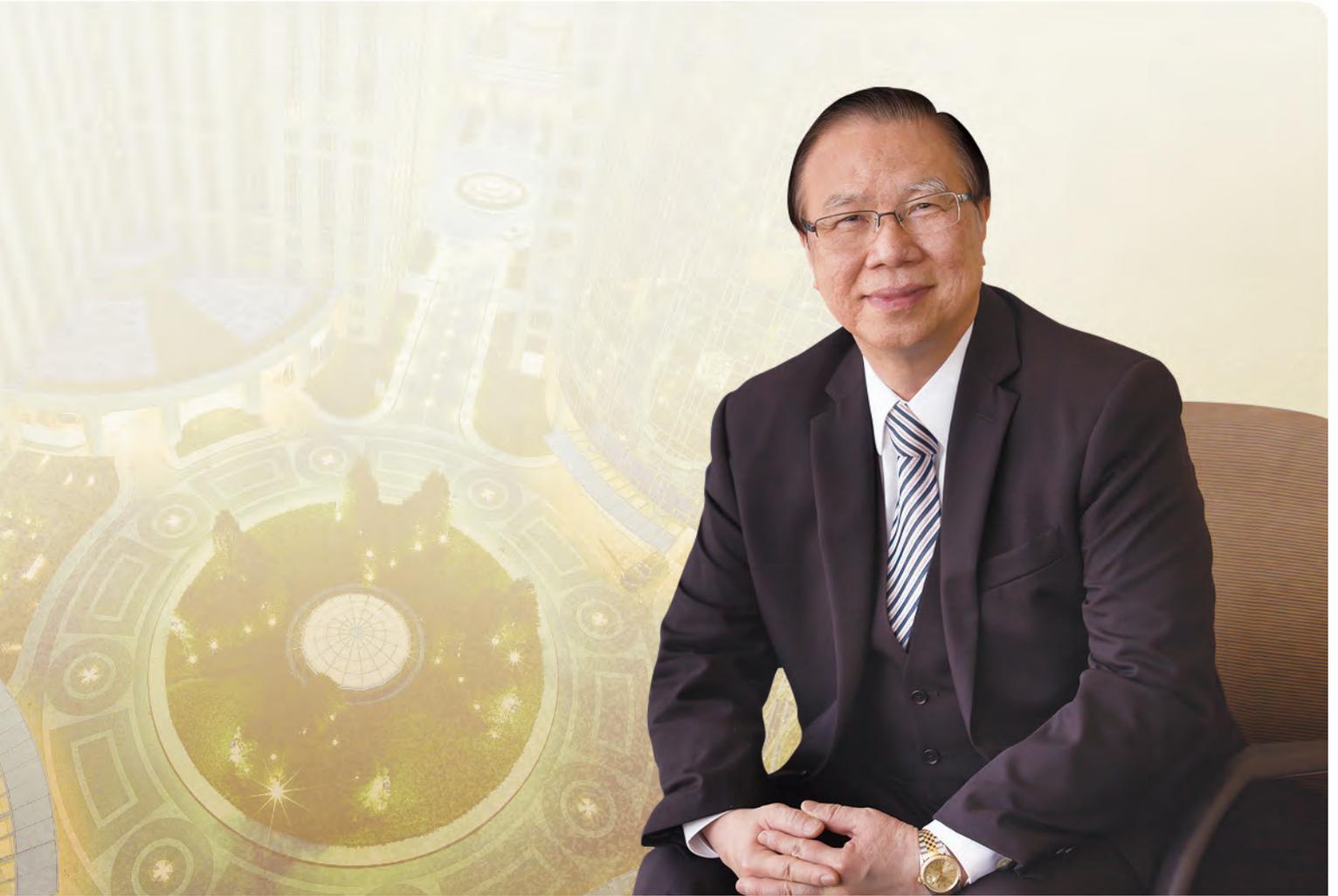
### For the financial year from 1 January 2014 to 31 December 2014

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013	Percentage Change
Total Revenue ( <i>RMB million</i> )	<b>2,795</b>	2,710	3.1%
Net Property Income ( <i>RMB million</i> )	<b>1,852</b>	1,764	5.0%
Amount Available for Distribution ( <i>RMB million</i> )	<b>1,364</b>	1,262	8.0%
Distributions to Unitholders ( <i>RMB million</i> )	<b>1,350</b>	1,262	6.9%
Distribution per Unit ( <i>RMB</i> )	<b>0.2567</b>	0.2455	4.6%
	<i>Payout Ratio: 99%</i>	<i>Payout Ratio: 100%</i>	
Interim Distribution per Unit ( <i>RMB</i> )	0.1271	0.1203	5.7%
	<i>Payout Ratio: 100%</i>	<i>Payout Ratio: 100%</i>	
Final Distribution per Unit ( <i>RMB</i> )	0.1296	0.1252	3.5%
	<i>Payout Ratio: 98%</i>	<i>Payout Ratio: 100%</i>	
Distribution Yield	<b>7.38%<sup>(1)</sup></b>	6.36% <sup>(2)</sup>	N/A

	As at 31 Dec 2014	As at 31 Dec 2013	Percentage Change
Gross Asset Value ( <i>RMB million</i> )	<b>42,228</b>	40,727	3.7%
Net Asset Value Attributable to Unitholders ( <i>RMB million</i> )	<b>28,564</b>	27,963	2.1%
Net Asset Value per Unit ( <i>RMB</i> )	<b>5.3919</b>	5.4144	-0.4%
Debts to Gross Asset Value	<b>9.2%</b>	7.9%	N/A

Notes:

- (1) Based on the closing price of the units of Hui Xian REIT ("Units") on 31 December 2014 and the actual distribution amount for the period from 1 January 2014 to 31 December 2014.
- (2) Based on the closing price of the Units on 31 December 2013 and the actual distribution amount for the period from 1 January 2013 to 31 December 2013.



**H L KAM** *Chairman*

**“Looking ahead, we will further capture organic growth from our flagship asset – Beijing Oriental Plaza through implementing active asset management and enhancement programmes.”**

**“The acquisition of Metropolitan Plaza in Chongqing represented an important milestone for Hui Xian REIT, expanding its presence beyond Beijing and Shenyang.**

**Our mission in 2015 is to integrate this newly acquired asset into our portfolio. With our proven track record in Beijing Oriental Plaza, we will leverage our experience and existing resources to achieve strong synergistic benefits between two assets.”**

I am pleased to report the annual results of Hui Xian REIT for the financial year ended 31 December 2014 ("Reporting Period"). The amount available for distribution for the Reporting Period grew 8.0% year-on-year to RMB1,364 million.

Distribution per unit ("DPU") increased 4.6% year-on-year to RMB0.2567, representing a distribution yield of 7.38% based on the closing unit price of RMB3.48 on 31 December 2014.

### **RESULTS AND DISTRIBUTION**

During the Reporting Period, total revenue increased 3.1% year-on-year to RMB2,795 million. Net property income ("NPI") recorded a 5.0% year-on-year growth to RMB1,852 million. Gross asset value was up by 3.7% year-on-year to RMB42,228 million. Net asset value attributable to unitholders grew 2.1% year-on-year to RMB28,564 million.

The amount available for distribution continued its growth track and increased 8.0% year-on-year to RMB1,364 million. The distributions to unitholders of Hui Xian REIT ("Unitholders") for the year was RMB1,350 million.

The DPU for the second half of the year was RMB0.1296 based on the payout ratio of 98%.

Together with the interim DPU of RMB0.1271 (the payout ratio for the first half of 2014 was 100%), the total DPU for the year increased 4.6% year-on-year to RMB0.2567. The payout ratio for the entire year was calculated as 99%.

Based on the closing unit price of RMB3.48 on 31 December 2014, the distribution yield was 7.38%.

### **MAJOR ACQUISITION ANNOUNCED**

On 10 November 2014, Hui Xian REIT announced the acquisition of Metropolitan Plaza, an iconic mixed-use development in Jiefangbei Central Business District of Chongqing, China. It comprises an approximately 90,000-square metre shopping mall, over 54,000 square metres of Grade A office space and a 353-space car park. The total Gross Floor Area ("GFA") is approximately 164,000 square metres.

The acquisition was approved by the independent Unitholders in an Extraordinary General Meeting held on 28 November 2014, and is expected to be completed in early March 2015.

This yield-accretive acquisition marks a transformational milestone for Hui Xian REIT, bringing meaningful growth to its portfolio and value. Upon completion, Hui Xian REIT's footprint will be expanded to over 1,030,000 square metres of area under management across three key cities of China.

### **OFFSHORE RMB MARKET DEVELOPMENT**

Remarkable progress has been seen in the progress of RMB internationalisation and development of offshore RMB market in Hong Kong in recent years, including the successful listing of the RMB-denominated Hui Xian REIT.

Starting from 17 November 2014, the Hong Kong authorised institutions could conduct RMB currency conversions with Hong Kong residents without applying the daily limit of RMB20,000 per person. We believe the removal of

the daily conversions limit will facilitate Hong Kong retail investors' participation in investments and transactions denominated in RMB, including Hui Xian REIT. Together with the newly introduced "Shanghai-Hong Kong Stock Connect", Hong Kong's position as an offshore RMB business centre will be further strengthened. We believe all these developments would be positive for the prospects of Hui Xian REIT.

## BUSINESS ENVIRONMENT IN CHINA

In 2014, China's gross domestic product ("GDP") expanded by 7.4% year-on-year to RMB63.65 trillion according to National Bureau of Statistics. The country's total retail sales of consumer goods increased 11.9% from a year earlier to RMB26.24 trillion. Beijing's GDP registered a year-on-year growth of 7.3% to RMB2.13 trillion according to Beijing Statistics Bureau.

## BUSINESS REVIEW

As at 31 December 2014, 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 RMB37,600 million as at 31 December 2014.

Hui Xian REIT's retail and office sectors achieved steady business growth. The serviced apartment reported a slight decline, while hotel sector continued to encounter unfavourable market conditions.

Total revenue of Hui Xian REIT's portfolio rose 3.1% year-on-year to RMB2,795 million; and NPI increased 5.0% year-on-year to RMB1,852 million.

<b>Net Property Income</b>	<b>Jan-Dec 2014 (RMB million)</b>	<b>Jan-Dec 2013 (RMB million)</b>	<b>Percentage Change (%)</b>
Retail	<b>910</b>	858	6.1%
Office	<b>770</b>	681	13.0%
Serviced apartment	<b>62</b>	63	-0.8%
Hotels	<b>110</b>	162	-32.2%
<b>TOTAL</b>	<b>1,852</b>	1,764	5.0%

### Retail Portfolio

During 2014, Beijing's urban disposable income per capita grew 8.9% year-on-year and retail sales of consumer goods surged 8.6% year-on-year to RMB910 billion.

The Central Government's ongoing campaign against extravagance has continued to impact the luxury retail industry across China. Affordable luxury brands, in the meantime, are continuing to open and expand their stores in China to capture the country's rapidly emerging middle class. A number of new shopping malls have also opened in Beijing in recent years.

The Malls at Oriental Plaza is strategically located in the heart of Wangfujing, one of Beijing's most famous shopping and tourist precincts. The 130,000-square metre mall, featuring an extensive array of products and culinary choices, which ranges from mass market to luxury brands, is very popular among both retailers and shoppers. Leasing demand for The Malls continued to be strong, thus both occupancy and rental rates were maintained at high levels during the Reporting Period.

The retail portfolio's NPI increased 6.1% year-on-year to RMB910 million. The average monthly passing rent was up by 5.7% year-on-year to RMB1,094 per square metre. Rental reversion was 7.7%. The average occupancy rate was 98.2%.

### **Office Portfolio**

As the capital city of the world's second largest economy, Beijing remains as a preferred office location for major multinational and domestic corporations. Demand for quality office space was firm in 2014.

The Tower Offices at Oriental Plaza provides over 309,000 square metres of Grade A office space in eight blocks. Occupancy rate and rental revenue were higher than the same period of last year as strong leasing demand continued to characterise the market.

The office portfolio's NPI was RMB770 million, an increase of 13.0% over 2013. The average monthly passing rent increased 9.4% year-on-year to RMB255 per square metre. The average monthly spot rent was up by 12.0% year-on-year to RMB286 per square metre. Rental reversion was 16.2%. The average occupancy rate was 96.2%.

### **Serviced Apartment Portfolio**

Leasing demand for well-located luxury serviced apartments in Beijing was stable during the Reporting Period.

Conveniently located in the centre of Beijing, The Tower Apartments at Oriental Plaza offers over 600 well-appointed serviced apartments over two blocks. During the Reporting Period, the average occupancy rate was improved to 87.8% from 82.3% a year ago. The NPI, nevertheless, registered a slight decrease of 0.8% year-on-year to RMB62 million, mainly due to higher operating expenses.

### **Hotel Portfolio**

In 2014, the Central Government's ongoing policy of restrictions on luxury spending continued to impose challenges to the hotel industry across China. This led to the cancellation or scaling down of corporate entertainment and banquets, business meetings and government-driven events, putting downward pressure on both room rates and occupancy level. It is not expected that the anti-extravagance policy will change in the near to medium term.

Hui Xian REIT's hotel portfolio consists of two five-star hotels: Grand Hyatt Beijing at Oriental Plaza and Sofitel Shenyang Lido. The NPI decreased by 32.2% year-on-year to RMB110 million during the Reporting Period.

In 2014, commercial activities and the MICE (meetings, incentives, conferences and exhibitions) market in Beijing started to show signs of mild stabilisation. Grand Hyatt Beijing's average occupancy rate increased slightly to 55.9% compared to 54.3% a year ago. The average room rate, nevertheless, has not recovered and declined by 9.1% year-on-year to RMB1,587. Revenue per available room ("RevPAR") was down 6.4% year-on-year to RMB887.

The competition amongst upscale hotels in Shenyang remained intense throughout 2014 due to the abundant room supply and soft demand. During the Reporting Period, Sofitel Shenyang Lido's average room rate per night decreased 21.5% year-on-year to RMB534. RevPAR dropped 32.1% year-on-year to RMB192. The average occupancy rate was 35.9%.

### **ASSET ENHANCEMENT**

Asset enhancement is an ongoing process for Hui Xian REIT to further improve the assets' quality and revenues. During the Reporting Period, we continued to implement asset enhancement programmes for The Malls and The Tower Offices at Oriental Plaza, as well as the two hotels.

We recognise the importance of providing a healthy environment for our tenants, shoppers and hotel guests. To address the concerns of air quality issue in Beijing, PM2.5 air-purification systems have now been installed in all four sectors of Oriental Plaza, including the mall, offices, serviced apartments and Grand Hyatt Beijing.

### **STRONG FINANCIAL POSITION**

Hui Xian REIT has maintained a strong financial position during the Reporting Period. As at 31 December 2014, bank balances and cash on hand amounted to RMB4,795 million and debts totalled RMB3,867 million. Debts to gross asset value ratio was 9.2%. Hui Xian REIT has strong financial capacity and flexibility to seize investment opportunities when they arise.

### **OUTLOOK**

Looking ahead, we will further capture organic growth from our flagship asset – Beijing Oriental Plaza through implementing active asset management and enhancement programmes. We remain confident in the prospects of the retail and office markets in selected cities of China; we have also seen signs of stabilisation in the hotel industry.

The acquisition of Metropolitan Plaza in Chongqing represented an important milestone for Hui Xian REIT, expanding its presence beyond Beijing and Shenyang. Our mission in 2015 is to integrate this newly acquired asset into our portfolio. With our proven track record in Beijing Oriental Plaza, we will leverage our experience and existing resources to achieve strong synergistic benefits between two assets. Establishing a portfolio of two landmark commercial properties in key cities in China would certainly enhance our appeal and negotiation power in recruiting tenants.

We will continue to expand our portfolio by actively pursuing yield-accretive investments, which can provide attractive long-term cash flows and benefits for the Unitholders.

## CHAIRMAN'S STATEMENT

It is our intention to rebrand the Metropolitan Plaza as “Metropolitan Oriental Plaza”, signifying the first step of Hui Xian REIT’s long-term plan of establishing a portfolio of strategically located large-scale projects across different cities in China under the “Oriental Plaza” brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza. Most importantly, we believe the expansion of the “Oriental Plaza” brand beyond the capital city would be a thriving opportunity for Hui Xian REIT and will bode well for its future prospects.

On behalf of the Manager, I would like to take this opportunity to express our heartfelt thanks to all Unitholders and the Trustee for their continued support rendered to Hui Xian REIT.

**H L KAM**

*Chairman*

**Hui Xian Asset Management Limited**

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

Hong Kong, 27 February 2015

# 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 People's Republic of China ("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	<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>➢ <i>Grand Hyatt Beijing at Oriental Plaza</i></li> <li>➢ <i>Sofitel Shenyang Lido</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>

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



# 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

According to Beijing Statistics Bureau, Beijing's GDP in 2014 grew 7.3% year-on-year to RMB2.13 trillion. Disposable income per capita of Beijing's urban residents rose 8.9% year-on-year to RMB43,910; the city's retail sales of consumer goods was up by 8.6% year-on-year to RMB910 billion.

The Central Government's ongoing policy of anti-extravagance has continued to impact the sales of luxury goods and expensive dining in China. The country's burgeoning middle class with increasing disposable income offers tremendous potential for retail businesses, particularly the affordable luxury and mass market segments. Moreover, the Central Government is committed to further boost domestic consumption with the aim of maintaining sustainable economic growth. All these developments present market opportunities for both international and domestic retailers, which in turn help to drive demand for well-located retail space in China.

Hui Xian REIT's retail portfolio consists of a 130,000-square metre shopping centre in the heart of Beijing, namely The Malls at Oriental Plaza. The NPI of the retail portfolio increased 6.1% year-on-year to RMB910 million, accounting for 49.1% of the total NPI of Hui Xian REIT during the Reporting Period.

Wangfujing, in which The Malls is situated, is one of Beijing's most popular shopping and tourist destinations. Well known for its excellent location, heavy foot traffic, as well as outstanding property management, leasing demand for The Malls continued to be strong in 2014. Rental income continued to grow and occupancy rate was maintained at a high level. The average monthly passing rent increased 5.7% year-on-year to RMB1,094 per square metre. Rental reversion was 7.7%; and the average occupancy rate was 98.2%.



To keep up with the ever-changing retail landscape and customer needs, The Malls is constantly revitalising the tenant mix and refreshing its physical environment. During 2014, it welcomed a range of new shops, including Armani Collezioni, Daniel Hechter, Bree, 7 for all mankind, Sly, Sephora and Frank Provost. Some current tenants also upgraded and expanded their

stores, for example, Omega and Coach. Omega expanded its shop to two levels, and is the world's largest Omega Boutique. Renovation works at Zone 5 was completed, unveiling a new look in late 2014.

The Malls won "China Daily Asia Pacific Leadership Award" at the 2014 Retail Asia Expo.

Gross Revenue	RMB1,117 million, +3.9% YoY
Net Property Income	RMB910 million, +6.1% YoY
Average Occupancy Rate	98.2%
Average Monthly Passing Rent	RMB1,094 per square metre, +5.7% YoY
Average Monthly Spot Rent	RMB1,420 per square metre, -5.5% YoY



“To keep up with the ever-changing retail landscape and customer needs, The Malls is constantly revitalising the tenant mix and refreshing its physical environment.”



# 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.



“Given its prominent location and quality property management services, The Tower Offices is home to a number of leading multinational and domestic corporations.”



## (2) Office Portfolio

Demand for quality office space in Beijing was strong in 2014 and supply continued to be limited.

Hui Xian REIT's office portfolio consists of The Tower Offices at Oriental Plaza, offering over 309,000 square metres of Grade A office space in eight blocks. The NPI of the office portfolio posted a year-on-year growth of 13.0% to RMB770 million, contributing to 41.6% of the total NPI of Hui Xian REIT.

Given its prominent location and quality property management services, The Tower Offices is home to a number of leading multinational and domestic corporations. The tenants are from a variety of industries, including finance and banking, accounting, professional services, technology,

energy, medical, consumer products, education and government-related organisations.

The leasing performance during the Reporting Period saw encouraging rental growth with the average monthly passing rent increased 9.4% year-on-year to RMB255 per square metre. The average monthly spot rent rose by 12.0% year-on-year to RMB286 per square metre. Rental reversion was 16.2%. The average occupancy rate grew to 96.2% from 93.5% a year earlier.

Asset enhancement works for six office towers was completed in 2014; their lobbies, public areas and elevators have been upgraded. All office blocks have been equipped with PM2.5 air-purification systems.



Gross Revenue	RMB1,026 million, +11.3% YoY
Net Property Income	RMB770 million, +13.0% YoY
Average Occupancy Rate	96.2%
Average Monthly Passing Rent	RMB255 per square metre, +9.4% YoY
Average Monthly Spot Rent	RMB286 per square metre, +12.0% YoY



# 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**

During the Reporting Period, leasing demand for luxury serviced apartments in the prime areas of Beijing was stable while supply remained limited. Tightened housing allowances from multinational corporations, combined with concerns over the city’s air quality, have prompted some landlords to offer rental incentives and discounts to attract new tenants.

Hui Xian REIT’s serviced apartment portfolio consists of The Tower Apartments at Oriental Plaza. Comprising two blocks, it offers over 600 fully-furnished serviced apartments of varying sizes.

The average occupancy rate was 87.8%, up from 82.3% in 2013. The NPI of the serviced apartment portfolio recorded a marginal decline of 0.8% year-on-year to RMB62 million, accounting for 3.4% of the total NPI of Hui Xian REIT during the Reporting Period.

Same as other premises at Oriental Plaza, PM2.5 air-purification system has now been installed in The Tower Apartments.

The Tower Apartments received “2014 Best Home China Awards — Best Overall” by *City Weekend Magazine*.

“The Tower Apartments received ‘2014 Best Home China Awards — Best Overall’ by *City Weekend Magazine*.”





Gross Revenue	RMB131 million, +1.8% YoY
Net Property Income	RMB62 million, -0.8% YoY
Average Occupancy Rate	87.8%





北京東方君悅大酒店

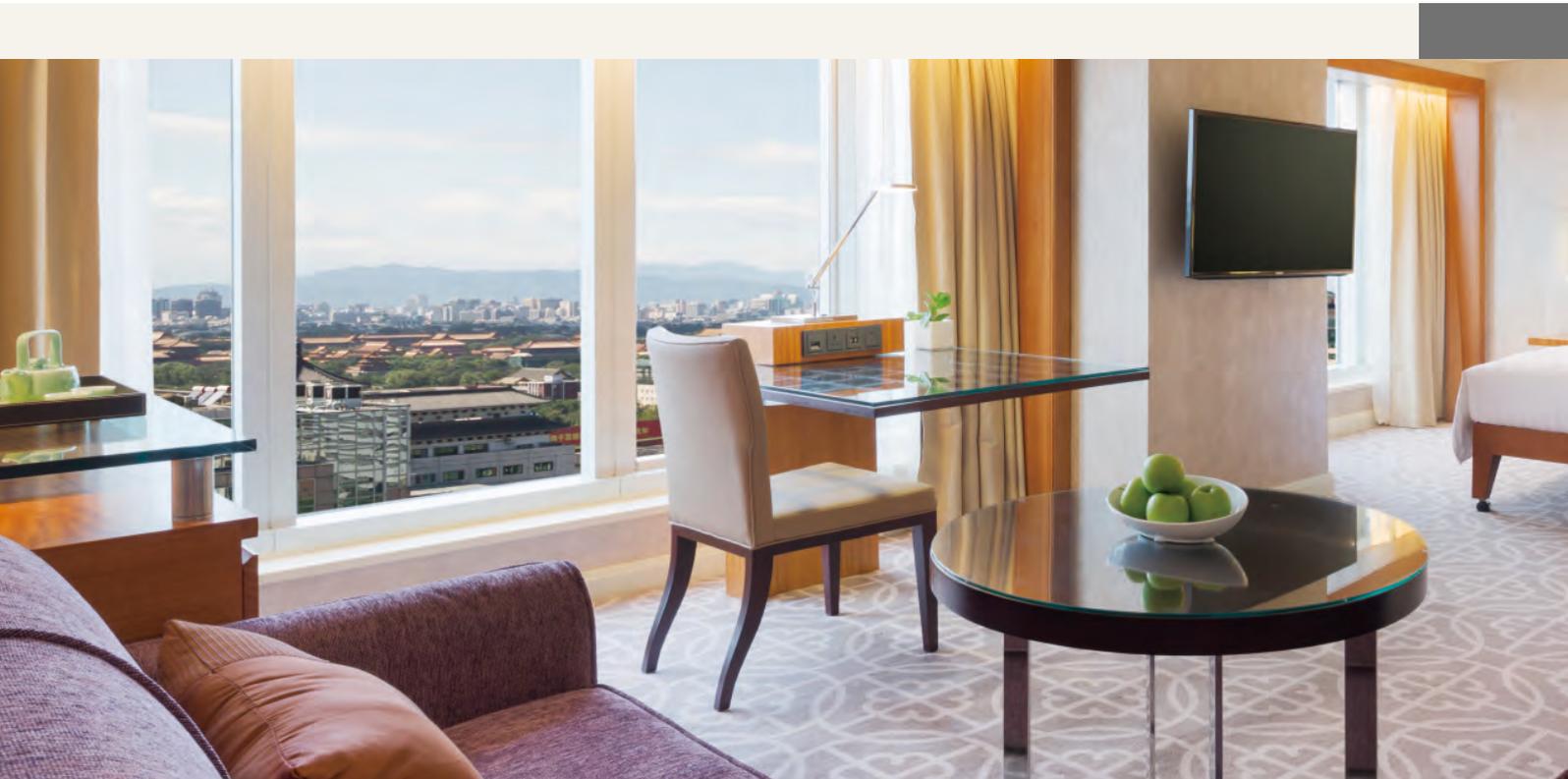
# Hotel Portfolio

## Grand Hyatt Beijing at Oriental Plaza Sofitel Shenyang Lido

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 a 20-minute drive away from Taoxian International Airport, the **Sofitel Shenyang Lido** is a popular choice for both business and leisure travellers.





#### (4) Hotel Portfolio

China's hotel market remained challenging in 2014 as the ongoing anti-extravagance policy continued to impose a significant impact on the number and scale of corporate and government-driven events and entertainment. Room rate competition was also very intense among the hotels, in particular the high-end segment.

Hui Xian REIT's hotel portfolio consists of Grand Hyatt Beijing at Oriental Plaza and Sofitel Shenyang Lido. The NPI of the two hotels combined was RMB110 million, a 32.2% decrease year-on-year. The hotel sector contributed 5.9% of the total NPI of Hui Xian REIT in 2014.

#### *Grand Hyatt Beijing, Beijing*

The number of foreign tourists visiting Beijing during 2014 fell 5.0% year-to-year to 4.27 million according to Beijing Bureau of Statistics, partly due to the general economic slowdown and air quality concern.

In 2014, Grand Hyatt Beijing's meeting, incentive, conference and exhibition ("MICE") businesses began to show signs of recovery with more medium-sized events having been staged. About 1,430 conferences and events were hosted during the Reporting Period; they ranged from banking and finance conferences, product launches, to high-profile forums and events attended by state



“Featuring new designs and upgraded facilities, the refurbished rooms of Grand Hyatt Beijing have been well-received by guests.”

leaders and celebrities. The average occupancy rate has slightly increased to 55.9% from 54.3% a year earlier. Corporations remained price-sensitive and have been conservative in their travelling budget. The average room rate declined by 9.1% year-on-year to RMB1,587; while RevPAR was down by 6.4% year-on-year to RMB887.

The asset enhancement programme for about 600 hotel rooms has now been completed. Featuring new designs and upgraded facilities, the refurbished rooms have been well-received by guests. PM2.5 air-purification systems have also been installed in the hotel.

#### ***Sofitel Shenyang Lido, Shenyang***

Shenyang hotel industry continued to encounter a difficult operating environment in 2014. The Central Government’s ongoing anti-extravagance policy, together with the substantial increase in the supply of upscale hotels right before the 12th National Games in 2013, as well as soft demand, put a tremendous pressure on both room rates and margins.

The average room rate per night decreased by 21.5% year-on-year to RMB534. RevPAR was down by 32.1% year-on-year to RMB192; and the average occupancy rate for 2014 was 35.9%

To respond to the unfavourable market conditions, the hotel continued to streamline its existing operations through cost cutting and efficiency enhancement measures with an aim to improve the financial performance.

Gross Revenue	RMB521 million, -10.9% YoY
---------------	----------------------------

Net Property Income	RMB110 million, -32.2% YoY
---------------------	----------------------------

*Grand Hyatt Beijing*

- |                               |                       |
|-------------------------------|-----------------------|
| • Average occupancy rate      | • 55.9%               |
| • Average room rate per night | • RMB1,587, -9.1% YoY |
| • RevPAR                      | • RMB887, -6.4% YoY   |

*Sofitel Shenyang Lido*

- |                               |                      |
|-------------------------------|----------------------|
| • Average occupancy rate      | • 35.9%              |
| • Average room rate per night | • RMB534, -21.5% YoY |
| • RevPAR                      | • RMB192, -32.1% YoY |

## INVESTMENT REVIEW

Hui Xian REIT announced in November 2014 the acquisition of Metropolitan Plaza, a mixed-use development in Chongqing, China, at an attributable value of RMB3,910 million. It was approved by the independent Unitholders in an Extraordinary General Meeting held on 28 November 2014. The acquisition will be funded by new bank borrowing and existing cash.

Metropolitan Plaza is centrally-located at Jiefangbei, Chongqing's Central Business District, tourist destination and retail hub. It comprises an approximately 90,000-square metre shopping mall, an over 54,000-square metre Grade A office tower and a 353-space car park. The total GFA is approximately 164,000 square metres.

Covering an area of almost 83,000 square kilometres with a growing population of over 33 million, Chongqing is one of the four direct-controlled municipalities that reports directly to the Central Government. It is also one of China's fastest growing local economies. Chongqing's GDP in 2014 reached RMB1.43 trillion, up 10.9% year-on-year, higher than China's national GDP growth of 7.4%. Urban disposable income and retail sales grew at 9.1% and 13.0% year-on-year respectively.

In addition to diversifying Hui Xian REIT's asset portfolio geographically, this first major acquisition also brings meaningful growth to its portfolio value and size. The area under management will increase approximately 19% from 865,805 square metres to over 1,030,000 square metres.

It is the REIT Manager's long-term objective to establish a portfolio of strategically-located large-scale projects across different cities in China under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza. The Metropolitan Plaza acquisition is a first step of Hui Xian REIT in working towards this long-term objective. The REIT Manager intends to rebrand the project as "Metropolitan Oriental Plaza" and position it as another "Oriental Plaza".



遠東百貨

遠東百貨

冬虫夏草  
现在开始含着吃

大都會廣場  
metropolitan pl

御峰  
全新城市联邦建筑  
全景视野 顶级高层精彩发售  
单价1215-2421元/㎡ 面积175-100㎡  
高层均价27500-29900元/㎡

和黄地产呈献 6262 8822  
西岸区·板桥路·江苏体育场馆

# Metropolitan Plaza

Metropolitan Plaza is an iconic mixed-use complex strategically located in Chongqing's Jiefangbei Central Business District. It comprises an approximately 90,000-square metre shopping mall, over 54,000 square metre of Grade A office space, and a 353-space car park.

“It is our intention to rebrand the Metropolitan Plaza as ‘Metropolitan Oriental Plaza’, as signifying the first step of Hui Xian REIT’s long-term plan of establishing a portfolio of strategically located large-scale projects across different cities in China under the ‘Oriental Plaza’ brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza,” Mr H L KAM, Chairman, said.



## FINANCIAL REVIEW

### Net Property Income

The net property income was RMB1,852 million for the year ended 31 December 2014.

### Distributions

#### *Distribution Amount*

Hui Xian REIT will distribute a total of RMB687 million ("2014 Final Distribution") to Unitholders for the period from 1 July 2014 to 31 December 2014. The 2014 Final Distribution represents 98% of Hui Xian REIT's total amount available for distribution during the period from 1 July 2014 to 31 December 2014 and will be paid in RMB. A total of RMB663 million ("2014 Interim Distribution") has been distributed to Unitholders of Hui Xian REIT on 25 September 2014 for the period from 1 January 2014 to 30 June 2014. In total, Hui Xian REIT will distribute a total of RMB1,350 million to Unitholders for the year ended 31 December 2014. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB279 million (2013: RMB263 million).

#### *Distribution per Unit*

The final DPU for the period from 1 July 2014 to 31 December 2014 is RMB0.1296 based on the number of outstanding Units on 31 December 2014. Together with the interim DPU of RMB0.1271, Hui Xian REIT provides a total DPU for the year ended 31 December 2014 of RMB0.2567. This represents a distribution yield of 7.38% based on the closing unit price of RMB3.48 on 31 December 2014.

### Closure of Register of Unitholders

The record date for the 2014 Final Distribution will be 18 March 2015, Wednesday ("Record Date"). The Register of Unitholders will be closed from 16 March 2015, Monday to 18 March 2015, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 13 May 2015, Wednesday to Unitholders whose names appear on the Register of Unitholders on the Record Date.

Subject to obtaining authorisation from the Securities and Futures Commission of Hong Kong ("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 2014 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 13 March 2015, Friday.

### Debt Positions

In May 2014, Hui Xian Investment drew down a new unsecured 3-year term loan of HK\$800 million offered by Hang Seng Bank Limited and China Construction Bank (Asia) Corporation Limited. The purpose of the 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 December 2014, Hui Xian Investment extended the maturity date of an unsecured term loan of HK\$200 million offered by Bank of East Asia Limited for one year. The purpose of the facility was to finance the general working capital requirement of the Hui Xian REIT group.

In December 2014, Hui Xian Investment accepted and agreed a new unsecured 3-year term loan of HK\$5,000 million offered by Bank of China (Hong Kong) Limited, China Construction Bank (Asia) Corporation Limited, Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, DBS Bank Ltd., and The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility was to finance the general corporate funding needs of the Hui Xian REIT group. At the end of the reporting period, no outstanding loan was drawn down by Hui Xian Investment under the December 2014 Credit Facility.

In December 2014, Hui Xian Investment accepted and agreed a new 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 facility was drawn down in full in January 2015 for the purpose of financing the repayment of the credit facility granted by the same lenders in December 2011.

The outstanding loan drew down by Hui Xian Investment under a revolving credit facility arrangement with Hui Xian Holdings was fully repaid in May 2014 (31 December 2013: nil). The revolving credit facility was expired in October 2014.

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.

As at 31 December 2014, Hui Xian REIT's total debts amounted to RMB3,867 million (31 December 2013: RMB3,217 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB28,564 million as at 31 December 2014 (31 December 2013: RMB27,963 million), Hui Xian REIT's debts to net asset value ratio stood at 13.5% (31 December 2013: 11.5%). Meanwhile, the debts to gross asset value ratio was 9.2% as at 31 December 2014 (31 December 2013: 7.9%).

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

As at 31 December 2014, Hui Xian REIT's bank balances and cash amounted to RMB4,795 million (31 December 2013: RMB3,740 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Pursuant to the requirements of the Code on Real Estate Investment Trusts ("REIT Code"), American Appraisal China Limited ("American Appraisal") retired as principal valuer after it has conducted valuations of the real estate of Hui Xian REIT for three consecutive years. Knight Frank Petty Limited ("Knight Frank") was appointed as the principal valuer of Hui Xian REIT and valued its properties portfolio as at 31 December 2014.

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 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.

Knight Frank valued the eight blocks of office towers, the shopping mall and car parking spaces at RMB30,760 million as at 31 December 2014 (31 December 2013: RMB30,080 million), translating into an increase of 2.3% over the valuation as of 31 December 2013. Together with the hotel and serviced apartment premises, gross property value of BOP was RMB36,366 million as at 31 December 2014, as compared to RMB35,865 million as at 31 December 2013.

Hui Xian REIT also indirectly owns 70% of the entitlement in the distributions of Shenyang Lido, owner of Sofitel Shenyang Lido. Standing on the famous Qingnian Street, Sofitel Shenyang Lido with 30-storey 78,746 square metre is located in the heart of the newly established Central Business District in southern Shenyang.

Knight Frank valued the hotel premises of Shenyang Lido at RMB930 million as at 31 December 2014 (31 December 2013: RMB970 million). Gross property value of hotel premises as at 31 December 2014 was RMB903 million (31 December 2013: RMB970 million).

### **Net Assets Attributable to Unitholders**

As at 31 December 2014, net assets attributable to Unitholders amounted to RMB28,564 million (31 December 2013: RMB27,963 million) or RMB5.3919 per Unit, representing a 54.9% premium to the closing unit price of RMB3.48 on 31 December 2014 (31 December 2013: RMB5.4144 per Unit, representing a 40.3% premium to the closing unit price of RMB3.86 on 31 December 2013).

### **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 credit facilities of the Group.

### **Commitments**

As at 31 December 2014, except for capital commitment in respect of the acquisition of Metropolitan Plaza and the asset enhancement programme for the hotels, Hui Xian REIT did not have any significant commitments.

### **Employees**

As at 31 December 2014, BOP, by itself and through its branch, employed a total of approximately 510 employees in the PRC, of which approximately 480 employees performed hotel operation functions and services, and approximately 30 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 2014, Shenyang Lido by itself and through its branch employed a total of approximately 300 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 2014.

**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	37,865	8.7%
北京弘高建築裝飾設計工程有限公司	Renovation and maintenance	17,007	3.9%
北京清水百工人力資源管理諮詢服務有限公司	Integrated services	16,565	3.8%
Hyatt of China Limited	Management services	15,809	3.6%
北京海潤宇恒商貿中心	Renovation and maintenance	13,912	3.2%
		101,158	23.2%

**TOP 5 REAL ESTATES AGENTS**

Real estate agents	Nature of services	Commission paid (RMB'000)	Percentage
北京亞中聯合房地產經紀有限公司	Leasing	1,297	5.1%
北京中原房地產經紀有限公司	Leasing	955	3.7%
華仕兄弟(北京)房地產經紀有限公司	Leasing	510	2.0%
北京安居嘉泰諮詢服務有限公司	Leasing	362	1.4%
第一太平戴維斯物業顧問(北京)	Leasing	296	1.2%
		3,420	13.4%

\* 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 which sets out the key processes, systems and measures applied by the Manager in order to comply with the Trust Deed, the 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 2014, 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 SFO and the Listing Rules.

### **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 report, Mr. CHEUNG Ling Fung, Tom (chief executive officer and executive director of the Manager), Mr. LEE Chi Kin, Casey (executive director of the Manager), Ms. LAI Wai Yin, Agnes (chief financial officer of the Manager), Mr. CHING Sung, Eric (deputy chief investment officer of the Manager) and Ms. TANG Hiu Tung, Daisy (corporate finance and corporate development manager 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 (Cap. 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.

### **ROLES OF THE TRUSTEE AND THE MANAGER**

The Trustee and the Manager are independent of each other. The Trustee is primarily responsible under the Trust Deed for the safe custody of the assets of Hui Xian REIT and holds the assets in trust for the benefit of the Unitholders.

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

The Trust Deed was amended pursuant to special resolutions passed at two extraordinary general meetings of Unitholders held on 7 May 2013 and 5 May 2014. Please refer to the announcements dated 12 April 2013 and 31 March 2014, and the circulars dated 12 April 2013 and 31 March 2014 published by the Manager for details of the amendments.

## BOARD OF DIRECTORS OF THE MANAGER

The Board is responsible for corporate governance and the overall management of the Manager. It establishes goals for the management and monitors the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of Hui Xian REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Hui Xian REIT, including a system of internal control and a business risk management process.

The Directors in the year ended 31 December 2014 were 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 as Mr. YIN's alternate) (non-executive directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive directors).

## BOARD COMPOSITION

The board of directors of the Manager currently comprises nine members (one of whom has appointed an alternate), three of whom are independent non-executive directors ("INEDs").

There were no changes to the composition of the Board or any of its committees in the year ended 31 December 2014.

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 (which, based on the current composition of the Board, will require the Manager to have at least three INEDs).

INEDs must be individuals who fulfil the independence criteria set out in the compliance manual. The Manager has received written confirmation from each of its INEDs confirming his independence.

The positions of chairman and 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.

Five Board meetings of the Manager were held in 2014. The attendance of each Director at these Board meetings was as follows:

<b>Members of the Board</b>	<b>Attendance</b>
<b>Chairman and Non-executive Director</b>	
Mr. KAM Hing Lam	5/5
<b>Executive Directors</b>	
Mr. CHEUNG Ling Fung, Tom ( <i>chief executive officer</i> )	5/5
Mr. LEE Chi Kin, Casey	5/5
<b>Non-executive Directors</b>	
Mr. IP Tak Chuen, Edmond	5/5
Mr. LIM Hwee Chiang	5/5
Mr. YIN Ke	3/5*
<b>Independent Non-executive Directors</b>	
Mr. CHENG Hoi Chuen, Vincent	5/5
Professor LEE Chack Fan	5/5
Dr. CHOI Koon Shum, Jonathan	3/5
<b>Alternate Director to Mr. YIN Ke</b>	
Mr. PANG Shuen Wai, Nichols	2/2*

\* Mr. YIN attended three of the five meetings and the other two meetings were attended by his alternate, Mr. PANG.

## APPOINTMENTS AND REMOVALS OF DIRECTORS

The appointments and removals of Directors (including responsible officers appointed under the SFO) are matters for the Board and the shareholders of the Manager in accordance with the compliance manual, the articles of association of the Manager and applicable laws. As the Manager is licensed by the SFC under Part V of the SFO, the appointments and removals of any of its directors and responsible officers must be notified to the SFC and the appointment of a responsible officer requires the prior approval of the SFC.

## INTERNAL CONTROLS

The Board, through the Audit Committee, conducts reviews on the effectiveness of the internal control system of Hui Xian REIT, which covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board has appointed an internal audit manager to maintain an independent and objective internal audit function and to report on the adequacy, effectiveness and efficiency of the Manager's operations and internal controls.

The audit plan for each year is prepared by the internal audit manager 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 the effective implementation of the internal control systems and compliance procedures. Five audit reviews were conducted in the year ended 31 December 2014. Accomplishments of the audit plan and major findings of the audit reviews were reported to the Audit Committee on a half-yearly basis. Adequate controls were found to be in place and no major irregularities were noted. Recommendations to further improve on the internal control framework were all implemented.

## BOARD COMMITTEES

Subject to the provisions contained in the corporate governance policy, the Board has the power to delegate certain of its responsibilities to board committees. Three board committees have been established, each with clear terms of reference, to assist the Board in discharging its responsibilities. Unless the decision making power has been vested in the relevant board committee, the ultimate responsibility of making final decisions rests with the full Board and not the board committee. Where appropriate, each board committee reports back to the Board on key decisions or submits its findings and recommendations to the full Board for consideration and endorsement.

The three board committees are:

## AUDIT COMMITTEE

The Audit Committee of the Manager is appointed by the Board from among its members and comprises non-executive directors only. Majority of the members of the Audit Committee are INEDs and at least one INED has appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee is chaired by an INED, namely Mr. CHENG Hoi Chuen, Vincent. The other members of the Committee are Professor LEE Chack Fan, Dr. CHOI Koon Shum, Jonathan (both INEDs), Mr. IP Tak Chuen, Edmond and Mr. YIN Ke (who are non-executive directors).

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 the year ended 31 December 2014 to (among others) consider and review the annual results for the year ended 31 December 2013, the interim results for the six months ended 30 June 2014, connected party transactions and reports from the external and internal auditors. Attendance at these two meetings of the Audit Committee was as follows:

<b>Members of the Audit Committee</b>	<b>Attendance</b>
Mr. CHENG Hoi Chuen, Vincent ( <i>chairman of the committee</i> )	2/2
Professor LEE Chack Fan	2/2
Dr. CHOI Koon Shum, Jonathan	2/2
Mr. IP Tak Chuen, Edmond	2/2
Mr. YIN Ke	2/2

## **DISCLOSURES COMMITTEE**

The Disclosures Committee comprises the chief executive officer and two non-executive directors of the Manager, one of whom is an INED. Its role 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, who bears the responsibility in ensuring that such disclosure 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 the year ended 31 December 2014 to consider (among others) the disclosures in the interim and annual results announcements, and the disclosures in the interim and annual reports. Attendance at these two meetings of the Disclosures Committee was as follows:

<b>Members of the Disclosures Committee</b>	<b>Attendance</b>
Mr. CHEUNG Ling Fung, Tom ( <i>chairman of the committee</i> )	2/2
Mr. IP Tak Chuen, Edmond	2/2
Professor LEE Chack Fan	2/2

### **DESIGNATED (FINANCE) COMMITTEE**

The Designated (Finance) Committee comprises the chief executive officer and two non-executive directors, one of whom is an INED. 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 physical meeting in 2014.

### **MANAGEMENT OF BUSINESS RISK**

As part of the risk management process, the Board meets quarterly or more often if necessary to review (among other information) the financial performance of Hui Xian REIT against the approved budget for the corresponding period. The Board also reviews risks to the assets of Hui Xian REIT from time to time and acts upon any comments from the independent external auditor where appropriate. In assessing any business risk, the Board will consider the economic environment and risks relevant to the real estate sector. In order to mitigate against risks, the Manager will hedge against interest rate exposure if necessary, prudently select tenants and review their financial position if necessary and always maintain sufficient liquidity for Hui Xian REIT.

### **CONFLICTS OF INTERESTS**

The Manager is ultimately owned by Cheung Kong (Holdings) Limited ("CKH"), ARA Asset Management Limited ("ARA") and CITIC Securities International Company Limited ("CITIC Securities") as to 30%, 30% and 40% respectively. To the best of the Manager's knowledge, CKH had an indirect interest of approximately 7.84% in the shares of ARA as at 31 December 2014 and indirectly held 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) the principal activities of Cheung Kong, its subsidiaries and associated companies (“CKH Group”) encompass property development and investment, hotel and serviced suite operation, property and project management, and investment in infrastructure business;
- (b) ARA, its subsidiaries and associated companies (“ARA Group”) are engaged in the management of publicly listed real estate investment trusts (“REITs”) (which includes Prosperity REIT and Fortune REIT) and private real estate funds; and
- (c) the principal activities of CITIC Securities International, its holding company and their respective subsidiaries (“CITIC Securities Group”) include securities trading, underwriting and sponsoring, proprietary trading, asset management and investment banking advisory services.

There may be circumstances where Hui Xian REIT (on the one hand), and the Cheung Kong Group, Prosperity REIT, Fortune 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. Conflicts of interests may therefore arise in connection with the potential acquisitions, leasing opportunities and transactions mentioned above. 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 when negotiating 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 respective managers of Prosperity REIT and Fortune REIT. Mr. YIN Ke is a director and senior executive of certain members of the 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.

The Manager has developed the following measures in order to address and manage the potential conflicts of interests described above:

- (1) unless with the approval from the SFC, the Manager does not manage any REIT other than Hui Xian REIT nor does it 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 required to be managed by the full Board, including the INEDs; and
- (4) any director of the Manager who has a material interest 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 investors' 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 informed decisions.

The general meetings of Unitholders provide a forum for communication between the Board and the Unitholders. Three general meetings – one annual general meeting and two extraordinary general meetings – were held in the year ended 31 December 2014 with attendance as follows:

<b>Members of the Board</b>	<b>Attendance</b>
<b>Chairman and Non-executive Director</b>	
Mr. KAM Hing Lam	3/3
<b>Executive Directors</b>	
Mr. CHEUNG Ling Fung, Tom ( <i>chief executive officer</i> )	3/3
Mr. LEE Chi Kin, Casey	3/3
<b>Non-executive Directors</b>	
Mr. IP Tak Chuen, Edmond	3/3
Mr. LIM Hwee Chiang	0/3
Mr. YIN Ke	1/3*
<b>Independent Non-executive Directors</b>	
Mr. CHENG Hoi Chuen, Vincent	3/3
Professor LEE Chack Fan	3/3
Dr. CHOI Koon Shum, Jonathan	2/3
<b>Alternate Director to Mr. YIN Ke</b>	
Mr. PANG Shuen Wai, Nichols	2/3*

\* Mr. YIN attended one of the three meetings and the other two meetings were attended by his alternate, Mr. PANG.

Hui Xian REIT also 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 corporate communication are posted. The Manager has been actively participating in regular press conferences and meetings with investors and analysts in order to update 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 issued by the Hong Kong Institute of Certified Public Accountants with a financial year-end of 31 December. 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 from the end of the financial year and within two months from end of the half-yearly period.

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

The Manager also issues circulars to 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 the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

The consolidated financial statements of Hui Xian REIT for the year ended 31 December 2014 were audited by Deloitte Touche Tohmatsu and a statement on their responsibility with respect to the financial statements is set out in the Independent Auditor's Report at page 89 of this Annual 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 to the above, Units may be issued as consideration for the acquisition of additional real estate.

## **CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS OR MANAGER AND DISCLOSURE OF INTEREST IN UNITS**

The Manager has adopted rules governing dealings in Units by the Directors, Manager and certain senior executives, officers and employees of the Manager, subsidiaries of the Manager or the special purpose vehicles of Hui Xian REIT who, because of his/her office or employment in the Manager, the relevant subsidiaries of the Manager or the relevant special purpose vehicles of Hui Xian REIT, is likely to be in possession of unpublished price sensitive information in relation to the securities of Hui Xian REIT (collectively the "Management Persons"). These rules are set out in the Code Governing Dealings in Units by Directors or the REIT Manager (the "Units Dealing Code") contained in the compliance manual. It sets out the required standard against which Management Persons must measure their conduct regarding transactions in securities of Hui Xian REIT and are on terms no less exacting than those of the Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules.

Management Persons wishing to deal in any securities of Hui Xian REIT 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 apply 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 or any connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the securities of Hui Xian REIT 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 securities of Hui Xian REIT at any time when he is in possession of unpublished price-sensitive information in relation to those securities, or where clearance to deal is not otherwise conferred upon him in the manner as provided in Units Dealing Code. Further, Management Persons must not deal in the securities of Hui Xian REIT 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 a Management Person and is subject to the same dealing requirements as the Directors.

Specific enquiry having been made with each of the Management Persons, 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 2014.

The Manager has also adopted procedures for monitoring disclosure of interests by Directors and 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 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 is set out in the section on Directors' Biographical Information on page 55 of this annual report. 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 2014, 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 2014 has been reviewed by the Audit Committee and the Disclosures Committee.

### **NEW UNITS ISSUED**

In the year ended 31 December 2014, (i) an aggregate of 34,168,123 new Units were issued to the Manager as payment of part of the manager's fees; and (ii) an aggregate of 98,897,890 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 2013 to 31 December 2013 and the interim distribution for the period from 1 January 2014 to 30 June 2014.

### **BUY-BACK, SALE OR REDEMPTION OF UNITS**

During 2014, there was no buy-back, 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 2014.

## CONNECTED PARTY TRANSACTIONS

### WAIVERS FROM STRICT COMPLIANCE WITH CERTAIN REQUIREMENTS UNDER THE REIT CODE

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 and subsequently, waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions involving Hui Xian REIT (the "Waivers") were granted by the SFC. Some of the Waivers were subsequently modified and/or extended, with the approval of Unitholders where required. The terms and conditions pursuant to which the Waivers were granted were disclosed in the 2011 Interim Report of Hui Xian REIT and the announcements dated 10 November 2011, 22 May 2012, 7 May 2013, 5 May 2014 and 28 November 2014 published by the Manager for Hui Xian REIT.

With approval of the Unitholders, a new waiver was granted by the SFC on 28 November 2014 in respect of certain leasing and licensing transactions, banking and financial services transactions and corporate finance transactions between the Hui Xian REIT Group and the HK Bank Connected Persons Group subject to the terms and conditions as disclosed in the announcement dated 28 November 2014 published by the Manager for Hui Xian REIT.

Throughout the year ended 31 December 2014, Hui Xian REIT has complied with the relevant terms and conditions of the Waivers and the new waiver.

### CONNECTED PARTY TRANSACTIONS

Set out below is a summary of the information in respect of the connected party transactions entered into in the year ended 31 December 2014, other than those transactions that are exempted from disclosure and/or excluded pursuant to the waivers granted by the SFC.

### CONNECTED PARTY TRANSACTIONS – INCOME

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income in the year ended 31 December 2014:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2014 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	3,940
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	697
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	1,580
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	719

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2014 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>	Leasing and licensing transaction	1,641
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	1,922
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	17,031
Cheung Kong (Holdings) Limited Beijing Office	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	84
長實(中國)投資有限公司 (Cheung Kong (China) Investment Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	35
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>4</sup>	Leasing and licensing transaction	1,538
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>3</sup>	Leasing and licensing transaction	420
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	341
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	55
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	25,855
Bank of China Group Life Assurance Company Limited Beijing Office	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	155
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>2</sup>	Leasing and licensing transaction	518
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>2</sup>	Leasing and licensing transaction	398

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2014 <i>RMB'000</i>
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Interest income on deposits	47,789
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest income on deposits	23,577
<b>Total</b>			<b>128,295</b>

*Notes:*

- 1 Significant holder being Hui Xian Cayman.
- 2 The connected person concerned is a subsidiary of a controlling entity of Hui Xian Cayman.
- 3 This company ceased to be an associated company of Hui Xian Cayman, a significant unitholder of Hui Xian REIT, with effect from 9 October 2014.
- 4 An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown Investment Limited, a significant holder of Hui Xian REIT, with effect from 30 April 2014.

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

- \* 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 in the year ended 31 December 2014:

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Expenses for the year ended 31 December 2014 RMB'000</b>
北京港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	8,711
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	11,867
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	336
Cheung Kong (Holdings) Limited	Associated company of a significant holder <sup>1</sup>	Internet services fee	2
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>	Beverage	7
屈臣氏酒窖(上海)有限公司 (Watson's Wine Cellar (Shanghai) Company Limited*)	Associated company of a significant holder <sup>1</sup>	Beverage	2
Metro Broadcast Corporation Limited	Associated company of a significant holder <sup>1</sup>	Promotional expenses	158
廣州屈臣氏食品飲料有限公司 北京飲料分公司 (Guangzhou Watson's Food & Beverages Company Limited Beijing Beverages Branch*)	Associated company of a significant holder <sup>1</sup>	Beverage	433
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	355
Hutchison Hotel Hong Kong Limited	Associated company of a significant holder <sup>1</sup>	Banquet services	59
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	Associated company of a significant holder <sup>1</sup>	Hotel services	37

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the year ended 31 December 2014 RMB'000
The Kowloon Hotel	Associated company of a significant holder <sup>1</sup>	Hotel services	7
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 expense	435
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 expense	1,523
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest expense on loans	16,136
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder <sup>2</sup>	Interest expense on loans	6,609
Hui Xian Holdings Limited	Associated company of a significant holder <sup>1</sup>	Interest expense on loans	1,586
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	37,865
<b>Total</b>			<b>86,128</b>

Notes:

1 Significant holder being Hui Xian Cayman.

2 An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown Investment Limited, a significant holder of Hui Xian REIT, with effect from 30 April 2014.

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

### **CONFIRMATION BY THE INEDS AND AUDIT COMMITTEE**

The INEDs and Audit Committee have confirmed that they have reviewed the terms of all the relevant connected party transactions conducted during the year ended 31 December 2014 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 its unqualified letter containing its 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 on pages 46 to 50 of this Annual Report in accordance with the relevant waivers from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of the auditor's letter will be provided to the SFC.

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

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 of Hui Xian REIT shall not be deemed connected party transactions. Such services are therefore not disclosed in the above sections. The aggregate amount of fees (in cash and/or units) payable by Hui Xian REIT to the Trustee and to the Manager under the Trust Deed for the year ended 31 December 2014 were RMB3,732,000 and RMB150,159,000 respectively. Particulars of the services provided by the Trustee and the Manager are set out in notes 1(b) and 1(c) respectively to the Consolidated Financial Statements of Hui Xian REIT for the year ended 31 December 2014 on pages 99 to 100 of this Annual Report. For the year ended 31 December 2014, the valuation fee payable to the former principal valuer, American Appraisal China Limited, was RMB16,000. The valuation fee and technical due diligence fee payable to the current principal valuer, Knight Frank Petty Limited, were RMB330,000 and RMB151,000 respectively.

## DISCLOSURE OF INTERESTS

### INTERESTS OF CONNECTED PERSONS

Based on the information available to the Manager as at 31 December 2014, each of the following persons was a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units of Hui Xian REIT as follows:

Name	As at 31 December 2014		As at 30 June 2014
	No. of Units held	Percentage of Units held <sup>1</sup>	No. of Units held
Hui Xian (Cayman Islands) Limited <sup>2</sup>	1,500,000,000	28.31%	1,500,000,000
Subsidiaries of Cheung Kong (Holdings) Limited <sup>3</sup>	649,787,751	12.27%	615,421,096
Subsidiary of Hutchison Whampoa Limited <sup>4</sup>	299,784,620	5.66%	288,501,974
Subsidiary of Bank of China Limited <sup>5</sup>	12,627,000	0.24%	250,165,000
Subsidiaries of China Life Insurance (Group) Company <sup>6</sup>	569,156,000	10.74%	489,057,000
Subsidiary of Orient Overseas (International) Limited <sup>7</sup>	118,500,000	2.24%	118,500,000
The Hongkong and Shanghai Banking Corporation Limited <sup>8</sup>	30,248,209	0.57%	N/A
Subsidiary of CITIC Securities International Company Limited <sup>9</sup>	6,000,000	0.11%	4,000,000
Subsidiary of ARA Asset Management Limited <sup>10</sup>	9,804,889	0.19%	8,304,889

*Notes:*

The terms associated company, connected person, controlling entity and significant holder are as defined in the REIT Code or the SFO.

- Based on the total number of Units in issue as at 31 December 2014 of 5,297,591,509 Units.
- Hui Xian (Cayman Islands) Limited ("Hui Xian Cayman") was a wholly-owned subsidiary of Hui Xian Holdings Limited ("Hui Xian Holdings") and a significant holder within the meaning of the REIT Code as at 31 December 2014. Hui Xian Holdings no longer held any Units in Hui Xian REIT since May 2014 (but see its deemed interest under the SFO in paragraph 3(i) below).
- The subsidiaries being Noblecrown Investment Limited ("Noblecrown") which became a significant holder of Hui Xian REIT since April 2014 (31 December 2014: 556,742,864 Units and 30 June 2014: 535,789,379 Units), Wisdom Ally Limited ("Wisdom Ally") (31 December 2014: 82,468,924 Units and 30 June 2014: 70,897,335 Units) and Wealth Finder Limited ("Wealth Finder") (31 December 2014: 10,575,963 Units and 30 June 2014: 8,734,382 Units), all being indirect wholly-owned subsidiaries of Cheung Kong (Holdings) Limited ("CKH") and each of them was an associated company of Hui Xian Holdings and Hui Xian Cayman.

Separately, by virtue of the deemed application of Part XV of the SFO and based on information available to the Manager as at 31 December 2014:

- Hui Xian Holdings was taken to be interested in the Units held by Hui Xian Cayman and Noblecrown was taken to be interested in the Units that Hui Xian Holdings was interested in, as Hui Xian Holdings was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Hui Xian Cayman while Noblecrown was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Hui Xian Holdings;
- each of CKH and 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 Units that Noblecrown was interested in;

- (iii) Cheung Kong Investment Company Limited, of which Wisdom Ally and Wealth Finder were indirect wholly-owned subsidiaries, was taken to have an interest in the Units held by Wisdom Ally and Wealth Finder respectively;
  - (iv) CKH, in view of its interest in the above intermediate holding companies through which Noblecrown was held, in Wisdom Ally, in Wealth Finder and in Hutchison Whampoa Limited ("HWL"), was taken to have an interest in the Units held by Noblecrown, Wisdom Ally, Wealth Finder and HWL (HWL's interests were held through Heathcliff Developments Limited as disclosed in note 4 below); and
  - (v) 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 Units in which CKH was interested in.
4. The subsidiary being Heathcliff Developments Limited, an associated company of Hui Xian Holdings and Hui Xian Cayman.
  5. The subsidiary being Lucky Star International Holdings Inc., an associated company of Hui Xian Holdings and Hui Xian Cayman.
  6. Po Lian Enterprises Limited and China Life Insurance (Overseas) Co. Ltd were wholly-owned subsidiaries of China Life Insurance (Group) Company and were deemed to be significant holders within the meaning of the REIT Code as at 31 December 2014. Each of them was an associated company of Hui Xian Holdings and Hui Xian Cayman.
  7. The subsidiary being Far Gain Investment Limited, a controlling entity of Hui Xian Holdings.
  8. The Hongkong and Shanghai Banking Corporation Limited was an associate of Mr. Li Tzar Kuoi, Victor who was also a director of Noblecrown Investment Limited which became a significant holder of Hui Xian REIT with effect from 30 April 2014.
  9. The subsidiary being CSI REITs Investment Management Company Limited, a wholly-owned subsidiary of CITIC Securities International Company Limited, which owned 40% of the voting power at general meetings of the Manager.
  10. The subsidiary being ARA Hui Xian (Holdings) Limited, a wholly-owned subsidiary of ARA Asset Management Limited, which owned 30% of the voting power at general meetings of the Manager.

## DISCLOSURE OF INTERESTS

### Interests of the Manager

As at 31 December 2014, the Manager held 14,847,021 Units in Hui Xian REIT (30 June 2014: 10,895,826 Units).

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

As at 31 December 2014, each of the following persons was a director, senior executive or officer of the Manager and thus a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Hui Xian REIT as follows:

<b>Name</b>	<b>As at 31 December 2014 Number of Units held</b>	<b>As at 30 June 2014 Number of Units held</b>
KAM Hing Lam	<b>799,760<sup>1</sup></b>	673,424 <sup>1</sup>
IP Tak Chuen, Edmond	<b>400,000<sup>2</sup></b>	400,000 <sup>2</sup>
CHEUNG Ling Fung, Tom	<b>59,242<sup>3</sup></b>	57,013 <sup>3</sup>
TONG BARNES Wai Che, Wendy	<b>112,856<sup>4</sup></b>	108,609 <sup>4</sup>
HUI Tung Keung, Tommy	<b>N/A<sup>5</sup></b>	54,000 <sup>5</sup>

*Notes:*

1. These Units were held by Mr. KAM Hing Lam, chairman and non-executive director of the Manager, as a bare trustee and this is a voluntary disclosure made by Mr. KAM.
2. These Units were held by Mr. IP Tak Chuen, Edmond, non-executive director of the Manager, as beneficial owner.
3. These Units were held by Mr. CHEUNG Ling Fung, Tom, executive director and chief executive officer of the Manager, as beneficial owner.
4. These Units were held by Mrs. TONG BARNES Wai Che, Wendy, deputy chief executive officer of the Manager, as beneficial owner.
5. These units were held by Mr. HUI Tung Keung, Tommy as beneficial owner as at 30 June 2014. Mr. HUI resigned as chief operating officer of the Manager with effect from 15 December 2014.

Save as disclosed above, the Manager is not aware of any connected persons of Hui Xian REIT holding any units of Hui Xian REIT as at 31 December 2014.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**KAM Hing Lam**, aged 68, is the founding Chairman and Non-executive Director of Hui Xian Asset Management Limited (the "Manager"). 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 since 1993 and Member of Executive Committee since March 2013 of Cheung Kong (Holdings) Limited. 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, both of which are listed on the Main Board of Hong Kong Stock Exchange. He is also a Director of Australian Gas Networks Limited (formerly known as Envestra Limited, whose shares were withdrawn from listing on 17th October, 2014). Prior to joining the Cheung Kong Group, Mr. KAM 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 48, 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 the General Manager of Beijing Oriental Plaza Company Limited ("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 7 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.

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

**LEE Chi Kin, Casey**, aged 52, 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 Hong Kong Stock Exchange 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 Sofitel Shenyang Lido (formerly known as Sheraton Shenyang Lido Hotel), which forms part of the Hui Xian REIT Group since the beginning of 2012.

Mr. LEE has over 29 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 62, 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 and Member of Executive Committee since March 2013. 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 (an Asian real estate fund management company listed in Singapore), AVIC International Holding (HK) Limited, Real Nutraceutical Group Limited and Shougang Concord International Enterprises Company Limited. All the companies above are listed companies.

In addition, Mr. IP is a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore). Mr. IP was previously a Director of ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore) (resigned on 17th April 2014).

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

**LIM Hwee Chiang**, aged 58, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010 and Director of Hui Xian Investment Limited since 29 April 2011. 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) and ARA-CWT Trust Management (Cache) Limited (the manager of Singapore-listed Cache Logistics Trust). 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, the Chairman of the property management committee of the Singapore Chinese Chamber of Commerce & Industry, the managing director of Chinese Chamber Realty Private Limited and a director of The Finance Board of the Singapore Chinese Chamber of Commerce. He is also a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.

Mr. LIM has more than 30 years of experience in real estate industry and has received many notable corporate awards. His 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 51, 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 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 was a Non-executive Director of CITIC Pacific Limited (previously known as CITIC Limited and CITIC Corporation Limited), 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 55, 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 deputy chief executive officer and the executive director of CTI Capital Management Limited, which is a subsidiary of CITIC Trust Co., 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 CITIC Securities International Company Limited ("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. In 2001, he moved to the asset management field through the assumption of the role as investment managers and advisors for two publicly listed closed-end investment companies. From 2002 to 2006, he was the executive director of a listed investment company in which he was appointed as the chairman of the board in 2005-2006. Prior to joining CSI in 2011, he was a fund manager of a family office.

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 66, 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., Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and Hutchison Whampoa 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 was previously 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.

Mr. CHENG was 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 is 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 was 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 69, 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 Louis XIII Holdings Limited (formerly known as 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 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 and a member of the Commission on Strategic Development. He is a past Chairman of the Harbourfront Enhancement Committee, and past Chairman of the Council of the Lord Wilson Heritage Trust, and past Chairman of the Veterinary Surgeons Board. He previously also served on 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 2001 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 and Gold Bauhinia Star in 2005 and 2013 respectively.

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 Honorary Doctor of Science degrees from The University of Western Ontario in 2006; the Plymouth University and the Edinburgh Napier University in 2012. He was also awarded the Gold Medal of the Hong Kong Institution of Engineers (HKIE) in 2008 and elected to the Hall of Fame of the HKIE in 2010.

**CHOI Koon Shum, Jonathan**, aged 57, 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 and is elected to be the Deputy Director of The Committee of Education, Science, Culture, Health and Sports. 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 and Foundation Chairman of the Hong Kong-Korea Business Council. 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 and the Gold 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, Zhongshan 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, the Honorary Doctor of Social Sciences by Lingnan University in Hong Kong in October 2011, the Honorary Doctor of the Vietnam National University, Hanoi, in 2013 and the Honorary Doctor of Business Administration by De Montfort University in United Kingdom in July 2014.

## KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

**TONG BARNES Wai Che, Wendy** is the Deputy Chief Executive Officer of Hui Xian Asset Management Limited (“the Manager”). 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** is the Chief Financial Officer and Responsible Officer of the Manager. She is also the Financial Controller of Beijing Oriental Plaza Company Limited. Ms. LAI has worked for Beijing Oriental Plaza Company Limited since she joined the company as Finance Manager in 2000. She has over 25 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.

**CHING Sung, Eric** is the Deputy Chief Investment Officer and Responsible Officer of the Manager. Prior to joining the Manager, Mr. CHING worked in CK Life Sciences Int’l., (Holdings) Inc. and Cheung Kong Infrastructure Holdings Limited. Mr. CHING has over 30 years of experience in banking, finance and mergers & acquisitions. He holds a Master’s degree in Management.

**TANG Hiu Tung, Daisy** is the Corporate Finance and Corporate Development Manager and Responsible Officer of the Manager. Ms. TANG has over 14 years of experience in investor relations, corporate finance and marketing communications with a career that spans the finance, property, exhibition and convention, and automotive industries. She holds a Master’s Degree in Marketing.

**FONG Chi Lam, Jasmine** is the Compliance Manager of the Manager. Ms. FONG is also the Senior Legal Manager of Cheung Kong Infrastructure Holdings Limited. She has over 17 years of 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.

**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 23 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.



Our Ref: CV/CL/JF/VC/kl/14083(10-14)

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

16 February 2015

Dear Sirs

## **VALUATION OF VARIOUS PORTIONS OF ORIENTAL PLAZA LOCATED AT DONGCHENG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the captioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2014 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of each of the property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

## **VALUATION METHODOLOGY**

In our course of valuation, we have adopted Income Capitalization Approach and cross-checked by the Direct Comparison Approach.

Income Capitalization Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

We have valued the property nos. 1 to 3 and 5 by capitalization of the net rental income generated in the unexpired land use rights term of the property until 21 April 2049.

Direct Comparison Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable.

For property no. 4, the hotel portion, we have valued the property interest under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

## **TITLE DOCUMENTS AND ENCUMBRANCES**

We have been provided with extracts of title documents relating to the property interests. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company regarding the titles and other legal matters relating to the properties.

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

## **SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of the buildings, identification of the properties, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided

to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

## INSPECTION AND MEASUREMENT

We have inspected the exterior, and where possible, the interior of the properties. However, no structural survey has been made. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the properties have been maintained in satisfactory condition. Moreover, we have not been able to carry out on-site measurements to verify the site areas and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

## REMARKS

This report is confidential to the Company for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the Company in respect of the purpose, but the Company shall not disclose the report to any other person.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the properties.

Pursuant to Section 6.5 in Chapter 6 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

Our executive summary and valuation report are attached.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Clement W M Leung**

*MCIREA MHKIS MRICS RPS (GP)*

*Executive Director*

*Head of China Valuation*

Enc

VC/kl

## EXECUTIVE SUMMARY

Properties	<ol style="list-style-type: none"> <li>(1) The Retail Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC</li> <li>(2) The Office Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC</li> <li>(3) The Serviced Apartment Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC</li> <li>(4) The Hotel Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC</li> <li>(5) The Basement Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC</li> </ol>
Description	Oriental Plaza is a mixed use commercial complex comprising a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a 5-star hotel, car parking spaces and other ancillary facilities.
Site Area	109,924.10 sq.m. (Note 1)
	<i>Note 1:</i> The site area of the Oriental Plaza is of 77,594.81 sq.m. under the relevant State-owned Land Use Certificate as stated below and the planned land use area of the Property is of 109,924.10 sq.m. under the relevant Appendix of Construction Land Use Planning Permit.
Registered Owner	Beijing Oriental Plaza Company Limited (北京東方廣場有限公司) (hereinafter referred to as “BOP”)
Gross Floor Area	According to the information provided by BOP, the details of approximate gross floor area are listed as follows:

<b>Property</b>	<b>Approximately Gross Floor Area (sq.m.)</b>
Retail Portion	130,195
Office Portion	309,552
Serviced Apartment Portion	81,603
Hotel Portion	125,420
Basement Portion	116,712
<b>Total:</b>	<b>763,482</b>

Lettable Area According to the information provided by BOP, details of the approximate lettable area are listed as follows:

<b>Property</b>	<b>Approximately Lettable Area (sq.m.)</b>
Retail Portion	76,057
Office Portion	298,330
Serviced Apartment Portion	81,097
<b>Total:</b>	<b>455,484</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)

Date of Valuation 31 December 2014

Valuation Methodology Income Capitalization Approach and Direct Comparison Approach

<b>Property</b>	<b>Market value in existing state as at 31 December 2014</b>
Retail Portion	15,580,000,000
Office Portion	14,890,000,000
Serviced Apartment Portion	2,280,000,000
Hotel Portion	3,630,000,000
Basement Portion	290,000,000
<b>Total:</b>	<b>36,670,000,000</b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014										
1. The retail portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m., it is completed in 2004.</p> <p>The property comprises the retail portion of the Development with a total gross floor area and lettable area of approximately 130,195 sq.m. and 76,056.87 sq.m. respectively. The approximate lettable area of the property is listed as follows:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Approximate Lettable Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Podium level</td> <td>15,873</td> </tr> <tr> <td>Upper ground level</td> <td>23,380</td> </tr> <tr> <td>Lower ground level</td> <td>36,804</td> </tr> <tr> <td><b>Total:</b></td> <td><b>76,057</b></td> </tr> </tbody> </table> <p>The property is held under a land use rights term expiring on 21 April 2049 for composite use.</p>	Level	Approximate Lettable Area (sq.m.)	Podium level	15,873	Upper ground level	23,380	Lower ground level	36,804	<b>Total:</b>	<b>76,057</b>	<p>Portion of the property with a total lettable area of approximately 73,482.74 sq.m. has been leased under various tenancies with the last expiry term in November 2021 yielding an average monthly rental of approximately RMB79,940,066 exclusive of management fee.</p> <p>Various advertising spaces are let under various agreements yielding an average monthly income of approximately RMB928,000 from January 2014 to December 2014.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB15,580,000,000
Level	Approximate Lettable Area (sq.m.)												
Podium level	15,873												
Upper ground level	23,380												
Lower ground level	36,804												
<b>Total:</b>	<b>76,057</b>												

## Notes:

- Pursuant to the Stated-owned Land Use Rights Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (國有土地使用證京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. was vested in BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (房屋所有權證京房權證市東港澳臺字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. was vested in BOP.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.

5. According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account turnover rent, if any. The average monthly turnover rent income is approximately RMB1,080,000.
6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

**Occupancy Profile**

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	73,483	96.6
Vacant	2,574	3.4
<b>Total:</b>	<b>76,057</b>	<b>100.0</b>

**Tenancy Commencement Profile (excluding rental income from turnover)**

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2001	2,801	3.8	249,458	0.3	2	0.8
2002	—	0.0	—	0.0	—	0.0
2003	—	0.0	—	0.0	—	0.0
2004	—	0.0	—	0.0	—	0.0
2005	—	0.0	—	0.0	—	0.0
2006	—	0.0	—	0.0	—	0.0
2007	1,889	2.6	333,200	0.4	2	0.8
2008	2,991	4.1	1,064,900	1.3	1	0.4
2009	—	0.0	—	0.0	—	0.0
2010	799	1.1	560,600	0.7	4	1.5
2011	3,951	5.4	2,854,087	3.6	6	2.3
2012	14,209	19.3	15,880,531	19.9	47	17.9
2013	20,111	27.3	25,682,115	32.1	88	33.4
2014	26,218	35.7	33,315,175	41.7	106	40.3
2015	514	0.7	—	0.0	7	2.6
<b>Total:</b>	<b>73,483</b>	<b>100.0</b>	<b>79,940,066</b>	<b>100.0</b>	<b>263</b>	<b>100.0</b>

**Tenancy Expiry Profile (excluding rental income from turnover)**

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2014	640	0.9	1,146,834	1.4	8	3.0
2015	18,704	25.4	19,764,526	24.7	74	28.1
2016	19,170	26.1	22,425,808	28.1	82	31.2
2017	22,637	30.8	26,472,767	33.1	67	25.5
2018	4,883	6.6	5,280,659	6.6	15	5.7
2019	4,626	6.3	3,750,823	4.7	11	4.2
2020	1,307	1.8	831,991	1.1	5	1.9
2021	1,516	2.1	266,658	0.3	1	0.4
<b>Total:</b>	<b>73,483</b>	<b>100.0</b>	<b>79,940,066</b>	<b>100.0</b>	<b>263</b>	<b>100.0</b>

**Tenancy Duration Profile (excluding rental income from turnover)**

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
Up to 1 Year	363	0.5	680,574	0.9	6	2.3
More than 1 Year and up to 2 Years	5,230	7.1	6,878,925	8.6	33	12.5
More than 2 Years and up to 3 Years	31,076	42.3	44,958,540	56.2	162	61.6
More than 3 Years and up to 4 Years	3,398	4.6	4,833,711	6.0	10	3.8
More than 4 Years and up to 5 Years	20,959	28.5	18,027,574	22.6	34	12.9
More than 5 Years and up to 6 Years	2,533	3.4	2,156,726	2.7	10	3.8
More than 6 Years and up to 7 Years	3,263	4.5	1,288,800	1.6	2	0.8
More than 7 Years and up to 8 Years	2,862	3.9	720,158	0.9	3	1.1
More than 8 Years and up to 9 Years	—	0.0	—	0.0	—	0.0
More than 9 Years and up to 10 Years	998	1.4	145,600	0.2	1	0.4
More than 10 Years	2,801	3.8	249,458	0.3	2	0.8
<b>Total:</b>	<b>73,483</b>	<b>100.0</b>	<b>79,940,066</b>	<b>100.0</b>	<b>263</b>	<b>100.0</b>

\* As at the date of valuation, the total leased lettable area of approximately 73,483 sq.m. includes an area of approximately 514 sq.m. for tenancies with lease term not yet commenced and an area of approximately 72,969 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB1,030,600 per month.

\*\*\* As at the date of valuation, there are 263 tenancies, in which 256 tenancies are with lease terms already commenced and 7 tenancies are with lease term not yet commenced.

7. We have noted from the market of the following asking price of strata-title retail properties, details are listed as follows:

Comparable Property	Location	Type of Transaction	Date of Offer	Asking Price (RMB/sq.m.) (G)
Beijing INN	Dongcheng District	Asking	Q4 2014	115,000
Retail shop in Da Sha Mao Hu Tong	Dongcheng District	Asking	Q4 2014	195,000

Please note that we are not the involved parties of the above transactions. Hence, we are unable to verify or obtain direct confirmation of the above information and we cannot guarantee, warrant or make any representation of the abovementioned information. The information provided is for reference purpose only.

8. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
2. The office portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m., it is completed in 2004.</p> <p>The property comprises 5 blocks of 12-storey office towers and 3 blocks of 18-storey office towers of the Development with a total gross floor area of approximately 309,552 sq.m..</p> <p>The property is held under a land use rights term expiring on 21 April 2049 for composite use.</p>	<p>Portion of the property with a total lettable area of approximately 293,300.00 sq.m. has been leased under various tenancies with the last expiry term in March 2023 yielding a total monthly rental of approximately RMB75,169,056 exclusive of management fee.</p> <p>A naming rights of office tower E3 is let under an agreement for a term expiry in June 2015 yielding a monthly income of approximately RMB108,000 from January 2014 to December 2014.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB14,890,000,000

## Notes:

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- Pursuant to the Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (房屋所有權證京房權證市東港澳臺字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. was vested in BOP.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.

5. According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.
6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

**Occupancy Profile**

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	293,300	98.3
Owner-occupied	2,419	0.8
Vacant	2,611	0.9
<b>Total:</b>	<b>298,330</b>	<b>100.0</b>

**Tenancy Commencement Profile**

Year	Approximate Leased Lettable Area* (sq.m.)	% of total	Net Monthly Rental** (RMB)	% of total	No. of Tenancies***	% of total
2010	4,378	1.5	529,008	0.7	2	0.3
2011	3,598	1.2	931,633	1.2	3	0.5
2012	36,961	12.6	11,025,993	14.7	69	11.7
2013	120,455	41.1	30,273,525	40.3	238	40.3
2014	120,814	41.2	32,408,897	43.1	258	43.7
2015	7,094	2.4	—	0.0	21	3.5
<b>Total:</b>	<b>293,300</b>	<b>100.0</b>	<b>75,169,056</b>	<b>100.0</b>	<b>591</b>	<b>100.0</b>

**Tenancy Expiry Profile**

Year	Approximate Leased Lettable Area* (sq.m.)	% of total	Net Monthly Rental** (RMB)	% of total	No. of Tenancies***	% of total
2014	20,179	6.9	4,279,682	5.7	13	2.2
2015	103,845	35.4	26,336,392	35.0	191	32.3
2016	81,002	27.6	23,161,605	30.8	216	36.5
2017	58,215	19.8	15,789,317	21.0	129	21.8
2018	6,947	2.4	960,847	1.3	17	2.9
2019	22,259	7.6	4,426,257	5.9	24	4.1
2020	—	0.0	—	0.0	—	0.0
2021	—	0.0	—	0.0	—	0.0
2022	—	0.0	—	0.0	—	0.0
2023	853	0.3	214,956	0.3	1	0.2
<b>Total:</b>	<b>293,300</b>	<b>100.0</b>	<b>75,169,056</b>	<b>100.0</b>	<b>591</b>	<b>100.0</b>

**Tenancy Duration Profile**

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
Up to 1 Year	1,900	0.6	599,450	0.8	10	1.7
More than 1 Year and up to 2 Years	105,134	35.8	25,394,703	33.8	193	32.7
More than 2 Years and up to 3 Years	119,024	40.6	33,310,730	44.3	276	46.7
More than 3 Years and up to 4 Years	25,709	8.8	6,708,225	8.9	64	10.8
More than 4 Years and up to 5 Years	38,067	13.0	8,236,532	11.0	42	7.1
More than 5 Years and up to 6 Years	2,613	0.9	704,460	0.9	5	0.8
More than 6 Years and up to 7 Years	—	0.0	—	0.0	—	0.0
More than 7 Years and up to 8 Years	—	0.0	—	0.0	—	0.0
More than 8 Years and up to 9 Years	—	0.0	—	0.0	—	0.0
More than 9 Years and up to 10 Years	853	0.3	214,956	0.3	1	0.2
More than 10 Years	—	0.0	—	0.0	—	0.0
<b>Total:</b>	<b>293,300</b>	<b>100.0</b>	<b>75,169,056</b>	<b>100.0</b>	<b>591</b>	<b>100.0</b>

\* As at the date of valuation, the total leased lettable area of approximately 293,300 sq.m. includes an area of approximately 7,094 sq.m. for tenancies with lease term not yet commenced and an area of approximately 286,206 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB2,396,690 per month.

\*\*\* As at the date of valuation, there are 591 tenancies, in which 570 tenancies are with lease terms already commenced and 21 tenancies are with lease term not yet commenced.

7. We have noted from the market of the following asking price of strata-title office properties, details are listed as follows:

Comparable Property	Location	Type of Transaction	Date of Offer	Asking Price (RMB/sq.m.) (G)
Full Tower	Chaoyang District	Asking	Q4 2014	50,000
Vantone Center	Chaoyang District	Asking	Q4 2014	48,000
Wanda Plaza	Chaoyang District	Asking	Q4 2014	46,000

Please note that we are not the involved parties of the above transactions. Hence, we are unable to verify or obtain direct confirmation of the above information and we cannot guarantee, warrant or make any representation of the abovementioned information. The information provided is for reference purpose only.

8. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
3. The serviced apartment portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m., it is completed in 2004.</p> <p>The property comprises a 21-storey serviced apartment tower and a 14-storey serviced apartment tower of the Development with a total gross floor area of approximately 81,603 sq.m..</p> <p>The property is held under a land use rights term expiring on 21 April 2049 for composite use.</p>	<p>Portion of the property with a total lettable area of approximately 78,270.40 sq.m. has been leased under various tenancies with the last expiry term in July 2020 yielding a total monthly rental of approximately RMB8,472,988 exclusive of management fee.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB2,280,000,000

## Notes:

- Pursuant to the Stated-owned Land Use Rights Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (國有土地使用證京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. was vested in BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (房屋所有權證京房權證市東港澳臺字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership of the Development with a gross floor area of 763,480.35 sq.m. was vested in Beijing Oriental Plaza Company Limited.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.

6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

#### Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	78,270	96.5
Owner-occupied	1,016	1.3
Vacant	1,811	2.2
<b>Total:</b>	<b>81,097</b>	<b>100.0</b>

#### Tenancy Commencement Profile

Year	Approximate Leased Lettable Area* (sq.m.)	% of total	Net Monthly Rental** (RMB)	% of total	No. of Tenancies***	% of total
2012	152	0.2	33,387	0.4	1	0.2
2013	3,584	4.6	479,016	5.6	23	3.9
2014	71,394	91.2	7,960,585	94.0	539	91.5
2015	3,140	4.0	—	0.0	26	4.4
<b>Total:</b>	<b>78,270</b>	<b>100.0</b>	<b>8,472,988</b>	<b>100.0</b>	<b>589</b>	<b>100.0</b>

#### Tenancy Expiry Profile

Year	Approximate Leased Lettable Area* (sq.m.)	% of total	Net Monthly Rental** (RMB)	% of total	No. of Tenancies***	% of total
2014	1,990	2.5	231,539	2.7	14	2.4
2015	67,510	86.3	7,405,666	87.4	512	86.9
2016	8,481	10.8	835,783	9.9	60	10.2
2017	289	0.4	—	0.0	3	0.5
<b>Total:</b>	<b>78,270</b>	<b>100.0</b>	<b>8,472,988</b>	<b>100.0</b>	<b>589</b>	<b>100.0</b>

#### Tenancy Duration Profile

Year	Approximate Leased Lettable Area* (sq.m.)	% of total	Net Monthly Rental** (RMB)	% of total	No. of Tenancies***	% of total
Up to 1 Year	64,024	81.8	6,831,950	80.6	485	82.3
More than 1 Year and up to 2 Years	13,731	17.5	1,564,784	18.5	100	17.0
More than 2 Years and up to 3 Years	515	0.7	76,254	0.9	4	0.7
<b>Total:</b>	<b>78,270</b>	<b>100.0</b>	<b>8,472,988</b>	<b>100.0</b>	<b>589</b>	<b>100.0</b>

\* As at the date of valuation, the total leased lettable area of approximately 78,270 sq.m. includes an area of approximately 3,140 sq.m. for tenancies with lease term not yet commenced and an area of approximately 75,130 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB337,948 per month.

\*\*\* As at the date of valuation, there are 589 tenancies, in which 563 tenancies are with lease terms already commenced and 26 tenancies are with lease term not yet commenced.

7. We have noted from the market of the following asking price of strata-title residential properties, details are listed as follows:

<b>Comparable Property</b>	<b>Location</b>	<b>Type of Transaction</b>	<b>Date of Offer</b>	<b>Asking Price</b> <i>(RMB/sq.m.) (G)</i>
Henderson Centre	Dongcheng District	Asking	Q4 2014	35,000
Tong Hui Jia Yuan	Dongcheng District	Asking	Q4 2014	30,000

*Please note that we are not the involved parties of the above transactions. Hence, we are unable to verify or obtain direct confirmation of the above information and we cannot guarantee, warrant or make any representation of the abovementioned information. The information provided is for reference purpose only.*

8. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
4. The hotel portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m., it is completed in 2004.</p> <p>The property comprises a 20-storey hotel tower with 4 levels of basement of the Development, accommodating 825 guestrooms, restaurants and lounges, business centre, fitness centre, indoor swimming pool, meeting rooms, ballrooms and function rooms. It has a total gross floor area of approximately 125,420 sq.m..</p> <p>The property is held under a land use rights term expiring on 21 April 2049 for composite use.</p>	The property is operating as a 5-star hotel under the brand name of Grand Hyatt Beijing.	RMB3,630,000,000

## Notes:

1. Pursuant to the Stated-owned Land Use Rights Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (國有土地使用證京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. was vested in BOP for a land use term expiring on 21 April 2049 for composite use.
2. Pursuant to the Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (房屋所有權證京房權證市東港澳臺字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. was vested in BOP.
3. Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
4. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
5. The basement portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m., it is completed in 2004.</p> <p>The property comprises the 4-level basement portion of the Development with a total gross floor area of approximately 116,712 sq.m., providing 1,849 car parking spaces, including loading and unloading spaces.</p> <p>The property is held under a land use rights term expiring on 21 April 2049 for composite use.</p>	<p>Portion of the property is let under various licenses on monthly and/or hourly basis yielding an average monthly total income of approximately RMB2,020,000 exclusive of management fee.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB290,000,000

## Notes:

- Pursuant to the Stated-owned Land Use Rights Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (國有土地使用證京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. was vested in BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (房屋所有權證京房權證市東港澳臺字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. was vested in BOP.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- We have noted from the market of the following asking price of strata-title car parking space, details are listed as follows:

Comparable Property	Location	Type of Transaction	Date of Offer	Asking Price (RMB/car parking space)
Jianwai	Chaoyang District	Asking	Q4 2014	250,000
Shoucheng International	Chaoyang District	Asking	Q4 2014	250,000

- We have prepared our valuation based on the following assumptions:

- the property has a proper legal title;
- all land premium and costs of resettlement and public utilities services have been fully settled;
- the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- the property can be freely disposed of to local or overseas purchasers.

## MARKET OVERVIEW

Beijing, as the capital of PRC, is one of the most developed cities in China. At the end of 2013, the GDP of Beijing was recorded RMB1.95 trillion. The GDP of Beijing between 2008 and 2013 grew at an annual rate of 11.1 percent. The fixed asset investment grew at an annual rate of 8.8 percent, reaching RMB703.2 billion by the end of 2013. The total retail sales of consumer goods of Beijing was RMB837.5 billion and the disposable income of residents was recorded RMB40,321, experienced an increment of 10.6 percent.

### Beijing Retail Market

#### *Supply and Demand*

As at Q3 of 2014, the total retail stock in Beijing was approximately 7.3 million sq.m.. There is a consistently high demand for retail spaces in major shopping areas as they are very welcomed by international retail brands.

Lippo Plaza BHG Mall and Roosevelt Shopping Centre are the two newly opened shopping centres in Beijing, which opened in July and September respectively. Although these two shopping malls are both located in the fringe areas of Beijing, nonetheless, both of them enjoy high occupancy rate and achieved a widely diversified tenant mix. Tenants include international fashion and entertainment brands like H&M and Lotte Cinema. This reflects the current high demand for prime retail spaces in Beijing and the tendency of landlords to position their retail properties as one-stop shopping facility with highly diversified tenant mix.

In the fourth quarter of 2014, six new retail projects are scheduled to launch with the majority of them located in emerging areas, like the Intel Ikea Beijing Shopping Center and Baoyuan International Shopping Centre in Daxing District. Although it is believed that retail spaces in traditional shopping areas will maintain its competitiveness, the new projects will inevitably put pressure on the occupancy rate and rental growth of the existing retail spaces.

#### *Market Trend*

Although there is much supply of retail space in Beijing in the previous months, the average occupancy rates did not fall. This is mainly due to the pre-lease of new shopping malls. As for the rentals of Beijing retail area, the retail landlords of fringe area of Beijing agreed to lower their asking to attract tenants. This leads to a decline in the average retail rental of Beijing. In the third quarter, the retail rentals of Level 1 in Beijing increased slightly, in less than 1% to approximately RMB903/sq.m./month as compared to Q2.

In 2015, it is estimated that the supply of retail space will be robust as more than 10 new projects will enter the property market. However, similar to the supply in the second half year of 2014, most of such new projects in 2015 are mainly located in the fringe areas of Beijing, such as Daxing District and Fengtai District.

### Beijing Office Market

#### *Supply and Demand*

In Q3, Hopson Fortune Plaza in Xicheng District and Internet Financial Centre in Zhongguancun, Haidian District were launched, adding approximately 34,000 sq.m. and 51,000 sq.m. of office space to the market, respectively.

In Q4, more new office space is supplied, amounting to approximately 550,000 sq.m., among 219,254 sq.m. will be provided in core locations, including Guanghai SOHO II (84,050 sq.m.) in the CBD; E9 (54,581 sq.m.) in Beijing Financial Street; Avic I (41,623 sq.m.) in Zhongguancun and the Phoenix Media Project (39,000 sq.m.) in Lufthansa. The rest will be located in non-core areas of Beijing including Wangjing, Jiangtailu and the area around Olympic Park.

Thanks to such large amount of supply, the tension caused by limited new supply of and strong market demand for office space in Beijing is expected to be relieved after the completion of the above-mentioned new projects.

In Q3, demand for new letting from domestic companies remained strong. The finance industry, Information Technology industry and other high-tech industry as well as professional service companies were the key drivers of new office lets.

### **Market Trend**

In Q3, the government expressed its intention to limit the supply of new office buildings and hotels within the Fifth Ring Road. It is expected that decentralization of Beijing office market will continue as office submarkets in non-prime business areas could be an alternative for the relocation of existing office tenants after the implementation of the new rule, along with further expansion of the city and improvement in infrastructure in those areas.

The rental performance of CBD area of Beijing remained outstanding, showing a positive rental growth and a decrease in the vacancy rate.

### **Beijing Serviced Apartment Market**

#### **Supply and Demand**

In the third quarter of 2014, there is no new serviced apartment supply, leading to a net take-up of serviced apartment.

The rental of Beijing serviced apartment started its growing trend from 2010 until the second quarter of 2014. In Q3, due to the stricter accommodation subsidy from the international enterprises, the demand of luxury and high-end residential property of larger lump-sum rental, like villa, is gradually declining, which shifted the demand for high-quality accommodation to serviced apartment. Moreover, a number of serviced apartment lower their asking rentals to absorb the said demand and to increase the occupancy rates. Hence, occupancy rates of both serviced apartment showed an upward movement in Q3 while the average rentals of serviced apartment dropped to approximate RMB205/sq.m..

#### **Market Trend**

Similar to the situation of Beijing office market, area within the main urban area and the Fourth Ring Road is limited, new supply of serviced apartment in these areas will be rare in the future. New supply will be mainly located in non-prime location and it is expected that the decentralization of the serviced apartment market to fringe area of Beijing such as Daxing District and Shunyi District will continue.

To sum up, the serviced apartment market will experience two main market forces, firstly, the sluggish demand of serviced apartment due to the tightened accommodation budgets and second, the limited new serviced apartment supply in prime area of Beijing. Therefore, it is expected that the occupancy rates will remain stable while the rental may experience a slightly drop in the future.

### **Beijing Hotel Market**

#### **Supply and Demand**

Beijing had 591 starred hotels in 2013, in which 65 are 5-star hotels. According to the Global Business Travel Association (GBTA), more than 90 hotel projects are under construction, providing a total of approximately 13,600 rooms in the near future. Such large supply of hotel is mainly due to the new approval of construction of the Beijing new airport in the fringe area of Beijing and the development of theme park.

In the first three quarters of 2014, the total number of tourist in Beijing amounted to more than 77 million, increased 0.3% y-o-y while the total revenue of the tourism industry recorded approximately RMB1,250 billion, reflecting a 7.9 percent y-o-y increment. However, in the first 11 months of 2014, hotel revenue recorded approximately RMB232 billion, decreased approximately 8.0% y-o-y. The average room rate is approximately RMB812/night, decreased 5.8% y-o-y and occupancy rate is about 63.8%, increased 1.1% y-o-y. The decrease in room rates may due to the tightened policy on reducing the extravagant expenditure of the civil servants.

#### **Market Trend**

Despite the global economic recession causing the travelling budget for business travellers had been lowered and the anti-corruption campaign in the whole China, benefit from its geographic location and being the capital of China, the occupancy rates of high-end hotels such as boutique hotels and 5-star hotels, is expected to keep in a stable pace but the room rates might experience a slight drop.



Our Ref: CV/CL/JF/VC/kl/14083(15-16)

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

16 February 2015

Dear Sirs

## **VALUATION OF SOFITEL SHENYANG LIDO AND STAFF QUARTERS LOCATED AT HEPING DISTRICT, SHENYANG, LIAONING PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the captioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2014 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of each of the property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

## **VALUATION METHODOLOGY**

In our course of valuation, we have adopted Income Capitalization Approach and cross-checked by the Direct Comparison Approach.

For the Hotel Portion, we have valued the property interest under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

Direct Comparison Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable.

## **TITLE DOCUMENTS AND ENCUMBRANCES**

We have been provided with extracts of title documents relating to the property interests. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have relied on the information given by the Company regarding the title and other legal matters relating to the properties.

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

## **SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion dates of the buildings, particulars of occupancy, site areas and floor areas. Dimensions, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

## **INSPECTION AND MEASUREMENT**

We have inspected the exterior, and where possible, the interior of the properties. However, no structural survey has been made. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects, nor were any tests carried out to any of the services. For the purpose of this valuation, we have assumed that the properties have been maintained in satisfactory condition.

We have not been able to carry out on-site measurements to verify the site area and floor area of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also advised by the Company that no material facts have been omitted from the information supplied.

## CURRENCY

Unless otherwise stated, all sums of properties are in Renminbi.

## REMARKS

This report is confidential to the client for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the client in respect of the purpose, but the client shall not disclose the report to any other person.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the properties.

Pursuant to Section 6.5 in Chapter 6 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

Our executive summary and valuation report are attached.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

**Clement W M Leung**

*MCIREA MHKIS MRICS RPS (GP)*

*Executive Director*

*Head of China Valuation*

Enc

VC/kl

## EXECUTIVE SUMMARY

Properties	<p>(1) Sofitel Shenyang Lido located at No. 386 Qingnian Street, Heping District, Shenyang, Liaoning Province, The People’s Republic of China (the “Hotel Portion”)</p> <p>(2) The Staff Quarters of the hotel located at No.14-3 Wen An Road, Heping District, Shenyang, Liaoning Province, The People’s Republic of China (the “Staff Quarter Portion”)</p>																				
Description	Sofitel Shenyang Lido is a 28-storey hotel tower with 2 levels of basement accommodating guestrooms, retail units, office units, restaurants, business center, ballrooms, function rooms and a clubhouse. The Staff Quarters of the hotel is two 7-storey residential buildings.																				
Site Area	9,370 sq.m. for the Hotel Portion and 375.18 sq.m. for the Staff Quarter Portion																				
Registered Owner	Shenyang Lido Business Co. Ltd																				
Gross Floor Area	The approximate gross floor areas of the Hotel Portion and the Staff Quarter Portion are 78,746.41 sq.m. and 2,306.92 sq.m. respectively.																				
Usage	<p><b>The Hotel Portion:</b></p> <table border="1"> <thead> <tr> <th>Level</th> <th>Uses</th> </tr> </thead> <tbody> <tr> <td>Basement 2</td> <td>Car park and temporary storage</td> </tr> <tr> <td>Basement 1</td> <td>Back of house</td> </tr> <tr> <td>L1</td> <td>Lobby, lounge, retail units and open car park</td> </tr> <tr> <td>L2</td> <td>Restaurants, coffee shop, ballrooms and function rooms</td> </tr> <tr> <td>L3</td> <td>Restaurant and function rooms</td> </tr> <tr> <td>L4</td> <td>Office units and business centre</td> </tr> <tr> <td>L5</td> <td>Fitness centre and swimming pool</td> </tr> <tr> <td>L6-L7</td> <td>Office units</td> </tr> <tr> <td>L8 and above</td> <td>Guest rooms</td> </tr> </tbody> </table> <p><b>The Staff Quarter Portion:</b></p> <p>The Staff Quarter Portion is a residential building used as staff quarter.</p>	Level	Uses	Basement 2	Car park and temporary storage	Basement 1	Back of house	L1	Lobby, lounge, retail units and open car park	L2	Restaurants, coffee shop, ballrooms and function rooms	L3	Restaurant and function rooms	L4	Office units and business centre	L5	Fitness centre and swimming pool	L6-L7	Office units	L8 and above	Guest rooms
Level	Uses																				
Basement 2	Car park and temporary storage																				
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L1	Lobby, lounge, retail units and open car park																				
L2	Restaurants, coffee shop, ballrooms and function rooms																				
L3	Restaurant and function rooms																				
L4	Office units and business centre																				
L5	Fitness centre and swimming pool																				
L6-L7	Office units																				
L8 and above	Guest rooms																				

State-owned Land  
Use Certificate

**The Hotel Portion:**

Shenyang Guo Yong (2007) Di No.0135 (瀋陽國用(2007)第0135號)  
Shenyang Guo Yong (2011) Di Nos. HP05041, HP05316 and HP05407 (瀋陽國用  
(2011)第HP05041號, HP05316號及HP05407號)

**The Staff Quarter Portion:**

Shenyang Guo Yong (2011) Di No.HP05042 (瀋陽國用(2011)第HP05042號)  
Shenyang Guo Yong (2011) Di No.HP05043 (瀋陽國用(2011)第HP05043號)

Building Ownership Certificate

**The Hotel Portion:**

Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 11154, 12749 and 12750 (瀋房權證  
市和平字第11154號, 第12749號及第12750號)

**The Staff Quarter Portion:**

Shen Fang Quan Zheng She He Ping Zi Di Nos. 12747 and 12748 (瀋房權證市和平  
字第12747號及第12748號)

Date of Valuation

31 December 2014

Valuation Methodology

Discounted Cash Flow Approach and Direct Comparison Approach

Market Value in Existing State

Property	Market value in existing state as at 31 December 2014		Market value in existing state attributable to Hui Xian REIT as at 31 December 2014
	Market value in existing state as at 31 December 2014	Interest attributable to Hui Xian REIT	Market value in existing state attributable to Hui Xian REIT as at 31 December 2014
Hotel Portion	RMB930,000,000	70.00%	RMB651,000,000
Staff Quarter Portion	No commercial value	70.00%	No commercial value

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
1. Sofitel Shenyang Lido No. 386 Qingnian Street Heping District Shenyang Liaoning Province The People's Republic of China	<p>The Hotel Portion is erected on 4 parcels of adjoining land with a total site area of approximately 9,370 sq.m..</p> <p>The Hotel Portion comprises a 28-storey hotel tower with 2 levels of basement with a total gross floor area of approximately 78,746.41 sq.m., accommodating 590 guestrooms, retail units, office units, restaurants, business center, ballrooms, function rooms and a clubhouse namely "Lido Spa &amp; Club". The club house provides various facilities such as spa and sauna, fitness center and swimming pool etc. The Hotel Portion also comprises self-use car park on Basement Level 2 and various guest car parking spaces on the open area on Ground Level.</p> <p>The property is held under a land use rights terms expiring on 1 July 2042 and 9 April 2047 for composite and commercial uses respectively.</p>	<p>The Hotel Portion is operating as a 5-star hotel under the brand name of Sofitel Shenyang Lido.</p>	<p>RMB930,000,000            (70.00% interest attributable to Hui Xian REIT: RMB651,000,000)</p>

*Notes:*

1. Pursuant to Stated-owned Land Use Rights Certificate Shenyang Guo Yong (2007) Di No.0135 (國有土地使用證瀋陽國用(2007)第0135號) issued by the People's Government of Shenyang Municipality dated 20 April 2007. The land use rights of the Hotel Portion with a total site area of 2,966 sq.m. was vested in Shenyang Lido Business Co. Ltd for a land use term expiring on 9 April 2047 for commercial use.
2. Pursuant to Stated-owned Land Use Rights Certificate Shenyang Guo Yong (2011) Di No.HP05407 (國有土地使用證瀋陽國用(2011)第HP05407號) issued by the People's Government of Shenyang Municipality dated 22 November 2011. The land use rights of the Hotel Portion with a total site area of 178.79 sq.m. was vested in Shenyang Lido Business Co. Ltd for a land use term expiring on 1 July 2042 for composite use.
3. Pursuant to Stated-owned Land Use Rights Certificate Shenyang Guo Yong (2011) Di No.HP05316 (國有土地使用證瀋陽國用(2011)第HP05316號) issued by the People's Government of Shenyang Municipality dated 22 November 2011. The land use rights of the Hotel Portion with a total site area of 1,763.59 sq.m. was vested in Shenyang Lido Business Co. Ltd for a land use term expiring on 1 July 2042 for composite use.
4. Pursuant to Stated-owned Land Use Rights Certificate Shenyang Guo Yong (2011) Di No.HP05041 (國有土地使用證瀋陽國用(2011)第HP05041號) issued by the People's Government of Shenyang Municipality dated 22 November 2011. The land use rights of the Hotel Portion with a total site area of 4,461.62 sq.m. was vested in Shenyang Lido Business Co. Ltd for a land use term expiring on 1 July 2042 for composite use.
5. Pursuant to Building Ownership Certificate Shen Fang Quan Zheng Shi He Ping Zi Di No. 11154 (瀋房權證市和平字第11154號) Issued by the Real Estate Bureau of Shenyang, the building ownership of portion of the Hotel Portion with a gross floor area of approximately 21,685.92 sq.m. was vested in Shenyang Lido Business Co. Ltd.
6. Pursuant to Building Ownership Certificate Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (瀋房權證市和平字第12749號) Issued by the Real Estate Bureau of Shenyang, the building ownership of portion of the Hotel Portion with a gross floor area of approximately 2,198.42 sq.m. was vested in Shenyang Lido Business Co. Ltd.
7. Pursuant to Building Ownership Certificate Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (瀋房權證市和平字第12750號) Issued by the Real Estate Bureau of Shenyang, the building ownership of portion of the Hotel Portion with a gross floor area of approximately 54,862.07 sq.m. was vested in Shenyang Lido Business Co. Ltd.
8. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2014
2. The Staff Quarters No. 14-3 Wen An Road Heping District Shenyang Liaoning Province The People's Republic of China	The Staff Quarter Portion comprises two 7-storey residential buildings, erected upon two parcels of land with a total site area approximately 375.18 sq.m., completed in 1999. The property has a total gross floor area of approximately 2,306.92 sq.m..  The land use rights of the Staff Quarter Portion were allocated for an unspecified term for residential use.	The Staff Quarter Portion is currently occupied by Shenyang Lido Business Co. Ltd as staff quarter.	No commercial value  (70.00% interest attributable to Hui Xian REIT: No commercial value)

## Notes:

1. Pursuant to two Stated-owned Land Use Rights Certificates issued by the People's Government of Shenyang Municipality, the land use rights of the Staff Quarter Portion with a total site area of approximately 375.18 sq.m. was allocated to Shenyang Lido Business Co. Ltd for an unspecified term for residential use. Details of Stated-owned Land Use Rights Certificates are as follows:

Certificate No.	No. of Units	Site Area (sq.m.)
Shenyang Guo Yong (2011) Di No. HP05042 (瀋陽國用(2011)第HP05042號)	28	292.79
Shenyang Guo Yong (2011) Di No. HP05043 (瀋陽國用(2011)第HP05043號)	7	82.39

2. Pursuant to two Building Ownership Certificates issued by Real Estate Bureau of Shenyang, the building ownership of the Staff Quarter Portion with a total gross floor area of 2,306.92 sq.m. was vested in Shenyang Lido Business Co. Ltd. Details of Building Ownership Certificates are as follows:

Certificate No.	No. of Units	Gross Floor Area (sq.m.)
Shen Fang Quan Zheng She He Ping Zi Di No. 12747 (瀋房權證市和平字第12747號)	28	1,800.33
Shen Fang Quan Zheng She He Ping Zi Di No. 12748 (瀋房權證市和平字第12748號)	7	506.59

3. We have assigned no commercial value to the Staff Quarter Portion as the land use rights are allocation in nature and cannot be transferred freely in the market.

## MARKET OVERVIEW

Shenyang, the capital and largest city of Liaoning Province, located in the northeast part of China. It comprises a total land area of approximately 12,860 sq km. It is administered as a sub-provincial city with a population of approximately 8.26 million in 2013. Tourist industry in Shenyang has been developed in recent years. The famous historical spot likes Mukden Palace and Beiling Park are located in Shenyang.

### Supply and Demand

The 5-star hotel market has maintained steady growth in the past few years. In 2014, there are about 20 five-star hotels, accommodating approximately 7,200 rooms in Shenyang. High-end hotels mainly clustered in Heping District and Shenhe District.

The location which the Property is located is a prime commercial area along Qingnian Street which connects Shenyang Taoxian International Airport at the south and Shenyang North Station at the north. Numerous of five-star hotels can be found along Qingnian Street, such as Shenyang Shangri-La Hotel, Grand Hyatt Shenyang and Shenyang Kempinski Hotel.

Due to the continues increase of new supply in the competitive market, the average room rate and occupancy rate of five-star hotels in Shenyang have recorded a downward trend in the past few year. As of the Q3 of 2014, the average daily room rate has declined from RMB548.23 as of the Q1 of 2013 to RMB481.28, which may due to the tightened policy on reducing the extravagant expenditure of the civil servants. The future supply of five-stars hotels in Shenyang are expected to be steadily increased over the next few years. The new supply will be mainly located in Qingnian Street and Huigong Plaza.

### Market Trend

In the future, the hotel market is expected to be driven by a more mature of transportation network in Shenyang. Extensions of both Shenyang Metro Line 1 and Line 2 are under construction and are expected to be completed in 2017.

With the government's efforts in promoting "Revitalize Northeastern China" and the maturity of the transportation network, this would help to develop tourism activities in Shenyang. It is expected the demand for five-star hotel for both tourist and business travelers in the prime location will be increased gradually. Therefore, the average daily room rate for five-star hotels in Shenyang expected to be remained stable in the coming future.

# 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 (as amended by the Supplemental Deeds dated 24 May 2013 and 16 May 2014) for the period from 1 January 2014 to 31 December 2014.

**DB Trustees (Hong Kong) Limited**

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

Hong Kong, 17 February 2015



### **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 (the "Hui Xian REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 91 to 144, which comprise the consolidated statement of financial position as at 31 December 2014, 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 the 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 constituting Hui Xian REIT dated 1 April 2011 as amended by two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively (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 2014, 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

27 February 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB million	2013 RMB million
Revenue	5	2,795	2,710
Rental related income	6	60	55
Other income	7	152	92
Increase in fair value of investment properties	14	665	412
Hotel inventories consumed		(49)	(54)
Staff costs		(101)	(84)
Depreciation and amortisation		(281)	(302)
Impairment loss on a hotel property	15,16	—	(520)
Other operating expenses	8	(810)	(831)
Finance costs	9	(100)	(88)
Exchange gain		—	34
Manager's fees	10	(150)	(147)
Real estate investment trust expenses	11	(29)	(10)
Profit before taxation and transactions with unitholders		2,152	1,267
Income tax expense	12	(661)	(427)
Profit for the year, before transactions with unitholders		1,491	840
Distributions to unitholders		(1,350)	(1,262)
Profit (loss) and total comprehensive income (expense) for the year, after transactions with unitholders		141	(422)
Attributable to:			
Non-controlling interest		(14)	(132)
Unitholders		155	(290)
		141	(422)
Basic earnings per unit (RMB)	13	0.2878	0.1898

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RMB million	2013 RMB million
Profit for the year, before transactions with unitholders	1,491	840
Non-controlling interest	14	132
Profit for the year attributable to unitholders, before transactions with unitholders	1,505	972
Adjustments ( <i>Note (i)</i> ):		
Manager's fees	119	119
Deferred tax	182	112
Distributable depreciation and amortisation	186	151
Increase in fair value of investment properties	(665)	(412)
	(178)	(30)
Distributable income	1,327	942
Additional items ( <i>Note (ii)</i> ):		
Depreciation and amortisation arising from fair value adjustment	19	37
Impairment loss on a hotel property	—	273
Other cash distributions	18	10
	37	320
Amount available for distribution	1,364	1,262
Distributions to unitholders ( <i>Note (iii)</i> )		
— Interim distribution paid	663	616
— Final distribution payable	687	646
	1,350	1,262
Payout ratio ( <i>Note (iv)</i> )	99.0%	100.0%
Distribution per unit ( <i>RMB</i> ) ( <i>Note (iii)</i> )		
Interim distribution per unit	0.1271	0.1203
Final distribution per unit	0.1296	0.1252
	0.2567	0.2455

Notes:

(i) Adjustments for the year include:

- (a) For the year ended 31 December 2014, Manager's fees paid and payable in units of RMB119 million (17,324,045 units issued and 17,198,283 units estimated to be issued) out of the total Manager's fees of RMB150 million. The difference of RMB31 million are paid or payable in cash.

For the year ended 31 December 2013, Manager's fees paid and payable in units of RMB119 million out of the total Manager's fees of RMB147 million. The difference of RMB28 million are paid or payable in cash.

- (b) Deferred tax charge of RMB16 million (2013: RMB9 million) in relation to accelerated tax depreciation and deferred tax charge of RMB166 million (2013: RMB103 million) in relation to increase in fair value of investment properties.
- (c) Distributable depreciation and amortisation of Beijing Oriental Plaza attributable to unitholders of RMB186 million (2013: RMB151 million) represented by depreciation and amortisation of RMB211 million (2013: RMB207 million) less capital expenditure of RMB25 million (2013: RMB56 million).
- (d) Increase in fair value of investment properties of RMB665 million (2013: RMB412 million).

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) Additional items refer to any additional amount (include capital) to be distributed as determined by the Manager pursuant to clause 11.4.2 of the Trust Deed. Additional items for the year include:

- (1) Depreciation and amortisation attributable to unitholders arising from fair value adjustment upon acquisition of Shenyang Lido Business Co. Ltd by the Group of RMB19 million (2013: RMB37 million).
- (2) The net amount of impairment loss on Sofitel Shenyang Lido (after deducting respective deferred tax attributable to unitholders) of RMB273 million recognised in 2013.
- (3) Other cash distributions of RMB18 million (2013: RMB10 million).

(iii) The interim distribution per unit of RMB0.1271 for the six months ended 30 June 2014 is calculated based on Hui Xian REIT's (as defined in Note 1) amount available for distribution of RMB662,869,672 over 5,217,013,997 units, representing issued units as at 30 June 2014. The final distribution per unit of RMB0.1296 for the six months ended 31 December 2014 is calculated based on 98% of Hui Xian REIT's amount available for distribution of RMB700,766,797 over 5,297,591,509 units, representing issued units as at 31 December 2014.

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.

(iv) 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.

Distributions to unitholders for the year ended 31 December 2014 represent a payout ratio of 99.0% (2013: 100.0%) of Hui Xian REIT's distributable income for the year.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	2014 RMB million	2013 RMB million
<b>Non-current assets</b>			
Investment properties	14	30,760	30,080
Property, plant and equipment	15	2,284	2,417
Land and related costs	16	4,150	4,278
Total non-current assets		37,194	36,775
<b>Current assets</b>			
Hotel inventories	17	25	24
Land and related costs	16	128	128
Trade and other receivables	18	86	60
Bank balances and cash	19	4,795	3,740
Total current assets		5,034	3,952
<b>Total assets</b>		<b>42,228</b>	40,727
<b>Current liabilities</b>			
Trade and other payables	20	469	463
Tenants' deposits		261	220
Tax payable		144	64
Manager's fee payable		76	73
Distribution payable		687	646
Bank loans	21	1,104	157
Total current liabilities		2,741	1,623
<b>Total assets less current liabilities</b>	26	<b>39,487</b>	39,104

	NOTES	2014 RMB million	2013 RMB million
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loans	21	2,763	3,060
Tenants' deposits		429	424
Deferred tax liabilities	22	7,460	7,372
<b>Total non-current liabilities, excluding net assets attributable to unitholders</b>			
		10,652	10,856
<b>Total liabilities, excluding net assets attributable to unitholders</b>			
		13,393	12,479
Non-controlling interest		271	285
<b>Net assets attributable to unitholders</b>			
		28,564	27,963
Units in issue ('000)	23	5,297,592	5,164,525
Net asset value per unit (RMB) attributable to unitholders	24	5.3919	5.4144

The consolidated financial statements on pages 91 to 144 were approved and authorised for issue by the Board of Directors of the Manager on 27 February 2015 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 2014

	Issued units RMB million	Retained profits RMB million	Total RMB million	Non-controlling interest RMB million
<b>Net assets as at 1 January 2013</b>	26,137	1,777	27,914	417
Units issued for settlement of Manager's fees ( <i>Note 23</i> )	86	—	86	—
Units issued pursuant to the distribution reinvestment arrangement in respect of 2012 final and 2013 interim distributions ( <i>Note 23</i> )	253	—	253	—
	26,476	1,777	28,253	417
Profit for the year, before transactions with unitholders	—	972	972	(132)
Distributions to unitholders				
— Interim distribution paid	—	(616)	(616)	—
— Final distribution payable	—	(646)	(646)	—
Total comprehensive expense for the year	—	(290)	(290)	(132)
<b>Net assets as at 31 December 2013</b>	<b>26,476</b>	<b>1,487</b>	<b>27,963</b>	<b>285</b>
Units issued for settlement of Manager's fees ( <i>Note 23</i> )	120	—	120	—
Units issued pursuant to the distribution reinvestment arrangement in respect of 2013 final and 2014 interim distributions ( <i>Note 23</i> )	326	—	326	—
	26,922	1,487	28,409	285
Profit for the year, before transactions with unitholders	—	1,505	1,505	(14)
Distributions to unitholders				
— Interim distribution paid	—	(663)	(663)	—
— Final distribution payable	—	(687)	(687)	—
Total comprehensive income (expense) for the year	—	155	155	(14)
<b>Net assets as at 31 December 2014</b>	<b>26,922</b>	<b>1,642</b>	<b>28,564</b>	<b>271</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 RMB million	2013 RMB million
<b>Operating activities</b>			
Profit before taxation and transactions with unitholders		<b>2,152</b>	1,267
Adjustments for:			
Depreciation of property, plant and equipment		<b>153</b>	161
Amortisation of land and related costs		<b>128</b>	141
Impairment loss on a hotel property		<b>—</b>	520
Loss on disposal of property, plant and equipment		<b>4</b>	2
Increase in fair value of investment properties		<b>(665)</b>	(412)
Interest income		<b>(150)</b>	(78)
Exchange gain		<b>—</b>	(34)
Finance costs		<b>100</b>	88
Manager's fees settled by issuing units	23	<b>120</b>	86
Operating cash flows before movements in working capital		<b>1,842</b>	1,741
Increase in hotel inventories		<b>(1)</b>	(2)
(Increase) decrease in trade and other receivables		<b>(17)</b>	2
Increase in trade and other payables		<b>4</b>	19
Increase in tenants' deposits		<b>46</b>	70
Increase in Manager's fee payable		<b>3</b>	29
Cash generated from operations		<b>1,877</b>	1,859
Income and withholding tax paid		<b>(493)</b>	(391)
<b>Net cash from operating activities</b>		<b>1,384</b>	1,468
<b>Investing activities</b>			
Placement of deposits in banks		<b>(320)</b>	(473)
Purchase of property, plant and equipment		<b>(24)</b>	(68)
Additions to investment properties		<b>(15)</b>	(8)
Withdrawal of deposits in a bank		<b>473</b>	200
Interest received		<b>141</b>	80
<b>Net cash from (used in) investing activities</b>		<b>255</b>	(269)

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>NOTES</i>	<b>2014</b> RMB million	2013 RMB million
<b>Financing activities</b>			
Net proceeds from new bank loans raised		<b>636</b>	2,282
Loans from a unitholder		<b>530</b>	1,035
Repayment of loans from a unitholder		<b>(530)</b>	(2,040)
Distributions payment to unitholders		<b>(983)</b>	(997)
Interest paid		<b>(84)</b>	(75)
<b>Net cash (used in) from financing activities</b>		<b>(431)</b>	205
<b>Net increase in cash and cash equivalents</b>		<b>1,208</b>	1,404
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,267</b>	1,863
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>	<i>19</i>	<b>4,475</b>	3,267

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

## 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 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 two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively (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 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 Company Limited 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 Beijing 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 2014, the Manager has elected to receive 80% (2013: 80%) base fee in units and 20% (2013: 20%) in cash in respect of the financial year ended 31 December 2014.

#### **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 Beijing 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 2014, the Manager has elected to receive 80% (2013: 80%) variable fee in units and 20% (2013: 20%) in cash in respect of the financial year ended 31 December 2014.

#### **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.

No acquisition fee is received by the Manager for each of the year ended 31 December 2014 and 31 December 2013.

## 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 (“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.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of consolidation (continued)

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.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue recognition (continued)

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.

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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

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

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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

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

Financial liabilities which include trade and other payables, manager's fee payable, distribution payable and bank loans 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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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. 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 HKAS 12 (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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except as described below.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts and disclosures set out in these consolidated financial statements.

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>5</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>5</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>6</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>5</sup>

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2018
- <sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2017
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2014
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2016
- <sup>6</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 and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 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.

### Investment Properties

As described in Notes 2(e) and 14, as at 31 December 2014, investment properties of RMB30,760 million (2013: RMB30,080 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.

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### Investment Properties (continued)

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 the People's Republic of China (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 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.

#### Estimated impairment of a hotel property

At 31 December 2014, the Manager determined that no impairment was made for the hotel property located in Shenyang. As at 31 December 2013, the Manager determined that the hotel property located in Shenyang was impaired as its recoverable amount was estimated to be less than its carrying value. The determination of the recoverable amount of the hotel property requires estimating the future cash flows expected to arise and a discount rate of 8.5% in order to calculate its present value. Where the actual future cash flow was less than expected, further impairment losses may arise. At 31 December 2013, the recoverable amount of the hotel property located in Shenyang was estimated to be RMB970 million and the carrying amount of the hotel property before impairment losses was RMB1,490 million, resulting in impairment loss of RMB520 million recognised in the consolidated statement of comprehensive income.

### 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.

**4. SEGMENT REPORTING** (continued)**(a) Segment revenue and results****For the year ended 31 December 2014**

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	Consolidated RMB million
Segment revenue	1,117	1,026	131	521	2,795
Segment profit	910	770	62	110	1,852
Increase in fair value of investment properties					665
Finance costs					(100)
Depreciation and amortisation					(271)
Unallocated income					151
Unallocated expense					(145)
Profit before taxation and transactions with unitholders					2,152

**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	1,075	922	129	584	2,710
Segment profit	858	681	63	162	1,764
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					1,267

**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:

	2014 RMB million	2013 RMB million
The Malls	15,905	15,550
The Tower Offices	14,906	14,566
The Tower Apartments	2,071	2,138
The Hotels	4,697	4,871
Total segment assets	37,579	37,125
Bank balances and cash	4,603	3,558
Other assets	46	44
Consolidated total assets	42,228	40,727

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.

**4. SEGMENT REPORTING** (continued)**(d) Other segment information****For the year ended 31 December 2014**

	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 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	1	1	1	7	10

**5. REVENUE**

	2014 RMB million	2013 RMB million
Gross rental from investment properties	2,143	1,997
Income from hotel operation	521	584
Income from serviced apartments operation	131	129
Total	2,795	2,710

The gross rental from investment properties includes contingent rents of RMB13 million (2013: RMB14 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB523 million (2013: RMB513 million).

**6. RENTAL RELATED INCOME**

	2014 RMB million	2013 RMB million
Service income	44	38
Early termination compensation	10	10
Others	6	7
<b>Total</b>	<b>60</b>	<b>55</b>

**7. OTHER INCOME**

	2014 RMB million	2013 RMB million
Interest income from banks	150	78
Government subsidies	2	12
Others	—	2
<b>Total</b>	<b>152</b>	<b>92</b>

**8. OTHER OPERATING EXPENSES**

	2014 RMB million	2013 RMB million
Advertising and promotion	17	20
Audit fee	1	1
Business tax	160	155
Insurance	6	6
Lease agency fee	25	30
Property manager's fee (Note 1(a))	38	30
Property management fees	38	34
Repairs and maintenance	129	119
Other miscellaneous expenses (Note)	171	193
Stamp duty	3	2
Urban land use tax	3	3
Urban real estate tax	112	112
Utilities	107	126
<b>Total</b>	<b>810</b>	<b>831</b>

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

**9. FINANCE COSTS**

	2014 RMB million	2013 RMB million
Interest expense on unsecured bank loans wholly repayable within five years	98	52
Interest expense on loans from a unitholder	2	36
	<b>100</b>	88

**10. MANAGER'S FEES**

	2014 RMB million	2013 RMB million
Base fee (Note 1(c))	112	110
Variable fee (Note 1(c))	38	37
	<b>150</b>	147

**11. REAL ESTATE INVESTMENT TRUST EXPENSES**

	2014 RMB million	2013 RMB million
Trustee's fee (Note 1(b))	4	4
Legal and professional fees	20	4
Public relations — related expenses	2	1
Trust administrative expenses	3	1
	<b>29</b>	10

**12. INCOME TAX EXPENSE**

	2014 RMB million	2013 RMB million
The income tax expense comprises:		
Current tax		
– PRC Enterprise Income Tax	421	393
– withholding tax	152	25
Deferred taxation	88	9
	<b>661</b>	427

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong. Details of deferred taxation are set out in Note 22.

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%. 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 can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2014 RMB million	2013 RMB million
Profit before taxation	2,152	1,267
Tax at the applicable income tax rate of 25% (2013: 25%)	538	317
Tax effect of income not taxable for tax purpose	(13)	(13)
Tax effect of expenses not deductible for tax purpose	75	66
Deferred tax on undistributed earnings of the Group's PRC subsidiaries	(91)	32
Withholding tax levied on dividend declared	152	25
Tax charge for the year	<b>661</b>	427

### 13. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2014 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB1,505 million by 5,229,589,957 units, being the weighted average number of units in issue during the year of 5,225,231,489 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2014 to 31 December 2014 of 4,358,468 units.

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.

### 14. INVESTMENT PROPERTIES

	2014 RMB million	2013 RMB million
FAIR VALUE		
At the beginning of the year	30,080	29,660
Additions	15	8
Increase in fair value recognised in profit or loss	665	412
At the end of the year	30,760	30,080

- (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 2014 and 31 December 2013 by Knight Frank Petty Limited and American Appraisal China Limited respectively, independent valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of properties have been 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.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 14. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 1 – The Office Towers	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the tower offices, of 6.0% (2013: 5.8%).	The higher the term yield, the lower the fair value.
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.5% (2013: 6.3%).	The higher the reversionary yield, the lower the fair value.
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements of RMB266/sq.m./month (2013: RMB254/sq.m./month).	The higher the monthly term rental, the higher the fair value.
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements of RMB308/sq.m./month (2013: RMB290/sq.m./month).	The higher the reversionary rental, the higher the fair value.

**14. INVESTMENT PROPERTIES** (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

<b>Investment properties held by the Group in the consolidated statement of financial position</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>Relationship of unobservable inputs to fair value (Note)</b>
Property 2 – The Mall	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the mall, of 6.0% (2013: 6.0%).	The higher the term yield, the lower the fair value.
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.5% (2013: 6.5%).	The higher the reversionary yield, the lower the fair value.
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements of RMB1,154/sq.m./month (2013: RMB1,066/sq.m./month).	The higher the monthly term rental, the higher the fair value.
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements of RMB1,128/sq.m./month (2013: RMB1,284/sq.m./month).	The higher the reversionary rental, the higher the fair value.

## 14. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 3 – The Basement Car park	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Gross yield	Gross yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties, of 7.0% (2013: 7.0%).	The higher the gross yield, the lower the fair value.
		(2) Monthly average rental	Monthly average rental is derived from the average of the rental as stated in the existing rental agreements of RMB1,562/space/month (2013: RMB1,490/space/month).	The higher the monthly average rental, the higher the fair value.

Note: There is no indication that any slight change in the unobservable input would result in significant higher or lower fair value measurement.

The fair values of all investment properties at 31 December 2014 and 31 December 2013 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

There were no transfers into or out of level 3 during the year.

### Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group used market observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Manager works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Manager.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed above.

**15. PROPERTY, PLANT AND EQUIPMENT**

	Buildings		Plant and machinery	Others	Total
	Hotels	Serviced apartments			
	RMB million	RMB million	RMB million	RMB million	RMB million
<b>COST</b>					
At 1 January 2013	2,018	578	151	111	2,858
Additions for the year	58	—	2	8	68
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>
Additions for the year	<b>19</b>	<b>1</b>	<b>—</b>	<b>4</b>	<b>24</b>
Disposals for the year	<b>—</b>	<b>—</b>	<b>—</b>	<b>(43)</b>	<b>(43)</b>
At 31 December 2014	<b>2,095</b>	<b>579</b>	<b>153</b>	<b>59</b>	<b>2,886</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
At 1 January 2013	135	31	23	29	218
Provided for the year	110	17	14	20	161
Impairment loss recognised in profit or loss	128	—	—	—	128
Eliminated on disposals	—	—	—	(19)	(19)
At 31 December 2013	<b>373</b>	<b>48</b>	<b>37</b>	<b>30</b>	<b>488</b>
Provided for the year	<b>106</b>	<b>19</b>	<b>13</b>	<b>15</b>	<b>153</b>
Eliminated on disposals	<b>—</b>	<b>—</b>	<b>—</b>	<b>(39)</b>	<b>(39)</b>
At 31 December 2014	<b>479</b>	<b>67</b>	<b>50</b>	<b>6</b>	<b>602</b>
<b>CARRYING AMOUNTS</b>					
At 31 December 2014	<b>1,616</b>	<b>512</b>	<b>103</b>	<b>53</b>	<b>2,284</b>
At 31 December 2013	1,703	530	116	68	2,417

**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 on the following basis:

Hotels and serviced apartments	3.1%–18% 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.

The hotels were revalued on 31 December 2014 and 31 December 2013 by Knight Frank Petty Limited and American Appraisal China Limited respectively, independent valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. At 31 December 2014, the Manager determined that no impairment was made for the hotel property located in Shenyang. At 31 December 2013, the Manager determined that the 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 recognised in the consolidated statement of comprehensive income, of which RMB128 million was attributable to the building portion and RMB392 million (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:

	2014 RMB million	2013 RMB million
Non-current asset	4,150	4,278
Current asset	128	128
	<b>4,278</b>	4,406

In the year ended 31 December 2013, an impairment loss of RMB392 million 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.

**17. HOTEL INVENTORIES**

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
Food and beverage	<b>6</b>	5
Other consumables	<b>19</b>	19
	<b>25</b>	24

**18. TRADE AND OTHER RECEIVABLES**

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
Trade receivables	<b>48</b>	29
Deposits and prepayments	<b>14</b>	19
Advance to suppliers	<b>2</b>	2
Interest receivables	<b>17</b>	8
Other receivables	<b>5</b>	2
	<b>86</b>	60

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

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
Less than or equal to 1 month	<b>45</b>	28
1–3 months	<b>2</b>	1
Over 3 months	<b>1</b>	—
	<b>48</b>	29

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 (2013: 30 days) is granted to the travel agencies and corporate customers of the hotels. Interest is charged immediately on overdue balance at the rates of 0.05% to 0.1% (2013: 0.05% to 0.1%) per day.

Hotel revenue is normally settled by cash or credit card.

## 18. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balances are debtors with a carrying amount of RMB6 million as at 31 December 2014 (2013: RMB3 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 48 days at 31 December 2014 (2013: 36 days).

Trade and other receivables are denominated in RMB.

## 19. BANK BALANCES AND CASH

	2014 RMB million	2013 RMB million
Cash at bank and in hand	2,178	603
Time deposits (with original maturity of three months or less)	2,297	2,664
Cash and cash equivalents	4,475	3,267
Time deposits (with original maturity of more than three months)	320	473
Total	4,795	3,740
Average interest rate per annum is as follows:		
Bank deposits — Time deposits	1.49%–4.70%	1.49%–3.30%

Bank balances and cash are denominated in the following currencies:

	2014 RMB million	2013 RMB million
RMB	4,792	3,737
Hong Kong Dollars ("HK\$")	1	—
United States Dollars ("US\$")	2	3
	4,795	3,740

**20. TRADE AND OTHER PAYABLES**

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
Trade payables	<b>67</b>	84
Rental received in advance	<b>206</b>	197
Others ( <i>Note</i> )	<b>196</b>	182
	<b>469</b>	463

*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>2014</b>	2013
	<b>RMB million</b>	RMB million
Less than or equal to 3 months	<b>43</b>	76
Over 3 months	<b>24</b>	8
	<b>67</b>	84

Trade and other payables are denominated in the following currencies:

	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
HK\$	<b>34</b>	16
RMB	<b>435</b>	447
	<b>469</b>	463

**21. BANK LOANS**

	<b>2014</b> RMB million	2013 RMB million
Unsecured term loans	<b>3,885</b>	3,243
Loan front-end fee	<b>(18)</b>	(26)
	<b>3,867</b>	3,217
The maturities of the above bank loans are as follows:		
Within one year	<b>1,104</b>	157
More than one year but not exceeding two years	<b>2,137</b>	937
More than two years but not exceeding five years	<b>626</b>	2,123
	<b>3,867</b>	3,217
Less: Amounts shown under current liabilities	<b>(1,104)</b>	(157)
Amount due after one year	<b>2,763</b>	3,060

In relation to the credit facility of HK\$800 million (equivalent to RMB631 million) granted to the Group on 21 May 2014 to finance the repayment of any outstanding amounts under the revolving credit facility granted from Hui Xian Holdings Limited (“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 2014 was HK\$800 million (equivalent to RMB631 million) (31 December 2013: nil). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.55% and is repayable in full in May 2017.

In relation to the credit facility of HK\$200 million (equivalent to RMB157 million) granted to the Group on 19 December 2013 (as amended by supplemental letter dated 9 December 2014) 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 2014 was HK\$200 million (equivalent to RMB157 million) (31 December 2013: HK\$200 million (equivalent to RMB157 million)). It bears interest at floating interest rate of HIBOR plus 2% and is repayable in full in December 2015.

In relation to the credit facility of HK\$1,525 million (equivalent to RMB1,203 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 2014 was HK\$1,525 million (equivalent to RMB1,203 million) (31 December 2013: HK\$1,525 million (equivalent to RMB1,200 million)). It bears interest at floating interest rate of HIBOR plus 1.85% and is repayable in full in November 2016.

**21. BANK LOANS** (continued)

In relation to the credit facility of HK\$1,200 million (equivalent to RMB947 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 2014 was HK\$1,200 million (equivalent to RMB947 million) (31 December 2013: HK\$1,200 million (equivalent to RMB943 million)). It bears interest at floating interest rate of HIBOR plus 1.95% and is repayable in full in April 2016.

Bank loans are 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 2.2% (2013: 2.3%) per annum.

**22. DEFERRED TAX LIABILITIES**

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

	Others RMB million <i>(Note)</i>	Fair value of investment properties RMB million	Withholding tax on retained profits to be distributed RMB million	Total RMB million
At 1 January 2013	2,292	4,949	122	7,363
(Credit) charge to profit or loss	(126)	103	57	34
Release upon distribution of earnings	—	—	(25)	(25)
At 31 December 2013	<b>2,166</b>	<b>5,052</b>	<b>154</b>	<b>7,372</b>
Charge to profit or loss	<b>13</b>	<b>166</b>	<b>61</b>	<b>240</b>
Release upon distribution of earnings	—	—	<b>(152)</b>	<b>(152)</b>
At 31 December 2014	<b>2,179</b>	<b>5,218</b>	<b>63</b>	<b>7,460</b>

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

## 23. UNITS IN ISSUE

As at 31 December 2014, Hui Xian REIT had 5,297,591,509 (2013: 5,164,525,496) issued units.

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

	Number of units	RMB million
Balance at 1 January 2013	5,076,415,649	26,137
Payment of Manager's fees through issuance of new units during the year ( <i>Note (i)</i> )	21,534,029	86
Units issued pursuant to the distribution reinvestment arrangement in respect of 2012 final and 2013 interim distributions ( <i>Note (ii)</i> )	66,575,818	253
<b>Balance at 31 December 2013</b>	<b>5,164,525,496</b>	<b>26,476</b>
Payment of Manager's fees through issuance of new units during the year ( <i>Note (i)</i> )	<b>34,168,123</b>	<b>120</b>
Units issued pursuant to the distribution reinvestment arrangement in respect of 2013 final and 2014 interim distributions ( <i>Note (ii)</i> )	<b>98,897,890</b>	<b>326</b>
<b>Balance at 31 December 2014</b>	<b>5,297,591,509</b>	<b>26,922</b>

Note:

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

**For the year ended 31 December 2014**

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
20 March 2014	1 July 2013 to 31 December 2013	3.56	<b>16,844,078</b>
18 August 2014	1 January 2014 to 30 June 2014	3.42	<b>17,324,045</b>
			<b>34,168,123</b>

**23. UNITS IN ISSUE** (continued)

Note: (continued)

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

**For the year ended 31 December 2013**

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
28 March 2013	1 October 2012 to 31 December 2012	4.09	6,714,361
30 April 2013	1 January 2013 to 31 March 2013	4.01	7,274,791
20 August 2013	1 April 2013 to 30 June 2013	3.93	7,544,877
			21,534,029

- (ii) On 30 April 2014, 35,644,423 scrip units at an issue price RMB3.38 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2013 final distribution.

On 25 September 2014, 63,253,467 scrip units at an issue price RMB3.25 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2014 interim distribution.

On 9 May 2013, 29,805,761 scrip units at an issue price RMB3.89 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2012 final distribution.

On 26 September 2013, 36,770,057 scrip units at an issue price RMB3.73 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2013 interim distribution.

**24. 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 2014 of RMB28,564 million (2013: RMB27,963 million) and the total number of 5,297,591,509 units in issue as at 31 December 2014 (2013: 5,164,525,496 units).

**25. NET CURRENT ASSETS**

At the end of the reporting period, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB2,293 million (2013: RMB2,329 million).

**26. TOTAL ASSETS LESS CURRENT LIABILITIES**

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB39,487 million (2013: RMB39,104 million).

## 27. 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 2014, the Group's gearing ratio is 9.2% (2013: 7.9%), being the bank loans divided by total assets of the Group.

## 28. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2014 RMB million	2013 RMB million
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Trade and other receivables	70	39
Bank balances and cash	4,795	3,740
	<b>4,865</b>	3,779
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	263	266
Manager's fee payable ( <i>Note</i> )	17	13
Distribution payable	687	646
Bank loans	3,867	3,217
	<b>4,834</b>	4,142
Unitholders' funds	<b>28,564</b>	27,963

*Note:* The balance excludes Manager's fee payable of RMB59 million (2013: RMB60 million) to be settled in units.

## 28. FINANCIAL INSTRUMENTS (continued)

### 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.

#### **Interest rate risk**

The Group is exposed to fair value interest rate risk relates to the loans from a unitholder, Hui Xian Holdings. 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 loans (Note 21). 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 borrowings.

#### *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 points (2013: 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 (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by RMB19 million (2013: RMB16 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

#### **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.

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

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:

	2014 RMB million	2013 RMB million
<b>Assets</b>		
HK\$	1	—
US\$	2	3
<b>Liabilities</b>		
HK\$	3,901	3,233

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. 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.

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 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\$. There will be an increase in profit for the year 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.

	2014 RMB million	2013 RMB million
<b>HK\$</b>		
Profit for the year	195	162

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.

## 28. FINANCIAL INSTRUMENTS (continued)

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

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

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 0.05% to 0.1% (2013: 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.

There is a maximum credit period of 30 days (2013: 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 2014 and 31 December 2013.

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 2014, the Group had net current assets of RMB2,293 million (2013: RMB2,329 million). Taking into account of the internally generated funds and bank loan, the Group will be able to meet its financial obligation when they fall due.

During the year, the revolving credit facilities of RMB1,300 million granted by Hui Xian Holdings was expired in October 2014.

#### *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.

## 28. FINANCIAL INSTRUMENTS (continued)

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

#### Liquidity risk (continued)

#### Liquidity risk analysis (continued)

	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 2014 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	263	—	—	—	263	263
Tenants' deposits	—	113	148	171	258	690	690
Manager's fee payable	—	17	—	—	—	17	17
Distribution payable	—	—	687	—	—	687	687
Bank loans	2.2	969	206	2,199	637	4,011	3,867
		1,362	1,041	2,370	895	5,668	5,524

	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 2013 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	266	—	—	—	266	266
Tenants' deposits	—	68	152	183	241	644	644
Manager's fee payable	—	13	—	—	—	13	13
Distribution payable	—	—	646	—	—	646	646
Bank loans	2.3	19	213	998	2,180	3,410	3,217
		366	1,011	1,181	2,421	4,979	4,786

### c. Fair value

Other than the financial assets at fair value through profit or loss, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of financial assets designated as at fair value through profit or loss is determined in accordance with generally accepted pricing model based on quoted exchange rate of the relevant foreign currencies and interest rate matching maturity of the instrument as input. There are no financial assets at fair value through profit or loss at the end of the reporting period.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate to their fair values at the end of each reporting period.

## 29. 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 RMB7 million for the year ended 31 December 2014 (2013: RMB7 million).

## 30. 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:

	2014 RMB million	2013 RMB million
Within one year	1,908	1,754
In the second to fifth years inclusive	2,423	2,156
Over five years	31	39
<b>Total</b>	<b>4,362</b>	<b>3,949</b>

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 (2013: 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% (2013: 1.5% to 25%).

## 31. CAPITAL COMMITMENTS

	2014 RMB million	2013 RMB million
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	31	24

In addition, on 10 November 2014, Hui Xian REIT entered into an agreement with certain connected persons pursuant to which Hui Xian REIT has conditionally agreed to acquire the entire interest in certain properties in Chongqing through the acquisition of Chesgold Limited at a consideration of RMB3,910 million. Details of the proposed acquisition are set out in a circular dated 10 November 2014. The purchase consideration is subject to adjustments upon completion of the acquisition, which has not been completed at the end of the reporting period.

**32. CONNECTED AND RELATED PARTY TRANSACTIONS**

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

Name of Connected/Related Party	Notes	2014 RMB'000	2013 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)	<b>3,940</b>	3,440
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	<b>697</b>	695
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(a) & (j)	<b>1,580</b>	2,661
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(a) & (j)	<b>719</b>	2,689
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(a) & (j)	<b>1,641</b>	1,171
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(a) & (j)	<b>1,922</b>	1,421
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a) & (j)	<b>17,031</b>	19,328
Cheung Kong (Holdings) Limited Beijing Office 長實(中國)投資有限公司	(a) & (j)	<b>84</b>	74
(Cheung Kong (China) Investment Limited*)	(a) & (j)	<b>35</b>	—
李嘉誠基金會(香港)北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office*)	(f)	<b>1,538</b>	—
北京尚乘財策諮詢有限公司 (AMTD Beijing Investment Advisory Co., Ltd.*)	(e)	<b>420</b>	1,276
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(b)	<b>341</b>	323
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(c)	<b>55</b>	6
Bank of China Limited	(a)	<b>25,855</b>	22,516
Bank of China Group Life Assurance Company Limited Beijing Office	(a)	<b>155</b>	—
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*)	(d)	<b>518</b>	559
東方海外物流(中國)有限公司北京分公司 (OOCL Logistics (China) Ltd. Beijing Branch*)	(d)	<b>398</b>	432

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

Name of Connected/Related Party	Notes	2014 RMB'000	2013 RMB'000
<b>Interest income from banks</b>			
Bank of China Limited	(a)	<b>47,789</b>	42,618
Bank of China (Hong Kong) Limited	(a)	<b>23,577</b>	13,253
<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) & (j)	<b>8,711</b>	5,755
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(a) & (j)	<b>11,867</b>	8,091
<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) & (j)	<b>336</b>	341
Cheung Kong (Holdings) Limited	(a) & (j)	<b>2</b>	—
<b>Promotional expenses and investment seminar sponsorship</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)	—	9
Metro Broadcast Corporation Limited	(a)	<b>158</b>	78
<b>Beverage</b>			
屈臣氏酒窖(廣州)有限公司 (Watson's Wine Cellar (Guangzhou) Company Limited*)	(a)	<b>7</b>	55
屈臣氏酒窖(上海)有限公司 (Watson's Wine Cellar (Shanghai) Company Limited*)	(a)	<b>2</b>	—
北京屈臣氏蒸溜水有限公司 (Beijing Watson's Distilled Water Co., Ltd.*)	(a)	—	40
廣州屈臣氏食品飲料有限公司北京飲料分公司 (Guangzhou Watson's Food & Beverages Company Limited Beijing Beverages Branch*)	(a)	<b>433</b>	356
<b>Cleaning supplies</b>			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	<b>355</b>	267
<b>Banquet services</b>			
Hutchison Hotel Hong Kong Limited	(a)	<b>59</b>	45

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

Name of Connected/Related Party	Notes	2014 RMB'000	2013 RMB'000
<b>Hotel services</b>			
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(a)	37	—
The Kowloon Hotel	(a)	7	—
<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)	435	456
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)	1,523	1,596
<b>Interest expense</b>			
Bank of China (Hong Kong) Limited	(a) & (g)	16,136	14,289
The Hongkong and Shanghai Banking Corporation Limited	(f) & (g)	6,609	—
Hui Xian Holdings Limited	(h)	1,586	36,392
<b>Trustee's fee</b>			
DB Trustees (Hong Kong) Limited		3,732	3,675
<b>Manager's fees</b>			
Hui Xian Asset Management Limited		150,159	146,640
<b>Property Manager's fee</b>			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(b)	37,865	30,297
<b>Valuation fee</b>			
Knight Frank Petty Limited	(i)	330	—
American Appraisal China Limited	(i)	16	396
<b>Technical due diligence fee</b>			
Knight Frank Petty Limited	(i)	151	—

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

Balances with connected and related parties as at 31 December 2014 and 31 December 2013 are as follows:

	Notes	2014 RMB'000	2013 RMB'000
<b>Bank loans</b>			
Bank of China (Hong Kong) Limited	(a) & (g)	<b>551,107</b>	546,219
The Hongkong and Shanghai Banking Corporation Limited	(f) & (g)	<b>315,536</b>	—
<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)	<b>1,092</b>	1,092
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	<b>181</b>	176
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(a) & (j)	<b>323</b>	865
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(a) & (j)	<b>214</b>	632
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(a) & (j)	<b>409</b>	409
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(a) & (j)	<b>479</b>	479
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a) & (j)	<b>1,139</b>	1,064
北京尚乘財策諮詢有限公司 (AMTD Beijing Investment Advisory Co., Ltd.*)	(e)	—	298
Cheung Kong (Holdings) Limited Beijing Office	(a) & (j)	<b>21</b>	21
長實(中國)投資有限公司 (Cheung Kong (China) Investment Limited*)	(a) & (j)	<b>28</b>	—
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(b)	<b>85</b>	85
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(c)	<b>14</b>	10

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

*Notes:*

- (a) These companies are associated companies<sup>1</sup> of Hui Xian (Cayman Islands) Limited ("Hui Xian Cayman"), a significant unitholder<sup>2</sup> of Hui Xian REIT.
- (b) The company is a subsidiary of the Manager.
- (c) The company became an associated company<sup>1</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT, with effect from 12 November 2013.
- (d) These companies are subsidiaries of a controlling entity<sup>4</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT.
- (e) The company ceased to be an associated company<sup>1</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT, with effect from 9 October 2014.
- (f) The company is an associate<sup>3</sup> of Mr. LI Tzar Kuoi, Victor, being a director of Noblecrown Investment Limited, a significant unitholder<sup>2</sup> of Hui Xian REIT, with effect from 30 April 2014.
- (g) The bank loans represent part of the outstanding bank loans (*Note 21*) at the end of the reporting period. The interest expense represents the respective interest expense under part of the outstanding bank loans for the year.
- (h) Hui Xian Holdings granted Hui Xian Investment Limited, a subsidiary of Hui Xian REIT, a revolving credit facility of RMB1,300 million. The revolving credit facility was fully repaid in May 2014 and expired in October 2014.
- (i) Knight Frank Petty Limited is the principal valuer of Hui Xian REIT for the year ended 31 December 2014 and American Appraisal China Limited was the principal valuer of Hui Xian REIT for the year ended 31 December 2013.
- (j) 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 is an associate of a person if the person is a director of that company.

4 As defined in the SFO, a company is a controlling entity of another company if it has the right to nominate any of the directors of that company.

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

### 33. LIST OF SUBSIDIARIES

- (i) At the end of the reporting period, the following entities are controlled by Hui Xian REIT.

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			
			2014	2013	2014	2013		
<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%	100%	—	—	Investment holding	—
Chongqing Overseas Investment Limited	1 September 2014	50,000 shares of no par value	100%	—	—	—	Investment holding	—
<b>Incorporated in Hong Kong:</b>								
Hui Xian Investment Limited	18 August 1992	US\$10,000	—	—	100%	100%	Investment holding	—
Shenyang Investment (Hong Kong) Limited	16 August 2011	HK\$10,000	—	—	100%	100%	Investment holding	—
<b>Incorporated in the PRC:</b>								
Beijing Oriental Plaza Company Limited	25 January 1999	Registered — US\$600,000,000	—	—	100%	100%	Property investment and hotel and serviced suites operations in Beijing, the PRC	Beijing Oriental Plaza
Shenyang Lido Business Co. Ltd	14 September 1996	Registered — US\$59,873,990	—	—	70%	70%	Hotel — operation in Shenyang, the PRC	Sofitel Shenyang Lido

- (ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiary of the Group that has material controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interest		Accumulated non-controlling interest	
		2014	2013	2014	2013	2014	2013
		RMB million		RMB million		RMB million	
Shenyang Lido Business Co. Ltd	Shenyang, the PRC	30%	30%	(14)	(132)	271	285

**33. LIST OF SUBSIDIARIES** (continued)

- (ii) Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

**Shenyang Lido Business Co. Ltd**

	2014 RMB million	2013 RMB million
Revenue	79	111
Expenses and taxation	(124)	(551)
Loss for the year	(45)	(440)
Loss and total comprehensive expense for the year, attributable to:		
Non-controlling interest	(14)	(132)
Unitholders	(31)	(308)
	(45)	(440)

The Manager considered that the non-controlling interest in the assets, liabilities and cash flows of Shenyang Lido Business Co. Ltd are not material to the Group and so no summarised financial information on the assets, liabilities and cash flows are disclosed. No dividend was paid to non-controlling interest during the year.

## 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

	<b>1.1.2014 to 31.12.2014 RMB million</b>	1.1.2013 to 31.12.2013 RMB million	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>2,143</b>	1,997	1,744	1,087
Income from hotel operation	<b>521</b>	584	775	419
Income from serviced apartments operation	<b>131</b>	129	129	82
	<b>2,795</b>	2,710	2,648	1,588
Profit before taxation and transactions with unitholders	<b>2,152</b>	1,267	4,009	1,178
Income tax expense	<b>(661)</b>	(427)	(1,110)	(359)
Profit for the year/period, before transactions with unitholders	<b>1,491</b>	840	2,899	819
Profit for the year/period attributable to unitholders, before transactions with unitholders	<b>1,505</b>	972	2,901	819
	<b>RMB</b>	RMB	RMB	RMB
Basic earnings per unit	<b>0.2878</b>	0.1898	0.5762	0.1637

### SUMMARY OF DISTRIBUTIONS

	<b>1.1.2014 to 31.12.2014 RMB million</b>	1.1.2013 to 31.12.2013 RMB million	1.1.2012 to 31.12.2012 RMB million	29.4.2011 to 31.12.2011 RMB million
Distributions to unitholders	<b>1,350</b>	1,262	1,208	735
	<b>RMB</b>	RMB	RMB	RMB
Distribution per unit	<b>0.2567</b>	0.2455	0.2392	0.1467

## SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31.12.2014</b> RMB million	31.12.2013 RMB million	31.12.2012 RMB million	31.12.2011 RMB million
Non-current assets	<b>37,194</b>	36,775	37,098	32,931
Current assets	<b>5,034</b>	3,952	2,290	1,064
<b>Total assets</b>	<b>42,228</b>	40,727	39,388	33,995
Current liabilities	<b>2,741</b>	1,623	2,358	1,377
Non-current liabilities, excluding net assets attributable to unitholders	<b>10,652</b>	10,856	8,699	6,646
<b>Total liabilities, excluding net assets attributable to unitholders</b>	<b>13,393</b>	12,479	11,057	8,023
Non-controlling interest	<b>271</b>	285	417	—
<b>Net assets attributable to unitholders</b>	<b>28,564</b>	27,963	27,914	25,972
	<b>RMB</b>	RMB	RMB	RMB
Net asset value per unit attributable to unitholders	<b>5.3919</b>	5.4144	5.4988	5.1845

## PERFORMANCE TABLE

	Notes	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Net assets attributable to unitholders (RMB million)		<b>28,564</b>	27,963	27,914	25,972
Net asset value per unit attributable to unitholders (RMB)		<b>5.3919</b>	5.4144	5.4988	5.1845
Market capitalisation (RMB million)		<b>18,436</b>	19,935	21,067	17,834
Units issued (units)		<b>5,297,591,509</b>	5,164,525,496	5,076,415,649	5,009,521,491
Debts to net asset value ratio	1	<b>13.5%</b>	11.5%	7.0%	0.8%
Debts to total asset value ratio	2	<b>9.2%</b>	7.9%	5.0%	0.6%

	Notes	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012	29.4.2011 to 31.12.2011
Highest traded unit price (RMB)		<b>3.88</b>	4.32	4.26	5.10
Highest premium of the traded unit price to net asset value per unit	3	<b>N/A</b>	N/A	N/A	N/A
Lowest traded unit price (RMB)		<b>3.29</b>	3.70	3.48	2.65
Highest discount of the traded unit price to net asset value per unit		<b>39.0%</b>	31.7%	36.7%	48.9%
Distribution per unit (RMB)		<b>0.2567</b>	0.2455	0.2392	0.1467
Distribution yield per unit	4	<b>7.38%</b>	6.36%	5.76%	N/A

Notes:

1. Debts to net asset value ratio is calculated based on total debts over net assets attributable to unitholders as at the end of the reporting period.
2. Debts to total asset value ratio is calculated based on total debts over total assets as at the end of the reporting period.
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 as at the end of the reporting period.

## INVESTOR CALENDAR

### On or around

Annual results announcement for the year ended 31 December 2014 announcing, among other information, the final distribution for the period from 1 July 2014 to 31 December 2014 (“2014 Final Distribution”) and the distribution reinvestment arrangement (“DRA”)	27 February 2015 (Friday)
Units quoted ex-2014 Final Distribution	12 March 2015 (Thursday)
First of the ten consecutive trading days to determine unit price for new units to be issued from scrip distribution under the DRA (“Scrip Units”)	12 March 2015 (Thursday)
Closure of register of Unitholders (for ascertaining entitlement to the 2014 Final Distribution)	16 March 2015 (Monday) to 18 March 2015 (Wednesday) (both dates inclusive)
Record date for 2014 Final Distribution	18 March 2015 (Wednesday)
Announcement in relation to the DRA	26 March 2015 (Thursday)
Despatch of circular and election form for the DRA	1 April 2015 (Wednesday)
Latest time for return of election form for the DRA <sup>1</sup>	by 4:30 p.m., 21 April 2015 (Tuesday)
2015 annual general meeting <sup>2</sup>	11 May 2015 (Monday)
Payment of the 2014 Final Distribution for cash distribution election	13 May 2015 (Wednesday)
Despatch of new unit certificates for scrip distribution election	13 May 2015 (Wednesday)
Expected first day of dealings in Scrip Units (subject to the granting of listing approval by the Stock Exchange)	14 May 2015 (Thursday)

1. A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the 2014 Final Distribution for the period from 1 July 2014 to 31 December 2014 wholly in cash or in the form of new units in Hui Xian REIT or a combination of both. An announcement containing details of the distribution reinvestment arrangement was published on 26 March 2015 (Thursday) and a circular together with the relevant election form was delivered by post to the Unitholders on 1 April 2015 (Wednesday). The 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 p.m. on 21 April 2015 (Tuesday). 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 deadline set out above will be treated and taken as invalid.
2. The register of Unitholders will be closed from 6 May 2015 (Wednesday) to 11 May 2015 (Monday) for the purpose of ascertaining Unitholders’ right to attend and vote at the 2015 annual general meeting of Hui Xian REIT. 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 p.m. on 5 May 2015 (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

### Chairman and Non-executive Director

KAM Hing Lam

### Executive Directors

CHEUNG Ling Fung, Tom (*Chief Executive Officer*)  
LEE Chi Kin, Casey

### Non-executive Directors

IP Tak Chuen, Edmond  
LIM Hwee Chiang  
YIN Ke (*with PANG Shuen Wai, Nichols as his alternate*)

### Independent Non-executive Directors

CHENG Hoi Chuen, Vincent  
LEE Chack Fan  
CHOI Koon Shum, Jonathan

## BOARD COMMITTEES

### Audit Committee

CHENG Hoi Chuen, Vincent (*Chairman*)  
LEE Chack Fan  
CHOI Koon Shum, Jonathan  
IP Tak Chuen, Edmond  
YIN Ke (*with PANG Shuen Wai, Nichols as his alternate*)

### Disclosures Committee

CHEUNG Ling Fung, Tom (*Chairman*)  
IP Tak Chuen, Edmond  
LEE Chack Fan

### Designated (Finance) Committee

YIN Ke (*Chairman*)  
*(with PANG Shuen Wai, Nichols as his alternate)*  
CHEUNG Ling Fung, Tom  
CHOI Koon Shum, Jonathan

## COMPANY SECRETARY OF THE MANAGER

MAK Sum Wun, Simmy<sup>1</sup>  
Fair Wind Secretarial Services Limited<sup>2</sup>

## TRUSTEE

DB Trustees (Hong Kong) Limited

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL VALUER

Knight Frank Asset Appraisal Limited

<sup>1</sup> Resigned with effect from 23 October 2014

<sup>2</sup> Appointed with effect from 23 October 2014

### **LEGAL ADVISER**

Woo Kwan Lee & Lo

### **UNIT REGISTRAR**

Computershare Hong Kong Investor Services Limited

17M Floor

Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

### **INVESTOR RELATIONS**

TONG BARNES Wai Che, Wendy

Tel: (852) 2121 1128

Fax: (852) 2121 1138

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.*

Board	the board of directors of the Manager
BOP	北京東方廣場有限公司 (Beijing Oriental Plaza Company Limited*), a Sino-foreign co-operative joint venture established in the PRC
Chongqing BVI	Chongqing Overseas Investment Limited
Director(s)	director(s) of the Manager
DPU	distribution per unit
GDP	gross domestic product
HK Bank Connected Persons Group	The Hongkong and Shanghai Banking Corporation Limited and certain of its subsidiaries which are connected persons of Hui Xian REIT because a director of Noblecrown Investment Limited which is a significant holder of Units, is also a director of The Hongkong and Shanghai Banking Corporation Limited and/or certain of its subsidiaries
Hui Xian BVI	Hui Xian (B.V.I.) Limited
Hui Xian Cayman	Hui Xian (Cayman Islands) Limited
Hui Xian Holdings	Hui Xian Holdings Limited
Hui Xian Investment	Hui Xian Investment Limited
Hui Xian REIT	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
Hui Xian REIT Group	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Manager	Hui Xian Asset Management Limited, a company incorporated in Hong Kong and a corporation licensed to carry on the regulated activity of asset management under the SFO
PRC	People's Republic of China
REIT Code	Code on Real Estate Investment Trusts

## GLOSSARY

RevPAR	revenue per available room
RMB	Renminbi
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
Shenyang Investment BVI	Shenyang Investment (BVI) Limited
Shenyang Investment HK	Shenyang Investment (Hong Kong) Limited
Shenyang Lido	瀋陽麗都商務有限公司 (Shenyang Lido Business Co. Ltd*), a Sino-foreign co-operative joint venture established in the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited
Trust Deed	Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively, as may be modified or supplemented from time to time
Trustee	DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT
Unit(s)	unit(s) of Hui Xian REIT
Unitholder(s)	any person(s) registered as holding a Unit or Units

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



**Hui Xian Asset Management Limited**

(as the manager of Hui Xian REIT)

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