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## **Hui Xian Real Estate Investment Trust**

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

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

匯賢房託管理有限公司

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

### **HUI XIAN REIT**

Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) is a real estate investment trust constituted by a deed of trust entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited, and DB Trustees (Hong Kong) Limited (“**Trustee**”) (as amended by three supplemental deeds dated 24 May 2013, 16 May 2014 and 28 May 2015 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 Company Limited, 30% by Cheung Kong Property Holdings Limited and 30% by ARA Asset Management Limited.

The Manager is pleased to announce the annual results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2016 to 31 December 2016 (“**Reporting Period**”) as follows:

# FINANCIAL HIGHLIGHTS

For the financial year from 1 January 2016 to 31 December 2016

	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015	Percentage Change
Total Revenue <sup>(1)(2)</sup> (RMB million)	3,106	3,106	+0.0%
Net Property Income <sup>(3)</sup> (RMB million)	2,074	2,036	+1.9%
Amount Available for Distribution <sup>(4)</sup> (RMB million)	1,546	1,479	+4.5%
Distributions to Unitholders <sup>(5)</sup> (RMB million)	1,499	1,449	+3.5%
Distribution per Unit <sup>(6)</sup> (RMB)	0.2754	0.2700	+2.0%
Payout Ratio	97%	98%	N/A
Distribution Yield	8.8% <sup>(7)</sup>	8.1% <sup>(8)</sup>	N/A

Notes:

- (1) Rental related income has been reclassified as Revenue. The 2015 figure has been changed to conform with the presentation in the current period.
- (2) Value-added tax (“VAT”) has been introduced to the construction, real estate, financial services and consumer services sectors starting from 1 May 2016 in replacement of business tax. Excluding the impact of VAT reform, total revenue would have grown 3.4% year-on-year.
- (3) The change in real estate tax regulations in Beijing has been effective since 1 July 2016. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the Net Property Income (“NPI”) would have increased 5.9% year-on-year.
- (4) Excluding the impact of VAT reform and the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of amount available for distribution would be 8.5%.
- (5) Excluding the impact of VAT reform and the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of distributions to Unitholders would be 7.5%.
- (6) Excluding the impact of VAT reform and the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of distribution per unit (“DPU”) would be 5.9%.
- (7) Based on the closing price of the units of Hui Xian REIT (“Units”) on 30 December 2016 and the actual distribution amount for the period from 1 January 2016 to 31 December 2016.
- (8) Based on the closing price of Units on 31 December 2015 and the actual distribution amount for the period from 1 January 2015 to 31 December 2015.

## CHAIRMAN’S STATEMENT

The year 2016 was characterised by global economic volatility and political change. Amidst a backdrop of a challenging macro environment, a slower economic growth, a softening retail market and a change in tax policies in China, Hui Xian REIT continues to make progress in 2016.

### Results and Distribution

The total revenue for the Reporting Period was RMB3,106 million, slightly higher than the previous year. The amount was affected by the implementation of Value Added Tax (“VAT”), effective from 1 May 2016. Excluding the impact of VAT reform, total revenue would have grown 3.4% year-on-year.

Net property income (“NPI”) was RMB2,074 million, a year-on-year increase of 1.9%. The amount was impacted by the change in real estate tax regulations affecting Beijing, effective from 1 July 2016. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.9% year-on-year.

The amount available for distribution for the Reporting Period was RMB1,546 million, up by 4.5% year-on-year. The distribution per unit (“DPU”) for the second half of the year was RMB0.1315. Together with the interim DPU, the total DPU for the year increased 2.0% year-on-year to RMB0.2754. The distribution yield was 8.8% based on the closing unit price of RMB3.14 on 30 December 2016.

Excluding the impact of VAT reform and the additional real estate tax provision for Beijing Oriental Plaza, the amount available for distribution, distributions to Unitholders and DPU would have increased 8.5%, 7.5% and 5.9% year-on-year respectively.

### **Business Environment in China**

According to the National Bureau of Statistics of China, the country’s gross domestic product (“GDP”) grew 6.7% in 2016, the slowest growth recorded since 1990. Total retail sales of consumer goods reached RMB33,232 billion in 2016, up by 10.4% year-on-year.

Cooling economic growth and the Central Government’s ongoing anti-extravagance policy continue to impact consumer’s spending on luxury goods. Many luxury retailers reported reduced revenues and consolidated their retail networks in light of shrinking demand.

The growth of online shopping, supported by convenient mobile payment and low logistics costs, is resulting in a structural change to China’s retail market and changing traditional consumer behavior trends. Consumer spending has been shifting from physical retail outlets to online purchases, adversely affecting the traffic and sales at bricks and mortar stores. During 2016, China’s online retail sales of physical goods grew by 25.6% year-on-year to RMB4,194 billion, accounting for about 12.6% of the country’s total retail sales of consumer goods according to official statistics. Traditional sales retail model would continue to be challenged by on-line shopping.

### **RMB Exchange Rate**

The RMB exchange rate against Hong Kong Dollars has declined by approximately 6.3%\* since the end of 2015. This has impacted both market and investor sentiment towards RMB-denominated assets. According to the Hong Kong Monetary Authority, RMB deposits in Hong Kong as at the end of 2016 dropped 36% year-on-year from RMB851.1 billion to RMB546.7 billion.

All of Hui Xian REIT’s projects are located in China, hence generating income in RMB. As an RMB-denominated REIT, the financial statements of Hui Xian REIT are presented in RMB and its distribution to Unitholders is also in RMB. The RMB exchange rate fluctuation, therefore, does not have significant impact on the performance of Hui Xian REIT’s projects. However, as its current borrowings are in Hong Kong Dollars, the RMB exposure may appear when the exchange gain or loss is realised upon loan repayment.

\*Based on the People’s Bank of China RMB rate against Hong Kong Dollars on 30 December 2016 and 31 December 2015

### **Business Review**

Hui Xian REIT’s portfolio consists of (1) Initial Portfolio: Beijing Oriental Plaza’s retail, office and serviced apartment businesses, and two hotels (Grand Hyatt Beijing and Sofitel Shenyang Lido) acquired in 2011 and 2012; and (2) New Investment: Chongqing Metropolitan Oriental Plaza acquired in March 2015.

#### **(1) Initial Portfolio**

##### ***(A) Retail Portfolio – The Malls at Beijing Oriental Plaza***

Despite a challenging retail environment, The Malls at Beijing Oriental Plaza maintained high occupancy and rental rates during the Reporting Period. The 130,000 square-metre mall continues to be popular among retailers and shoppers due to its strategic location, well-managed tenant profile and heavy footfall.

A large-scale asset enhancement and tenant mix optimization programme for two zones in The Malls commenced in late 2015 and was completed in mid 2016. Both zones, totaling about 6,000 square metres, are now fully leased. One of the zones is converted into 16 stand-alone shops, and the other zone is transformed into an open retail environment housing a range of pop-up stores and eateries. The Malls’ appeal to customers is further strengthened by an increased variety and diversity of retail choices.

The retail portfolio's NPI was RMB935 million, slightly up by 0.2% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.9% year-on-year. The average monthly passing rent was RMB1,211 per square metre, an increase of 1.5% year-on-year. The average occupancy rate increased from 94.9% in 2015 to 97.4% in 2016.

***(B) Office Portfolio – The Tower Offices at Beijing Oriental Plaza***

The Tower Offices at Beijing Oriental Plaza feature over 300,000 square metres of Grade A office space in eight blocks.

While the macro environment remained uncertain, the office portfolio maintained high occupancy and steady rental growth during the Reporting Period.

The office portfolio's NPI was RMB835 million, an increase of 1.7% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.4% year-on-year.

The average monthly passing rent was RMB276 per square metre, up by 2.2% over the previous year. The average monthly spot rent was RMB331 per square metre, an increase of 11.2% year-on-year. The average occupancy rate was 95.1%.

***(C) Serviced Apartment Portfolio - The Tower Apartments at Beijing Oriental Plaza***

The Tower Apartments at Beijing Oriental Plaza provides over 600 fully-furnished units in two towers. NPI of serviced apartment portfolio was RMB73 million, an increase of 8.7% year-on-year. The average occupancy rate was 92.6%.

***(D) Hotel Portfolio – Grand Hyatt Beijing and Sofitel Shenyang Lido***

The hotel portfolio consists of two five-star hotels: Grand Hyatt Beijing and Sofitel Shenyang Lido. With the implementation of effective revenue and expense management, both hotels reported improved earnings in 2016. The aggregate NPI increased 10.9% year-on-year to RMB135 million.

Grand Hyatt Beijing's average occupancy rate during the Reporting Period increased from 58.8% in 2015 to 60.2% in 2016. The average room rate per night declined by 4.4% year-to-year to RMB1,397. The revenue per available room ("RevPAR") was RMB841, a year-on-year reduction of 2.1%.

Sofitel Shenyang Lido's average occupancy rate improved from 39.1% a year earlier to 45.7%, while the average room rate per night fell by 7.2% year-on-year to RMB479. The RevPAR increased 8.5% year-on-year to RMB219.

**(2) New Investment**

***Chongqing Metropolitan Oriental Plaza***

Chongqing Metropolitan Oriental Plaza, comprising a shopping mall and a Grade A office tower, was acquired in March 2015. An intensive asset enhancement and revamp programme is in progress.

NPI was RMB96 million during the Reporting Period as compared to RMB93 million the previous year. The mall's average occupancy rate was 73.4% and the average monthly passing rent was RMB223 per square metre. The average monthly passing rent and monthly spot rent of the office tower were RMB124 per square metre and RMB131 per square metre respectively. The average occupancy rate was 89.2%.

**Strong Financial Position**

Hui Xian REIT has continued to adhere to its prudent financial management strategy throughout the Reporting Period. Bank balances and cash on hand amounted to RMB7,072 million and total debts amounted to RMB10,816 million as at 31 December 2016. Debts to gross asset value ratio was 23.0%. Hui Xian REIT has sufficient financial capacity to capitalise on new investment opportunities as they arise.

**Subsequent Event**

On 9 January 2017, Hui Xian REIT announced the acquisition of two five-star hotels in western China: a 100% interest in Harbour Plaza Chongqing and a 69% interest in Sheraton Chengdu Lido Hotel. The acquisition has been completed in the first quarter of 2017.

Hui Xian REIT's footprint has now extended to over 1.1 million square metres across four key cities in China. Its asset portfolio comprises two malls, two office developments, one serviced apartment development and four hotels.

### **Outlook**

The uncertainty and volatility that affected the global economy in 2016 are expected to continue in 2017. Retail market in China will continue to face challenges and consolidation. Nevertheless, rising domestic travel would stimulate domestic tourist spending on hotel and retail.

Looking ahead, Hui Xian REIT's performance in 2017 remains affected by the additional property tax arising from the change in real estate tax regulations introduced on 1 July 2016 in Beijing. The missions in 2017 are to maximize organic growth from our flagship asset — Beijing Oriental Plaza; to revamp Chongqing Metropolitan Oriental Plaza through the on-going asset enhancement programme and to integrate two newly acquired hotels into our growing portfolio of quality assets.

It remains a key strategy to continue to explore investment opportunities to generate long-term benefits for the Unitholders.

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

KAM Hing Lam  
Chairman  
Hui Xian Asset Management Limited  
(as manager of Hui Xian Real Estate Investment Trust)  
Hong Kong, 14 March 2017

## MANAGEMENT DISCUSSION AND ANALYSIS

### PORTFOLIO HIGHLIGHTS

Hui Xian REIT's portfolio encompasses retail, office, serviced apartment and hotel businesses. As at 31 December 2016, this portfolio included:

(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 **Beijing Oriental Plaza**;

(2) its investment in Chongqing Overseas Investment Limited, which holds Chongqing Investment Limited. Chongqing Investment Limited owns the entire interest in the Chongqing Metropolitan Oriental Plaza Co., Ltd<sup>#</sup> (重慶大都會東方廣場有限公司), which is the registered legal owner of the land use rights and building ownership rights of **Chongqing Metropolitan Oriental Plaza** (formerly known as Metropolitan Plaza); and

(3) its investment in Shenyang Investment (BVI) Limited ("**Shenyang Investment BVI**"), which in turn holds Shenyang Investment (Hong Kong) Limited ("**Shenyang Investment HK**"), the foreign joint venture partner of 瀋陽麗都商務有限公司 (Shenyang Lido Business Co. Ltd<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**.

# The English name is shown for identification purpose only

### OPERATIONS REVIEW

#### (1) Initial Portfolio

The initial portfolio comprises the retail, office and serviced apartment businesses of Beijing Oriental Plaza, and two other hotels, namely Grand Hyatt Beijing and Sofitel Shenyang Lido.

As stated in the Chairman's Statement, the revenue and NPI figures for 2016 stated in this results announcement are not strictly comparable to the prior year's figures as a result of: (i) the introduction of value added tax ("**VAT**") to the construction, real estate, financial services and consumer services sectors, commencing 1 May 2016; and (ii) the change of real estate tax regulations in Beijing with effect from 1 July 2016.

Prior to 1 May 2016, business tax was included in the presentation of revenues in the financial statements. Following the implementation of the new VAT regulations, the revenues and expenses in the financial statements were presented net of VAT. Accordingly, these figures showed a reduction as compared with the period before the implementation of the new tax reform.

The change in real estate tax regulations in Beijing has been effective since 1 July 2016. Prior to the change, the real estate tax paid by Hui Xian REIT on Beijing Oriental Plaza was charged at the rate of 1.2% of the residual value of the property, regardless of whether the relevant property generated rental income. Since 1 July 2016, the real estate tax payable has been charged on the following basis: (a) for the areas that generate rental income, real estate tax is charged at the rate of 12% of the rental income; and (b) for the areas that do not generate rental income, real estate tax continues to be charged at the rate of 1.2% of the residual value of the relevant property. This has resulted in a tax increase for the areas that generate rental income.

#### (A) Retail Portfolio – The Malls at Beijing Oriental Plaza

According to the Beijing Municipal Bureau of Statistics, Beijing's GDP grew 6.7% year-on-year to RMB2,490 billion in 2016. The city's retail sales of consumer goods increased 6.5% year-on-year to RMB1,101 billion. Disposable income per capita of Beijing's urban residents increased 8.4% year-on-year to RMB57,275.

The Malls at Beijing Oriental Plaza provide over 130,000-square metres of retail space. It offers a wide selection of goods and services, including fast and high fashion, watches and jewellery shops, gifts and accessories stores, showrooms, banks, beauty and personal care stores, fast food chains, casual and fine dining restaurants, and a cinema.

The large-scale asset enhancement programme across two zones at The Malls was completed during the Reporting Period. The two zones, totaling approximately 6,000 square metres, were fully let.

In 2016, the Malls welcomed a number of new brands, such as CASIO, Chow Tai Fook, Davidoff, Godiva, Huawei, Laurel, Lee, RADO, Swatch, Ted Baker and Thomas Pink.

The retail portfolio's revenue was RMB1,179 million, a year-on-year increase of 1.2%. Excluding the impact of VAT reform, revenue would have grown 4.7%. NPI was RMB935 million, up by 0.2% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.9% year-on-year. The average monthly passing rent increased 1.5% year-on-year to RMB1,211 per square metre. The average occupancy rate grew from 94.9% a year ago to 97.4%.

The Malls is well connected by public transportation networks and has direct access to Beijing's subway Lines 1 and 5. The extension works for Line 8 has also commenced with a new stop close to The Malls, in addition to an interchange with Line 1.

Revenue	RMB1,179 million, +1.2% YoY
Net Property Income	RMB935 million, +0.2% YoY
Average Occupancy Rate	97.4%
Average Monthly Passing Rent	RMB1,211 per square metre, +1.5% YoY
Average Monthly Spot Rent	RMB1,278 per square metre, +24.9% YoY

### **(B) Office Portfolio – The Tower Offices at Beijing Oriental Plaza**

Beijing's office market remained stable during the Reporting Period. The capital city's new office supply continued to be at an optimum level. However, amidst a climate of economic uncertainty, corporations have become more cost-conscious and more conservative in regards to office expansion plans.

The Tower Offices at Beijing Oriental Plaza comprises eight Grade A office towers, spanning a total GFA about 300,000 square metres. The Tower Offices generates a steady revenue income from a diversified tenant base across a range of industries, including finance and banking, accounting, high technology, legal, pharmaceutical, media and advertising as well as consumer products; there are also education and professional institutions, and government-related organisations.

Leasing demand for The Tower Offices remained resilient during the Reporting Period, with both rental and occupancy rates holding firm. Revenue was RMB1,118 million, up by 0.9% year-on-year. Excluding the impact of VAT reform, revenue would have grown 4.3% year-on-year.

NPI was RMB835 million, an increase of 1.7% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.4% year-on-year.

The average monthly passing rent of The Tower Offices was RMB276 per square metre, an increase of 2.2% year-on-year; while the average monthly spot rent was RMB331 per square metre, up by 11.2% over the same period in 2015. Rental reversion was 13.9%; and the average occupancy rate was 95.1%.

Revenue	RMB1,118 million, +0.9% YoY
Net Property Income	RMB835 million, +1.7% YoY
Average Occupancy Rate	95.1%
Average Monthly Passing Rent	RMB276 per square metre, +2.2% YoY
Average Monthly Spot Rent	RMB331 per square metre, +11.2% YoY

### **(C) Serviced Apartment Portfolio – The Tower Apartments at Beijing Oriental Plaza**

The leasing market for high-end serviced apartments in Beijing remained stable during the Reporting Period.

The Tower Apartments at Beijing Oriental Plaza provides over 600 fully-furnished units in two blocks. It received the accolade of “Outstanding Serviced Apartment - Service” bestowed by “That's Beijing 2016 Lifestyle Awards”.

Revenue was RMB139 million, up by 2.1% year-on-year. Excluding the impact of VAT reform, revenue would have grown 5.3% year-on-year.

NPI was RMB73 million, an increase of 8.7% year-on-year. The average occupancy rate was 92.6%.



Revenue	RMB139 million, +2.1% YoY
Net Property Income	RMB73 million, +8.7% YoY
Average Occupancy Rate	92.6%

#### **(D) Hotel Portfolio**

Hui Xian REIT's hotel portfolio in 2016 comprised two five-star hotels: Grand Hyatt Beijing at Beijing Oriental Plaza and Sofitel Shenyang Lido.

Revenue of the two hotels combined was RMB479 million, down by 4.3% year-on-year. Excluding the impact of VAT reform, revenue would have decreased marginally by 0.9% year-on-year. NPI of the hotel portfolio increased 10.9% year-on-year to RMB135 million, mainly due to the effective revenue and expense management.

##### *Grand Hyatt Beijing, Beijing*

According to the Beijing Municipal Bureau of Statistics, foreign tourist arrivals to Beijing continued to drop, down by 0.8% year-on-year to 4.2 million.

Grand Hyatt Beijing's average occupancy rate was up from 58.8% in 2015 to 60.2% in 2016, while the average room rate per night was down by 4.4% year-on-year to RMB1,397. RevPAR fell by 2.1% year-on-year to RMB841.

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

Sofitel Shenyang Lido continued to implement proactive and flexible pricing strategies. In 2016, the average occupancy rate improved from 39.1% in 2015 to 45.7% despite keen competition from the flux of new hotels opened in the past few years. However, the average room rate per night was reduced by 7.2% year-on-year to RMB479. RevPAR increased 8.5% year-on-year to RMB219.

Revenue	RMB479 million, -4.3% YoY
Net Property Income	RMB135 million, +10.9% YoY
<i>Grand Hyatt Beijing</i>	
Average Occupancy Rate	60.2%
Average room rate per night	RMB1,397, -4.4% YoY
RevPAR	RMB841, -2.1% YoY
<i>Sofitel Shenyang Lido</i>	
Average Occupancy Rate	45.7%
Average room rate per night	RMB479, -7.2% YoY
RevPAR	RMB219, +8.5% YoY

#### **(2) New Investment – Chongqing Metropolitan Oriental Plaza**

Chongqing Metropolitan Oriental Plaza was acquired by Hui Xian REIT in March 2015. The 164,000 square metre mixed-use development comprises a shopping mall and a Grade A office tower. NPI was RMB96 million during the Reporting Period.

Strategically located in the Jiefangbei Central Business District of Chongqing, the shopping mall of Chongqing Metropolitan Oriental Plaza offers a variety of retail, dining and entertainment options. After Hui Xian REIT took over management, an intensive three-year asset enhancement and revamp programme was implemented. The initiatives under the programme are expected to establish a strong foundation for future long-term growth. During the Reporting Period, the mall's average occupancy rate was 73.4% and the average monthly passing rent was RMB223 per square metre.

The office tower at Chongqing Metropolitan Oriental Plaza represents one of the few Grade A office buildings in the city with single asset title ownership. It is home to five consulates and a number of multinational corporations across different industries, including insurance and financial services, electronics, and healthcare. During the reporting period, the average occupancy rate was 89.2%. The average monthly passing rent and the average monthly spot rent were RMB124 per square metre and RMB131 per square metre respectively.



Revenue	RMB191 million
Net Property Income	RMB96 million
<i>Mall</i>	
Average Occupancy Rate	73.4%
Average Monthly Passing Rent	RMB223 per square metre
<i>Office</i>	
Average Occupancy Rate	89.2%
Average Monthly Passing Rent	RMB124 per square metre
Average Monthly Spot Rent	RMB131 per square metre

### **(3) Subsequent Event**

Hui Xian REIT announced on 9 January 2017 the proposed acquisition of two five-star hotels in western China: a 100% interest in Harbour Plaza Chongqing and a 69% interest in Sheraton Chengdu Lido Hotel. The acquisition has been completed in the first quarter of 2017.

Upon completion of the acquisition, assets under Hui Xian REIT's management include two malls, two office developments, one serviced apartment development and four hotels in four key cities in China, totaling gross floor area of over 1.1 million square metres.

## **FINANCIAL REVIEW**

### **Net Property Income**

The net property income was RMB2,074 million for the year ended 31 December 2016.

### **Distributions**

#### *Distribution Amount*

Hui Xian REIT will distribute a total of RMB718 million ("**2016 Final Distribution**") to Unitholders for the period from 1 July 2016 to 31 December 2016. The 2016 Final Distribution represents 97% of Hui Xian REIT's total amount available for distribution during the period from 1 July 2016 to 31 December 2016 and will be paid in RMB. A total of RMB781 million ("**2016 Interim Distribution**") has been distributed to Unitholders of Hui Xian REIT on 29 September 2016 for the period from 1 January 2016 to 30 June 2016. In total, Hui Xian REIT will distribute a total of RMB1,499 million to Unitholders for the year ended 31 December 2016. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB974 million (2015: RMB824 million).

#### *Distribution per Unit*

The final DPU for the period from 1 July 2016 to 31 December 2016 is RMB0.1315 based on the number of outstanding Units on 31 December 2016. Together with the interim DPU of RMB0.1439, Hui Xian REIT provides a total DPU for the year ended 31 December 2016 of RMB0.2754. This represents a distribution yield of 8.8% based on the closing unit price of RMB3.14 on 30 December 2016.

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

The record date for the 2016 Final Distribution will be 31 March 2017, Friday ("**Record Date**"). The Register of Unitholders will be closed from 29 March 2017, Wednesday to 31 March 2017, Friday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 22 May 2017, Monday 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 2016 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 28 March 2017, Tuesday.

## Debt Positions

In April 2016, Hui Xian Investment drew down an unsecured 3-year term loan of HK\$1,200 million offered by Bank of China (Hong Kong) Limited, DBS Bank Ltd., Hang Seng Bank Limited and The Bank of East Asia, Limited. The purpose of the facility was to refinance the credit facility granted by the same lenders in April 2013.

In July 2016, Hui Xian Investment drew down a new unsecured 5-year term loan of HK\$800 million offered by Sumitomo Mitsui Banking Corporation. The purpose of the facility was to finance the general corporate funding requirements of the Hui Xian REIT group.

In August 2016, Hui Xian Investment entered into an amendment and restatement agreement to amend, restate and extend the terms and maturity date of the unsecured 3-year term loan of HK\$1,525 million offered by Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Sumitomo Mitsui Banking Corporation, United Overseas Bank Limited and Chong Hing Bank Limited granted in April 2013. As at the reporting date, the utilised amount of the loan facility was HK\$525 million.

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

As at 31 December 2016, Hui Xian REIT's total debts amounted to RMB10,816 million (31 December 2015: RMB9,435 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB26,439 million as at 31 December 2016 (31 December 2015: RMB27,557 million), Hui Xian REIT's debts to net asset value ratio increased to 40.9% (31 December 2015: 34.2%). Meanwhile, the debts to gross asset value ratio was 23.0% as at 31 December 2016 (31 December 2015: 20.2%).

## Bank Balances and Asset Positions

As at 31 December 2016, Hui Xian REIT's bank balances and cash amounted to RMB7,072 million (31 December 2015: RMB6,107 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Hui Xian REIT is indirectly interested in a 131,560 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 Beijing Oriental Plaza. Hui Xian REIT's interests in Beijing 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 Beijing Oriental Plaza.

Knight Frank Petty Limited ("**Knight Frank**") valued the eight blocks of office towers, the shopping mall and car parking spaces at RMB29,711 million as at 31 December 2016 (31 December 2015: RMB29,960 million), translating into a decrease of 0.8% over the valuation as of 31 December 2015. The hotel and serviced apartment premises were valued at RMB5,870 million as at 31 December 2016 (31 December 2015: RMB5,830 million). The total valuation of Beijing Oriental Plaza was RMB35,581 million (31 December 2015: RMB35,790 million), while the total gross property value of the properties was RMB34,930 million as at 31 December 2016, as compared to RMB35,383 million as at 31 December 2015.

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, the 30-storey 78,746 square metre Sofitel Shenyang Lido is located in the heart of the newly established Central Business District in southern Shenyang.

Knight Frank valued the hotel premises of Shenyang Lido at RMB870 million as at 31 December 2016 (31 December 2015: RMB910 million). Gross property value of the hotel premises as at 31 December 2016 was RMB764 million (31 December 2015: RMB832 million).

Chongqing Metropolitan Oriental Plaza, a 164,360 square metre integrated commercial property development comprising a shopping mall and a Grade A office building, is located at the Jiefangbei, Yuzhong District, Chongqing, a well-established central business district.

As at 31 December 2016, the shopping mall, office building and car parking spaces were valued by Knight Frank at RMB3,942 million (31 December 2015: RMB4,100 million). Gross property value of the properties was RMB3,931 million (31 December 2015: RMB4,100 million).

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

As at 31 December 2016, net assets attributable to Unitholders amounted to RMB26,439 million (31 December 2015: RMB27,557 million) or RMB4.8403 per Unit, representing a 54.1% premium to the closing unit price of RMB3.14 on 30 December 2016 (31 December 2015: RMB5.1231 per Unit, representing a 53.8% premium to the closing unit price of RMB3.33 on 31 December 2015).

### **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 2016, except for capital commitment in respect of the asset enhancement programme for Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza, Hui Xian REIT did not have any significant commitments.

### **Employees**

As at 31 December 2016, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 823 employees in Hong Kong and the PRC; of these, 788 employees performed hotel operation functions and services, and 35 employees handled legal, regulatory and other administrative matters and provided commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

Save as disclosed above, Hui Xian REIT is managed by the Manager and did not directly employ any staff as at 31 December 2016.

## **CORPORATE GOVERNANCE**

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures with built-in checks and balances have been put in place. In particular, the Manager has adopted, and revised from time to time, a compliance manual which sets out the key processes, systems and measures the Manager applies in order to comply with the Trust Deed, the Code on Real Estate Investment Trusts (“**REIT Code**”) and other applicable legislation, rules and regulations. The compliance manual also contains a corporate governance policy which regulates, among others, the activities of the board of directors of the Manager.

Throughout the 12 months ended 31 December 2016, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual, the corporate governance policy, the Trust Deed, the REIT Code and applicable provisions of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (“**SFO**”) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### **Authorisation Structure**

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this announcement, Mr. CHEUNG Ling Fung, Tom (executive director and chief executive officer of the Manager), Mr. LEE Chi Kin, Casey (executive director of the Manager), 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 (senior 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.

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

The annual results of Hui Xian REIT for the year ended 31 December 2016 have been reviewed by the Audit Committee and Disclosures Committee of the Manager in accordance with their respective terms of reference.

**New Units Issued**

In the year ended 31 December 2016, (i) an aggregate of 37,321,793 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) an aggregate of 45,898,294 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 2015 to 31 December 2015 and the interim distribution for the period from 1 January 2016 to 30 June 2016.

The total number of Units in issue as at 31 December 2016 was 5,462,193,939 Units.

**Corporate Social Responsibility**

The Manager recognises the importance of corporate social responsibility and will continue to commit appropriate resources to meet the environmental, social and governance standards and requirements in the day-to-day operations of Hui Xian REIT's properties. Detailed information in these areas will be published in the Annual Report of Hui Xian REIT for the year ended 31 December 2016.

**Buy-Back, Sale or Redemption of Units**

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 were owned and controlled by Hui Xian REIT in the year ended 31 December 2016.

**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 2016.

**Issuance of the Annual Report 2016**

The annual report of Hui Xian REIT for the year ended 31 December 2016 will be published on the respective websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and Hui Xian REIT at [www.huixianreit.com](http://www.huixianreit.com), and will be sent to Unitholders on or before 30 April 2017.

By order of the Board  
**Hui Xian Asset Management Limited**  
滙賢房託管理有限公司  
(as Manager of Hui Xian Real Estate Investment Trust)  
**KAM Hing Lam**  
Chairman of the Manager

Hong Kong, 14 March 2017

*As at the date of this announcement, the Directors of the Manager are Mr. KAM Hing Lam (Chairman and non-executive Director); Mr. CHEUNG Ling Fung, Tom and Mr. LEE Chi Kin, Casey (executive Directors); Mr. IP Tak Chuen, Edmond, Mr. LIM Hwee Chiang and Mr. YIN Ke (non-executive Directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive Directors).*

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> <b>RMB million</b>	<u>2015</u> RMB million
Revenue	5, 22	<b>3,106</b>	3,106
Other income	6	<b>206</b>	206
Decrease in fair value of investment properties	13	<b>(450)</b>	(636)
Fair value gain from top-up amount asset		<b>3</b>	97
Hotel inventories consumed		<b>(41)</b>	(47)
Staff costs		<b>(124)</b>	(110)
Depreciation and amortisation		<b>(286)</b>	(287)
Other operating expenses	7	<b>(822)</b>	(868)
Finance costs	8	<b>(225)</b>	(207)
Exchange loss		<b>(663)</b>	(515)
Manager's fees	9	<b>(164)</b>	(202)
Real estate investment trust expenses	10	<b>(12)</b>	(12)
Profit before taxation and transactions with unitholders		<b>528</b>	525
Income tax expense	11	<b>(427)</b>	(372)
Profit for the year, before transactions with unitholders		<b>101</b>	153
Distributions to unitholders		<b>(1,499)</b>	(1,449)
Loss and total comprehensive expense for the year, after transactions with unitholders		<b>(1,398)</b>	(1,296)
Profit for the year, before transactions with unitholders attributable to:			
Non-controlling interest		<b>(13)</b>	(15)
Unitholders		<b>114</b>	168
		<b>101</b>	153
Basic earnings per unit (RMB)	12	<b>0.0211</b>	0.0315

## FINANCIAL INFORMATION

### DISTRIBUTION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u> RMB million	<u>2015</u> RMB million
Profit for the year, before transactions with unitholders	<b>101</b>	153
Non-controlling interest	<u><b>13</b></u>	<u>15</u>
Profit for the year attributable to unitholders, before transactions with unitholders	<u><b>114</b></u>	<u>168</u>
Adjustments (Note (i)):		
Manager's fees	<b>116</b>	163
Deferred tax	<b>(85)</b>	(135)
Distributable depreciation and amortisation	<b>212</b>	197
Decrease in fair value of investment properties	<b>450</b>	636
Fair value gain from top-up amount asset	<u><b>(3)</b></u>	<u>(97)</u>
	<u><b>690</b></u>	<u>764</u>
Distributable income	<u><b>804</b></u>	<u>932</u>
Additional items (Note (ii)):		
Depreciation and amortisation arising from fair value adjustment	<b>19</b>	19
Net unrealised exchange loss on bank loans and loan front-end fee	<b>664</b>	452
Top-up amount receivable	<b>42</b>	58
Other cash distributions	<u><b>17</b></u>	<u>18</u>
	<u><b>742</b></u>	<u>547</u>
Amounts available for distribution	<u><b>1,546</b></u>	<u>1,479</u>
Distributions to unitholders (Note (iv))		
- Interim distribution paid	<b>781</b>	730
- Final distribution payable	<u><b>718</b></u>	<u>719</u>
	<u><b>1,499</b></u>	<u>1,449</u>
Payout ratio (Note (iii))	<u><b>97.0%</b></u>	<u>98.0%</u>
Distribution per unit (RMB) (Note (iv))		
Interim distribution per unit	<b>0.1439</b>	0.1363
Final distribution per unit	<u><b>0.1315</b></u>	<u>0.1337</u>
	<u><b>0.2754</b></u>	<u>0.2700</u>

## FINANCIAL INFORMATION

### *Notes:*

(i) *Adjustments for the year include:*

- (a) *For the year ended 31 December 2016, Manager's fees paid and payable in units of RMB 116 million (17,117,219 units issued and 18,294,704 units estimated to be issued) out of the total Manager's fees of RMB164 million. The difference of RMB48 million are paid or payable in cash.*

*For the year ended 31 December 2015, Manager's fees paid and payable in units of RMB163 million out of the total Manager's fees of RMB202 million. The difference of RMB39 million are paid or payable in cash.*

- (b) *Deferred tax charge of RMB27 million (2015: RMB24 million) in relation to accelerated tax depreciation and deferred tax credit of RMB112 million (2015: RMB159 million) in relation to changes in fair value of investment properties.*
- (c) *Distributable depreciation and amortisation of Beijing Oriental Plaza attributable to unitholders of RMB212 million (2015: RMB197 million) represented by depreciation and amortisation of RMB212 million (2015: RMB215 million) less zero capital expenditure (2015: RMB18 million).*
- (d) *Decrease in fair value of investment properties of RMB450 million (2015: RMB636 million).*
- (e) *Fair value gain from top-up amount asset of RMB3 million (2015: RMB97 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:*

- (a) *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 (2015: RMB19 million).*
- (b) *Net unrealised exchange loss on bank loans and loan front-end fee of RMB664 million (2015: RMB452 million).*
- (c) *Top-up amount receivable of RMB42 million (2015: RMB58 million).*
- (d) *Other cash distributions of RMB17 million (2015: RMB18 million).*



## FINANCIAL INFORMATION

*Notes: - continued*

- (iii) *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 2016 represent a payout ratio of 97.0% (2015: 98.0%) of Hui Xian REIT's distributable income for the year.*

- (iv) *The interim distribution per unit of RMB0.1439 for the six months ended 30 June 2016 is calculated based on 97.0% of Hui Xian REIT's amount available for distribution of RMB805,569,982 over 5,428,677,596 units, representing issued units as at 30 June 2016. The final distribution per unit of RMB0.1315 for the six months ended 31 December 2016 is calculated based on 97.0% of Hui Xian REIT's amount available for distribution for the year of RMB1,546,104,899, less distribution to unitholders for the six month ended 30 June 2016, over 5,462,193,939 units, representing issued units as at 31 December 2016.*

*The interim distribution per unit of RMB0.1363 for the six months ended 30 June 2015 is calculated based on 98.0% of Hui Xian REIT's amount available for distribution of RMB744,927,112 over 5,355,686,880 units, representing issued units as at 30 June 2015. The final distribution per unit of RMB0.1337 for the six months ended 31 December 2015 is calculated based on 98.0% of Hui Xian REIT's amount available for distribution for the year of RMB1,478,984,471, less distribution to unitholders for the six months ended 30 June 2015, over 5,378,973,852 units, representing issued units as at 31 December 2015.*

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## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	<u>NOTES</u>	<u>2016</u> RMB million	<u>2015</u> RMB million
<b>Non-current assets</b>			
Investment properties	13	33,534	34,060
Property, plant and equipment	14	2,041	2,161
Land and related costs	15	3,974	4,022
Top-up amount asset		-	39
Total non-current assets		39,549	40,282
<b>Current assets</b>			
Hotel inventories		26	24
Land and related costs	15	130	128
Trade and other receivables	16	163	163
Bank balances and cash		7,072	6,107
Total current assets		7,391	6,422
<b>Total assets</b>		46,940	46,704
<b>Current liabilities</b>			
Trade and other payables	17	526	479
Tenants' deposits		300	249
Tax payable		101	104
Manager's fee payable		81	81
Distribution payable		718	719
Bank loans	18	893	1,443
Total current liabilities		2,619	3,075
<b>Total assets less current liabilities</b>	21	44,321	43,629
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loans	18	9,923	7,992
Tenants' deposits		466	489
Deferred tax liabilities		7,250	7,335
Total non-current liabilities, excluding net assets attributable to unitholders		17,639	15,816
<b>Total liabilities, excluding net assets attributable to unitholders</b>		20,258	18,891
Non-controlling interest		243	256
<b>Net assets attributable to unitholders</b>		26,439	27,557
Units in issue ('000)		5,462,194	5,378,974
Net asset value per unit (RMB) attributable to unitholders	19	4.8403	5.1231

## FINANCIAL INFORMATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1. GENERAL

Hui Xian Real Estate Investment Trust ("Hui Xian REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing) and its units were listed on the Main Board of 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 three supplemental deeds dated 24 May 2013, 16 May 2014 and 28 May 2015 (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.

#### 2. BASIS OF PREPARATION

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except as described below.

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 1  
Amendments to HKAS 16  
and HKAS 38  
Amendments to HKAS 16  
and HKAS 41  
Amendments to HKFRS 10,  
HKFRS 12 and HKFRS 28

Disclosure Initiative  
Clarification of Acceptable Methods of Depreciation  
and Amortisation  
Agriculture: Bearer Plants  
Investment Entities: Applying the Consolidation  
Exception

## FINANCIAL INFORMATION

### 3. SIGNIFICANT ACCOUNTING POLICIES – continued

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the amendments to 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 amendments to HKFRSs that have been issued but not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

The Manager anticipates that the application of the above new and revised HKFRS will have no material impact on the results and the financial position of the Group.

## FINANCIAL INFORMATION

### 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.
The Chongqing Property:	Renting of the shopping mall, car parking spaces and office in Metropolitan Oriental Plaza in Chongqing, the PRC.

#### (a) Segment revenue and results

##### For the year ended 31 December 2016

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	The Chongqing Property RMB million	Consolidated RMB million
Segment revenue	<u>1,179</u>	<u>1,118</u>	<u>139</u>	<u>479</u>	<u>191</u>	<u>3,106</u>
Segment profit	<u>935</u>	<u>835</u>	<u>73</u>	<u>135</u>	<u>96</u>	<u>2,074</u>
Decrease in fair value of investment properties						(450)
Finance costs						(225)
Depreciation and amortisation						(277)
Increase in fair value of top-up amount asset						3
Unallocated income						197
Unallocated expense						(794)
Profit before taxation and transactions with unitholders						<u>528</u>

##### For the year ended 31 December 2015

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	The Chongqing Property RMB million	Consolidated RMB million
Segment revenue	<u>1,164</u>	<u>1,109</u>	<u>136</u>	<u>501</u>	<u>196</u>	<u>3,106</u>
Segment profit	<u>933</u>	<u>821</u>	<u>67</u>	<u>122</u>	<u>93</u>	<u>2,036</u>
Decrease in fair value of investment properties						(636)
Finance costs						(207)
Depreciation and amortisation						(277)
Increase in fair value of top-up amount asset						97
Unallocated income						200
Unallocated expense						(688)
Profit before taxation and transactions with unitholders						<u>525</u>

## FINANCIAL INFORMATION

### 4. SEGMENT REPORTING - continued

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

Segment profit represents the profit earned by each segment without allocation of the changes in fair value of investment properties and top-up amount asset, 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:

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
The Malls	<b>14,904</b>	15,062
The Tower Offices	<b>14,848</b>	14,955
The Tower Apartments	<b>1,938</b>	2,004
The Hotels	<b>4,307</b>	4,501
The Chongqing Property	<b>4,265</b>	4,315
Total segment assets	<b>40,262</b>	40,837
Bank balances and cash	<b>6,619</b>	5,718
Other assets	<b>59</b>	149
Consolidated total assets	<b><u>46,940</u></b>	<b><u>46,704</u></b>

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.

Segment liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the Manager for the purpose of resource allocation and performance assessment.

#### (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, Chongqing 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 both years.

## FINANCIAL INFORMATION

### 4. SEGMENT REPORTING - continued

#### (d) Other segment information

##### For the year ended 31 December 2016

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	The Chongqing Property RMB million	Segment Total RMB million
Depreciation of property, plant and equipment	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>9</u>

##### For the year ended 31 December 2015

	The Malls RMB million	The Tower Offices RMB million	The Tower Apartments RMB million	The Hotels RMB million	The Chongqing Property RMB million	Segment Total RMB million
Depreciation of property, plant and equipment	<u>1</u>	<u>1</u>	<u>1</u>	<u>6</u>	<u>1</u>	<u>10</u>

### 5. REVENUE

	<u>2016</u> RMB million	<u>2015</u> RMB million
Gross rental from investment properties	2,423	2,413
Income from hotel operation	479	501
Income from serviced apartments operation	139	136
Rental related income (Note 22)	<u>65</u>	<u>56</u>
Total	<u>3,106</u>	<u>3,106</u>

The gross rental from investment properties includes contingent rents of RMB12 million (2015: RMB13 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB630 million (2015: RMB622 million).

### 6. OTHER INCOME

	<u>2016</u> RMB million	<u>2015</u> RMB million
Interest income from banks	193	199
Government subsidies	6	5
Warranty claims	4	-
Others	<u>3</u>	<u>2</u>
Total	<u>206</u>	<u>206</u>



## FINANCIAL INFORMATION

### 7. OTHER OPERATING EXPENSES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Advertising and promotion	23	34
Audit fee	1	1
Business tax	61	174
Insurance	6	6
Lease agency fee	29	25
Property manager's fee	52	47
Property management fees	77	72
Repairs and maintenance	91	117
Other miscellaneous expenses (Note)	148	154
Stamp duty	3	4
Urban land use tax	3	3
Urban real estate tax	214	122
Utilities	101	109
Value added tax surcharges	13	-
	<u>822</u>	<u>868</u>

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

### 8. FINANCE COSTS

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Interest expense on unsecured bank loans wholly repayable within five years	225	201
Interest expense on loans from a unitholder	-	6
	<u>225</u>	<u>207</u>

### 9. MANAGER'S FEES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Base fee	120	120
Variable fee	44	43
Acquisition fee	-	39
	<u>164</u>	<u>202</u>

## FINANCIAL INFORMATION

### 10. REAL ESTATE INVESTMENT TRUST EXPENSES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Trustee's fee	<b>4</b>	4
Legal and professional fees	<b>4</b>	4
Public relations - related expenses	<b>1</b>	1
Trust administrative expenses and others	<b>3</b>	3
	<b><u>12</u></b>	<u>12</u>

### 11. INCOME TAX EXPENSE

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
The income tax expense comprises:		
Current tax		
- PRC Enterprise Income Tax	<b>450</b>	440
- Withholding tax	<b>62</b>	61
Deferred taxation	<b>(85)</b>	(129)
	<b><u>427</u></b>	<u>372</u>

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

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

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

## FINANCIAL INFORMATION

### 12. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2016 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB114 million by 5,426,549,642 units, being the weighted average number of units in issue during the year of 5,421,913,313 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2016 to 31 December 2016 of 4,636,329 units.

The earnings per unit for the year ended 31 December 2015 was calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB168 million by 5,352,461,833 units, being the weighted average number of units in issue during the year of 5,347,406,516 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2015 to 31 December 2015 of 5,055,317 units.

No diluted earnings per unit for both 2016 and 2015 were presented as there were no potential dilution of earnings per unit for both 2016 and 2015.

### 13. INVESTMENT PROPERTIES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
FAIR VALUE		
At the beginning of the year	<b>34,060</b>	30,760
Additions	<b>33</b>	24
Additions through acquisition of subsidiaries	-	3,912
Decrease in fair value recognised in profit or loss	<b>(450)</b>	(636)
Transferred to property, plant and equipment	<b>(27)</b>	-
Transferred to land and related costs	<b>(82)</b>	-
At the end of the year	<b><u>33,534</u></b>	<u>34,060</u>

- (a) The Group's investment properties held under operating leases are located in Beijing and Chongqing, the PRC under medium-term leases and are measured using the fair value model.
- (b) Investment properties were revalued on 31 December 2016 and 31 December 2015 by Knight Frank Petty Limited, independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations.

## FINANCIAL INFORMATION

### 14. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>			<u>Plant and</u>	<u>Others</u>	<u>Total</u>
	<u>Hotels</u>	<u>Serviced</u>	<u>Others</u>	<u>machinery</u>		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>COST</b>						
At 1 January 2015	2,095	579	-	153	59	2,886
Additions through acquisition of subsidiaries	-	-	-	-	2	2
Additions for the year	20	-	-	-	15	35
Disposals for the year	-	-	-	(1)	(6)	(7)
At 31 December 2015	2,115	579	-	152	70	2,916
Additions for the year	-	-	-	3	8	11
Disposals for the year	-	-	-	(5)	(5)	(10)
Transferred from investment properties	-	-	27	-	-	27
At 31 December 2016	<b>2,115</b>	<b>579</b>	<b>27</b>	<b>150</b>	<b>73</b>	<b>2,944</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2015	479	67	-	50	6	602
Provided for the year	113	19	-	14	13	159
Eliminated on disposals	-	-	-	(1)	(5)	(6)
At 31 December 2015	592	86	-	63	14	755
Provided for the year	114	19	1	14	10	158
Eliminated on disposals	-	-	-	(5)	(5)	(10)
At 31 December 2016	<b>706</b>	<b>105</b>	<b>1</b>	<b>72</b>	<b>19</b>	<b>903</b>
<b>CARRYING AMOUNTS</b>						
At 31 December 2016	<b>1,409</b>	<b>474</b>	<b>26</b>	<b>78</b>	<b>54</b>	<b>2,041</b>
At 31 December 2015	1,523	493	-	89	56	2,161

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.

Buildings, which are situated in Beijing, Chongqing and Shenyang, the PRC are held under medium-term leases.

The valuation of buildings and land and related costs were performed by Knight Frank Petty Limited, independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The Manager determined that no impairment was made to buildings.

### 15. 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:

	<u>2016</u>	<u>2015</u>
	RMB million	RMB million
Non-current asset	3,974	4,022
Current asset	130	128
	<b>4,104</b>	<b>4,150</b>

## FINANCIAL INFORMATION

### 16. TRADE AND OTHER RECEIVABLES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Trade receivables	<b>44</b>	60
Deposits and prepayments	<b>19</b>	18
Advance to suppliers	<b>19</b>	10
Interest receivables	<b>25</b>	10
Top-up amount receivable	<b>42</b>	58
Other receivables	<b>14</b>	7
	<b><u>163</u></b>	<b><u>163</u></b>

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

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Less than or equal to 1 month	<b>35</b>	49
1 - 3 months	<b>2</b>	7
Over 3 months	<b>7</b>	4
	<b><u>44</u></b>	<b><u>60</u></b>

### 17. TRADE AND OTHER PAYABLES

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Trade payables	<b>73</b>	70
Rental received in advance	<b>218</b>	222
Others (Note)	<b>235</b>	187
	<b><u>526</u></b>	<b><u>479</u></b>

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

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

	<b><u>2016</u></b> <b>RMB million</b>	<b><u>2015</u></b> <b>RMB million</b>
Less than or equal to 3 months	<b>45</b>	59
Over 3 months	<b>28</b>	11
	<b><u>73</u></b>	<b><u>70</u></b>

## FINANCIAL INFORMATION

### 18. BANK LOANS

	<b>2016</b> <b>RMB million</b>	<b>2015</b> <b>RMB million</b>
Unsecured term loans	<b>10,891</b>	9,530
Loan front-end fee	<b>(75)</b>	(95)
	<b><u>10,816</u></b>	<b><u>9,435</u></b>

The maturities of the above bank loans are as follows:

Within one year	<b>893</b>	1,443
More than one year but not exceeding two years	<b>6,399</b>	834
More than two years but not exceeding five years	<b>3,524</b>	7,158
	<b>10,816</b>	9,435
Less: Amounts shown under current liabilities	<b>(893)</b>	(1,443)
Amounts due after one year	<b><u>9,923</u></b>	<b><u>7,992</u></b>

In relation to the credit facility of HK\$1,200 million (equivalent to RMB1,073 million) granted to the Group on 19 April 2016 to refinance the credit facility granted by the same lenders in April 2013, the total amount of the credit facility utilised by the Group as at 31 December 2016 was HK\$1,200 million (equivalent to RMB1,073 million) (31 December 2015: HK\$1,200 million (equivalent to RMB1,005 million)). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.10% per annum and is repayable in full in April 2019.

In relation to the credit facility of HK\$800 million (equivalent to RMB716 million) granted to the Group on 5 July 2016 to finance general corporate funding requirements of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2016 was HK\$800 million (equivalent to RMB716 million). It bears interest at floating interest rate of HIBOR plus 1.08% per annum and is repayable in full in July 2021.

In relation to the credit facility of HK\$1,525 million (equivalent to RMB1,364 million) granted to the Group on 6 November 2013, the group entered into an amendment and restatement agreement on 11 August 2016 to amend, restate and extend the terms and maturity date of the of the facility. The total amount of the credit facility utilised by the Group as at 31 December 2016 was HK\$525 million (equivalent to RMB470 million) (31 December 2015: HK\$525 million (equivalent to RMB440 million)). It bears interest at floating interest rate of HIBOR plus 0.90% and is repayable in full in August 2019.

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

### 19. 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 2016 of RMB26,439 million (2015: RMB27,557 million) and the total number of 5,462,193,939 units in issue as at 31 December 2016 (2015: 5,378,973,852 units).

## FINANCIAL INFORMATION

### 20. 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 RMB4,772 million (2015: RMB3,347 million).

### 21. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB44,321 million (2015: RMB43,629 million).

### 22. COMPARATIVE FIGURES

Rental related income, which was presented in a separate line in the consolidated statement of comprehensive income in prior years, is reclassified to Revenue in the current year. Accordingly, the comparative figures of Revenue in the consolidated statement of comprehensive income (Note 5) and segment reporting (Note 4) have been changed to conform to the presentation in the current year. Rental related income for the current year amounted to RMB65 million (2015: RMB56 million).

These changes in presentation of the consolidated financial statement have no impact on the consolidated statement of financial position as at 1 January 2015 and accordingly the consolidated statement of financial position as at 1 January 2015 is not presented.