



**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

# ANNUAL REPORT 2016



## 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 (the “Manager”), 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, 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.



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# 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)	<b>3,106</b>	3,106	+0.0%
Net Property Income <sup>(3)</sup> (RMB million)	<b>2,074</b>	2,036	+1.9%
Amount Available for Distribution <sup>(4)</sup> (RMB million)	<b>1,546</b>	1,479	+4.5%
Distributions to Unitholders <sup>(5)</sup> (RMB million)	<b>1,499</b>	1,449	+3.5%
Distribution per Unit <sup>(6)</sup> (RMB)	<b>0.2754</b>	0.2700	+2.0%
Payout Ratio	<b>97%</b>	98%	N/A
Distribution Yield	<b>8.8%<sup>(7)</sup></b>	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 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 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 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.”**



**H L KAM** *Chairman*

## 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 period from 1 January 2016 to 31 December 2016 ("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.

**H L KAM**

*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**.

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

# RETAIL PORTFOLIO

## **The Malls at Beijing Oriental Plaza**

The Malls, a three-level shopping centre with a gross floor area of over 130,000 square metres, is home to a variety of 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.





东方新天地第五街  
5TH STREET

东方新天地  
第五街

24  
小时自助银行  
服务

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.



## 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 report 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 provides 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

# OFFICE PORTFOLIO

## **The Tower Offices at Beijing Oriental Plaza**

The Tower Offices consists of eight towers offering over 300,000 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.





W3

Leasing demand for The Tower Offices remained resilient during the Reporting Period, with both rental and occupancy rates holding firm.



**(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

# SERVICED APARTMENT PORTFOLIO

## **The Tower Apartments at Beijing 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, as well as access to nearby Grand Hyatt Beijing's Club Oasis, which boasts an indoor swimming pool and gym.





The Tower Apartments was awarded “Outstanding Serviced Apartment — Service” by “That’s Beijing 2016 Lifestyle Awards”.



**(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%.



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

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# HOTEL PORTFOLIO

## Grand Hyatt Beijing at Beijing Oriental Plaza, Beijing Sofitel Shenyang Lido, Shenyang

As an integral part of Beijing Oriental Plaza complex, the award-winning **Grand Hyatt Beijing** offers 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, **Sofitel Shenyang Lido** is a popular choice for both business and leisure travellers.





北京東方君悅大酒店

THE WALL OF BEIJING AT PLAZA

THE HALL OF BEIJING AT PLAZA

Net property income of the hotel portfolio increased 10.9% year-on-year to RMB135 million, mainly due to effective revenue and expense management.



**(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 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



# CHONGQING METROPOLITAN ORIENTAL PLAZA

Chongqing Metropolitan Oriental 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 metres of Grade A office space and a car park.





# 大都会东方广场

METROPOLITAN ORIENTAL PLAZA



**(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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

**TOP 5 CONTRACTORS**

<b>Contractors</b>	<b>Nature of services</b>	<b>Value of contract (RMB'000)</b>	<b>Percentage</b>
Beijing Hui Xian Enterprise Services Limited	Property management	52,123	11.70%
Cayley Property Management (Shenzhen) Limited Chongqing Branch	Property management	24,423	5.50%
Beijing Goodwell Century Property Management Ltd.	Property management	19,982	4.50%
Beijing Citybase Century Property Management Ltd.	Property management	15,764	3.60%
北京雙富麗建築工程有限公司	Renovation and maintenance	15,223	3.40%
		127,515	28.70%

**TOP 5 REAL ESTATE AGENTS**

<b>Real estate agents</b>	<b>Nature of services</b>	<b>Commission paid (RMB'000)</b>	<b>Percentage</b>
北京亞中聯合房地產經紀有限公司	Leasing	1,118	3.80%
北京京城房地產經紀有限公司	Leasing	1,022	3.50%
北京天業聯行房地產經紀有限公司	Leasing	675	2.30%
北京世邦魏理仕物業管理服務有限公司 Beijing CBRE Property Management Services Co., Ltd*	Leasing	483	1.70%
萊坊房地產經紀（上海）有限公司北京分公司 Knight Frank (Shanghai) Property Consultants Limited Beijing branch*	Leasing	466	1.60%
		3,764	12.90%

\* For identification only



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

This is the first Environmental, Social and Governance report (“ESG Report”) issued by Hui Xian REIT. This report covers environmental, social and governance issues that contribute to the sustainable development of Hui Xian REIT, and is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“HKEx ESG Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report focuses on the environmental and social performance of Hui Xian REIT’s portfolio. Hui Xian REIT’s portfolio spans across retail, office, serviced apartment and hotel businesses. The three assets covered in this report are Beijing Oriental Plaza, Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido.

Unless otherwise stated, the report covers our performance within the financial year from 1 January 2016 to 31 December 2016.

Throughout the Reporting Period, Hui Xian REIT has complied with the relevant provisions of HKEx ESG Guide and the Listing Rules.

## OUR APPROACH TO SUSTAINABILITY

We take careful consideration of the impact of our assets where relevant and feasible. To ensure that the sustainability aspects and risks of the assets of Hui Xian REIT are professionally managed and controlled, our asset management teams stay mindful of Hui Xian REIT’s relevant policies and core values for sustainability while managing the assets.

We define our stakeholders as individuals and entities which may be affected by our activities and operations. The key stakeholders of Hui Xian REIT include Unitholders, tenants, customers and partnering charitable organizations. As part of our commitment to deliver long-term value to our stakeholders and to the community, we have embedded principles of sustainability in our asset management activities. We strive to create a positive impact to our stakeholders and nearby community, and have thus formulated a strategy featuring the four pillars: the environment, workplace quality, operating practices and community.

### Governance and Management Structure

We have adopted a structured governance and management approach to drive our sustainability strategy. Our Board of Directors provides overall guidance over the approach for sustainability. A Steering Committee headed by our Legal and Compliance Department has been established. It collaborates with relevant functional areas of the assets and facilitates the integration and implementation of sustainability initiatives. Results of such initiatives are reported and disclosed in this report.

Further information regarding our corporate governance structure is available at the Corporate Governance section of this report on pages 38 to 49.

### Stakeholder Engagement and Materiality Assessment

To understand environmental, social and governance (“ESG”) risks that are material to our business, stakeholders were invited to rate the perceived importance of a range of ESG issues. The result of the stakeholder engagement exercise formed the basis of this report and for the development of our sustainability strategy.

**List of Material Issues**

The table below summarises the consolidated responses from our stakeholders on ESG issues which are considered material to the asset management business of Hui Xian REIT:

Environmental	<ul style="list-style-type: none"> <li>– Energy conservation</li> <li>– Greenhouse gas emissions</li> <li>– Water conservation</li> </ul>
Social – Employment and labour practices	<ul style="list-style-type: none"> <li>– Employee training and education</li> <li>– Employee remuneration and welfare</li> <li>– Occupational health and safety</li> </ul>
Social – Operating practices	<ul style="list-style-type: none"> <li>– Anti-corruption</li> <li>– Customer data privacy</li> </ul>
Social – Community	<ul style="list-style-type: none"> <li>– Understanding the needs of local communities</li> </ul>

**ENVIRONMENT**

Our environmental policy outlines our approach towards environmental management. The policy stipulates our commitment to the conservation of energy and resources, control of pollution and management of waste. An integrated environmental management system is implemented across the portfolio to manage and monitor the environmental performances of each asset. Dedicated taskforces at each asset initiate environmental programmes and are required to take proactive measures in managing the environmental performances.

Our business is sustained by key stakeholders such as tenants, customers and unitholders. Therefore, our ability to meet with their expectations on our sustainability performance is important to us. We are committed to providing our stakeholders with premium services that are forward-looking and sustainable. Our commitment to quality and long-term sustainability will be important bases for long-term sustainable returns to our unitholders.

**Greenhouse Gas Emissions and Energy Consumption**

The key contributor to greenhouse gas emissions within our operations is the consumption of electricity for the management and maintenance of our assets. Our assets span across retail, office, serviced apartment and hotel business, all of which are marked by different electricity consumption models. We endeavour to curb energy consumption in our assets by implementing targeted environmental programmes for different asset types. Depending on the potentials and physical characteristics of each asset, we seek to adopt energy-efficient devices and designs through asset enhancement programmes.

During the Reporting Period, we have implemented the following initiatives:

- A third party carbon auditor was commissioned to conduct carbon audits for Beijing Oriental Plaza and have identified opportunities for carbon reduction.
- Air handling units at Sofitel Shenyang Lido were upgraded as one of the asset enhancement programmes with energy conservation results.
- Electrical heating systems in Chongqing Metropolitan Oriental Plaza were set to be turned off one hour before close of business as part of the energy conservation initiatives.

**Case study: Chongqing Metropolitan Oriental Plaza Renovation Project**

Lighting accounts for a significant proportion of our electricity use. Changing light fixtures within our assets to LED lighting where feasible has been one of our energy conservation strategies which yielded significant results. The asset producing the most notable energy conservation results via a proactive programme of phasing in of LED lighting this year is Chongqing Metropolitan Oriental Plaza. Lighting systems in the carpark and mall have been replaced with LED lights. A new light control system with automatic features to change light settings based on environmental changes on the exterior has been installed as part of the asset enhancement programme.

**Water Conservation**

Water is another valuable resource which we seek to conserve. We take consideration of water conservation designs in our asset enhancement programmes. Features such as water-efficient faucets and water closets are designed during asset renovations. Water recycling features such as chiller water recycling system has been installed to enhance water efficiency in Beijing Oriental Plaza shopping mall. Other assets will also continue to identify similar asset enhancement opportunities.

In terms of performance tracking, we collect water consumption data from our assets on a monthly basis, and a water stewardship strategy is in place to manage and control such data. Water sub-meters are installed to monitor water-intensive areas such as kitchens and laundry areas.

**Resources Management and Waste Reduction**

As part of our resource management and waste reduction strategy, we encourage employees, tenants and customers to reduce waste where possible and to separate waste at source. They are advised to reuse or recycle resources whenever possible. As such, recycling facilities are available in designated locations within the premises of our assets. Items collected for recycling include plastic, aluminium cans and paper, which are subsequently collected by authorised subcontractors for further handling and recycling.

We encourage our hotel operators to use environmentally-friendly toiletries and reuse towels and linen under circumstances which do not compromise our services to guests.

Main types of wastewater generated from our assets include domestic wastewater and wastewater from food and beverage outlets, which are separately treated in accordance with the laws and regulations of the local government.

**Case Study: Driving environmental sustainability in Sofitel Shenyang Lido**

Sofitel Shenyang Lido has demonstrated notable effort in enhancing the well-being of our environment, the people and the community.

Sofitel Shenyang Lido has been in full support of Accor's sustainable development programme – Planet 21 – which has been in place since 2014. The following is a list of commitment initiated by the hotel operator.

**Environmental Management**

- Organise an Action Committee and appoint sustainability manager
- Identify environmental regulations that are applicable to the hotel

### ***Energy and Water***

- Monitor and analyse energy and water consumptions monthly
- Use energy and water-saving installations in guest rooms and public areas
- Monitor the optimum settings of energy and water installations

### ***Waste***

- Check proper sanitation of wastewater
- Recycle ink cartridges, battery, fluorescent lamps and tubes, paper and cardboard, glass, electronic equipment

### ***Use of Resources***

- Offer healthy meals at the restaurant
- Promote local food products at the restaurant
- Ban endangered sea species from restaurant menus
- Use certified paper for printing
- Use eco-friendly cleaning products

### ***Environmental Programme***

- Train staff on good practices for the environment
- Take part in Plant for Planet programme

## **WORKPLACE QUALITY**

We seek to create a professional yet harmonious working environment through the provision of benefits and remuneration in line with or exceeding market practice. With an aim to retain talented people, we also advocate work-life balance and encourage our staff to lead an active and healthy lifestyle.

### **Employee Rights and Working Environment**

We are committed to providing our employees with an open and fair working environment. This begins with our employment process. Relevant policies and guidelines stipulates that any form of discrimination against age, race, gender, religion, sexual orientation, family status, disability are not tolerated. Child labour or forced labour are strictly prohibited and will be safeguarded by the Human Resources Department during talent recruitment and selection processes. Regular regulatory reviews are conducted to ensure compliance with the relevant laws and regulatory requirements.

We communicate our commitment in the above to all employees via the Employee Handbook. Other employee rights and entitlements, such as working hours, leave, fringe benefits, awards, and code of conduct are set out in the Employee Handbook.

### **Work Health and Safety**

Workplace health and safety are necessary for the well-being of our employees. Policies and operating procedures for different operations and staff with different responsibilities are designed and are in compliance with relevant health and safety laws and regulations.

Emergency response guidelines for incidents and accidents within the premises of our assets are available for all property managers. As a precautionary measure, the Security Department conducts regular inspections and monitoring routine to reduce the risk of fire and theft. Fire drills and fire prevention training are organised to raise employees' awareness of fire hazards during day-to-day operations. All staff are expected to act responsibly and safely at our premises.

### **Employee Development**

We value our employees as important assets of the Group, and are dedicated to assisting them with their professional development. All employees receive annual performance reviews and the reviews are considered as an opportunity for supervisors to identify the strengths of each individual, and to offer advice for further improvement. This mechanism is a way to align employees' professional development with our business priorities. Consolidated performance review results are also used as reference for the management to customise annual training plans for future development.

Continuous learning and development is highly recommended within the Group for the purpose of business skills development and growth of personal knowledge. A range of training opportunities are made available for our colleagues. This includes basic corporate knowledge sessions, on-the-job skill based training, training from professional external education bodies and foreign language studies. We also offer short-term and mid-term attachment programmes and employees may apply for opportunities in other offices within our portfolio. Such attachment programmes have been proven to provide invaluable experiences which would not have been possible otherwise.

## **OPERATING PRACTICES**

We recognise the importance of fair and ethical operating practices and ensure adherence to applicable laws, rules and regulations, in particular to those with significant impact on the Group. Policies and procedures are in place to monitor and control practices affecting our operating practices.

### **Supply Chain Management**

We seek to extend sustainability to our value chain, and have stringent procurement policies and procedures to ensure that all purchases of goods and services for businesses are properly authorised. We take environmental and social standards into consideration in our assessment and selection of suppliers.

### **Service Responsibility**

We take pride in maintaining a mutually beneficial relationship with our tenants and customers. We embed principles of responsibility into our services through actively listening to our customers, engaging them in dialogue and interacting with our tenants to establish stronger rapport. Our protocols for customer service engagement are overseen by dedicated teams from each asset. We take a proactive approach and seek for feedback from customers by conducting regular interviews and surveys. Multiple channels are available for our customers to feedback, raise concerns and suggestions. All comments are carefully handled and responded in a timely manner.

### **Data Protection and Privacy**

We recognise the importance of customer privacy and exercise discretion at all times. Guided by a set of policies and procedures, all business units with access to personal data are required to adhere to personal information collection protocols. In addition, documents containing confidential information are required to be stored confidentially, or shredded when they are to be discarded. We are in full conformity with the law and adherence to relevant regulations.

### **Anti-corruption**

Our business is built upon a solid foundation of integrity. Anti-corruption is one of the most fundamental conduct, of which the details are stipulated in our Employee Handbook. Receipt of gifts, bribes, benefits, commissions, rebates or gratuities from any parties is strictly prohibited. Any employee in breach of these principles will be penalised. Employees are protected if they submit signed reports on suspicious activities under the whistleblowing policy.

Employees are given training on their expected conduct upon the identification of potential cases of corruption or bribery. Periodic information sessions on relevant issues are provided to keep employees abreast of regulatory updates and recent issues in the operating region or industry.

### **COMMUNITY**

We believe that giving back to the communities in which we operate in is a demonstration of good corporate citizenship. We render full support to our several asset management teams to establish cordial relationships with local organisations supporting good causes such as humanitarian aid for children and environmental issues.

#### **Humanitarian Aid for Children**

We seek for opportunities to support deprived children with humanitarian needs through various ways such as monetary support and in-kind donations. During the Reporting Period, various community fund-raising events were held at Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido in different occasions to support deprived children.

#### **Environmental Awareness**

With the objective to promote environmental awareness, a tree planting event was initiated by the Sofitel Shenyang Lido management team. The Qinlong project, which supported employees to a tree planting activity to villagers in Cao Chang, Hebei was initiated. Local villagers were taught to plant trees and prevent soil erosion and to create optimised conditions for local fruit production. A charity bazaar was also organised to raise fund for the plantation initiative through the sales of used items from hotel ambassadors.

**APPENDIX****Hong Kong Stock Exchange Environmental, Social and Governance (ESG) Content Index**

<b>Indicators</b>		<b>Pages</b>
A. Environmental		
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# 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 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 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 (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.

## **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 three general meetings of Unitholders held on 7 May 2013, 5 May 2014 and 11 May 2015. Please refer to the announcements dated 12 April 2013, 31 March 2014 and 1 April 2015, and the circulars dated 12 April 2013, 31 March 2014 and 1 April 2015 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 2016 were Mr. KAM Hing Lam (chairman and non-executive director); Mr. CHEUNG Ling Fung, Tom (chief executive officer) 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).

## BOARD COMPOSITION

The Board currently comprises nine members and three of whom are independent non-executive directors (“INEDs”).

There were no changes to the composition of the Board or any of its committees during the year ended 31 December 2016.

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.

Four Board meetings of the Manager were held in 2016. 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	4/4
<b>Executive Directors</b>	
Mr. CHEUNG Ling Fung, Tom ( <i>chief executive officer</i> )	4/4
Mr. LEE Chi Kin, Casey	4/4
<b>Non-executive Directors</b>	
Mr. IP Tak Chuen, Edmond	4/4
Mr. LIM Hwee Chiang	4/4
Mr. YIN Ke	4/4
<b>Independent Non-executive Directors</b>	
Mr. CHENG Hoi Chuen, Vincent	4/4
Professor LEE Chack Fan	4/4
Dr. CHOI Koon Shum, Jonathan	2/4

## **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.

## 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 Audit 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 Director's appointment and reappointment 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 2016 to (among others) consider and review the annual results for the year ended 31 December 2015, the interim results for the six months ended 30 June 2016, 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	0/2
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 2016 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 2016.

## **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 Property Holdings Limited ("CKPH"), 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, CKPH had an indirect interest of approximately 7.84% in the shares of ARA as at 31 December 2016 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 CKPH, its subsidiaries and associated companies (“CKPH Group”) encompass property development and investment, hotel and serviced suite operation and property and project management;
- (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, 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 CKPH 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 CKPH 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 CKPH Group and/or its affiliated companies. Mr. IP Tak Chuen, Edmond is also a non-executive director of ARA. Mr. LIM Hwee Chiang is a substantial shareholder and director of ARA and a non-executive 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 CKPH Group, ARA Group and CITIC Securities Group, 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.

General meetings of Unitholders provide a forum for communication between the Board and the Unitholders. An annual general meeting with an extraordinary general meeting were held on the same date in the year ended 31 December 2016 with attendance as follows:

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

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 announcements and 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 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 2016 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 on page 113 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 inside 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 inside 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 inside information should caution those Management Persons who are not so privy that there may be unpublished inside 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 inside 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 half-yearly results or, if shorter, the period from the end of the 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 2016.

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, Units or partly in cash and partly in the form of the Units. The appointment of a new manager of Hui Xian REIT by the Trustee upon the dismissal or retirement of the Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an ordinary resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of ordinary resolution, dismiss the Manager and any principal valuer appointed by the Trustee on behalf of Hui Xian REIT in accordance with the Trust Deed.

### **CHANGE OF DIRECTOR'S INFORMATION**

Updated information on the Manager's directors are set out in the section on Directors' Biographical Information on page 63 of this annual report. Save from the resignation of Mr. IP Tak Chuen, Edmond as non-executive director of TOM Group Limited, effective from 1 January 2017, as disclosed therein, there was 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 2016, 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 2016 has been reviewed by the Audit Committee and the Disclosures Committee.

### **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.

### **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.

# INTERNAL CONTROL AND RISK MANAGEMENT

## BACKGROUND

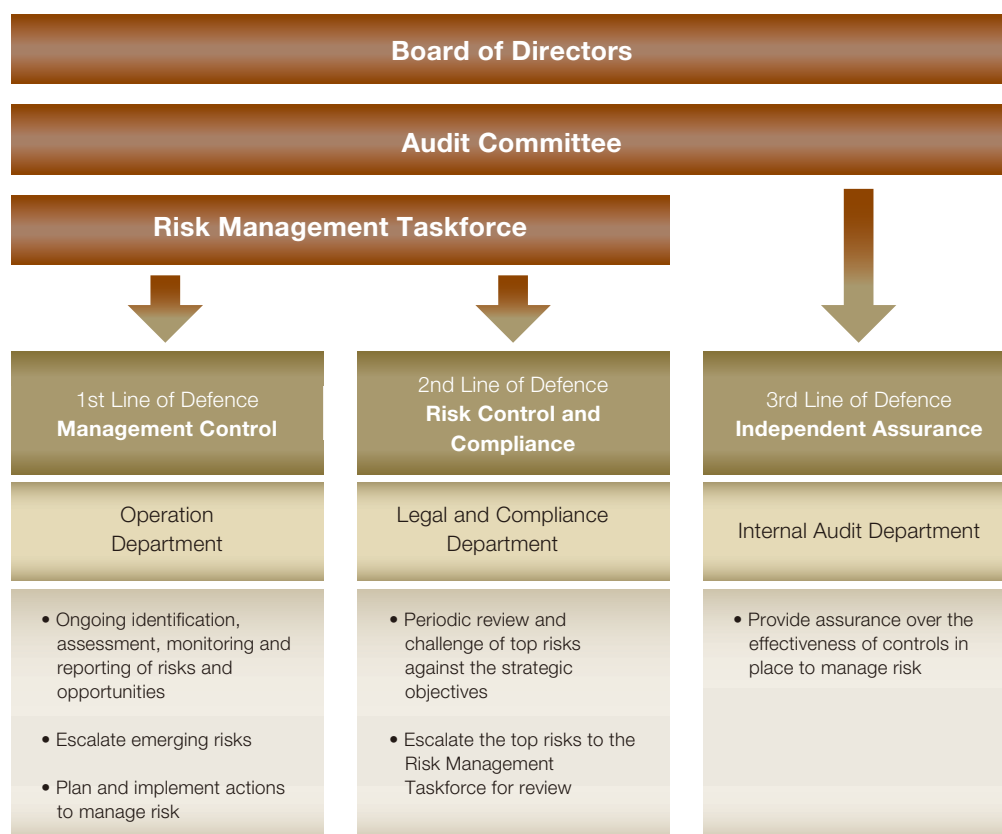
To maintain good corporate governance, Hui Xian REIT implements a structured risk management framework to identify, assess and manage operational risks at an earlier stage. Throughout the Reporting Period, Hui Xian REIT has complied with the relevant Provisions of the Corporate Governance Code and the Listing Rules.

Application of the risk management framework ranges from day-to-day business activities to strategic planning processes at management level, which enables a consistent and holistic view of risk. A “Top-Down” approach is adopted for Hui Xian REIT’s risk management system which is monitored and controlled by the Board, the Audit Committee, and the Risk Management Taskforce to identify any high risks that may affect the fulfillment of Hui Xian REIT’s business objectives and financial performance.

## RISK GOVERNANCE STRUCTURE

The risk governance structure is depicted through the accountability framework for managing risks across Hui Xian REIT. It adopts the “Three Lines of Defence” model, which provides a simple and effective way to enhance communications on risk management and control:

- 1st Line of Defence : Management Control by Operation Department
- 2nd Line of Defence: Risk Control and Compliance by Legal and Compliance Department
- 3rd Line of Defence : Independent Assurance by Internal Audit Department



## ROLES AND RESPONSIBILITIES

### Board of Directors

Ultimate responsibility for the risk management is assumed by the Board whose role is to ensure that management puts in place appropriate and rigorous systems to manage risk.

### Audit Committee

Audit Committee, delegated by the Board, performs risk governance role on risk management. Internal Audit appraises Hui Xian REIT's risk management system and report the result annually to the Audit Committee.

### Risk Management Taskforce

Risk Management Taskforce comprises (i) the Chief Executive Officer, the Chief Financial Officer, the Compliance Manager and the Legal Manager as standing members and (ii) relevant Department Heads on a rotational/as needed basis. Risk Management Taskforce's responsibilities are overseeing the Enterprise Risk Management system and its implementation, reviewing the results of annual risk assessment and proposing enhancements to the Enterprise Risk Management system.

## ANNUAL REVIEW OF THE ENTERPRISE RISK MANAGEMENT SYSTEM

### Enterprise Risk Assessment Methodology

Hui Xian REIT adopts the Committee of Sponsoring Organizations of Treadway Commission (COSO) Enterprise Risk Management ("ERM") Framework in establishing its ERM system which illustrates the key components of any ERM system. Hui Xian REIT's methodology for its risk assessment comprises four core stages as below. The process is performed as necessary to address changes in Hui Xian REIT's business environment.



*Ongoing communication, monitoring and review*

## INTERNAL CONTROL

The Board, through the Audit Committee, conducts reviews on the effectiveness of the internal control system of Hui Xian REIT, which covers all material areas, 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 on ERM.

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.

Eight audit reviews were conducted in the year ended 31 December 2016. 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.

# CONNECTED PARTY TRANSACTIONS

## A. CONNECTED PARTY TRANSACTIONS AND RELATED WAIVERS

### 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 from time to time thereafter, 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 and 2016 Interim Report of Hui Xian REIT and the announcements dated 10 November 2011, 22 May 2012, 7 May 2013, 5 May 2014, 28 November 2014, 15 May 2015, 3 June 2015 and 6 May 2016 published by the Manager for Hui Xian REIT.

Throughout the year ended 31 December 2016, Hui Xian REIT has complied with the relevant terms and conditions of the Waivers.

### 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 2016, 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 for the year ended 31 December 2016:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2016 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	3,982
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	2,350
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	705
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	12,660
Cheung Kong (Holdings) Limited Beijing Office	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	88
長實(中國)投資有限公司 (CKH (China) Investment Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	90

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2016 RMB'000
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	557
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	2,563
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	306
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	1,495
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	670
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	1,674
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	1,786
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	58
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	606
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>2</sup>	Leasing and licensing transaction	2,542
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	439
萊坊房地產經紀(上海)有限公司 北京分公司 (Knight Frank (Shanghai) Property Consultants Limited Beijing Branch*)	Subsidiary of the principal valuer	Leasing and licensing transaction	1,833
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co. Ltd. Chongqing Branch*)	Associated company of the Trustee <sup>4</sup>	Leasing and licensing transaction	1,125

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2016 <i>RMB'000</i>
Bank of China Ltd	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	27,329
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	Associated company of a significant holder <sup>1</sup>	Public utilities charges <sup>3</sup>	1,041
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Interest income	19,007
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest income	128
Hui Xian Asset Management Limited	Manager	Reimbursement of staff cost	640
Joinpower Holdings Limited	Associated company of a significant holder <sup>1</sup>	Warranties claims	2,196
Cheerjoy Limited	Associated company of a significant holder <sup>1</sup>	Warranties claims	2,196
<b>Total</b>			<b>88,066</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.
- 3 The relevant public utility charges have been reimbursed by Harbour Plaza Chongqing Co. Ltd at cost.
- 4 Trustee being DB Trustees (Hong Kong) Limited.

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 for the year ended 31 December 2016:

<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 2016 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	15,764
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	19,982
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited.*)	Associated company of a significant holder <sup>1</sup>	Property management fee	24,740
Cheung Kong Property Holdings Limited	Associated company of a significant holder <sup>1</sup>	Internet services fee	16
廣州屈臣氏食品飲料有限公司 北京飲料分公司 (Guangzhou Watson's Food and Beverages Company Limited Beijing Beverages Branch*)	Associated company of a significant holder <sup>1</sup>	Beverage	469
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	646
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	98
Hutchison Hotel Hong Kong Limited	Associated company of a significant holder <sup>1</sup>	Hotel services	100
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing expenses	256
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	Associated company of a significant holder <sup>1</sup>	Transitional administrative service fee	46
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	Associated company of a significant holder <sup>1</sup>	Consultancy fee	70
和記黃埔企業有限公司 (Hutchison Whampoa Enterprises Limited*)	Associated company of a significant holder <sup>1</sup>	Trademark license fee <sup>2</sup>	—
萊坊房地產經紀(上海)有限公司 北京分公司 (Knight Frank (Shanghai) Property Consultants Limited Beijing Branch*)	Subsidiary of the principal valuer	Commission expenses	479

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the year ended 31 December 2016 RMB'000
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	Associated company of a significant holder <sup>1</sup>	Insurance expenses	421
中國人壽財產保險股份有限公司 北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	Associated company of a significant holder <sup>1</sup>	Insurance expenses	1,474
中國人壽財產保險股份有限公司 重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	Associated company of a significant holder <sup>1</sup>	Insurance expenses	221
Cheung Kong Property Holdings Limited	Associated company of a significant holder <sup>1</sup>	Insurance expenses	13
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Interest expenses	50,219
Bank of China Limited Macau Branch	Associated company of a significant holder <sup>1</sup>	Interest expenses	1,046
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder <sup>3</sup>	Interest expenses	18,707
Bank of China Limited	Associated company of a significant holder <sup>1</sup>	Bank charges	13
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>1</sup>	Agency fee	116
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	52,123
<b>Total</b>			<b>187,019</b>

### Notes:

- Significant holder being Hui Xian Cayman.
- The relevant trademarks are licensed by Hutchison Whampoa Enterprises Limited to重慶大都會東方廣場有限公司 (Chongqing Metropolitan Oriental Plaza Co., Ltd\*) at no cost.
- An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown Investment Limited, a significant holder of Hui Xian REIT.

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

**Confirmation by the Ineds and Audit Committee**

Audit Committee and the INEDs have confirmed that they have reviewed the terms of all the relevant connected party transactions conducted during the year ended 31 December 2016 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 sufficient 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 and controls 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 and waivers without a fixed renewal period shall be continued without Unitholders' approval.

**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 (Revised) "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 52 to 56 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 2016 were RMB4,024,000 and RMB164,490,000 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 2016 on pages 128 to 129 of this Annual Report. For the year ended 31 December 2016, the valuation fee and technical due diligence fee payable to the principal valuer, Knight Frank, was RMB295,000 and RMB130,000 respectively.

## **B. NEW WAIVER**

### **Waiver from Strict Compliance with Certain Requirements Under Chapter 8 of the Code on Real Estate Investment Trusts (the “REIT Code”) granted by the Securities and Futures Commission (“SFC”) To Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) On 19 December 2016**

The Manager has applied to the SFC for, and the SFC has granted, a waiver (the “Waiver”) from strict compliance with certain requirements under Chapter 8 of the REIT Code such that:

- (i) Central Huijin Investment Ltd. (中央匯金投資有限責任公司) (“Central Huijin”); and
- (ii) any entities which may be regarded as falling within the definition of “connected person” of Hui Xian REIT solely as a result of their connection with Central Huijin,

are not regarded as connected persons of Hui Xian REIT in so far as the provisions of Chapter 8 of the REIT Code are concerned.

Hui Xian (Cayman Islands) Limited (“Hui Xian Cayman”) is a significant holder of Hui Xian REIT, currently holding approximately 13.73% of the units of Hui Xian REIT (“Units”) in issue. Hui Xian Cayman is a wholly-owned subsidiary of Hui Xian Holdings Limited (“Hui Xian Holdings”).

Bank of China Limited (“BOC”) owns 19.8% of issued shares (or 20% of the voting shares) of Hui Xian Holdings, and thus is an “associated company” of Hui Xian Holdings and Hui Xian Cayman within the meaning of 8.1 of the REIT Code. Because of BOC’s relationship with Hui Xian Holdings (and thus Hui Xian Cayman), BOC is a connected person of Hui Xian REIT.

According to information in the public domain, over 60% of the issued shares in BOC are held by Central Huijin, and over 20% shares in a number of other banks and other entities are held by Central Huijin. Based on information in Central Huijin’s website, the Manager understands that Central Huijin is a state-owned investment company mandated to exercise the rights and the obligations as an investor in major state-owned financial enterprises, on behalf of the State; that Central Huijin’s principal shareholder rights are exercised by the State Council; that the members of Central Huijin’s board of directors and board of supervisors are appointed by and are accountable to the State Council; that Central Huijin does not conduct any other business or commercial activities; and that Central Huijin does not intervene in the day-to-day business operations of the firms in which it invests. In view of that, the Manager considers that Central Huijin should be regarded as a PRC Governmental Body (within the meaning of and for the purpose of Rule 14A.10 of the Listing Rules, as if that rule were applicable to real estate investment trusts), and accordingly should not be treated as a connected person.

A number of banks with which the Hui Xian REIT group has leasing transactions and/or normal banking transactions may be regarded (unless an appropriate waiver is granted) as connected persons of Hui Xian REIT as a result of their connection with Central Huijin. Thus, application has been made by the Manager to the SFC for the Waiver.

The relevant transactions between the Hui Xian REIT group and the relevant parties in items (i) and (ii) above have been and shall be on fair and reasonable, arm's length, and normal commercial terms, and are entered into in the ordinary and usual course of business of Hui Xian REIT. In view of the large number of entities which may be regarded as falling within the definition of "connected person" of Hui Xian REIT as a result of their connection with Central Huijin, strict application of Chapter 8 of the REIT Code to treat Central Huijin (and the other entities in item (ii) above) as connected persons of Hui Xian REIT will be unduly onerous. The Manager considers that the unitholders and other investors of Hui Xian REIT will not be prejudiced as a result of the Waiver granted and not treating Central Huijin (and any entities which may be regarded as falling within the definition of "connected person" of Hui Xian REIT solely as a result of their connection with Central Huijin) as connected persons of Hui Xian REIT, and that it will be in the best interest of Hui Xian REIT and its unitholders as a whole for the Waiver to be granted.

The Waiver was granted by the SFC on 19 December 2016 subject to the condition that there shall not be any material change in the circumstances based on which the Waiver was sought and granted.

# DISCLOSURE OF INTERESTS

## INTERESTS OF CONNECTED PERSONS

Based on the information available to the Manager as at 31 December 2016, 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 2016		As at 30 June 2016
	No. of Units held	Percentage of Units held <sup>1</sup>	No. of Units held
Hui Xian (Cayman Islands) Limited <sup>2</sup>	750,000,000	13.73%	750,000,000
Other subsidiaries of Cheung Kong Property Holdings Limited <sup>3</sup>	1,385,189,797	25.36%	1,367,321,879
Subsidiary of Bank of China Limited <sup>4</sup>	0	0%	151,852,000
Subsidiaries of China Life Insurance (Group) Company <sup>5</sup>	717,281,000	13.13%	717,281,000
Subsidiary of Orient Overseas (International) Limited <sup>6</sup>	133,131,000	2.44%	177,750,000
The Hongkong and Shanghai Banking Corporation Limited <sup>7</sup>	1,314,350	0.02%	4,817,524
Subsidiary of CITIC Securities Company Limited <sup>8</sup>	24,412,412	0.45%	12,000,000
Subsidiary of ARA Asset Management Limited <sup>9</sup>	23,614,198	0.43%	14,304,889

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 5,462,193,939 Units in issue as at 31 December 2016.
- Hui Xian Cayman, a significant holder of Hui Xian REIT within the meaning of the REIT Code, was a wholly-owned subsidiary of Hui Xian Holdings Limited ("Hui Xian Holdings"), which was a subsidiary of Cheung Kong Property Holdings Limited ("Cheung Kong Property") as at 31 December 2016. Please refer to Hui Xian Holding's deemed interest under the SFO in paragraph 3(i) below.
- These subsidiaries of Cheung Kong Property, each being an associate of Hui Xian Cayman, were Noblecrown Investment Limited ("Noblecrown") (held 807,205,364 Units as at 31 December 2016 and 807,205,364 Units as at 30 June 2016), Wisdom Ally Limited ("Wisdom Ally") (held 119,152,041 Units as at 31 December 2016 and 110,593,432 Units as at 30 June 2016), Wealth Finder Limited ("Wealth Finder") (held 24,385,272 Units as at 31 December 2016 and 15,075,963 Units as at 30 June 2016) and Heathcliff Developments Limited ("Heathcliff Developments") (held 434,447,120 Units as at 31 December 2016 and 434,447,120 Units as at 30 June 2016).

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 2016:

- 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 Cheung Kong Property and the intermediate holding companies through which Cheung Kong Property was interested in the share capital of Noblecrown and Heathcliff Developments (namely, Mighty Stated Limited, Novel Trend Holdings Limited, Paola Holdings Limited and Burgeon Force Limited) was taken to have an interest in the Units that Noblecrown and Heathcliff Developments were interested in;

- (iii) Noblecrown, of which Wisdom Ally and Wealth Finder were subsidiaries, was taken to have an interest in the Units held by Wisdom Ally and Wealth Finder respectively; and
  - (iv) Cheung Kong Property, in view of its interest in the above intermediate holding companies through which Noblecrown and Heathcliff Developments were held, was taken to have an interest in the Units held by Wisdom Ally and Wealth Finder.
4. The subsidiary being Lucky Star International Holdings Inc., an associated company of Hui Xian Holdings and Hui Xian Cayman.
  5. The subsidiaries being Po Lian Enterprises Limited and China Life Insurance (Overseas) Co. Ltd, each of them was an associated company of Hui Xian Holdings and Hui Xian Cayman.
  6. The subsidiary being Far Gain Investment Limited, a controlling entity of Hui Xian Holdings.
  7. The Hongkong and Shanghai Banking Corporation Limited was an associate of Mr. LI Tzar Kuoi, Victor who was a director of Noblecrown Investment Limited, a significant holder of Hui Xian REIT within the meaning of the REIT Code.
  8. The subsidiary being CSI REITs Investment Management Company Limited, a wholly-owned subsidiary of CITIC Securities Company Limited, which owned 40% of the voting power at general meetings of the Manager.
  9. 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 2016, the Manager does not hold any Units in Hui Xian REIT (30 June 2016: 24,942,429 Units).

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

As at 31 December 2016, 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 2016 Number of Units held</b>	<b>As at 30 June 2016 Number of Units held</b>
KAM Hing Lam	<b>831,073<sup>1</sup></b>	831,073 <sup>1</sup>
IP Tak Chuen, Edmond	<b>400,000<sup>2</sup></b>	400,000 <sup>2</sup>
CHEUNG Ling Fung, Tom	<b>69,762<sup>3</sup></b>	66,897 <sup>3</sup>
TONG BARNES Wai Che, Wendy	<b>142,856<sup>4</sup></b>	142,856 <sup>4</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.

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 2016.



## DIRECTORS' BIOGRAPHICAL INFORMATION

**KAM Hing Lam**, aged 70, is the founding Chairman and Non-executive Director of Hui Xian Asset Management Limited. He is also the founding Chairman of Beijing Oriental Plaza Co., Ltd.

Since the early 1990s, Mr. KAM has overseen the development of Beijing 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, Beijing Oriental Plaza now boasts an experienced management team strong in tenant mix planning, lease negotiation as well as marketing and promotion.

Mr. KAM is Deputy Managing Director of CK Hutchison Holdings Limited, an Executive Director, Deputy Managing Director and a Member of Executive Committee of Cheung Kong Property Holdings Limited. He possesses extensive experience in the real estate sector in Hong Kong and Mainland China. In Mainland China, beyond Beijing 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 the 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. 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.

Except for Beijing Oriental Plaza Co., Ltd., all the companies mentioned above are listed 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 50, 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. Mr. CHEUNG is also a Responsible Officer of the Manager.

Mr. CHEUNG is the General Manager of Beijing Oriental Plaza Co., Ltd. ("BOP"), the Sino-foreign cooperative joint venture company through which Hui Xian REIT's investment in Beijing Oriental Plaza is held.

Prior to joining BOP in 2001, Mr. CHEUNG spent seven years in Shanghai, where, as General Manager, he set up the first Mainland China branch for CBRE. He has over 25 years of experience in real estate, encompassing office, retail and residential properties. Mr. CHEUNG has previously been involved in a number of property developments located throughout Mainland China. He is also a member of Beijing Municipal Dongcheng District Committee of the Chinese People's Political Consultative Conference.

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

## DIRECTORS' BIOGRAPHICAL INFORMATION

**LEE Chi Kin, Casey**, aged 54, currently the Executive Director and a Responsible Officer of Hui Xian Asset Management Limited (the “Manager”). Mr. LEE had served as the Deputy Chief Operating Officer – Hotel of the Manager since the listing of the units of Hui Xian REIT on The Stock Exchange of Hong Kong Limited in April 2011 prior to his appointment as the Chief Investment Officer and a Responsible Officer of the Manager in August 2011.

Mr. LEE joined the group of Cheung Kong Property Holdings Limited (previously known as Cheung Kong (Holdings) Limited) 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 Hotel (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 30 years of experience in accounting, hotel management and property development. Prior to joining the group of Cheung Kong Property Holdings Limited (previously known as Cheung Kong (Holdings) Limited), 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 Liaoning Shenyang Committee of the Chinese People's Political Consultative Conference.

**IP Tak Chuen, Edmond**, aged 64, is a Non-executive Director of Hui Xian Asset Management Limited. Mr. IP is Deputy Managing Director of CK Hutchison Holdings Limited, as well as Deputy Managing Director, an Executive Director and a Member of Executive Committee of Cheung Kong Property Holdings Limited. He is also an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., as well as a Non-executive Director of ARA Asset Management Limited (an Asian real estate fund management company listed in Singapore). Mr. IP was previously a Non-executive Director of Real Nutraceutical Group Limited, TOM Group Limited and Shougang Concord International Enterprises Company Limited.

All the companies mentioned above are listed companies.

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

**LIM Hwee Chiang**, aged 60, 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 Financial 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 the real estate industry and has received many notable corporate awards. His accolades include the PERE Global Awards 2016 Industry Figure of the Year: Asia, 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.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**YIN Ke**, aged 53, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is the Chief Executive Officer, Executive Director of CITIC Securities International Company Limited. He is also an Executive Director 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 Limited (previously known as CITIC Pacific Limited), a company listed on the Main Board of the Hong Kong Stock Exchange. He is also an External Director of Shandong Heavy Industry Group. 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. He has been a member of the Securities and Futures Commission Advisory Committee since 1 June 2015.

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

**CHENG Hoi Chuen, Vincent**, aged 68, 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 CK Hutchison Holdings Limited, the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. He is the former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. CHENG 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 the Chairman of the Council of The Chinese University of Hong Kong. He is a member of the Advisory Committee on Post-service Employment of Civil Servants and a Vice-patron of Community Chest 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 71, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is an Academician of Chinese Academy of Engineering and was appointed as the Chancellor of the Chu Hai College of Higher Education on 1 July 2015. He is also an Independent Non-executive Director of The 13 Holdings Limited (formerly known as Louis XIII Holdings Limited) and AID Partners Capital Holdings Limited.

Professor LEE is an internationally renowned expert in geotechnical engineering. He 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. He joined the University of Hong Kong in 1994 as a professor of the Department of Civil Engineering, and successively as chair professor of geotechnical engineering, pro-vice-chancellor (vice-president) and director of the School of Professional and Continuing Education. He has also 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 currently the Chairman of the Hong Kong Institute for Promotion of Chinese Culture, Chairman of Jao Tsung-I Academy, Director of Jao Tsung-I Petite Ecole, University of Hong Kong, the President of the Fu Hui Charity Foundation. He is a member of the Commission on Strategic Development. He is a past Chairman of the Harbourfront Enhancement Committee, and the Council of the Lord Wilson Heritage Trust, and the Veterinary Surgeons Board. He previously also served as a member of Board of the West Kowloon Cultural District Authority and the Cultural and Heritage Commission.

Professor LEE's eminent achievement in civil engineering has been highly recognised. He was awarded the K Y Lo Medal in 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.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**CHOI Koon Shum, Jonathan**, aged 59, 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), Independent Non-executive Director of BOC Hong Kong (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 Chairman 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, a Council Member of the Hong Kong Trade Development Council, 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 Founding Chairman of the Hong Kong-Korea Business Council, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong. In 2015, Dr. CHOI has been appointed as Honorary Ambassador of Foreign Investment Promotion for Korea by Korean Government and Hong Kong, Hong Kong China's representative of APEC Business Advisory Council by the Chief Executive of HKSAR respectively. 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 Gold Bauhinia Star by the Hong Kong SAR Government. In 2015, he was conferred 'Friendship Order' by Vietnam 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, Jingtangshan, Zhongshan and Changjijie.

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, the Honorary Doctor of Business Administration by De Montfort University in United Kingdom in July 2014 and the Honorary Doctor of Laws Degree by The University of Alberta in October 2015.

## 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 Property 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 Beijing 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 27 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 32 years of experience in banking, finance and mergers & acquisitions. He holds a Master's degree in Management.

**TANG Hiu Tung, Daisy** is the Senior Corporate Finance and Corporate Development Manager and Responsible Officer of the Manager. Ms. TANG has over 16 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 19 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 Property Holdings Limited. He has over 25 years of experience in auditing. Mr. TSE holds a Master's degree in Business Administration, a Master of Science degree in Information Systems Management, a Master of Science degree in Investment Management, a Master of Laws degree in Common Law and a Juris Doctor Degree. 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.

# VALUATION REPORT



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

3 March 2017

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 2016 for your accounting purpose.

### **BASIS OF VALUATION**

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

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 outgoing 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

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

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

**Vincent K F Pang** *MHKIS MRICS*  
*RICS Registered Valuer*  
*Director, China Valuation*  
For and on behalf of  
**Knight Frank Petty Limited**

**Clement W M Leung** *MFin MCIREA MHKIS MRICS RPS (GP)*  
*RICS Registered Valuer*  
*Executive Director, Head of China Valuation*  
For and on behalf of  
**Knight Frank Petty Limited**

## EXECUTIVE SUMMARY

- Properties
- (1) The Retail Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (2) The Office Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (3) The Serviced Apartment Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (4) The Hotel Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (5) The Basement Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC

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)

*Note 1:* 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	131,560
Office Portion	309,552
Serviced Apartment Portion	81,603
Hotel Portion	124,055
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	72,729
Office Portion	298,330
Serviced Apartment Portion	81,098
<b>Total:</b>	<b>452,157</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 2016

Valuation Methodology Income Capitalization Approach and Direct Comparison Approach

<b>Property</b>	<b>Market value in existing state as at 31 December 2016</b>
Retail Portion	14,599,000,000
Office Portion	14,832,000,000
Serviced Apartment Portion	2,250,000,000
Hotel Portion	3,620,000,000
Basement Portion	280,000,000
<b>Total:</b>	<b>35,581,000,000</b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016										
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 131,560 sq. m. and 72,729 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>16,003</td> </tr> <tr> <td>Upper ground level</td> <td>22,888</td> </tr> <tr> <td>Lower ground level</td> <td>33,838</td> </tr> <tr> <td><b>Total:</b></td> <td><b>72,729</b></td> </tr> </tbody> </table>	Level	Approximate Lettable Area (sq. m.)	Podium level	16,003	Upper ground level	22,888	Lower ground level	33,838	<b>Total:</b>	<b>72,729</b>	<p>Portion of the property with a total lettable area of approximately 72,521 sq. m. has been leased under various tenancies with the last expiry term in March 2024 yielding an average monthly rental of approximately RMB81,203,025 exclusive of management fee and value-added tax.</p> <p>Various advertising spaces are let under various agreements yielding an average monthly income of approximately RMB739,000 from January 2016 to December 2016.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB14,599,000,000 (RENMINBI FOURTEEN BILLION FIVE HUNDRED AND NINETY NINE MILLION ONLY)
Level	Approximate Lettable Area (sq. m.)												
Podium level	16,003												
Upper ground level	22,888												
Lower ground level	33,838												
<b>Total:</b>	<b>72,729</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.

## VALUATION REPORT

4. 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 RMB503,000.
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	72,521	99.72
Vacant	208	0.28
<b>Total:</b>	<b>72,729</b>	<b>100.00</b>

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

Year	Approximate Leased Lettable Area (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2007	998	1.37	154,000	0.19	1	0.32
2008	—	—	—	—	—	—
2009	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	5,895	8.13	4,618,524	5.69	7	2.27
2013	1,397	1.93	1,728,251	2.13	7	2.27
2014	16,362	22.56	23,523,439	28.97	62	20.06
2015	21,939	30.25	22,561,164	27.78	85	27.51
2016	25,930	35.76	28,617,647	35.24	147	47.57
<b>Total:</b>	<b>72,521</b>	<b>100.00</b>	<b>81,203,025</b>	<b>100.00</b>	<b>309</b>	<b>100.00</b>

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

Year	Approximate Leased Lettable Area (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2016	2,500	3.45	3,707,762	4.57	11	3.56
2017	20,790	28.67	31,467,485	38.75	84	27.18
2018	10,923	15.06	15,517,843	19.11	93	30.12
2019	14,826	20.44	16,154,600	19.89	73	23.62
2020	9,439	13.02	7,912,759	9.74	26	8.41
2021	9,392	12.95	6,315,000	7.78	20	6.47
2022	2,394	3.30	127,576	0.16	1	0.32
2024	2,257	3.11	—	—	1	0.32
<b>Total:</b>	<b>72,521</b>	<b>100.00</b>	<b>81,203,025</b>	<b>100.00</b>	<b>309</b>	<b>100.00</b>

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

Year	Approximate Leased		Net Monthly		No. of	
	Lettable Area (sq. m.)	% of total	Rental (RMB)	% of total	Tenancies	% of total
Up to 1 Year	1,815	2.50	2,603,568	3.21	8	2.59
More than 1 Year and up to 2 Years	2,918	4.02	5,284,915	6.51	34	11.00
More than 2 Years and up to 3 Years	28,342	39.08	46,953,710	57.82	178	57.61
More than 3 Years and up to 4 Years	2,426	3.36	3,664,081	4.52	19	6.15
More than 4 Years and up to 5 Years	24,827	34.23	18,777,961	23.12	54	17.48
More than 5 Years and up to 6 Years	4,572	6.30	3,062,928	3.77	11	3.56
More than 6 Years and up to 7 Years	—	—	—	—	—	—
More than 7 Years and up to 8 Years	6,623	9.13	701,862	0.86	4	1.29
More than 8 Years and up to 9 Years	—	—	—	—	—	—
More than 9 Years and up to 10 Years	998	1.38	154,000	0.19	1	0.32
More than 10 Years	—	—	—	—	—	—
<b>Total:</b>	<b>72,521</b>	<b>100.00</b>	<b>81,203,025</b>	<b>100.00</b>	<b>309</b>	<b>100.00</b>

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)
Galaxy SOHO	Dongcheng District	Asking	December 2016	95,000
Beijing INN	Dongcheng District	Asking	December 2016	84,400

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 above-mentioned information. The information provided is for reference purpose only.

8. 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.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
2.	<p>The office portion of Oriental Plaza No. 1 East Chang An Avenue Dongcheng District Beijing The PRC</p> <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 and lettable area of approximately 309,552 sq. m. and 298,330 sq. m. respectively.</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 283,558 sq. m. has been leased under various tenancies with the last expiry term in March 2023 yielding a total monthly rental of approximately RMB75,995,301 exclusive of management fee and value-added tax.</p> <p>Portion of the property with a total lettable area of approximately 2,419 sq. m. has been occupied by the owner for self-use.</p> <p>The naming rights of office towers E2 and E3 are let under two agreements for the last expiry term in October 2023 yielding a monthly income of approximately RMB245,800.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>RMB14,832,000,000 (RENMINBI FOURTEEN BILLION EIGHT HUNDRED AND THIRTY TWO MILLION ONLY)</p>

## 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.



4. 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**

<b>Type</b>	<b>Approximate Lettable Area</b> (sq. m.)	<b>% of total</b>
Leased	283,558	95.05
Owner-occupied	2,419	0.81
Vacant	12,353	4.14
<b>Total:</b>	<b>298,330</b>	<b>100.00</b>

**Tenancy Commencement Profile**

<b>Year</b>	<b>Approximate Leased Lettable Area*</b>		<b>Net Monthly Rental**</b>		<b>No. of Tenancies***</b>	
	(sq. m.)	% of total	(RMB)	% of total		% of total
2012	6,182	2.18	1,793,792	2.36	6	1.10
2013	5,949	2.10	1,666,040	2.19	12	2.20
2014	63,240	22.30	15,996,876	21.05	112	20.51
2015	94,991	33.50	25,585,805	33.67	183	33.52
2016	104,486	36.85	30,952,788	40.73	217	39.74
2017	8,710	3.07	—	—	16	2.93
<b>Total:</b>	<b>283,558</b>	<b>100.00</b>	<b>75,995,301</b>	<b>100.00</b>	<b>546</b>	<b>100.00</b>

**Tenancy Expiry Profile**

<b>Year</b>	<b>Approximate Leased Lettable Area*</b>		<b>Net Monthly Rental**</b>		<b>No. of Tenancies***</b>	
	(sq. m.)	% of total	(RMB)	% of total		% of total
2016	3,631	1.28	1,027,126	1.35	13	2.38
2017	75,068	26.47	21,363,334	28.11	169	30.95
2018	66,842	23.57	20,147,507	26.51	164	30.04
2019	81,053	28.59	21,145,961	27.83	175	32.05
2020	27,872	9.83	5,541,237	7.29	12	2.20
2021	512	0.18	178,137	0.23	2	0.37
2022	27,727	9.78	6,388,416	8.41	10	1.83
2023	853	0.30	203,583	0.27	1	0.18
<b>Total:</b>	<b>283,558</b>	<b>100.00</b>	<b>75,995,301</b>	<b>100.00</b>	<b>546</b>	<b>100.00</b>

## VALUATION REPORT

### 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	626	0.23	182,831	0.24	4	0.73
More than 1 Year and up to 2 Years	35,584	12.55	10,447,309	13.75	112	20.51
More than 2 Years and up to 3 Years	130,551	46.04	37,889,720	49.86	290	53.12
More than 3 Years and up to 4 Years	31,562	11.13	7,877,938	10.37	85	15.57
More than 4 Years and up to 5 Years	54,669	19.28	12,454,190	16.39	40	7.33
More than 5 Years and up to 6 Years	5,285	1.86	1,557,509	2.05	7	1.28
More than 6 Years and up to 7 Years	24,428	8.61	5,382,221	7.08	7	1.28
More than 7 Years and up to 8 Years	—	—	—	—	—	—
More than 8 Years and up to 9 Years	—	—	—	—	—	—
More than 9 Years and up to 10 Years	853	0.30	203,583	0.26	1	0.18
More than 10 Years	—	—	—	—	—	—
<b>Total:</b>	<b>283,558</b>	<b>100.00</b>	<b>75,995,301</b>	<b>100.00</b>	<b>546</b>	<b>100.00</b>

\* As at the date of valuation, the total leased lettable area of approximately 283,558 sq. m. includes an area of approximately 8,710 sq. m. for tenancies with lease term not yet commenced and an area of approximately 274,848 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 RMB2,929,149 per month.

\*\*\* As at the date of valuation, there are 546 tenancies, in which 530 tenancies are with lease terms already commenced and 16 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)
Galaxy SOHO	Dongcheng District	Asking	December 2016	61,000
Galaxy SOHO	Dongcheng District	Asking	December 2016	55,000

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 2016
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 and lettable area of approximately 81,603 sq. m. and 81,098 sq. m. respectively.</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 76,161 sq. m. has been leased under various tenancies with the last expiry term in December 2020 yielding a total monthly rental of approximately RMB8,832,294 exclusive of management fee.</p> <p>Portion of the property with a total lettable area of approximately 966 sq. m. has been occupied by the owner for self-use.</p> <p>The remaining portion of the property is currently vacant.</p>	RMB2,250,000,000 (RENMINBI TWO BILLION TWO HUNDRED AND FIFTY MILLION ONLY)

## 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.

## VALUATION REPORT

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	76,161	93.91
Owner-occupied	966	1.19
Vacant	3,971	4.90
<b>Total:</b>	<b>81,098</b>	<b>100.00</b>

### Tenancy Commencement Profile

Year	Approximate Leased Lettable Area (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2016	74,706	98.09	8,832,294	100.00	562	97.91
2017	1,455	1.91	—	0.00	12	2.09
<b>Total:</b>	<b>76,161</b>	<b>100.00</b>	<b>8,832,294</b>	<b>100.00</b>	<b>574</b>	<b>100.00</b>

### Tenancy Expiry Profile

Year	Approximate Leased Lettable Area (sq. m.)	% of total	Net Monthly Rental (RMB)	% of total	No. of Tenancies	% of total
2016	4,068	5.34	496,098	5.62	31	5.40
2017	67,479	88.60	7,838,369	88.75	512	89.20
2018	4,518	5.93	485,603	5.50	30	5.23
Beyond 2018	96	0.13	12,224	0.13	1	0.17
<b>Total:</b>	<b>76,161</b>	<b>100.00</b>	<b>8,832,294</b>	<b>100.00</b>	<b>574</b>	<b>100.00</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	64,691	84.94	7,469,694	84.57	492	85.71
More than 1 Year and up to 2 Years	9,724	12.77	1,175,184	13.31	70	12.20
More than 2 Years and up to 3 Years	1,746	2.29	187,416	2.12	12	2.09
<b>Total:</b>	<b>76,161</b>	<b>100.00</b>	<b>8,832,294</b>	<b>100.00</b>	<b>574</b>	<b>100.00</b>

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

Comparable Property	Location	Type of Transaction	Date of Offer	Asking Price (RMB/sq. m.) (G)
Henderson Center	Dongcheng District	Asking	December 2016	53,000
Meihua Century	Dongcheng District	Asking	December 2016	50,300

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 2016
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 124,055 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.	RMB3,620,000,000 (RENMINBI THREE BILLION SIX HUNDRED AND TWENTY MILLION ONLY)

*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.

## VALUATION REPORT

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 2016
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 RMB1,920,000 exclusive of management fee.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>RMB280,000,000 (RENMINBI TWO HUNDRED AND EIGHTY MILLION ONLY)</p>

### 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 noted from the market of the following asking price of strata-title car parking space, 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/car parking space)</i>
Dongsishitiao	Dongcheng District	Asking	December 2016	210,000
Xinjiakou	Xicheng District	Asking	December 2016	280,000

5. 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.

## MARKET OVERVIEW

Beijing, as the capital of PRC, is one of the most developed cities in China. At the end of 2015, the GDP of Beijing was recorded RMB2.30 trillion, representing an increase of 6.9 percent. The fixed asset investment grew at an annual rate of 5.7 percent, reaching RMB799.1 billion by the end of 2015. The total retail sales of consumer goods of Beijing was RMB1,003.2 billion and the disposable income of residents was recorded RMB48,458, representing a growth rate of 11.2 percent and 8.9 percent respectively. At the end of 2015, the total population of Beijing is approximately 21.7 million.

### Beijing Retail Market

#### *Supply and Demand*

In the fourth quarter of 2016, several shopping malls entered Beijing retail market, adding approximately 600,000 sq m to the city's retail stock. New malls include large shopping centers the Fengtai Wanda Plaza and Huaifang Wanda Plaza, Fun Capital Outlet in Changping district and Green Fun City Phase 2 in Daxing District.

With the growing popularity of online shopping, and the emerge of middle class in China, the demand for foreign food increased for the last few years, thus helps on the expansion of foreign brands on Food and Beverage and supermarkets. Yet demand from other retail sectors, department store and traditional retail shop for instance, are minimizing their footprint due to the underperform sales results.

#### *Market Trend*

With weak performance from domestic visitors and the effect of growing online business, retail group tends to lower their business cost by relocating shops to submarket with lower rents but better building quality. This lead to slow rental growth in prime retail market, reaching only around 1% in Q4 2016, lowest in record in the recent decades. Existing shopping centers reform their business model by adding entertainment elements to primary shopping centers, for instance, introduce sports and family entertainment to enhance customers' shopping experiences. It is expected with influx of supply in 2017, rental level of prime retail malls will remain stable in general, with slightly decrease for seasonal factors. Occupancy rate of submarket will increase, comparing stable occupancy rate in city center's malls.

### **Beijing Office Market**

#### ***Supply and Demand***

The city's Grade A office stock has been bumped up to approximately 9.9 million sq. m. after the completion of three major projects in Q4 2016, namely the Emperor Group Center, Pacific Century Place and the Radiance, adding up totally around 199,000 sq. m. to the market. With strong office demand from finance sector and the growing IT industry, supply keeps flushing in and it is expected that the market will achieve record high in the coming quarter of 2017. Pending supply includes the COFCO Plaza C which locates at East Chang'an Avenue with a total GFA of approximately 16,000 sq. m..

Dominated by tertiary industries such as banking, high-tech and legal sectors, the leasing demand remains strong in Q4, notable transactions include the establishment of headquarter from a sizable finance institution at Emperor Group Center involving over 20,000 sq. m., and office expansion of an international law firm into Yintai Center.

Despite strong demand from domestic and foreign institutions, Beijing Grade A office rents remain stable in Q4 of 2016. Increasing office supply, easy accessibility across the city and the attractive package from new offices in emerging area lead to a balance of demand and supply, whereas tenants are not limited to traditional CBD offices and have more flexibility on office locations and rental terms, resulting stable average rents in the market.

#### ***Market Trend***

Global economic uncertainty and macroeconomic factors such as exchange rate and interest rate movement are expected to have an adverse effect on leasing demand from foreign institutions. Yet domestic demand from tertiary industries, such as high tech and professional service sectors, is expected to remain strong and become the major source of demand in office market. Surplus of supply in traditional area lead to keen competition within leasing market, older buildings with lower quality face greater pressure on rental adjustment and occupancy rates, as tenants are more attracted to premium projects in both CBD and emerging districts. Thus, overall rental difference between traditional CBD and emerging area is expected to be narrowed down with the overall rental level remain stable.

### **Beijing Serviced Apartment Market**

#### ***Supply and Demand***

A new service apartment building, the Oakwood Residence Damei Beijing with 171 units entered the market in Q4 2016, adding up the city's total stock to approximately 7,000 units. One en bloc sales transaction was recorded at the prime area, the Fraser Residence CBD East was transacted by a financial institution for RMB1.18 billion for investment purpose. This sizable transaction with a total GFA of around 27,000 sq. m. and more than 200 units indicates the long term growth in service apartment sector.

Q4 leasing demand slightly decrease due to seasonal factor, as expatriates often leave the country for Christmas and new year holidays, leading average vacancy rate increased around 1.5% QoQ. With growing residential leasing demand from both foreign employees and domestic young generation, Beijing's service apartments tend to ask for an above-average rent, leading average rents increased by around 2% yoy to approximately RMB230 psm per month.



### **Market Trend**

Despite tightening policies implemented by the government in the second half year of 2016, developers remained active on land plotting and property investment in Beijing. Yet new supply tends to become investment properties rather than for sale under developers' strategies, for instance, two residential land plots by Vanke Group are planned for leased after completion. This reflect developers and investors' prudent altitude on the residential market but a reasonable expectation on the growth of leasing and service apartment sector.

Three new projects are expected to enter the market by early 2017, adding approximately 400 units to the market. Yet with the strong demand on high-end residential leasing market, high occupancy rate will be expected and average rental level will remain stable.

### **Beijing Hotel Market**

#### **Supply and Demand**

Because of softening demand for accommodations for inbound tourists and the Beijing government's policy of strictly controlling the number of new hotels within the Fourth Ring Road, international hotel brands have adjusted or postponed the openings of their hotels. Consequently, only five hotels were launched in the year of 2016, providing 1,479 rooms, which is not a significant increase compared in last year.

Although room demand from inbound tourists continued to ease, the market performance of Beijing's high-end hotels remained stable, mainly because of enhanced consumer spending power as well as increased demand for domestic business accommodations and conferences. During 1H 2016, the five-star hotel occupancy rate to around 70%, while the Average Daily Rate (ADR) remained stable, dropped mildly by 0.9% YoY to approximately RMB1,000.

#### **Market Trend**

In recent years, China's hotel market has faced increasing challenges, including slower domestic economic growth, on-going government policies to curb consumption of luxury goods as well as increasingly fierce competition among local and international hotel operators resulting from increased room supply. However, the hotel market in China is set to continue growing and to benefit from a strong upsurge in domestic tourism in the medium to long term, with the domestic economy becoming increasingly driven by domestic demand. International hotel operators have continued to show strong confidence in China's hospitality market, pursuing aggressive expansion plans in the country.

The slow global economic recovery led to a slight decline in international tourist arrivals in Beijing. However, the performance of Beijing's five-star hotels remained stable, thanks to stronger domestic spending as well as increased demand for domestic business accommodation and conferences. The authorities are planning a series of policies to tackle unfavourable factors, such as chronic air pollution and traffic congestion, which have a negative impact on tourism. These initiatives are set to provide a better travel experience for visitors, which will eventually result in increased demand for Beijing's luxury hotels.

In the short term, for the whole China's hotel market, it is still facing challenges, including a global economic recovery falling short of expectations, a slowdown in domestic economic growth and increasingly fierce competition among local and international hotels resulting from increased supply. In the medium to long term, the Chinese economy will focus on domestic consumption as its growth impetus and more tourism facilities will be completed, such as the world's largest Universal Studios, scheduled to open in Beijing in 2019. International hotel operators are still confident in the market, as reflected by the recent announcements of aggressive expansion plans in China by Starwood, Swiss International and Regent.



The Directors  
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2 Queen's Road Central  
Hong Kong

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

3 March 2017

Dear Sirs

## **VALUATION OF VARIOUS PORTIONS OF METROPOLITAN ORIENTAL PLAZA, NO. 68 ZOURONG ROAD, YUZHONG DISTRICT, CHONGQING, 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 2016 for your accounting purpose.

### **BASIS OF VALUATION**

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

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.

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 transactions.

## 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 and the inspection was conducted by Clement Leung, our Executive Director, in June 2015. However, no structural survey has been made and we are therefore unable 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.

## **IDENTITY OF PROPERTY TO BE VALUED**

We exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the properties, identified by the property addresses in your instructions, are the properties inspected by us and contained within our valuation report. If there is ambiguity as to the property addresses, or the extent of the properties to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

## **ENVIRONMENTAL ISSUES**

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## **COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS**

We have assumed that the properties will be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report are based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

## **CURRENCY**

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

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

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 Chapter 6.5 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

**Vincent K F Pang** *MHKIS MRICS*

*RICS Registered Valuer*

*Director, China Valuation*

For and on behalf of

**Knight Frank Petty Limited**

**Clement W M Leung** *MFin MCIREA MHKIS MRICS RPS (GP)*

*RICS Registered Valuer*

*Executive Director, Head of China Valuation*

For and on behalf of

**Knight Frank Petty Limited**

**EXECUTIVE SUMMARY**

- Properties
- (1) The Retail Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC
  - (2) The Office Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC
  - (3) The Basement Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC

Description

Metropolitan Oriental Plaza (the “Development”) is a large-scale composite development. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and basement level 2 of the Development.

The properties comprise the retail portion, office portion and basement portion of the Development. The retail portion of the Development comprises 8 levels above-ground, a mezzanine level, a lower ground level and portion of basement level 1. The office portion is a 37-storey office tower whilst the basement portion is located at portion of basement Level 1 and whole basement level 2 of the Development.

Site Area 18,072.70 sq. m.

Registered Owner Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) (the “Owner”)

Gross Floor Area According to the information provided, the details of approximate gross floor area are listed as follows:

<b>Portion</b>	<b>Approximate Gross Floor Area (sq. m.)</b>
Retail Portion	88,919
Office Portion	54,617
Basement Portion	20,823
<b>Total:</b>	<b>164,359</b>

Lettable Area According to the information provided, the details of approximate lettable area of the retail and office portions are listed as follows:

<b>Portion</b>	<b>Approximate Lettable Area (sq. m.)</b>
Retail Portion	58,289
Office Portion	50,505
<b>Total:</b>	<b>108,794</b>

Real Estate Title Certificates 101 Fang Di Zheng 2015 Zi Di 24819 Hao (101 房地證2015字第24819號)  
101 Fang Di Zheng 2015 Zi Di 24971 Hao (101 房地證2015字第24971號)

Date of Valuation 31 December 2016

Valuation Methodology Income Capitalization Approach and Direct Comparison Approach

<b>Property</b>	<b>Market value in existing state as at 31 December 2016</b>
Retail Portion	RMB2,940,000,000
Office Portion	RMB958,000,000
Basement Portion	RMB44,000,000
<b>Total:</b>	<b>RMB3,942,000,000</b>

## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
<p>1. The retail portion of Metropolitan Oriental Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC</p>	<p>Metropolitan Oriental Plaza (the Development<sup>1</sup>) is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 sq. m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.</p> <p>The property comprises the retail portion of the Development. It includes levels 1 to 8, a mezzanine floor between levels 7 and 8, level LG and portion of basement level 1 with a total gross floor area and a total lettable area of approximately 88,919 sq. m. and 58,289 sq. m. respectively.</p> <p>The property is held under land use rights term expiring on 30 August 2044 for commercial use.</p>	<p>Portion of the property with a total lettable area of approximately 39,892 sq. m. has been leased under various tenancies with the last term expiring in July 2031, yielding a total monthly rental of approximately RMB7,430,769, inclusive of management fee.</p> <p>Portion of the property with a total lettable area of approximately 3,371 sq. m. is occupied by the Company for retail use.</p> <p>The remaining portion of the property is vacant.</p>	<p>RMB 2,940,000,000 (RENMINBI TWO BILLION NINE HUNDRED AND FORTY MILLION ONLY)</p>



## Notes:

- Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24971 Hao (101 房地證2015字第24971號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the shopping mall of Metropolitan Oriental Plaza with a total gross floor area of 109,742.46 sq. m. and erected on a plot of land with a site area of 18,072.7 sq. m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.
- In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair and maintenance of the central electrical system, escalator, elevator, other common equipment, common area and their respective ancillary facilities and the tenant is responsible for the repair and maintenance of internal equipment and facilities of the property.
- According to the information provided by the Company, the total monthly rental income of the property reported are contractual rentals without taking into account turnover rent and other incomes, if any. According to the information provided, the average monthly turnover rent is approximately RMB537,000 for the period between January 2016 and December 2016, the average monthly other income is approximately RMB533,000 for the period between January 2016 and December 2016 and the average monthly promotion income is approximately RMB105,000 for the period between January 2016 and December 2016.
- Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

**Occupancy Profile**

Type	Approximate Lettable Area (sq. m.)	% of total
Leased	39,892	68.44
Owner-occupied	3,371	5.78
Vacant	15,026	25.78
<b>Total:</b>	<b>58,289</b>	<b>100.00</b>

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

Year	Approximate Leased Lettable Area		Gross Monthly Rental*		No. of Tenancies**	
	(sq. m.)	% of total	(RMB)	% of total		% of total
2013	704	1.76	115,019	1.55	2	2.50
2014	1,934	4.85	979,649	13.18	7	8.75
2015	1,832	4.59	1,075,906	14.48	19	23.75
2016	35,422	88.80	5,260,195	70.79	42	52.50
2017	—	—	—	—	10	12.50
<b>Total:</b>	<b>39,892</b>	<b>100.0</b>	<b>7,430,769</b>	<b>100.00</b>	<b>80</b>	<b>100.00</b>

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

Year	Approximate Leased Lettable Area		Gross Monthly Rental*		No. of Tenancies**	
	(sq. m.)	% of total	(RMB)	% of total		% of total
2016	1,312	3.29	87,738	1.18	12	15.00
2017	4,392	11.01	1,458,433	19.63	40	50.00
2018	3,543	8.88	760,935	10.24	14	17.50
2019	1,618	4.06	289,649	3.90	8	10.00
2020	94	0.23	97,687	1.31	1	1.25
2021	298	0.75	10,800	0.15	2	2.50
2022	24,328	60.99	4,725,527	63.59	2	2.50
2031	4,307	10.79	—	—	1	1.25
<b>Total:</b>	<b>39,892</b>	<b>100.0</b>	<b>7,430,769</b>	<b>100.00</b>	<b>80</b>	<b>100.00</b>

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

Year	Approximate Leased		Gross Monthly		No. of	
	Lettable Area (sq. m.)	% of total	Rental* (RMB)	% of total	Tenancies**	% of total
Up to 1 Year	3,777	9.47	179,170	2.41	37	46.25
More than 1 Year and up to 2 Years	821	2.06	513,724	6.92	8	10.00
More than 2 Years and up to 3 Years	4,366	10.94	1,618,567	21.78	23	28.75
More than 3 Years and up to 4 Years	314	0.79	43,903	0.59	3	3.75
More than 4 Years and up to 5 Years	1,800	4.51	339,077	4.56	5	6.25
More than 5 Years and up to 6 Years	24,328	60.99	4,725,528	63.59	2	2.50
More than 6 Years and up to 7 Years	180	0.45	10,800	0.15	1	1.25
More than 7 Years	4,306	10.79	—	—	1	1.25
<b>Total:</b>	<b>39,892</b>	<b>100.0</b>	<b>7,430,769</b>	<b>100.00</b>	<b>80</b>	<b>100.00</b>

\* As at the date of valuation, the total gross monthly rental only includes the gross monthly rental receivable from tenancies with lease terms already commenced and excluded the gross monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB9,721 per month.

\*\* As at the date of valuation, there are 80 tenancies, in which 70 tenancies are with lease terms already commenced and 10 tenancy is with lease term not yet commenced.

5. 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 2016
2. The office portion of Metropolitan Oriental Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Oriental Plaza (the Development") is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 sq. m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.	Portion of the property with a total gross floor area of approximately 41,415 sq. m. has been leased under various tenancies with the last term expiring in November 2020, yielding a total monthly rental of approximately RMB5,189,965, inclusive of management fee.	RMB958,000,000 (RENMINBI NINE HUNDRED AND FIFTY EIGHT MILLION ONLY)
	The property comprises the 37-level office tower of the Development with a total gross floor area and a total lettable gross floor area of approximately 54,617 sq. m. and 50,505 sq. m. respectively.	Portion of the property with a total gross floor area of approximately 1,607 sq. m. is occupied by the Company for office use.	
	The property is held under a land use rights term expiring on 30 August 2044 for commercial use.	The remaining portion of the property is vacant.	

## Notes:

- Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24819 Hao (101 房地證2015字第24819號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the office building of Metropolitan Oriental Plaza with a total gross floor area of 54,617.37 sq. m. and erected on a plot of land with a site area of 18,072.7 sq. m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.
- In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the central air-conditioning system and the tenant is responsible for the maintenance of internal decorations and various equipment of the property.
- According to the information provided by the Company, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.

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

**Occupancy Profile**

<b>Type</b>	<b>Approximate Gross Floor Area (sq. m.)</b>	<b>% of total</b>
Leased	41,415	82.00
Owner-occupied	1,607	3.18
Vacant	7,483	14.82
<b>Total:</b>	<b>50,505</b>	<b>100.00</b>

**Tenancy Commencement Profile (excluding the owner-occupied portion)**

<b>Year</b>	<b>Approximate Leased Gross Floor Area (sq. m.)</b>	<b>% of total</b>	<b>Gross Monthly Rental* (RMB)</b>	<b>% of total</b>	<b>No. of Tenancies**</b>	<b>% of total</b>
2014	8,062	19.47	1,015,636	19.57	19	13.67
2015	16,488	39.81	2,158,881	41.60	51	36.69
2016	16,865	40.72	2,015,448	38.83	58	41.73
2017	—	—	—	—	10	7.19
2018	—	—	—	—	1	0.72
<b>Total:</b>	<b>41,415</b>	<b>100.00</b>	<b>5,189,965</b>	<b>100.00</b>	<b>139</b>	<b>100.00</b>

**Tenancy Expiry Profile (excluding the owner-occupied portion)**

<b>Year</b>	<b>Approximate Leased Gross Floor Area (sq. m.)</b>	<b>% of total</b>	<b>Gross Monthly Rental* (RMB)</b>	<b>% of total</b>	<b>No. of Tenancies**</b>	<b>% of total</b>
2016	713	1.72	92,810	1.79	4	2.87
2017	17,010	41.07	2,133,421	41.11	43	30.94
2018	10,808	26.10	1,444,092	27.82	45	32.37
2019	12,352	29.82	1,447,937	27.90	43	30.94
2020	532	1.29	71,705	1.38	4	2.88
<b>Total:</b>	<b>41,415</b>	<b>100.00</b>	<b>5,189,965</b>	<b>100.00</b>	<b>139</b>	<b>100.00</b>

**Tenancy Duration Profile (excluding the owner-occupied portion)**

<b>Year</b>	<b>Approximate Leased Gross Floor Area (sq. m.)</b>	<b>% of total</b>	<b>Gross Monthly Rental* (RMB)</b>	<b>% of total</b>	<b>No. of Tenancies**</b>	<b>% of total</b>
Up to 1 Year	928	2.24	108,308	2.09	8	5.75
More than 1 Year and up to 2 Years	6,562	15.85	866,377	16.69	31	22.30
More than 2 Years and up to 3 Years	27,779	67.07	3,386,192	65.24	76	54.68
More than 3 Years and up to 4 Years	5,658	13.66	763,348	14.71	23	16.55
More than 4 Years and up to 5 Years	488	1.18	65,740	1.27	1	0.72
<b>Total:</b>	<b>41,415</b>	<b>100.00</b>	<b>5,189,965</b>	<b>100.00</b>	<b>139</b>	<b>100.00</b>

\* As at the date of valuation, the total gross monthly rental only includes the gross monthly rental receivable from tenancies with lease terms already commenced and excluded the gross monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB9,238 per month.

\*\* As at the date of valuation, there are 139 tenancies, in which 128 tenancies are with lease terms already commenced and 11 tenancy is with lease term not yet commenced.

5. 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 2016
3.	<p>The basement portion of Metropolitan Oriental Plaza No. 68 Zourong Road Yuzhong District Chongqing The PRC</p> <p>Metropolitan Oriental Plaza (the Development") is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 sq. m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.</p> <p>The property comprises the car park portion on portion of basement level 1 and portion of basement level 2 of the Development with a total gross floor area of approximately 15,141 sq. m., providing a total of 370 car parking space.</p> <p>The property also comprises the plant and machinery area of portion of basement level 2 with a total gross floor area of approximately 5,682 sq. m..</p> <p>The property is held under a land use rights term expiring on 30 August 2044 for commercial use.</p>	<p>Portion of the property is let under various licenses on monthly and/or hourly basis yielding a total income of approximately RMB3,320,387 from January 2016 to December 2016, exclusive of management fee.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>RMB44,000,000 (RENMINBI FORTY FOUR MILLION ONLY)</p>

## Notes:

1. Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24971 Hao (101 房地證2015字第24971號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the shopping mall of Metropolitan Oriental Plaza with a total gross floor area of 109,742.46 sq. m. and erected on a plot of land with a site area of 18,072.7 sq. m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.
2. 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.

## MARKET OVERVIEW

Chongqing is one of the four direct-controlled municipalities in China.

With its well-developed transportation infrastructure and excellent geographic location, Chongqing is also a major transportation hub in Southwestern China.

According to the Chongqing Municipal Bureau of Statistics, the population of Chongqing has reached approximately 50.1 million by the end of 2015.

In economic terms, the Gross Domestic Product (GDP) of Chongqing has experienced steady growth over the past 20 years and has reached approximately RMB1,756 billion in 2016, representing a y-o-y increase of 10.7%.

Secondary and tertiary industries are the dominating industries of the city and accounted for more than 93% of the total GDP.

### Chongqing Retail Market

#### *Supply and Demand*

In the third quarter of 2016, two large scale shopping malls namely The Longfor Times Paradise Walk Phase III (龍湖時代天街) and the Landmark Riverside Park (長嘉匯購物公園) opened in city wide area, adding a total retail GFA of 22,000 sq. m. to the market. Several main shopping malls were relaunched to target different group of consumers. Sunshine Mall which is previously owned by the Chongqing Department Store, relaunched as an outlet mall specializes on fashion brands, and Wangfujing Jiefangbei which has also converted to a discount store and renamed as Wanfujing Outlet.

Retail projects also delayed their launch dates due to the negative effect of the growing popularity of e-commerce. Xing Kong Mitsukoshi and Chongqing International Finance Square (IFS), which were scheduled to open in the third quarter of 2016, have both delayed to the first half year of 2017. Together with the opening of Shin Kong Place, which is a department store with excellent location in the city centre and internally connecting to the metro station, Chongqing retail market is expected to have an increase of rental supply in the near future.

#### *Market Trend*

Prime area retail rents increased 0.5% q-o-q to RMB26.2 per sq m per day, and attributed to the closures of two main shopping malls in August, the Paradise Walk BHG Supermarket and the Parkson Grand in MixC in the Yangjiaping district, the shopping mall occupancy rates fell to 93.5% in the third quarter of 2016.

With a shifting taste of consumers from traditional retail shop to online shopping, local shopping malls start to integrate experiential formats into shopping experience to encourage customers' flow and maintain popularity. Longfor Times Paradise Walk Phase III is a good example, the newly opened mall attempts to be a multi-functional shopping centre by including sports and indoor entertainment such as karting club, bowling activity and art centre in the mall.

### **Chongqing Office Market**

#### ***Supply and Demand***

Two new office building, the China Resource Building and the Guohua Financial Center came onto the market in the third quarter of 2016, adding approximately 128,700 sq. m. of office supply and leading a record high of total Grade A office stock in the city up to 2,115,000 sq. m.. Increase of office supply caused rapid competition on the rental market, as landlords tend to lower asking rent to avoid vacancy, average Grade A office rents in the 5 main districts fell by 3.7% q-o-q to around RMB90-95 per sq. m. per month. Only Jiangbeizui CBD maintains high rental level of around RMB110 per sq. m. per month, as both banking and financial institutions and large-scale enterprises are willing to take up high rent office in the main CBD in Chongqing.

#### ***Market Trend***

Rapid growth of tertiary industry is the main factor for Grade A office demand. In response of increasing office supply to the market landlords are more willing to lower rental level and thus it is expected the average rental rate to decrease in the coming year. Improvement of transportation services has also lead to the transit of Grade A office demand from central Jiangbeizui CBD to other CBD districts, for instance, the Jiefangbei Underground Circle Line which would be completed in the first half year of 2017, is expected would improve office demand in the Jiefangbei area.





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

3 March 2017

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 2016 for your accounting purpose.

### **BASIS OF VALUATION**

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

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

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

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

**Vincent K F Pang** *MHKIS MRICS*  
*RICS Registered Valuer*  
*Director, China Valuation*  
 For and on behalf of  
**Knight Frank Petty Limited**

**Clement W M Leung** *MFin MCIREA MHKIS MRICS RPS (GP)*  
*RICS Registered Valuer*  
*Executive Director, Head of China Valuation*  
 For and on behalf of  
**Knight Frank Petty Limited**

## EXECUTIVE SUMMARY

- Properties
- (1) Sofitel Shenyang Lido located at No. 386 Qingnian Street, Heping District, Shenyang, Liaoning Province, The People’s Republic of China (the “Hotel Portion”)
  - (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”)

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 **The Hotel Portion:**

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

**The Staff Quarter Portion:**

The Staff Quarter Portion is a residential building used as staff quarter.

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 2016

Valuation Methodology

Discounted Cash Flow Approach and Direct Comparison Approach

Market Value in Existing State

Property	Market value	Interest	Market value in
	in existing state		existing state
	as at 31 December	attributable	attributable
	2016	to Hui Xian REIT	to Hui Xian REIT
			as at 31 December
			2016
Hotel Portion	RMB870,000,000	70.00%	RMB609,000,000
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 2016
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>	The Hotel Portion is operating as a 5-star hotel under the brand name of Sofitel Shenyang Lido.	<p>RMB870,000,000 (RENMINBI EIGHT HUNDRED AND SEVENTY MILLION ONLY)</p> <p>(70.00% interest attributable to Hui Xian REIT: RMB609,000,000)</p>

## Notes:

- 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.
- 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.
- 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.
- 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.

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2016
2. The Staff Quarters No. 14-3 Wen An Road Heping District Shenyang Liaoning Province The People's Republic of China	<p>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..</p> <p>The land use rights of the Staff Quarter Portion were allocated for an unspecified term for residential use.</p>	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 8.29 million in 2015. Tourist industry in Shenyang has been developed in recent years. The famous historical spots, like Mukden Palace and Beiling Park, are located in Shenyang.

### Supply and Demand

The number of domestic tourists and the domestic tourism revenue in China in 2015 have reached the highest records, which are more than 4 billion tourists and about RMB4,000 billion respectively. The domestic travelers are becoming more significant than ever. Due to the continuous restricted policies on the extravagant expenditure of the civil servants and the anti-corruption campaign across the country, such increase is expected to offset the decrease of business travel. It is anticipated that the hotel industry across the country will focus more on the domestic travelers.

Hotel Pullman Shenyang Oriental Ginza, the first international 5-star brand hotel located in Tiexi District, having 317 guestrooms, has postponed the commencement of operation from 2016 to mid of 2017. In view of the steady growth of 5-star hotel market in Shenyang, by 2020, there will be about 39 5-star hotels, which is almost twice of the existing number. Currently, approximate 40% of the 5-star hotels in Shenyang are in the world's top 10 international hotel brands, such as Sofitel, Shangri-La, Grand Hyatt etc.

### Market Trend

Contributing around 5% of the city's GDP each year, tourism becomes one of the fast growing industries which gain local government's attention and support in Shenyang. In 2017, the government reviewed tourism policy and launched out various measures for the promotion and enhancement on domestic tourism, including the application of Shenyang's tourist attractions to the recognition of national 5A-rated attractions (國家5A級旅遊景區), the reinforcement of the unique ethnic Manchu culture (滿族) into local tourism, and the implementation of government subsidies on local tourism companies, for instance, lower their utility fee or profit taxation.

Apart from improving the hardware of tourism, service standard has also been enhanced to improve visitors' experiences, such as unifying the service system on ticket pricing, transportation arrangement, property and information management etc. Education of tourism has also been taken on citizenship level, local community is encouraged to facilitate tourism by participating in volunteer work and developing hostel services to visitors. All these measures are expected to have positive influence on Shenyang's tourism, which, will also benefit the local hotel demand in the near 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 Deed dated 24 May 2013, 16 May 2014 and 28 May 2015) for the period from 1 January 2016 to 31 December 2016.

**DB Trustees (Hong Kong) Limited**

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

Hong Kong, 7 March 2017

# Deloitte.

# 德勤

## **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))*

## **Report on the Audit of the Consolidated Financial Statements**

### **OPINION**

We have audited the consolidated financial statements of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 119 to 184, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2016, and of its consolidated financial transactions and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matter****How our audit addressed the key audit matter****Valuation of investment properties**

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgments associated with determining the fair value. The carrying value of the Group's investment properties amounted to RMB33,534 million at 31 December 2016, representing 71% of the Group's total assets, with its change in fair value included in the consolidated statement of comprehensive income. During the year ended 31 December 2016, a decrease in fair value of investment properties amounted to RMB450 million.

An independent valuer ("the Valuer") was engaged by Hui Xian Asset Management Limited ("the Manager" of Hui Xian REIT) to determine the fair value of the Group's investment properties. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 13 to the consolidated financial statements. The valuations are dependent on certain inputs, together with significant assumptions, that involve judgments, including term yield, reversionary yield, reversionary rent for malls and offices; and gross yield for car parking spaces.

The Manager has reviewed and exercised its judgment on the key inputs to the valuations and the results with the Valuer.

Our procedures in relation to assessing the appropriateness of the valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation process and methodology, the performances of the property markets in different cities in the People's Republic of China ("the PRC"), significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- Comparing the valuation methodology and assumptions used to industry norms;
- Evaluating the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the existing tenancy profiles (including existing rental income, occupancy level, tenancy commencement and expiry profiles, and tenancy duration); and (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the same location and condition; and
- Performing analysis on the inputs to evaluate the results on the valuations.

**Key audit matter****How our audit addressed the key audit matter****Valuation of buildings and valuation of land and related costs**

We identified the valuation of buildings, which are included in property, plant and equipment (note 14 to the consolidated financial statements), and the valuation of land and related costs (note 15 to the consolidated financial statements) (collectively referred to as the "Buildings and Land") as a key audit matter due to the significant judgments involved in the determination of their recoverable amounts.

The Buildings and Land mainly represent hotels and serviced apartments. As at 31 December 2016, for the purpose of the impairment review, the Manager has conducted an assessment to ensure that the Buildings and Land are carried at no more than their recoverable amounts. The recoverable amounts of the Buildings and Land are determined with reference to the valuations carried out by the Valuer. They are dependent on inputs that involve both the Manager and the Valuer's judgments, including forecasting of future operating cash flows of hotels and serviced apartments and determining the discount rates.

The Manager concluded that there is no impairment in respect of the Buildings and Land.

Our procedures in relation to the Manager's assessment on the recoverable amounts of the Buildings and Land included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation process and approach, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- Assessing the appropriateness of future operating cash flows with reference to the past performance of hotels and serviced apartments together with the Manager and the Valuer's expectations for the market developments in different cities in the PRC; and
- Assessing the reasonableness of the assumptions and inputs used by the Valuer in determining the discount rates by benchmarking to the entity specific information and market data.

### OTHER INFORMATION

Hui Xian Asset Management Limited (the “Manager” of Hui Xian REIT) is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of 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”) and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON MATTER UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE**

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kuen.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

14 March 2017



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 RMB million	2015 RMB million
Revenue	5,35	<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	24	<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

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Notes:

(i) Adjustments for the year include:

- (a) For the year ended 31 December 2016, Manager's fees paid and payable in units of RMB116 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).

(iii) In accordance with the Trust Deed, Hui Xian REIT (as defined in Note 1) 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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTES	2016 RMB million	2015 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	24	—	39
Total non-current assets		39,549	40,282
<b>Current assets</b>			
Hotel inventories	16	26	24
Land and related costs	15	130	128
Trade and other receivables	17	163	163
Bank balances and cash	18	7,072	6,107
Total current assets		7,391	6,422
<b>Total assets</b>		<b>46,940</b>	46,704
<b>Current liabilities</b>			
Trade and other payables	19	526	479
Tenants' deposits		300	249
Tax payable		101	104
Manager's fee payable		81	81
Distribution payable		718	719
Bank loans	20	893	1,443
Total current liabilities		2,619	3,075
<b>Total assets less current liabilities</b>	27	<b>44,321</b>	43,629

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTES	2016 RMB million	2015 RMB million
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loans	20	9,923	7,992
Tenants' deposits		466	489
Deferred tax liabilities	21	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)	22	5,462,194	5,378,974
Net asset value per unit (RMB) attributable to unitholders	25	4.8403	5.1231

The consolidated financial statements on pages 119 to 184 were approved and authorised for issue by the Board of Directors of the Manager on 14 March 2017 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 2016

	Net assets Attributable to unitholders RMB million	Non- controlling interest RMB million	Total RMB million
<b>Net assets as at 1 January 2015</b>	28,564	271	28,835
Units issued for settlement of Manager's acquisition fee ( <i>Note 1(c) and Note 22</i> )	39	—	39
Units issued for settlement of Manager's fees ( <i>Note 22</i> )	121	—	121
Units issued pursuant to the distribution reinvestment arrangement in respect of 2014 final and 2015 interim distributions ( <i>Note 22</i> )	114	—	114
	28,838	271	29,109
Profit for the year, before transactions with unitholders	168	(15)	153
Distributions to unitholders			
— Interim distribution paid	(730)	—	(730)
— Final distribution payable	(719)	—	(719)
Total comprehensive expense for the year	(1,281)	(15)	(1,296)
<b>Net assets as at 31 December 2015</b>	27,557	256	27,813
Units issued for settlement of Manager's fees ( <i>Note 22</i> )	<b>122</b>	—	<b>122</b>
Units issued pursuant to the distribution reinvestment arrangement in respect of 2015 final and 2016 interim distributions ( <i>Note 22</i> )	<b>145</b>	—	<b>145</b>
	<b>27,824</b>	<b>256</b>	<b>28,080</b>
Profit for the year, before transactions with unitholders	<b>114</b>	<b>(13)</b>	<b>101</b>
Distributions to unitholders			
— Interim distribution paid	<b>(781)</b>	—	<b>(781)</b>
— Final distribution payable	<b>(718)</b>	—	<b>(718)</b>
Total comprehensive expense for the year	<b>(1,385)</b>	<b>(13)</b>	<b>(1,398)</b>
<b>Net assets as at 31 December 2016</b>	<b>26,439</b>	<b>243</b>	<b>26,682</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 RMB million	2015 RMB million
<b>Operating activities</b>			
Profit before taxation and transactions with unitholders		528	525
Adjustments for:			
Loss on disposal of property, plant and equipment		—	1
Depreciation of property, plant and equipment		158	159
Amortisation of land and related costs		128	128
Decrease in fair value of investment properties		450	636
Fair value gain from top-up amount asset		(3)	(97)
Interest income		(193)	(199)
Exchange loss		663	515
Finance costs		225	207
Manager's fees settled by issuing units	22	122	160
Operating cash flows before movements in working capital		2,078	2,035
(Increase) decrease in hotel inventories		(2)	1
Increase in trade and other receivables		(1)	(18)
Increase (decrease) in trade and other payables		58	(23)
Increase (decrease) in tenants' deposits		28	(13)
Increase in Manager's fee payable		—	5
Cash generated from operations		2,161	1,987
Income and withholding tax paid		(515)	(541)
<b>Net cash from operating activities</b>		<b>1,646</b>	<b>1,446</b>
<b>Investing activities</b>			
Acquisition of subsidiaries, net of bank balances and cash acquired	23	—	(3,835)
Placement of deposits in banks		(2,262)	(20)
Purchase of property, plant and equipment		(11)	(35)
Receipt from top-up amount receivable		58	—
Additions to investment properties		(33)	(24)
Withdrawal of deposits in banks		20	320
Interest received		178	206
<b>Net cash used in investing activities</b>		<b>(2,050)</b>	<b>(3,388)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>NOTES</i>	<b>2016</b> RMB million	2015 RMB million
<b>Financing activities</b>			
Net proceeds from new bank loans raised		<b>673</b>	5,867
Loans from a unitholder		—	1,180
Repayment of bank loan		—	(845)
Repayment of loans from a unitholder		—	(1,180)
Distributions payment to unitholders		<b>(1,355)</b>	(1,303)
Interest paid		<b>(191)</b>	(165)
<b>Net cash (used in) from financing activities</b>		<b>(873)</b>	3,554
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(1,277)</b>	1,612
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,087</b>	4,475
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>	<i>18</i>	<b>4,810</b>	6,087



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

## 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 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.

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 “Beijing Property Manager”) on 29 April 2011, (the “Operations Management Agreement”), the Beijing 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 Beijing 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.

## 1. GENERAL (continued)

### (a) Property Manager's fee (continued)

Under the Chongqing property manager agreement entered into by Chongqing Metropolitan Oriental Plaza Co., Ltd (“Chongqing Company”) and the Chongqing branch of Beijing Hui Xian Enterprise Services Limited (“Chongqing Property Manager”) on 2 March 2015, the Chongqing Property Manager will be fully reimbursed by Chongqing Company for (i) employment costs and remuneration of the personnel provided or procured by the Chongqing Property Manager engaged solely and exclusively for the provision of its services relating to Metropolitan Plaza and Metropolitan Tower (collectively referred to as “Metropolitan Oriental Plaza”); and (ii) management expenses incurred by the Chongqing Property Manager on Metropolitan Oriental Plaza, including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Chongqing Property Manager (as agent for the Chongqing Company) at the request of the Chongqing Company for the provision of cleaning, maintenance, security, car park management and other services for Metropolitan Oriental Plaza.

### (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.

### (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 11 January 2016, the Manager has elected to receive 70% (2015: 75%) base fee in units and 30% (2015: 25%) in cash in respect of the financial year ended 31 December 2016.

## 1. GENERAL (continued)

### (c) Manager's fees (continued)

#### **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 if the Manager so elects, any other real estate(s) of the trust subsequently acquired and for so long as the property manager is a wholly-owned subsidiary of the Manager and with effect from the date on which the property manager is appointed or the date of such election by the Manager, whichever is later, such 3% rate shall be split into 2 portions comprising a variable fee payable to the Manager which is equal to 2% per annum, and a property manager's fee payable to the property manager which is equal to 1% per annum, of the NPI of the relevant real estate (before deduction therefrom of the variable fee and such property manager fee).

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 11 January 2016, the Manager has elected to receive 70% (2015: 75%) variable fee in units and 30% (2015: 25%) in cash in respect of the financial year ended 31 December 2016.

#### **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 the year ended 31 December 2016.

The Manager has elected to receive the acquisition fee in units in respect of the acquisition of Metropolitan Oriental Plaza for the year ended 31 December 2015.

## 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 and top-up amount asset 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 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Share-based Payment or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Hui Xian REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Consolidation of a subsidiary begins when Hui Xian REIT obtains control over the subsidiary and ceases when Hui Xian REIT loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date Hui Xian REIT gains control until the date when Hui Xian REIT ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the unitholders of Hui Xian REIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the unitholders of Hui Xian REIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Business combinations (continued)

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.

#### ***Acquisition of a subsidiary not constituting a business***

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

### (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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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

Service income is recognised when services are provided.

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

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

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

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

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.

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**

Debt 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

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

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.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

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

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

##### **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.

When an existing financial liability's terms are modified and such modification results in the discounted present value of the cash flows under the new terms including any fees paid net of any fees received is at least 10 per cent different from the discounted present values of the remaining cash flows of the original financial liability, it is accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability or equity instrument or compound instrument with the difference, being the carrying amount of the financial liability extinguished and the fair value of the financial liability, 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 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	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKFRS 28	Investment Entities: Applying the Consolidation Exception
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>



## 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 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.

## 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 13, as at 31 December 2016, investment properties of RMB33,534 million (2015: RMB34,060 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 and 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 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 of RMB4,947 million as at 31 December 2016 (2015: RMB5,059 million).

### 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.

**4. SEGMENT REPORTING** (continued)**(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	1,179	1,118	139	479	191	3,106
Segment profit	935	835	73	135	96	2,074
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						528

***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	1,164	1,109	136	501	196	3,106
Segment profit	933	821	67	122	93	2,036
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						525

**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 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:

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

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.

**4. SEGMENT REPORTING** (continued)**(d) Other segment information****For the year ended 31 December 2016**

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

**For the year ended 31 December 2015**

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

**5. REVENUE**

	2016	2015
	RMB million	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 35)	65	56
Total	3,106	3,106

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 6. OTHER INCOME

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

### 7. OTHER OPERATING EXPENSES

	2016 RMB million	2015 RMB million
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 ( <i>Note 1(a)</i> )	52	47
Property management fees	77	72
Repairs and maintenance	91	117
Other miscellaneous expenses ( <i>Note</i> )	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	—
<b>Total</b>	<b>822</b>	<b>868</b>

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

**8. FINANCE COSTS**

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

**9. MANAGER'S FEES**

	2016 RMB million	2015 RMB million
Base fee (Note 1(c))	120	120
Variable fee (Note 1(c))	44	43
Acquisition fee (Note 1(c))	—	39
	<b>164</b>	202

**10. REAL ESTATE INVESTMENT TRUST EXPENSES**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. INCOME TAX EXPENSE

	2016 RMB million	2015 RMB million
The income tax expense comprises:		
Current tax		
– PRC Enterprise Income Tax	450	440
– Withholding tax	62	61
Deferred taxation ( <i>Note 21</i> )	(85)	(129)
	<b>427</b>	372

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.

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

	2016 RMB million	2015 RMB million
Profit before taxation	528	525
Tax at the applicable income tax rate of 25%	132	131
Tax effect of income not taxable for tax purpose	(32)	(56)
Tax effect of expenses not deductible for tax purpose	263	234
Deferred tax on earnings of the Group's PRC subsidiaries	64	63
Tax charge for the year	<b>427</b>	372



## 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

	2016 RMB million	2015 RMB million
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>33,534</b>	34,060

- (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. The valuation of properties has been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. 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 – office buildings in Oriental Plaza, Beijing	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 office buildings, of 6.00% (2015: 6.00%).	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 6.50% (2015: 6.50%).	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 RMB276/sq.m./month (2015: RMB278/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 RMB316/sq.m./month (2015: RMB316/sq.m./month).	The higher the reversionary rental, the higher the fair value.

**13. 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 – shopping mall in Oriental Plaza, Beijing	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 shopping mall, of 6.00% (2015: 6.00%).	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 6.50% (2015: 6.50%).	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 rental as stated in the existing rental agreements with an average of RMB1,120/sq.m./month (2015: RMB1,234/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 RMB1,227/sq.m./month (2015: RMB1,256/sq.m./month).	The higher the reversionary rental, the higher the fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. 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 – car parking spaces in Oriental Plaza, Beijing	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 7.00% (2015: 7.00%).	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 with an average of RMB1,497/space/month (2015: RMB1,467/space/month).	The higher the monthly average rental, the higher the fair value.

**13. 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 4 – office in Metropolitan Oriental Plaza, Chongqing	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 office, of 6.25% (2015: 6.25%).	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 6.75% (2015: 6.75%).	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 gross rental as stated in the existing rental agreements of RMB125/sq.m./month (2015: RMB127/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 gross rental as stated in the new rental agreements of RMB132/sq.m./month (2015: RMB131/sq.m./month).	The higher the reversionary rental, the higher the fair value.

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### 13. 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 5 – shopping mall in Metropolitan Oriental Plaza, Chongqing	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 shopping mall, of 6.25% (2015: 6.25%).	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 6.75% (2015: 6.75%).	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 gross rental as stated in the existing rental agreements with an average of RMB186/sq.m./month (2015: RMB218/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 gross rental as stated in the new rental agreements RMB254/sq.m./month (2015: RMB274/sq.m./month).	The higher the reversionary rental, the higher the fair value.

**13. 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 6 – car parking spaces in Metropolitan Oriental Plaza, Chongqing	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 7.50% (2015: 7.50%).	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 with an average of RMB748/space/month (2015: RMB796/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 2016 and 31 December 2015 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings			Plant and machinery	Others	Total
	Serviced		Others			
	Hotels	apartments				
RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
COST						
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	<b>2,115</b>	<b>579</b>	<b>—</b>	<b>152</b>	<b>70</b>	<b>2,916</b>
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>
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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	<b>592</b>	<b>86</b>	<b>—</b>	<b>63</b>	<b>14</b>	<b>755</b>
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>
CARRYING AMOUNTS						
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



**14. 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:

Buildings	3.1%–18% per annum
Plant and machinery	5%–19% per annum
Others (comprising of furniture and fixtures and computer equipment)	18%–33% per annum

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:

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

**16. HOTEL INVENTORIES**

	2016 RMB million	2015 RMB million
Food and beverage	6	6
Other consumables	20	18
	<b>26</b>	24

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 17. TRADE AND OTHER RECEIVABLES

	2016 RMB million	2015 RMB million
Trade receivables	44	60
Deposits and prepayments	19	18
Advance to suppliers	19	10
Interest receivables	25	10
Top-up amount receivable (Note 24)	42	58
Other receivables	14	7
	<b>163</b>	163

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

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

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 (2015: 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 0.3% (2015: 0.05% to 0.3%) per day.

Hotel revenue is normally settled by cash or credit card.

Included in the Group's trade receivable balances are debtors with a carrying amount of RMB13 million as at 31 December 2016 (2015: RMB18 million) which were past due at the end of the reporting period 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 63 days at 31 December 2016 (2015: 47 days).

Trade and other receivables are denominated in RMB.

**18. BANK BALANCES AND CASH**

	2016 RMB million	2015 RMB million
Cash at bank and in hand	<b>3,777</b>	1,416
Time deposits (with original maturity of three months or less)	<b>1,033</b>	4,671
Cash and cash equivalents	<b>4,810</b>	6,087
Time deposits (with original maturity of more than three months)	<b>2,262</b>	20
Total	<b>7,072</b>	6,107
Average interest rate per annum is as follows:		
Bank deposits — Time deposits	<b>1.82% to 8.40%</b>	1.54% to 5.45%

Bank balances and cash are denominated in the following currencies:

	2016 RMB million	2015 RMB million
RMB	<b>7,035</b>	6,053
Hong Kong Dollars (“HK\$”)	<b>35</b>	51
United States Dollars (“US\$”)	<b>2</b>	3
	<b>7,072</b>	6,107

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 19. TRADE AND OTHER PAYABLES

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

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:

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

Trade and other payables are denominated in the following currencies:

	2016 RMB million	2015 RMB million
HK\$	12	40
RMB	514	439
	<b>526</b>	479

**20. BANK LOANS**

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

The maturities of the above bank loans are as follows:

	<b>2016</b>	2015
	<b>RMB million</b>	RMB million
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>9,923</b>	7,992

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 20. BANK LOANS (continued)

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. The weighted average effective interest rate on the bank loan is 2.2% (2015: 1.9%) per annum.

### 21. 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 2015	2,179	5,218	63	7,460
Charge (credit) to profit or loss <i>(Note 11)</i>	28	(159)	63	(68)
Additions through acquisition of subsidiaries	—	—	4	4
Release upon distribution of earnings	—	—	(61)	(61)
At 31 December 2015	<b>2,207</b>	<b>5,059</b>	<b>69</b>	<b>7,335</b>
Charge (credit) to profit or loss <i>(Note 11)</i>	<b>25</b>	<b>(112)</b>	<b>64</b>	<b>(23)</b>
Release upon distribution of earnings	—	—	<b>(62)</b>	<b>(62)</b>
At 31 December 2016	<b>2,232</b>	<b>4,947</b>	<b>71</b>	<b>7,250</b>

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

## 22. UNITS IN ISSUE

As at 31 December 2016, Hui Xian REIT had 5,462,193,939 (2015: 5,378,973,852) issued units.

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

	Number of units	RMB million
Balance at 1 January 2015	5,297,591,509	26,922
Units issued for settlement of Manager's acquisition fee ( <i>Note (i)</i> )	11,268,011	39
Payment of Manager's fees through issuance of new units during the year ( <i>Note (ii)</i> )	35,618,331	121
Units issued pursuant to the distribution reinvestment arrangement in respect of 2014 final and 2015 interim distributions ( <i>Note (iii)</i> )	34,496,001	114
<b>Balance at 31 December 2015</b>	<b>5,378,973,852</b>	<b>27,196</b>
Payment of Manager's fees through issuance of new units during the year ( <i>Note (ii)</i> )	<b>37,321,793</b>	<b>122</b>
Units issued pursuant to the distribution reinvestment arrangement in respect of 2015 final and 2016 interim distributions ( <i>Note (iii)</i> )	<b>45,898,294</b>	<b>145</b>
<b>Balance at 31 December 2016</b>	<b>5,462,193,939</b>	<b>27,463</b>

Note:

- (i) On 2 March 2015, 11,268,011 units at RMB3.47 per unit were issued to the Manager as settlement of Manager's acquisition fee for the acquisition of Metropolitan Oriental Plaza during the year.
- (ii) Details of units issued during the year as payment of Manager's fees are as follows:

### For the year ended 31 December 2016

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
14 April 2016	1 July 2015 to 31 December 2015	3.11	<b>20,204,574</b>
22 August 2016	1 January 2016 to 30 June 2016	3.43	<b>17,117,219</b>
			<b>37,321,793</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

### 22. UNITS IN ISSUE (continued)

Note: (continued)

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

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

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
26 March 2015	1 July 2014 to 31 December 2014	3.38	17,605,343
17 August 2015	1 January 2015 to 30 June 2015	3.39	18,012,988
			35,618,331

(iii) On 23 May 2016, 29,499,170 scrip units at an issue price of RMB3.05 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2015 final distribution.

On 29 September 2016, 16,399,124 scrip units at an issue price of RMB3.36 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2016 interim distribution.

On 13 May 2015, 29,222,017 scrip units at an issue price of RMB3.31 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2014 final distribution.

On 24 September 2015, 5,273,984 scrip units at an issue price of RMB3.32 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2015 interim distribution.

### 23. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 2 March 2015, the Group completed the acquisition of Metropolitan Oriental Plaza through acquisition of the entire equity interest in Chongqing Investment Limited (formerly known as Chesgold Limited) ("Chongqing Investment") from Cheerjoy Limited ("Cheerjoy") and Joinpower Holdings Ltd. ("Joinpower") at a consideration of RMB3,910 million for acquisition of investment properties plus consideration for acquisition of certain assets and liabilities of Chongqing Investment and Chongqing Company as at completion date. Chongqing Investment holds the entire equity interest in Chongqing Company which holds the Metropolitan Oriental Plaza. The acquisition is accounted for as purchase of assets rather than a business combination as the subsidiaries are vehicles formed for property holding.



## 23. ACQUISITION OF ASSETS AND ASSUMPTION OF LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired through the acquisition of subsidiaries on 2 March 2015 are summarised as follows:

	Total RMB million
Net assets acquired at fair value:	
Investment properties	3,912
Property, plant and equipment	2
Bank balances and cash	128
Trade and other receivables	8
Trade and other payables	(22)
Tenant deposits	(61)
Deferred tax liabilities	(4)
<b>Total consideration</b>	<b>3,963</b>
Satisfied by:	
Cash	3,963
Net cash outflow arising on acquisition:	
Cash paid	3,963
Bank balances and cash acquired	(128)
	<b>3,835</b>

*Note:* Cheerjoy and Joinpower are associated companies of Hui Xian (Cayman Islands) Limited ("Hui Xian Cayman"), a significant unitholder of Hui Xian REIT and are subsidiaries of either Cheung Kong (Holdings) Limited ("Cheung Kong") or Hutchison Whampoa Limited ("HWL") before 3 June 2015 and have become subsidiaries of Cheung Kong Property Holdings Limited ("Cheung Kong Property") pursuant to the reorganisation of the Cheung Kong group completed on 3 June 2015.

## 24. TOP-UP AMOUNT ASSET

On 2 March 2015, the Group completed the acquisition of Metropolitan Oriental Plaza through acquisition of the entire equity interest in Chongqing Investment (Note 23). Pursuant to the agreement, Cheerjoy and Joinpower have guaranteed the Group that the Chongqing Company's Total Income (as defined in the agreement) shall not be less than RMB299.28 million per annum ("Guaranteed Income Level") in respect of five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 ("Relevant Period"). The total top-up amount is subject to a maximum amount of RMB100 million for the Relevant Period.

The top-up amount receivable from Cheerjoy and Joinpower in respect of the year, which represents the shortfall of the Total Income and Guaranteed Income Level of the Chongqing Company, was RMB42 million (2 March 2015 to 31 December 2015: RMB58 million).

Top-up amount asset is accounted for as a financial derivative and is measured at fair value at the end of the reporting period. The Group applies a valuation model that has taken into account the expected future cash flows based on market rents and discount rate. A fair value gain of RMB3 million (2015: RMB97 million) was credited to the consolidated statement of comprehensive income during the year ended 31 December 2016. As at 31 December 2016, the total amount receivable in respect of the financial year ended 31 December 2015 and 2016 has reached the maximum amount of RMB100 million and accordingly the top-up amount asset had no value as at 31 December 2016. The fair value measurement of the top-up amount asset at 31 December 2015 is classified as Level 3 in the fair value hierarchy. If a lower market rent or a lower discount rate has been used, the fair value of the top-up amount asset would be higher. There would be an opposite impact on the fair value of the top-up amount asset if a higher market rent or a higher discount rate has been used.

## 25. 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).

## 26. 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).

## 27. 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).

## 28. 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 2016, the Group's gearing ratio is 23.0% (2015: 20.2%), being bank loans divided by total assets of the Group.

## 29. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2016 RMB million	2015 RMB million
<b>Financial assets</b>		
<i>Derivative financial instrument</i>		
Top-up amount asset	—	39
<i>Loans and receivables</i>		
Trade and other receivables	125	135
Bank balances and cash	7,072	6,107
	<b>7,197</b>	6,242
	<b>7,197</b>	6,281
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	308	257
Manager's fee payable ( <i>Note</i> )	24	18
Distribution payable	718	719
Bank loans	10,816	9,435
	<b>11,866</b>	10,429
Unitholders' funds	<b>26,439</b>	27,557

*Note:* The balance excludes Manager's fee payable of RMB57 million (2015: RMB63 million) to be settled in units.

## 29. 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 cash flow interest rate risk in relation to variable-rate bank balances (Note 18) and variable-rate bank loans (Note 20). 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.

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 variable-rate bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2015: 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 (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by RMB54 million (2015: RMB47 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

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

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

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

At 31 December 2015 and 2016, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	2016 RMB million	2015 RMB million
<b>Assets</b>		
HK\$	35	51
US\$	2	3
<b>Liabilities</b>		
HK\$	10,828	9,475

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.

	2016 RMB million	2015 RMB million
<b>HK\$</b>		
Profit for the year	540	471

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.

## 29. FINANCIAL INSTRUMENTS (continued)

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

#### **Credit risk**

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

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

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rates ranging from 0.05% to 0.3% (2015: 0.05% to 0.3%) 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 (2015: 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 2016 and 31 December 2015.

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.

**29. FINANCIAL INSTRUMENTS** (continued)**b. Financial risk management objectives and policies** (continued)**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 2016, the Group had net current assets of RMB4,772 million (2015: RMB3,347 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.

As at 31 December 2015 and 2016, the Group has undrawn revolving credit facilities of RMB1,300 million granted by Hui Xian Holdings.

*Liquidity risk analysis*

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

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2016 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	308	—	—	—	308	308
Tenants' deposits	—	120	180	163	303	766	766
Manager's fee payable	—	24	—	—	—	24	24
Distribution payable	—	—	718	—	—	718	718
Bank loans	2.2	57	1,057	6,544	3,650	11,308	10,816
		509	1,955	6,707	3,953	13,124	12,632

	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 2015 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	257	—	—	—	257	257
Tenants' deposits	—	77	172	226	263	738	738
Manager's fee payable	—	18	—	—	—	18	18
Distribution payable	—	—	719	—	—	719	719
Bank loans	1.9	56	1,554	976	7,343	9,929	9,435
		408	2,445	1,202	7,606	11,661	11,167

## 29. FINANCIAL INSTRUMENTS (continued)

### c. Fair value

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 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.

## 30. 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 RMB10 million for the year ended 31 December 2016 (2015: RMB9 million).

## 31. 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:

	2016 RMB million	2015 RMB million
Within one year	1,998	2,118
In the second to fifth years inclusive	3,006	3,042
Over five years	203	214
<b>Total</b>	<b>5,207</b>	<b>5,374</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 10 years (2015: 1 month to 20 years) with monthly fixed rental, except for certain leases of the malls of which contingent rents are charged based on the percentage of sales ranged from 3% to 33% (2015: 1.5% to 28%).



**32. CAPITAL COMMITMENTS**

	2016 RMB million	2015 RMB million
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	19	21

**33. 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	2016 RMB'000	2015 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)	3,982	4,026
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	(a)	2,350	1,909
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	705	702
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	12,660	15,611
Cheung Kong (Holdings) Limited Beijing Office	(a)	88	85
長實(中國)投資有限公司 (CKH (China) Investment Co., Ltd.*)	(a)	90	85
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	557	456
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	2,563	2,134
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	306	254
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	1,495	1,288
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	670	588

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

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	1,674	1,646
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	1,786	1,784
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	58	58
和巽房地產經紀(北京)有限公司 (Pacific Property (Beijing) Limited*)	(b)	—	196
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(b)	606	497
家利物業管理(深圳)有限公司重慶分公司 (Cayley Property Management (Shenzhen) Limited Chongqing Branch*)	(b)	—	1,874
李嘉誠基金會(香港)北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office*)	(c)	2,542	2,311
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(h)	439	437
萊坊房地產經紀(上海)有限公司北京分公司 (Knight Frank (Shanghai) Property Consultants Limited Beijing Branch*)	(k)	1,833	1,726
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	(l)	1,125	959
Bank of China Limited	(g)	27,329	26,993
<b>Public utility charges</b>			
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(b) & (i)	1,041	6,426
<b>Interest income from banks</b>			
Bank of China Limited	(g)	19,007	13,489
Bank of China (Hong Kong) Limited	(g)	128	10,033
<b>Reimbursement of staff cost</b>			
Hui Xian Asset Management Limited		640	—
<b>Warranty claims</b>			
Joinpower Holdings Ltd	(b)	2,196	—
Cheerjoy Limited	(b)	2,196	—

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

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
<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.*)	(b)	15,764	13,130
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	19,982	17,940
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited*)	(b)	24,740	24,363
<b>Internet services fee</b>			
Cheung Kong Property Holdings Limited	(b)	16	15
<b>Beverages</b>			
廣州屈臣氏食品飲料有限公司北京飲料分公司 (Guangzhou Watson's Food and Beverages Company Limited Beijing Beverages Branch*)	(a)	469	434
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	(a)	—	1
<b>Cleaning supplies</b>			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	646	703
<b>Hotel services</b>			
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(b)	98	143
Hutchison Hotel Hong Kong Limited	(b)	100	71
<b>Leasing expenses</b>			
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(b)	256	315
<b>Transitional administrative service fee</b>			
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	(b)	46	1,250

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

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
<b>Consultancy fee</b>			
重慶海逸酒店有限公司 (Harbour Plaza Chongqing Co. Ltd.*)	(b)	70	—
<b>Trademark license fee</b>			
和記黃埔企業有限公司 (Hutchison Whampoa Enterprises Limited*)	(a) & (j)	—	—
<b>Commission expenses</b>			
萊坊房地產經紀(上海)有限公司北京分公司 (Knight Frank (Shanghai) Property Consultants Limited Beijing branch*)	(k)	479	—
<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*)	(g)	421	437
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*)	(g)	1,474	1,529
中國人壽財產保險股份有限公司重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	(g)	221	197
Cheung Kong Property Holdings Limited	(b)	13	—
<b>Interest expense</b>			
Bank of China (Hong Kong) Limited	(d) & (g)	50,219	36,887
Bank of China Limited Macau Branch	(d) & (g)	1,046	—
The Hongkong and Shanghai Banking Corporation Limited	(c) & (d)	18,707	16,578
Hui Xian Holdings Limited	(e)	—	6,183
<b>Bank charges, loan commitment and agency fee</b>			
Bank of China Limited	(g)	13	24
Bank of China (Hong Kong) Limited	(d) & (g)	116	336
The Hongkong and Shanghai Banking Corporation Limited	(c) & (d)	—	63
<b>Trustee's fee</b>			
DB Trustees (Hong Kong) Limited		4,024	4,065

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

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
<b>Manager's fees</b>			
Hui Xian Asset Management Limited		<b>164,490</b>	201,602
<b>Property Manager's fee</b>			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(h)	<b>52,123</b>	46,921
<b>Valuation fee</b>			
Knight Frank Petty Limited	(f)	<b>295</b>	295
<b>Technical due diligence fee</b>			
Knight Frank Petty Limited	(f)	<b>130</b>	14

Balances with connected and related parties as at 31 December 2016 and 2015 are as follows:

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
<b>Bank loans</b>			
Bank of China (Hong Kong) Limited	(d) & (g)	<b>2,399,052</b>	2,238,406
The Hongkong and Shanghai Banking Corporation Limited	(c) & (d)	<b>800,648</b>	746,182
Bank of China Limited Macau Branch	(d) & (g)	<b>177,172</b>	—
<b>Bank balances</b>			
Bank of China (Hong Kong) Limited	(g)	<b>33,809</b>	48,162
Bank of China Limited	(g)	<b>1,704,850</b>	653,953
The Hongkong and Shanghai Banking Corporation Limited	(c)	<b>872</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
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	(a)	<b>572</b>	572
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	<b>185</b>	181
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	<b>840</b>	840

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

Name of Connected/Related Party	Notes	2016 RMB'000	2015 RMB'000
Cheung Kong (Holdings) Limited Beijing Office 長實(中國)投資有限公司	(a)	44	21
(CKH (China) Investment Co., Limited*) 和記黃埔地產(重慶兩江新區)有限公司	(a)	31	28
(Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*) 和記黃埔地產(重慶南岸)有限公司	(b)	126	123
(Hutchison Whampoa Properties (Chongqing Nanan) Limited*) 和記黃埔地產(重慶經開園)有限公司	(b)	626	488
(Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*) 北京寶苑房地產開發有限公司	(b)	71	69
(Beijing Po Garden Real Estates Development Co., Ltd.*) 北京長樂房地產開發有限公司	(b)	369	325
(Beijing Chang Le Real Estates Development Co., Ltd.*) 北京港基世紀物業管理有限公司	(b)	237	202
(Beijing Citybase Century Property Management Ltd.*) 北京高衛世紀物業管理有限公司	(b)	447	409
(Beijing Goodwell Century Property Management Ltd.*) 北京穩得高投資顧問有限公司	(b)	476	436
(Beijing Wondergrow Investment and Consulting Co., Ltd.*) 李嘉誠基金會(香港)北京辦事處	(b)	14	14
(Li Ka Shing Foundation (Hong Kong) Beijing Office*) 北京匯賢企業管理有限公司	(c)	768	632
(Beijing Hui Xian Enterprise Services Limited*) 萊坊房地產經紀(上海)有限公司北京分公司	(h)	110	117
(Knight Frank (Shanghai) Property Consultants Limited Beijing branch*)	(k)	451	451

Notes:

- (a) These companies are associated companies<sup>1</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT, and are subsidiaries of CK Hutchison Holdings Limited (2015: subsidiaries of either Cheung Kong or HWL before 3 June 2015 and became subsidiaries of CK Hutchison Holdings Limited pursuant to the reorganisation of the Cheung Kong group completed on 3 June 2015).
- (b) These companies are associated companies<sup>1</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT and are subsidiaries or associated companies of Cheung Kong Property (2015: subsidiaries or associated companies of either Cheung Kong or HWL before 3 June 2015 and became subsidiaries or associated companies of Cheung Kong Property pursuant to the reorganisation of the Cheung Kong group completed on 3 June 2015).
- (c) These companies are associates<sup>3</sup> of Mr. Li Tzar Kuoi, Victor, a director of Noblecrown Investment Limited, a significant unitholder<sup>2</sup> of Hui Xian REIT.

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

Notes: (continued)

- (d) The bank loans represent part of the outstanding bank loans (Note 20) 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.
- (e) Hui Xian Holdings Limited ("Hui Xian Holdings") is 100% holding company of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT, and is therefore an associated company of Hui Xian Cayman. On 15 May 2015, Hui Xian Holdings and Hui Xian Investment Limited ("Hui Xian Investment"), a subsidiary of Hui Xian REIT, entered into a renewal facility agreement which is substantially the same as the facilities agreement dated 8 April 2011 and amended by a supplemental agreement dated 29 December 2011 ("Renewal Facility Agreement"). Pursuant to the terms of Renewal Facility Agreement, Hui Xian Holdings granted Hui Xian Investment a revolving credit facility of RMB1,300 million. Hui Xian Investment had subsequently drawn down RMB480 million on 1 June 2015 and RMB700 million on 23 September 2015. The amounts have been fully repaid on 30 June 2015 and 23 October 2015 respectively.
- (f) Knight Frank Petty Limited is the principal valuer of Hui Xian REIT for the year ended 31 December 2016 and 2015.
- (g) These companies are associated companies<sup>1</sup> of Hui Xian Cayman, a significant unitholder<sup>2</sup> of Hui Xian REIT.
- (h) This company is a subsidiary of the Manager.
- (i) The relevant public utility charges have been reimbursed by this company at cost.
- (j) The relevant trademarks are licensed by this company to Chongqing Company at no cost.
- (k) This company is a subsidiary of the principal valuer, Knight Frank Petty Limited.
- (l) This company is an associated company<sup>1</sup> of DB Trustees (Hong Kong) Limited, the trustee of 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.

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### 34. 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			
			2016	2015	2016	2015		
<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%	100%	—	—	Investment holding	—
<b>Incorporated in Hong Kong:</b>								
Hui Xian Investment Limited	18 August 1992	US\$10,000	—	—	100%	100%	Investment holding and financing	—
Shenyang Investment (Hong Kong) Limited	16 August 2011	HK\$10,000	—	—	100%	100%	Investment holding	—
Chongqing Investment Limited	12 November 1992	HK\$210,000,000	—	—	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
Chongqing Metropolitan Oriental Plaza Co., Ltd	18 November 1993	Registered – RMB470,000,000	—	—	100%	100%	Property investment in Chongqing, the PRC	Chongqing Metropolitan Oriental Plaza



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

- (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 interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
				RMB million	RMB million	RMB million	RMB million
Shenyang Lido Business Co. Ltd	Shenyang, the PRC	30%	30%	(13)	(15)	243	256

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**

	2016 RMB million	2015 RMB million
Revenue	82	82
Expenses and taxation	(128)	(132)
Loss for the year	(46)	(50)
Loss and total comprehensive expense for the year, attributable to:		
Non-controlling interest	(13)	(15)
Unitholders	(33)	(35)
	(46)	(50)

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.

### 35. COMPARATIVE FIGURES

During the current year, the Group modified the presentation of the consolidated statement of changes in net assets attributable to unitholders and non-controlling interest such that the total of the issued units and reserves are combined and presented as net assets attributable to unitholders. Comparative figures have been changed to conform to the presentation in the current year.

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.

### 36. EVENTS AFTER REPORTING PERIOD

On 9 January 2017, the Group entered into a sale and purchase agreement with Highsmith Limited, a BVI company which is indirectly wholly-owned by Cheung Kong Property, to acquire the entire interest in Harbour Plaza Chongqing Co. Ltd. ("Chongqing HP") through the acquisition of Highsmith (HK) Limited ("Highsmith HK") at a consideration of RMB250 million, as adjusted by the current assets, current liabilities and non-current liabilities of Highsmith HK at the completion date. Chongqing HP is a PRC-incorporated company wholly-owned by Highsmith HK which operates a hotel currently known as "Harbour Plaza Chongqing 重慶海逸酒店", located at No. 68 Zourong Road, Yuzhong District, Chongqing, the PRC. On 28 February 2017, the Group completed the acquisition of Highsmith HK at an initial consideration of approximately RMB256 million.

On 9 January 2017, the Group entered into a sale and purchase agreement with Yick Ho Limited, a Hong Kong company which is indirectly wholly-owned by Cheung Kong Property, to acquire 69% interest in Chengdu Changtian Co., Ltd. ("Chengdu Changtian") at the consideration of RMB276 million. On the same date, the Group also entered into transfer agreements with Huge Grace Enterprises Limited ("Huge Grace") to acquire the loans owing by Chengdu Changtian to Huge Grace with principal amount of HK\$289 million ("Huge Grace Loans"). Chengdu Changtian is a sino-foreign co-operative joint venture enterprise established in the PRC which operates a hotel currently known as "Sheraton Chengdu Lido Hotel 成都天府麗都喜來登飯店", located at No. 15, Section 1, Renmin Zhong Road, Chengdu, Sichuan Province, the PRC. On 8 March 2017, the Group completed the acquisition of 69% interest in Chengdu Changtian through the acquisition of Chengdu Investment Limited, the immediate holding company of Chengdu Changtian, at a consideration of RMB276 million and completed the acquisition of the Huge Grace Loans with accrued interests owing by Chengdu Changtian at a consideration of approximately HK\$295 million.

The financial impact and the disclosures required for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date cannot be estimated in details because the initial accounting for these business combinations, for example, valuation of assets acquired and liabilities assumed, is incomplete at the time the financial statements are authorised for issue.

Details about the acquisition were set out in the announcements of Hui Xian REIT dated 9 January 2017, 28 February 2017 and 8 March 2017.

# SUMMARY FINANCIAL INFORMATION

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

## SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>1.1.2016 to 31.12.2016</b>	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
	<b>RMB million</b>	RMB million	RMB million	RMB million	RMB million
Revenue					
Gross rental from investment properties	<b>2,423</b>	2,413	2,143	1,997	1,744
Income from hotel operation	<b>479</b>	501	521	584	775
Income from serviced apartments operation	<b>139</b>	136	131	129	129
Rental related income	<b>65</b>	56	60	55	54
	<b>3,106</b>	3,106	2,855	2,765	2,702
Profit before taxation and transactions with unitholders	<b>528</b>	525	2,152	1,267	4,009
Income tax expense	<b>(427)</b>	(372)	(661)	(427)	(1,110)
Profit for the year/period, before transactions with unitholders	<b>101</b>	153	1,491	840	2,899
Profit for the year/period attributable to unitholders, before transactions with unitholders	<b>114</b>	168	1,505	972	2,901
	<b>RMB</b>	RMB	RMB	RMB	RMB
Basic earnings per unit	<b>0.0211</b>	0.0315	0.2878	0.1898	0.5762

## SUMMARY OF DISTRIBUTIONS

	<b>1.1.2016 to 31.12.2016</b>	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
	<b>RMB million</b>	RMB million	RMB million	RMB million	RMB million
Distributions to unitholders	<b>1,499</b>	1,449	1,350	1,262	1,208
	<b>RMB</b>	RMB	RMB	RMB	RMB
Distribution per unit	<b>0.2754</b>	0.2700	0.2567	0.2455	0.2392

## SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31.12.2016</b>	31.12.2015	31.12.2014	31.12.2013	31.12.2012
	<b>RMB million</b>	RMB million	RMB million	RMB million	RMB million
Non-current assets	<b>39,549</b>	40,282	37,194	36,775	37,098
Current assets	<b>7,391</b>	6,422	5,034	3,952	2,290
Total assets	<b>46,940</b>	46,704	42,228	40,727	39,388
Current liabilities	<b>2,619</b>	3,075	2,741	1,623	2,358
Non-current liabilities, excluding net assets attributable to unitholders	<b>17,639</b>	15,816	10,652	10,856	8,699
Total liabilities, excluding net assets attributable to unitholders	<b>20,258</b>	18,891	13,393	12,479	11,057
Non-controlling interest	<b>243</b>	256	271	285	417
Net assets attributable to unitholders	<b>26,439</b>	27,557	28,564	27,963	27,914
	<b>RMB</b>	RMB	RMB	RMB	RMB
Net asset value per unit attributable to unitholders	<b>4.8403</b>	5.1231	5.3919	5.4144	5.4988

## PERFORMANCE TABLE

	Notes	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Net assets attributable to unitholders (RMB million)		<b>26,439</b>	27,557	28,564	27,963	27,914
Net asset value per unit attributable to unitholders (RMB)		<b>4.8403</b>	5.1231	5.3919	5.4144	5.4988
Market capitalisation (RMB million)		<b>17,151</b>	17,912	18,436	19,935	21,067
Units issued (units)		<b>5,462,193,939</b>	5,378,973,852	5,297,591,509	5,164,525,496	5,076,415,649
Debts to net asset value ratio	1	<b>40.9%</b>	34.2%	13.5%	11.5%	7.0%
Debts to total asset value ratio	2	<b>23.0%</b>	20.2%	9.2%	7.9%	5.0%
		<b>1.1.2016 to 31.12.2016</b>	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013	1.1.2012 to 31.12.2012
Highest traded unit price (RMB)		<b>3.51</b>	3.57	3.88	4.32	4.26
Highest premium of the traded unit price to net asset value per unit	3	<b>N/A</b>	N/A	N/A	N/A	N/A
Lowest traded unit price (RMB)		<b>2.98</b>	2.94	3.29	3.70	3.48
Highest discount of the traded unit price to net asset value per unit		<b>38.4%</b>	42.6%	39.0%	31.7%	36.7%
Distribution per unit (RMB)		<b>0.2754</b>	0.2700	0.2567	0.2455	0.2392
Distribution yield per unit	4	<b>8.77%</b>	8.11%	7.38%	6.36%	5.76%

### 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

	<b>On or around</b>
Annual results announcement for the year ended 31 December 2016 announcing, among other information, the final distribution for the period from 1 July 2016 to 31 December 2016 (“2016 Final Distribution”) and the distribution reinvestment arrangement (“DRA”)	14 March 2017 (Tuesday)
Units quoted ex-2016 Final Distribution	27 March 2017 (Monday)
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”)	27 March 2017 (Monday)
Closure of register of Unitholders (for ascertaining entitlement to the 2016 Final Distribution)	29 March 2017 (Wednesday) to 31 March 2017 (Friday) (both dates inclusive)
Record date for 2016 Final Distribution	31 March 2017 (Friday)
Announcement in relation to the DRA	11 April 2017 (Tuesday)
Despatch of circular and election form for the DRA	19 April 2017 (Wednesday)
Latest time for return of election form for the DRA <sup>1</sup>	by 4:30 p.m., 8 May 2017 (Monday)
2017 annual general meeting <sup>2</sup>	12 May 2017 (Friday)
Payment of the 2016 Final Distribution for cash distribution election	22 May 2017 (Monday)
Despatch of new unit certificates for scrip distribution election	22 May 2017 (Monday)
Expected first day of dealings in Scrip Units (subject to the granting of listing approval by the Stock Exchange)	23 May 2017 (Tuesday)

1. A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the 2016 Final Distribution for the period from 1 July 2016 to 31 December 2016 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 11 April 2017 (Tuesday) and a circular together with the relevant election form was delivered by post to the Unitholders on 19 April 2017 (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 pm on 8 May 2017 (Monday). Please refer to the relevant circular and election form for the details of such distribution reinvestment arrangement. Unitholders should note that any election form arrived or received after the deadline set out above will be treated and taken as invalid.

2. The register of Unitholders will be closed from 9 May 2017 (Tuesday) to 12 May 2017 (Friday) for the purpose of ascertaining Unitholders’ right to attend and vote at the 2017 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 8 May 2017 (Monday).

## 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

#### 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

### Disclosures Committee

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

### Designated (Finance) Committee

YIN Ke (*Chairman*)  
CHEUNG Ling Fung, Tom  
CHOI Koon Shum, Jonathan

## COMPANY SECRETARY

### OF THE MANAGER

Fair Wind Secretarial Services Limited

## TRUSTEE

DB Trustees (Hong Kong) Limited

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL VALUER

Knight Frank Petty Limited<sup>1</sup>  
American Appraisal China Limited<sup>2</sup>

## 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

<sup>1</sup> Contract terminated on 31 December 2016

<sup>2</sup> Appointed with effective from 1 January 2017

## CORPORATE INFORMATION

### **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)



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
Director(s)	director(s) of the Manager
DPU	distribution per unit
GDP	gross domestic product
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
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
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

## GLOSSARY

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 three supplemental deeds dated 24 May 2013, 16 May 2014 and 28 May 2015 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.



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(as the manager of Hui Xian REIT)

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