



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

INTERIM REPORT 2017



HUI XIAN REIT

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

REIT MANAGER

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “Manager”), a company incorporated in Hong Kong for the sole purpose of managing Hui Xian REIT. The Manager is a direct wholly-owned subsidiary of World Deluxe Enterprises Limited, which in turn is ultimately owned as to 40% by CITIC Securities Company Limited, 30% by Cheung Kong Property Holdings Limited (“CKP”) and 30% by ARA Asset Management Limited which was privatized by a consortium comprising affiliates of Mr. Lim Hwee Chiang, The Straits Trading Company Limited, CKP, Warburg Pincus LLC and AVIC Trust Co. Ltd on 19 April 2017.



HUI XIAN REIT
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Contents

- | | | | |
|----|---|-----|---|
| 2 | Financial Highlights | 50 | Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Non-Controlling Interests |
| 3 | Chairman's Statement | 52 | Condensed Consolidated Statement of Cash Flows |
| 9 | Management Discussion and Analysis | 53 | Notes to the Condensed Consolidated Financial Statements |
| 21 | Corporate Governance | 95 | Summary Financial Information |
| 26 | Connected Party Transactions | 97 | Performance Table |
| 37 | Disclosure of Interests | 99 | Investor Calendar |
| 41 | Report on Review of Condensed Consolidated Financial Statements | 101 | Corporate Information |
| 43 | Condensed Consolidated Statement of Comprehensive Income | 103 | Glossary |
| 45 | Distribution Statement | | |
| 48 | Condensed Consolidated Statement of Financial Position | | |



FINANCIAL HIGHLIGHTS

For the period from 1 January 2017 to 30 June 2017 (“Reporting Period”)

	Six months ended 30 Jun 2017	Six months ended 30 Jun 2016	Percentage Change
Total Revenue ⁽¹⁾ (RMB million)	1,583	1,575	+0.5%
Net Property Income ⁽²⁾ (RMB million)	1,051	1,098	-4.3%
Amount Available for Distribution ⁽³⁾ (RMB million)	761	805	-5.6%
Distributions to Unitholders ⁽⁴⁾ (RMB million)	761	781	-2.6%
Distribution per Unit ⁽⁵⁾ (RMB)	0.1377	0.1439	-4.3%
Payout Ratio	100%	97%	N/A
Annualised Distribution Yield	8.9% ⁽⁶⁾	9.1% ⁽⁷⁾	N/A

Notes:

- (1) 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 4.3% year-on-year.
- (2) The change in real estate tax regulations in Beijing has been effective since 1 July 2016. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the Net Property Income (“NPI”) would have increased 3.3% year-on-year.
- (3) Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of amount available for distribution would be 1.9%.
- (4) Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of distributions to Unitholders would be 5.1%.
- (5) Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the year-on-year growth of distribution per unit (“DPU”) would be 3.3%.
- (6) Based on the closing price of the units of Hui Xian REIT (“Units”) on 30 June 2017 and the actual distribution amount for the period from 1 January 2017 to 30 June 2017.
- (7) Based on the closing price of Units on 30 June 2016 and the actual distribution amount for the period from 1 January 2016 to 30 June 2016.

CHAIRMAN'S STATEMENT

RESULTS AND DISTRIBUTION

During the Reporting Period, the total revenue was RMB1,583 million, 0.5% higher than the previous year. 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. As a result, the revenues and expenses in the financial statements were then presented net of VAT. Excluding the impact of VAT reform, total revenue would have grown 4.3% year-on-year.

NPI was RMB1,051 million, a year-on-year drop of 4.3%. The change in real estate tax regulations in Beijing introduced on 1 July 2016, resulting in a tax increase for our flagship asset — Beijing Oriental Plaza, continued to impact Hui Xian REIT's NPI during the first half of 2017. Excluding the impact of the additional real estate tax provision, NPI would have grown by 3.3% year-on-year.

The amount available for distribution for the Reporting Period was RMB761 million, down by 5.6% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, the amount available for distribution would have increased 1.9% year-on-year.

For the Reporting Period, the payout ratio was set at 100%. The distribution per unit ("DPU") for the Reporting Period was RMB0.1377, a decrease of 4.3% year-on-year. This represented an annualised distribution yield of 8.9% based on the closing unit price of RMB3.11 on 30 June 2017.

Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, distributions to Unitholders and DPU would have increased 5.1% and 3.3% year-on-year respectively.

NEW ACQUISITION

In 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.

BUSINESS ENVIRONMENT IN CHINA

According to the National Bureau of Statistics of China, the country's gross domestic product ("GDP") increased 6.9% in the first half of 2017. Total retail sales of consumer goods reached RMB17,237 billion, up by 10.4% year-on-year. The per capita disposable income of urban residents grew 6.5% year-on-year to RMB18,322.

The RMB value stabilized during the first half of 2017. The RMB exchange rate against Hong Kong Dollars as at 30 June 2017 has risen by approximately 3%* compared to that as at 31 December 2016.

BUSINESS REVIEW

Over the years, Hui Xian REIT's footprint has expanded from one city to four key cities in China and its areas under management have also increased to over 1.1 million square metres. Hui Xian REIT's portfolio consists of ten businesses, including two shopping centres, two office developments, two serviced apartment projects and four hotels.

To better present the business, starting this year, we categorised the properties into four segments, namely retail, office, serviced apartment and hotel.

(1) Retail Portfolio

China's retail industry is currently undergoing a major transformation as a result of rapidly changing consumer behavior and the exponential growth of e-commerce, coupled with the high penetration of smartphones and the low logistics costs. China has become the world's largest e-commerce market.

According to official statistics, China's online retail sales of physical goods during the first half of 2017 surged 28.6% year-on-year to RMB2,375 billion, accounting for 13.8% of the total retail sales of consumer goods. The growth of online and mobile shopping continues to hit the traffic and sales at the traditional bricks and mortar stores.

*Based on the People's Bank of China RMB rate against Hong Kong Dollars

Hui Xian REIT's retail portfolio consists of two shopping centres at Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza. NPI was RMB494 million, a year-on-year decrease of 8.1%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 1.9% year-on-year.

Despite a challenging retail environment, The Malls at Beijing Oriental Plaza continues to be popular among retailers and shoppers due to its strategic location, well-managed tenant profile and heavy footfall. The average occupancy rate in the first half of 2017 was 97.9% compared to 96.0% in the same period of 2016. The average monthly passing rent, however, dropped 7.6% year-on-year to RMB1,162 per square metre, primarily due to the tenant mix.

To lay a foundation for future long-term growth, an intensive asset enhancement and tenant revamp programme at the mall of Chongqing Metropolitan Oriental Plaza continued. During the first half of 2017, the average occupancy rate was 73.5%. The average monthly passing rent was RMB201 per square metre, compared to RMB236 per square metre over the same period in 2016.

(2) Office Portfolio

Hui Xian REIT's office portfolio comprises The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. The office portfolio's NPI was RMB451 million, a year-on-year decrease of 1.3%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.7% year-on-year.

Beijing's office market remained stable in the first half of 2017. Multinational corporations remained cost-conscious and conservative on office expansion while there was a rising leasing demand from domestic companies, particularly the financial, and technology, media, and telecom ("TMT") sectors. Beijing is expected to see an increase in office supply in the coming few years, imposing pressure on rental and occupancy rates.

CHAIRMAN'S STATEMENT

The Tower Offices at Beijing Oriental Plaza provide over 300,000 square metres of Grade A office space in eight blocks. The average occupancy rate stood 95.2%. The average monthly passing rent was RMB281 per square metre, up by 1.6% over the same period last year. The average monthly spot rent was RMB330 per square metre, a decrease of 2.1% year-on-year. Excluding the impact of VAT reform, the average monthly passing rent and the average monthly spot rent would have increased by 5.6% and 1.1% year-on-year respectively.

Chongqing's office market remained competitive due to escalating new supply. Despite that, The Tower at Chongqing Metropolitan Oriental Plaza remains home to many multinational companies and consulates. The average monthly passing rent was RMB122 per square metre, down by 2.6% year-on-year. Excluding the impact of VAT reform, the average monthly passing rent would have increased by 1.3% year-on-year. The average occupancy rate was 86.0%. Asset enhancement works of the office lobby and façade are near completion. Wu Yi Road, where the office tower is located, has also undergone a major upgrade programme and it has been designated by the Chongqing Government as the future "Wall Street" of Western China to boost development of commercial activities.

(3) Serviced Apartment Portfolio

Demand for well-located serviced apartments across China is growing. To capitalise this opportunity, we have made the strategic decision to convert some hotel rooms in Beijing and Shenyang into furnished serviced apartments for leasing.

We have converted 107 Grand Hyatt Beijing hotel rooms into serviced apartments during the Reporting Period. These units have become part of The Tower Apartments at Beijing Oriental Plaza, and the total apartment inventory was increased from 613 to 720 units. 663 units were being committed for leasing as at 30 June 2017, representing a committed occupancy of 92%. During the first half of 2017, revenue was RMB73 million, up by 6.0% year-on-year. NPI was RMB39 million, an increase of 5.9% year-on-year.

There is a rising demand for serviced apartments in Shenyang, particularly from the expatriate community. We are planning to convert some hotel rooms at Sofitel Shenyang Lido into serviced apartments to target this market.

(4) Hotel Portfolio

Together with the acquisition completed in the first quarter of 2017, Hui Xian REIT's hotel portfolio consisted of four five-star hotels as at 30 June 2017. They are Grand Hyatt Beijing, Sofitel Shenyang Lido, Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel. The aggregate NPI was RMB67 million, slightly higher than the same period last year.

Subsequent to the initiatives of converting some hotel rooms into serviced apartments, Grand Hyatt Beijing's number of available rooms was reduced from 825 to 718. The average occupancy rate was 68.3%. The number of room nights sold during the Reporting Period was 6.8% higher than the same period in 2016. The average room rate per night, nevertheless, declined by 13.3% year-on-year to RMB1,292. The revenue per available room ("RevPAR") was RMB882, an increase of 6.8% year-on-year.

China's northeastern cities continued to experience slow economic development in the first half of 2017. Sofitel Shenyang Lido's average occupancy rate was 39.9%, while the average room rate per night fell by 8.4% year-on-year to RMB456. The RevPAR was RMB182 compared to RMB208 for the same period last year.

Harbour Plaza Chongqing has been integrated in Hui Xian REIT's portfolio since March 2017. A comprehensive renovation programme has commenced, resulting in a reduction of saleable inventory. The average occupancy rate was 57.5% based on the number of available rooms. The average room rate per night and the RevPAR were RMB380 and RMB219 respectively.

Sheraton Chengdu Lido Hotel has started to contribute to Hui Xian REIT from March 2017. The average occupancy rate was 70.1%; the average room rate was RMB584; and the RevPAR was RMB409.

STRONG FINANCIAL POSITION

Hui Xian REIT has continued to adhere to its prudent financial management strategy. As at 30 June 2017, bank balances and cash on hand amounted to RMB7,282 million and total debts amounted to RMB11,376 million. Debts to gross asset value ratio was 23.8%. Hui Xian REIT has sufficient financial capacity to capitalise on new investment opportunities as they arise.

OUTLOOK

Going forward, we will continue to maximise organic growth from Beijing Oriental Plaza, to revamp Chongqing Metropolitan Oriental Plaza, to expand our serviced apartment portfolio as well as to integrate two newly acquired hotels in Chongqing and Chengdu into our growing hotel portfolio.

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

H L KAM

Chairman

Hui Xian Asset Management Limited

(as manager of Hui Xian Real Estate Investment Trust)

Hong Kong, 28 July 2017

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO HIGHLIGHTS

As at 30 June 2017, Hui Xian REIT's 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[#]) (“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 in turns holds Chongqing Investment Limited. Chongqing Investment Limited owns the entire interest in 重慶大都會東方廣場有限公司 (Chongqing Metropolitan Oriental Plaza Co., Ltd[#]), 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);
- (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[#]) (“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 of **Sofitel Shenyang Lido**;
- (4) its investment in Chongqing Hotel Investment Limited, which in turn holds Highsmith (HK) Limited. Highsmith (HK) Limited owns the entire interest in 重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.[#]), which is the registered legal owner of the land use rights and building ownership rights of **Harbour Plaza Chongqing**; and

MANAGEMENT DISCUSSION AND ANALYSIS

- (5) its investment in New Sense Resources Limited, which in turn holds Chengdu Investment Limited, the foreign joint venture partner of 成都長天有限公司 (Chengdu Changtian Co., Ltd.#) (“Chengdu Changtian”). Chengdu Investment Limited is entitled to 69% interests in Chengdu Changtian, which is a Sino-foreign cooperative joint venture established in the PRC. Chengdu Changtian holds the land use rights and building ownership rights in **Sheraton Chengdu Lido Hotel**.

OPERATIONS REVIEW

As stated in the Chairman’s Statement, 2017’s revenue and NPI figures were continued to be affected by the change of tax policy in China, namely (1) the introduction of the value-added tax (“VAT”) from 1 May 2016 to the construction, real estate, financial services and consumer services sectors; and (2) the change of real estate tax regulations in Beijing commencing from 1 July 2016.

- (1) 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.
- (2) The change in real estate tax regulations in Beijing came into effect on 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.

To better present the businesses, starting from 2017, we categorised them into four segments, namely retail, office, serviced apartment and hotel.

The English name is shown for identification purpose only

(1) Retail Portfolio

Hui Xian REIT's retail portfolio consists of two large-scale shopping centres in Beijing and Chongqing, offering about 220,000 square metres of retail space. Revenue was RMB657 million, a year-on-year decrease of 1.2%. Excluding the impact of VAT reform, revenue would have grown 2.6%. NPI was RMB494 million, a year-on-year decline of 8.1%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have grown 1.9 % year-on-year.

(i) The Malls at Beijing Oriental Plaza

According to the Beijing Municipal Bureau of Statistics, Beijing's GDP increased 6.8% year-on-year to RMB1,240 billion in the first half of 2017. The city's retail sales of consumer goods grew 5.6% year-on-year to RMB525.7 billion. Disposable income per capita of Beijing's urban residents was up by 9% year-on-year to RMB31,016.

Revenue of The Malls at Beijing Oriental Plaza was up by 1.1% year-on-year to RMB607 million. Excluding the impact of VAT reform, revenue would have increased by 5.0% year-on-year. Its NPI was down by 5.3% year-on-year to RMB473 million, primarily due to the change in real estate tax regulations in Beijing. Excluding the impact of the additional real estate tax provision, NPI would have grown 5.4% year-on-year.

The average monthly passing rent of The Malls was RMB1,162 per square metre, a decrease of 7.6% year-on-year. This was mainly due to the tenant mix. The average occupancy rate increased to 97.9% from 96.0% a year ago.

During the first half of 2017, The Malls welcomed a number of new retailers, such as Brooks Brothers, FABIANA FILIPPI, Joma, Replay, Sketchers, Will's and a number of new restaurants.

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 subway Line 8 has also begun with a new stop close to The Malls.

(ii) *The Mall at Chongqing Metropolitan Oriental Plaza*

During the first half of 2017, Chongqing's GDP and retail sales increased 10.5% and 11.7% respectively compared to the same period in 2016.

Chongqing Metropolitan Oriental Plaza is currently undergoing an extensive asset enhancement initiative and tenant mix refinement during the Reporting Period. The average monthly passing rent was RMB201 per square metre and the average occupancy rate was 73.5%.

(2) Office Portfolio

Hui Xian REIT's office portfolio is made up of The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue was RMB603 million, slightly over the previous year. Excluding the impact of VAT reform, revenue would have grown 3.8% year-on-year. NPI was RMB451 million, a decrease of 1.3% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 5.7% year-on-year.

(i) *The Tower Offices at Beijing Oriental Plaza*

Beijing's office market remained stable during the Reporting Period. Multinational corporations have become more conservative in regards to office expansion plans. Leasing demand from the domestic companies, especially those from the financial and TMT industries, was on the rise. In the coming few years, Beijing is expected to see an increase in new office supply, putting pressure on rentals and occupancy levels.

The Tower Offices at Beijing Oriental Plaza, consisting of eight Grade A office towers (total GFA: about 300,000 square metres), generates a stable revenue income from a diversified tenant base across a variety 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.

Revenue of The Tower Offices was RMB570 million, up by 0.9% year-on-year. Excluding the impact of VAT reform, revenue would have grown 4.7% year-on-year. NPI was RMB432 million, slightly down by 0.8% year-on-year. Excluding the impact of real estate tax provision, NPI would have increased 6.5% year-on-year.

The average monthly passing rent of The Tower Offices was RMB281 per square metre, an increase of 1.6% year-on-year. The average monthly spot rent was RMB330 per square metre, down by 2.1% year-on-year. Excluding the impact of VAT reform, the average monthly passing rent and the average monthly spot rent would have increased by 5.6% and 1.1% year-on-year respectively. Rental reversion was 12.6%, and the average occupancy rate was 95.2%.

(ii) The Tower at Chongqing Metropolitan Oriental Plaza

Chongqing's office market remained competitive during the Reporting Period and the continual influx of new supply is likely to exert downward pressure on the occupancy and rental rates.

Strategically located in the Jiefangbei Central Business District of Chongqing, The Tower at Chongqing Metropolitan Oriental Plaza is a Grade A office building which is home to five consulates and a number of multinational corporations across different industries, including insurance and financial services, electronics, logistics and healthcare. The Tower's revenue was down by 12.8% year-on-year to RMB33 million; NPI declined by 10.0% year-on-year to RMB19 million. The average occupancy rate was 86.0%. The average monthly passing rent and the monthly spot rent were RMB122 and RMB120 respectively.

The Tower's asset enhancement programme, including the renovation of the lobby and façade, is near completion. Wu Yi Road, where The Tower Office's entrance is located, has also undergone a major upgrade programme and has been designated by the Chongqing Government as the future "Wall Street" of Western China to boost development of commercial activities.

(3) Serviced Apartment Portfolio

Hui Xian REIT's serviced apartment portfolio comprises The Tower Apartments at Beijing Oriental Plaza and the apartment units at Sofitel Shenyang Lido. Revenue was RMB73 million, up by 6.0% year-on-year. Excluding the impact of VAT reform, revenue would have grown 10.6% year-on-year. NPI was RMB39 million, an increase of 5.9% year-on-year. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 7.0% year-on-year.

With the demand for upscale serviced apartments growing in key cities of China, Hui Xian REIT is planning to expand its serviced apartment portfolio by converting some of the hotel rooms into furnished serviced apartments for leasing.

107 Grand Hyatt Beijing hotel rooms were being converted into serviced apartments in phases, which have become part of The Tower Apartments at Beijing Oriental Plaza. The total apartment inventory was increased from 613 to 720. 663 units were being committed for leasing as at 30 June 2017, representing a committed occupancy of 92%.

Leasing demand for serviced apartments in Shenyang is rising, particularly from the expatriate community. We are planning to convert some hotel rooms at Sofitel Shenyang Lido into serviced apartments to target this market.

(4) Hotel Portfolio

Hui Xian REIT's hotel portfolio includes four five-star hotels: Grand Hyatt Beijing at Beijing Oriental Plaza, Sofitel Shenyang Lido (70% interests), Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel (69% interests). The latter two hotels were acquired in the first quarter of 2017.

Revenue was RMB250 million, up by 5.0% year-on-year. Excluding the impact of VAT reform, revenue would have increased 8.3% year-on-year. NPI was RMB67 million, slightly higher than last year.

(i) Grand Hyatt Beijing, Beijing

Foreign tourist arrivals in Beijing continued to drop, down by 5.3% year-on-year to 1.9 million during the first half of 2017 according to the Beijing Municipal Bureau of Statistics. The hotel industry in Beijing remained competitive.

As 107 of the hotel rooms were being converted into serviced apartments, Grand Hyatt Beijing's room inventory was decreased to 718, and the average occupancy rate was 68.3%. The average room rate per night was down by 13.3% year-on-year to RMB1,292. RevPAR increased by 6.8% year-on-year to RMB882.

(ii) Sofitel Shenyang Lido, Shenyang

In the first half of 2017, China's northeastern cities continued to experience slow economic development. Sofitel Shenyang Lido's average occupancy rate was 39.9% while the average room rate per night was down by 8.4% year-on-year to RMB456. The RevPAR was RMB182 compared to RMB208 over the same period last year.

(iii) Harbour Plaza Chongqing

The acquisition of Harbour Plaza Chongqing was completed in the first quarter of 2017. The hotel is now undergoing a renovation programme and the saleable inventory was reduced. The average occupancy rate was 57.5% based on the number of available rooms. The average room rate per night and the RevPAR were RMB380 and RMB219 respectively.

(iv) Sheraton Chengdu Lido Hotel

69% interest of Sheraton Chengdu Lido Hotel was acquired by Hui Xian REIT in March 2017. The average occupancy rate was 70.1%; the average room rate was RMB584; and the RevPAR was RMB409.

FINANCIAL REVIEW

Net Property Income

The net property income was RMB1,051 million for the six months ended 30 June 2017.

Distributions

Distribution Amount

Hui Xian REIT will distribute a total of RMB761 million (“2017 Interim Distribution”) to Unitholders for the six months ended 30 June 2017. The 2017 Interim Distribution represents 100% of Hui Xian REIT’s total amount available for distribution during the period from 1 January 2017 to 30 June 2017 and will be paid in RMB. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB173 million.

Distribution per Unit

The DPU for the period from 1 January 2017 to 30 June 2017 is RMB0.1377 based on the number of outstanding Units on 30 June 2017. This represents an annualised distribution yield of 8.9% based on the closing unit price of RMB3.11 on 30 June 2017.

Closure of Register of Unitholders

The record date for the 2017 Interim Distribution will be 16 August 2017, Wednesday (“Record Date”). The Register of Unitholders will be closed from 14 August 2017, Monday to 16 August 2017, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The interim distribution is expected to be payable on 28 September 2017, Thursday 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 2017 Interim 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 11 August 2017, Friday.

Debt Positions

In February 2017 and March 2017, Hui Xian Investment drew down a new unsecured 3-year term loan of HK\$1,000 million offered by Hang Seng Bank Limited and United Overseas Bank Limited. The purpose of the facility was to finance the general corporate funding requirements of the Hui Xian REIT group, including but not limited to the funding for repayment of any amounts outstanding under existing loan facilities and financing acquisitions of the Hui Xian REIT group.

In April 2017, Hui Xian Investment drew down an unsecured 3-year term loan of HK\$800 million offered by China Construction Bank (Asia) Corporation Limited and Hang Seng Bank Limited. The purpose of the facility was to refinance the credit facility granted by the same lenders in May 2014.

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

As at 30 June 2017, Hui Xian REIT's total debts amounted to RMB11,376 million (31 December 2016: RMB10,816 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB26,511 million as at 30 June 2017 (31 December 2016: RMB26,439 million), Hui Xian REIT's debts to net asset value ratio increased to 42.9% (31 December 2016: 40.9%). Meanwhile, the debts to gross asset value ratio was 23.8% as at 30 June 2017 (31 December 2016: 23.0%).

MANAGEMENT DISCUSSION AND ANALYSIS

Bank Balances and Asset Positions

As at 30 June 2017, Hui Xian REIT's bank balances and cash amounted to RMB7,282 million (31 December 2016: RMB7,072 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Hui Xian REIT is indirectly interested in a 131,344 square metre shopping mall, eight blocks of Grade A office, three blocks of serviced apartments towers and an 718-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.

D&P China (HK) Limited ("D&P China") valued the eight blocks of office towers, the shopping mall and car parking spaces at RMB29,562 million as at 30 June 2017 (31 December 2016: RMB29,711 million), translating into a decrease of 0.5% over the valuation as of 31 December 2016. Together with the hotel and serviced apartment premises, gross property value of BOP was RMB34,684 million as at 30 June 2017, as compared to RMB34,930 million as at 31 December 2016.

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

Knight Frank Petty Limited ("Knight Frank") valued the hotel premises of Shenyang Lido at RMB870 million as at 31 December 2016 while gross property value of hotel premises as at 30 June 2017 was RMB732 million (31 December 2016: RMB764 million).

Hui Xian REIT also indirectly owns the entire interest of Chongqing Metropolitan Oriental Plaza, a 164,360 square metre integrated commercial property development comprising a shopping mall and a Grade A office building. Chongqing Metropolitan Oriental Plaza is located at the Jiefangbei, Yuzhong District, Chongqing, which is a well-established central business district.

As at 30 June 2017, the shopping mall, office building and car parking spaces were valued by D&P China at RMB3,770 million (31 December 2016: RMB3,942 million). Gross property value of the properties as at 30 June 2017 was RMB3,727 million (31 December 2016: RMB3,931 million).

On 28 February 2017, Hui Xian REIT completed its acquisition of all issued shares of Highsmith (HK) Limited, which in turn indirectly owns the entire interest of Harbour Plaza Chongqing, a 38-storey hotel tower of 52,238 square metre. It is located in adjacent to Chongqing Metropolitan Oriental Plaza.

Knight Frank valued the hotel premises of Harbour Plaza Chongqing at RMB442 million as at 31 October 2016. Gross property value of hotel premises as at 30 June 2017 was RMB394 million.

On 8 March 2017, Hui Xian REIT completed its acquisition of 69% interest in Sheraton Chengdu Lido Hotel through acquisition of Chengdu Investment Limited. It is a 37-storey hotel tower of 56,550 square metre located to the north of the landmark Tianfu Plaza, Chengdu city centre.

Knight Frank valued the hotel premises of Sheraton Chengdu Lido Hotel at RMB720 million as at 31 October 2016. Gross property value of hotel premises as at 30 June 2017 was RMB703 million.

Net Assets Attributable to Unitholders

As at 30 June 2017, net assets attributable to Unitholders amounted to RMB26,511 million (31 December 2016: RMB26,439 million) or RMB4.7997 per Unit, representing a 54.3% premium to the closing unit price of RMB3.11 on 30 June 2017 (31 December 2016: RMB4.8403 per Unit, representing a 54.1% premium to the closing unit price of RMB3.14 on 30 December 2016).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Commitments

As at 30 June 2017, Hui Xian REIT did not have any significant commitments.

Employees

As at 30 June 2017, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,359 employees in Hong Kong and the PRC; of these, 1,336 employees performed hotel operation functions and services, and 23 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 30 June 2017.

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 and revised from time to time 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, among others, the activities of the board of directors of the Manager.

Throughout the six months ended 30 June 2017, 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 (executive director and chief executive officer of the Manager), Mr. LEE Chi Kin, Casey (executive director and chief operating officer 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 the Unitholders.

Throughout the six months ended 30 June 2017, the Trust Deed was further amended pursuant to special resolutions passed at general meetings of Unitholders held on 12 May 2017. Further details of the amendments are set out in the circular dated 5 April 2017 published by the Manager.

Board of Directors of the Manager

The Board of Directors of the Manager currently comprises nine members, three of whom are independent non-executive directors ("INEDS").

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 of the Manager in the six months ended 30 June 2017 were Mr. KAM Hing Lam (chairman and non-executive director); Mr CHEUNG Ling Fung, Tom and Mr. LEE Chi Kin, Casey (executive directors); Mr. IP Tak Chuen, Edmond, Mr. LIM Hwee Chiang and Mr. YIN Ke (non-executive directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive directors).

There were no changes to the composition of the Board or any of its committees in the six months ended 30 June 2017.

Board Committees

The Manager has established the following Board committees:

- (1) Audit Committee, whose role is to monitor and evaluate the effectiveness of the Manager's internal control. It also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and internal auditors, reviewing the adequacy of existing audits in respect of cost, scope and performance, in respect of both the Manager and Hui Xian REIT and its special purpose vehicles;
- (2) Disclosures Committee, which is responsible for reviewing matters relating to the disclosure of information to Unitholders and public announcements; and
- (3) Designated (Finance) Committee, which is responsible for reviewing matters relating to hedging strategies, financing and re-financing arrangements, and transactions involving derivative instruments for hedging purposes.

Conflicts of Interests

All conflicts of interests are managed by the Board in accordance with the articles of association of the Manager and applicable laws, rules and regulations. In general, the Manager ensures that all conflicts of interests relating to Hui Xian REIT are either managed or avoided. The Manager has established the following measures to deal with conflicts of interests issues:

- (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;

CORPORATE GOVERNANCE

- (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.

Review of the Interim Report

The interim results of Hui Xian REIT for the six months ended 30 June 2017 have been reviewed by the Audit Committee and the interim report has been reviewed by the Disclosures Committee of the Manager in accordance with their respective terms of reference. Hui Xian REIT's condensed consolidated financial statements for the six months ended 30 June 2017 have not been audited but have been reviewed by Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, Hui Xian REIT's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Code Governing Dealings in Units by Directors, or the Manager and Interests of the Significant Holders of Units

The Manager has adopted a Code Governing Dealings in Units by the Directors or the Manager (the "Units Dealing Code") which governs dealings in the Units by the Directors, the Manager as well as certain senior executives of the Manager or the special purpose vehicles of Hui Xian REIT ("Management Persons").

Specific enquiry having been made with each of the Directors, the Manager and the Management Persons, all of them confirmed that they have complied with the required standard set out in the Units Dealing Code in the six months ended 30 June 2017.

Changes in Information of Directors

Mr. Yin Ke has resigned as a director of CITIC Securities Company Limited with effect from 22 March 2017.

ARA Asset Management Limited, of which Mr. Lim Hwee Chiang is a director, was delisted from Singapore Exchange on 19 April 2017. Mr. Lim Hwee Chiang has been appointed as the Chairman of the Consultative Committee to the Department of Real Estate, National University of Singapore with effect from 1 May 2017.

Mr. IP Tak Chuen, Edmond has ceased to be a non-executive director of Shougang Concord International Enterprises Company Limited with effect from 1 January 2017.

Mr. Cheung Ling Fung, Tom has been appointed as a member of the 14th Beijing Dongcheng Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

New Units Issued

In the six months ended 30 June 2017, (i) 18,591,696 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) 42,707,695 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 2016 to 31 December 2016.

The total number of Units in issue as at 30 June 2017 was 5,523,493,330 Units.

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 six months ended 30 June 2017.

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 30 June 2017.

CONNECTED PARTY TRANSACTIONS

CONNECTED PARTY TRANSACTIONS

Waivers from Strict Compliance with Certain Requirements under the REIT Code

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 and 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 Interim Report of Hui Xian REIT and the announcements issued by the Manager from time to time. For those Waivers granted by SFC throughout the six months ended 30 June 2017, such terms and conditions were disclosed and published by the Manager in the announcement on 12 May 2017.

Throughout the six months ended 30 June 2017, 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 six months ended 30 June 2017, other than those transactions that are exempted from disclosure and/or excluded pursuant to the waivers granted by the SFC.

Connected Party Transactions – Income

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income in the six months ended 30 June 2017:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the six months ended 30 June 2017 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 ¹	Leasing and licensing transaction	1,980
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 ¹	Leasing and licensing transaction	1,189
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	366
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 ¹	Leasing and licensing transaction	3,098
Cheung Kong (Holdings) Limited Beijing Office	Associated company of a significant holder ¹	Leasing and licensing transaction	46
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	46

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the six months ended 30 June 2017 RMB'000
北京雷霆萬鈞網路科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Company Ltd*.)	Associated company of a significant holder ¹	Leasing and licensing transaction	427
北京雷霆無極網路科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Ltd*)	Associated company of a significant holder ¹	Leasing and licensing transaction	291
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	376
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	20
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	20
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	Associated company of a significant holder ¹	Leasing and licensing transaction	13
森棟乙(北京)科技有限公司 (Sendongyi (Beijing) Technology Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	20

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the six months ended 30 June 2017 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 ¹	Leasing and licensing transaction	280
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 ¹	Leasing and licensing transaction	1,299
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 ¹	Leasing and licensing transaction	159
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 ¹	Leasing and licensing transaction	575
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 ¹	Leasing and licensing transaction	478
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 ¹	Leasing and licensing transaction	894
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 ¹	Leasing and licensing transaction	954

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the six months ended 30 June 2017 RMB'000
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 ¹	Leasing and licensing transaction	32
重慶東廣飯店有限公司 ³ (Chongqing Dongguang Hotel Co. Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	84
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 ²	Leasing and licensing transaction	1,372
Bank of China Limited	Associated company of a significant holder ¹	Leasing and licensing transaction	13,797
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	222
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 ⁴	Leasing and licensing transaction	576
重慶東廣飯店有限公司 ³ (Chongqing Dongguang Hotel Co. Ltd.*)	Associated company of a significant holder ¹	Public utilities charges ⁵	183

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the six months ended 30 June 2017 <i>RMB'000</i>
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Room Revenue	233
Bank of China Limited	Associated company of a significant holder ¹	Interest income	9,888
Bank of China (Hong Kong) Limited	Associated company of a significant holder ¹	Interest income	16
Hui Xian Asset Management Limited	Manager	Reimbursement of staff cost	508
Total			39,442

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 This Company was formerly known as Harbour Plaza Chongqing Co. Ltd until 8 March 2017.
- 4 Trustee being DB Trustees (Hong Kong) Limited.
- 5 The relevant public utilities charges have been reimbursed by Chongqing Dongguang Hotel Co. Ltd. (previously known as Harbour Plaza Changqing Co. Ltd) at cost up to 28 February 2017.

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

Connected Party Transactions – Expenses

The following table sets out information on connected party transactions in which Hui Xian REIT incurred its expenses in the six months ended 30 June 2017:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the six months ended 30 June 2017 RMB'000
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Associated company of a significant holder ¹	Property management fee	7,495
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 ¹	Property management fee	9,239
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Ltd.*)	Associated company of a significant holder ¹	Property management fee	12,276
海逸酒店管理有限公司 (Harbour Plaza Hotel Management Ltd*)	Associated company of a significant holder ¹	Property management fee	250
重慶東廣飯店有限公司 ² (Chongqing Dongguang Hotel Co. Ltd.*)	Associated company of a significant holder ¹	Property management fee	149

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the six months ended 30 June 2017 RMB'000
廣州屈臣氏食品飲料有限公司 北京飲料分公司 (Guangzhou Watson's Food & Beverages Company Limited Beijing Beverages branch*)	Associated company of a significant holder ¹	Beverages	175
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder ¹	Cleaning supplies	515
重慶東廣飯店有限公司 ² (Chongqing Dongguang Hotel Co. Ltd.*)	Associated company of a significant holder ¹	Hotel services	54
Harbour Grand Hong Kong Catering Ltd.	Associated company of a significant holder ¹	Hotel services	146
重慶東廣飯店有限公司 ² (Chongqing Dongguang Hotel Co. Ltd.*)	Associated company of a significant holder ¹	Leasing expenses	30
海逸酒店企業有限公司 (Harbour Plaza Hotel Enterprises Limited*)	Associated company of a significant holder ¹	Trademark license fee	12
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 ¹	Insurance expenses	202

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the six months ended 30 June 2017 RMB'000
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 ¹	Insurance expenses	776
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 ¹	Insurance expenses	101
Bank of China (Hong Kong) Limited	Associated company of a significant holder ¹	Interest expenses	27,922
Bank of China Limited Macau branch	Associated company of a significant holder ¹	Interest expenses	1,563
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder ³	Interest expenses	10,439
Bank of China Limited	Associated company of a significant holder ¹	Bank charges	1,631
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	22,070

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the six months ended 30 June 2017 <i>RMB'000</i>
Knight Frank Petty Ltd. ⁴	–	Valuation fee	160
D&P China (HK) Limited (formerly known as “American Appraisal China Limited”)	Principal Valuer	Valuation fee	304
Knight Frank Petty Ltd. ⁴	–	Technical due diligence fee	250
Total			95,759

Notes:

1. Significant holder being Hui Xian Cayman.
 2. This Company was formerly known as Harbour Plaza Chongqing Co. Ltd until 8 March 2017.
 3. An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown Investment Limited, a significant holder of Hui Xian REIT.
 4. The service charges represent the valuation and technical due diligence services rendered by Knight Frank Petty Ltd. which was the former principal valuer of Hui Xian REIT for the year ended 31 December 2016.
- * The English name is shown for identification purpose only.

CONNECTED PARTY TRANSACTIONS

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 six months ended 30 June 2017 were RMB2,198,000 and RMB87,957,000 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 six months ended 30 June 2017 on pages 55 to 57 of this Interim Report. For the six months ended 30 June 2017, the valuation fee payable to the principal valuer, D&P China (HK) Limited, was RMB304,000.

DISCLOSURE OF INTERESTS

Interests of Connected Persons

Based on the information available to the Manager as at 30 June 2017, 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 30 June 2017		As at 31 December 2016
	No. of Units held	Percentage of Units held ¹	No. of Units held
Hui Xian (Cayman Islands) Limited ²	375,000,000	6.79%	750,000,000
Other subsidiaries of Cheung Kong Property Holdings Limited ³	1,588,548,145	28.76%	1,385,189,797
Subsidiary of Bank of China Limited ⁴	74,062,500	1.34%	0
Subsidiaries of China Life Insurance (Group) Company ⁵	518,437,500	9.39%	717,281,000
Subsidiary of Orient Overseas (International) Limited ⁶	29,625,000	0.54%	133,131,000
The Hongkong and Shanghai Banking Corporation Limited ⁷	2,790,908	0.05%	1,314,350
Subsidiary of CITIC Securities Company Limited ⁸	26,412,412	0.48%	24,412,412
Subsidiary of ARA Asset Management Limited ⁹	8,076,198	0.15%	23,614,198

DISCLOSURE OF INTERESTS

Notes:

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

1. Based on the total number of 5,523,493,330 Units in issue as at 30 June 2017.
2. 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 30 June 2017. Please refer to Hui Xian Holding's deemed interest under the SFO in paragraph 3(i) below.
3. These subsidiaries of Cheung Kong Property, each being an associate of Hui Xian Cayman, were Noblecrown Investment Limited ("Noblecrown") (held 932,502,239 Units as at 30 June 2017 and 807,205,364 Units as at 31 December 2016), Wisdom Ally Limited ("Wisdom Ally") (held 128,447,889 Units as at 30 June 2017 and 119,152,041 Units as at 31 December 2016), Wealth Finder Limited ("Wealth Finder") (held 25,885,272 Units as at 30 June 2017 and 24,385,272 Units as at 31 December 2016) and Heathcliff Developments Limited ("Heathcliff Developments") (held 501,712,745 Units as at 30 June 2017 and 434,447,120 Units as at 31 December 2016).

Separately, by virtue of the deemed application of Part XV of the SFO and based on information available to the Manager as at 30 June 2017:

- (i) 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;
 - (ii) 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 Surgeon 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 subsidiary being Po Lian Enterprises Limited, an associated company of Hui Xian Holdings and Hui Xian Cayman.

DISCLOSURE OF INTERESTS

6. The subsidiary being Far Gain Investment Limited, a controlling entity of Hui Xian Holdings and Hui Xian Cayman.
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 owned 30% of the voting power at general meetings of the Manager. ARA Asset Management Limited was privatized by a consortium comprising affiliates of Mr. Lim Hwee Chiang, The Straits Trading Company Limited, Cheung Kong Property, Warburg Pincus LLC and AVIC Trust Co. Ltd on 19 April 2017.

Interests of the Manager

As at 30 June 2017, the Manager does not hold any Units in Hui Xian REIT (31 December 2016: Nil Units).

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

As at 30 June 2017, 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:

Name	As at	As at
	30 June	31 December
	2017	2016
	Number of	Number of
	Units held	Units held
KAM Hing Lam	831,073¹	831,073 ¹
IP Tak Chuen, Edmond	400,000²	400,000 ²
CHEUNG Ling Fung, Tom	72,799³	69,762 ³
TONG BARNES Wai Che, Wendy	142,856⁴	142,856 ⁴

DISCLOSURE OF INTERESTS

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 30 June 2017.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF HUI XIAN ASSET MANAGEMENT LIMITED

INTRODUCTION

We have reviewed the condensed 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 43 to 94, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders and non-controlling interests, condensed consolidated statement of cash flows and distribution statement for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. Hui Xian Asset Management Limited as manager of Hui Xian REIT is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 July 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	2017 RMB million (unaudited)	2016 RMB million (unaudited)
Revenue	5	1,583	1,575
Other income	6	135	107
Fair value gain from top-up amount asset	23	—	2
Decrease in fair value of investment properties		(361)	(334)
Gain on bargain purchase on acquisition of subsidiaries	22(a)	85	—
Hotel inventories consumed		(20)	(20)
Staff costs		(71)	(57)
Depreciation and amortisation		(164)	(142)
Other operating expenses	7	(418)	(376)
Finance costs	8	(130)	(109)
Exchange gain (loss)		339	(190)
Manager's fees	9	(88)	(84)
Real estate investment trust expenses	10	(8)	(4)
Profit before taxation and transactions with unitholders		882	368
Income tax expense	11	(242)	(205)
Profit for the period, before transactions with unitholders		640	163
Distribution to unitholders		(761)	(781)
Loss and total comprehensive expense for the period, after transactions with unitholders		(121)	(618)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTE	2017 RMB million (unaudited)	2016 RMB million (unaudited)
Profit for the period, before transactions with unitholders attributable to:			
Non-controlling interests		(7)	(7)
Unitholders		647	170
		640	163
Basic earnings per unit (RMB)	12	0.1178	0.0315

DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Profit for the period, before transactions with unitholders	640	163
Non-controlling interests	7	7
Profit for the period attributable to unitholders, before transactions with unitholders	647	170
Adjustments (<i>Note (i)</i>):		
Manager's fees	58	59
Deferred tax	(27)	(71)
Distributable depreciation and amortisation	106	106
Decrease in fair value of investment properties	361	334
Net unrealised exchange gain on bank loans and loan front-end fee	(342)	—
Gain on bargain purchase on acquisition of subsidiaries	(85)	—
Fair value gain from top-up amount asset	—	(2)
	71	426
Distributable income	718	596
Additional items (<i>Note (ii)</i>):		
Depreciation and amortisation arising from fair value adjustment	20	10
Net unrealised exchange loss on bank loans and loan front-end fee	—	190
Other cash distributions	23	9
	43	209
Amount available for distribution	761	805
Payout ratio (<i>Note (iii)</i>)	100%	97%
Distributions to unitholders	761	781
Distribution per unit (<i>RMB</i>) (<i>Note (iv)</i>)	0.1377	0.1439

DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

Notes:

(i) Adjustments for the period include:

- (a) For the six months ended 30 June 2017, Manager's fees payable in units of RMB58 million (18,673,626 units estimated to be issued) out of the total Manager's fees of RMB88 million. The difference of RMB30 million is paid and payable in cash.

For the six months ended 30 June 2016, Manager's fees payable in units of RMB59 million out of the total Manager's fees of RMB84 million. The difference of RMB25 million was payable in cash.

- (b) Deferred tax charge of RMB11 million (2016: RMB13 million) in relation to accelerated tax depreciation and deferred tax credit of RMB38 million (2016: RMB84 million) in relation to change in fair value of investment properties.
- (c) Distributable depreciation and amortisation of the Beijing Oriental Plaza attributable to unitholders of RMB106 million (2016: RMB106 million) represented depreciation and amortisation of RMB106 million (2016: RMB106 million) less zero capital expenditure (2016: nil).
- (d) Decrease in fair value of investment properties of RMB361 million (2016: RMB334 million).
- (e) Net unrealised exchange loss on bank loans and loan front-end fee for the six months ended 30 June 2016 is shown in Note (ii)(2) below. For the six months ended 30 June 2017, there was a net unrealised exchange gain on bank loans and loan front-end fee of RMB342 million.
- (f) Gain on bargain purchase on acquisition of subsidiaries of RMB85 million (Note 22(a)) (2016: nil).
- (g) Fair value gain from top-up amount asset of RMB2 million for the six months ended 30 June 2016.

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 period/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 period/year.

(ii) Additional items refer to any additional amount (include capital) to be (deducted) distributed as determined by the Manager pursuant to clause 11.4.1 of the Trust Deed. Additional items for the period include:

- (1) Depreciation and amortisation attributable to unitholders arising from fair value adjustment upon acquisition of Shenyang Lido Business Co. Ltd, Chongqing Dongguang Hotel Co., Ltd. (formerly known as Harbour Plaza Chongqing Co. Ltd.) ("Chongqing Hotel Company") and Chengdu Changtian Co., Ltd. totalling RMB20 million (2016: RMB10 million).
- (2) Net unrealised exchange loss on bank loans and loan front-end fee of RMB190 million for the six months ended 30 June 2016.
- (3) Other cash distributions of RMB23 million (2016: RMB9 million).

DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

Notes: (continued)

- (iii) In accordance with the Trust Deed, Hui Xian REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period.

Distributions to unitholders for the six months period ended 30 June 2017 represent a payout ratio of 100% (2016: 97%) of Hui Xian REIT's distributable income for the period.

- (iv) The distribution per unit of RMB0.1377 for the six months ended 30 June 2017 is calculated based on 100% of Hui Xian REIT's amount available for distribution of RMB760,535,258 over 5,523,493,330 units, representing issued units as at 30 June 2017. The distribution per unit of RMB0.1439 for the six months ended 30 June 2016 was calculated based on 97% 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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30.6.2017 RMB million (unaudited)	31.12.2016 RMB million (audited)
Non-current assets			
Investment properties	13	33,151	33,534
Property, plant and equipment	14	2,458	2,041
Land and related costs	15	4,525	3,974
Goodwill	22(b)	2	—
Total non-current assets		40,136	39,549
Current assets			
Hotel inventories	16	27	26
Land and related costs	15	170	130
Trade and other receivables	17	129	163
Bank balances and cash	18	7,282	7,072
Total current assets		7,608	7,391
Total assets		47,744	46,940
Current liabilities			
Trade and other payables	19	427	526
Tenants' deposits		275	300
Tax payable		55	101
Manager's fee payable		83	81
Distribution payable		761	718
Bank loans	20	5,535	893
Total current liabilities		7,136	2,619
Total assets less current liabilities	26	40,608	44,321

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30.6.2017 RMB million (unaudited)	31.12.2016 RMB million (audited)
Non-current liabilities, excluding net assets attributable to unitholders			
Bank loans	20	5,841	9,923
Tenants' deposits		486	466
Deferred tax liabilities		7,411	7,250
<hr/>			
Total non-current liabilities, excluding net assets attributable to unitholders		13,738	17,639
<hr/>			
Total liabilities, excluding net assets attributable to unitholders		20,874	20,258
<hr/>			
Non-controlling interests		359	243
<hr/>			
Net assets attributable to unitholders		26,511	26,439
<hr/>			
Units in issue ('000)	21	5,523,493	5,462,194
<hr/>			
Net asset value per unit (RMB) attributable to unitholders	24	4.7997	4.8403

The condensed consolidated financial statements on pages 43 to 94 were approved and authorised for issue by the Board of Directors of the Manager on 28 July 2017 and were signed on its behalf by:

CHEUNG Ling Fung, Tom
DIRECTOR

LEE Chi Kin, Casey
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS

For the six months ended 30 June 2017

	NOTES	Net assets attributable to unitholders RMB million	Non- controlling interests RMB million	Total RMB million
Net assets as at 1 January 2017 (audited)		26,439	243	26,682
Units issued for settlement of Manager's fees	21	57	—	57
Units issued pursuant to the distribution reinvestment arrangement in respect of 2016 final distribution	21	129	—	129
Profit for the period, before transactions with unitholders		647	(7)	640
Interim distribution payable to unitholders		(761)	—	(761)
Additions through acquisition of a subsidiary	22	—	123	123
Net assets as at 30 June 2017 (unaudited)		26,511	359	26,870

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS

For the six months ended 30 June 2017

	Net assets attributable to unitholders <i>RMB million</i>	Non- controlling interests <i>RMB million</i>	Total <i>RMB million</i>
Net assets as at 1 January 2016 (audited)	27,557	256	27,813
Units issued for settlement of Manager's fees	63	—	63
Units issued pursuant to the distribution reinvestment arrangement in respect of 2015 final distribution	90	—	90
Profit for the period, before transactions with unitholders	170	(7)	163
Interim distribution payable to unitholders	(781)	—	(781)
Net assets as at 30 June 2016 (unaudited)	27,099	249	27,348

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	NOTES	2017 RMB million (unaudited)	2016 RMB million (unaudited)
Net cash generated from operating activities		684	801
Net cash used in investing activities			
Acquisitions of subsidiaries	22	(494)	—
Considerations for assignment of loans from a connected party	22(b)	(262)	—
Other investing activities		(651)	(211)
		(1,407)	(211)
Net cash from (used in) financing activities			
Distribution payments to unitholders		(589)	(629)
Proceeds from new bank loan raised, net of loan front-end fee		878	(9)
Other financing cash flows		(107)	(99)
		182	(737)
Net decrease in cash and cash equivalents		(541)	(147)
Cash and cash equivalents at the beginning of the period		4,810	6,087
Cash and cash equivalents at the end of the period, represented by bank balances and cash	18	4,269	5,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing), and its units were listed on The Stock Exchange of Hong Kong Limited (the “HKSE”) since that date. Hui Xian REIT is governed by the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 (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 controlled entities (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 condensed consolidated financial statements are presented in Renminbi, which is also the functional currency of Hui Xian REIT.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL (continued)

The Group has entered into various service agreements in relation to 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.

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.

1. GENERAL (continued)

(b) Trustee's fees

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.

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 6 January 2017, the Manager has elected to receive 70% (2016: 70%) base fee in units and 30% (2016: 30%) in cash in respect of the financial year ending 31 December 2017.

1. GENERAL (continued)

(c) Manager's fees (continued)

Variable Fee

The Trust Deed has been modified on 19 May 2017 in relation to the variable fee structure. 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) in respect of each real estate of Hui Xian REIT, for so long as the property manager is a wholly-owned subsidiary of the Manager, the Manager may elect at any time and from time to time, with effect from the date on which the property manager is appointed or the date of such election by the Manager, whichever is later, that the 3% rate in clause 14.1.2(i)(a) of the Trust Deed be split between the Manager and the property manager, in such proportion as the Manager in its sole discretion deems fit, into 2 portions comprising a variable fee payable to the Manager and a property manager's fee payable to the property manager.

Prior to 1 July 2017, the 3% rate in respect of Beijing Oriental Plaza was 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 NPI of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

The Manager has elected that with effect from 1 July 2017, the 3% rate in respect of Beijing Oriental Plaza be split into 2 portions comprising a variable fee payable to the Manager which is equal to 1% per annum, and a property manager's fee payable to the property manager which is equal to 2% per annum, of NPI of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

1. GENERAL (continued)

(c) Manager's fees (continued)

Variable Fee (continued)

The 3% rate in respect of the other real estates of Hui Xian REIT is all payable to the Manager at 3% per annum of NPI of the relevant 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).

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 6 January 2017, the Manager has elected to receive 70% (2016: 70%) variable fee in units and 30% (2016: 30%) in cash in respect of the financial year ending 31 December 2017.

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 (prorated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired). The Acquisition Fee will be paid to the Manager in the form of cash or, at the election of the Manager, entirely in the form of units or partly in cash and partly in the form of units.

The Manager has elected to receive the acquisition fee in cash in respect of the acquisitions of Highsmith (HK) Limited ("Highsmith HK") and its subsidiaries ("Highsmith HK Group") and Chengdu Investment Limited ("Chengdu Investment") and its subsidiaries ("Chengdu Investment Group") for the six months ended 30 June 2017.

No Acquisition Fee was received by the Manager for the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the REIT Code issued by the SFC.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except as described below.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle

The Manager concluded that the application of the above amendments to HKFRSs had no material impact on the amounts reported and/or disclosures set out in the condensed consolidated financial statements but the application may have impact on disclosure in the consolidated financial statements for the year ending 31 December 2017.

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:

Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the People's Republic of China (the "PRC") and Metropolitan Oriental Plaza in Chongqing, the PRC.
Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC and Metropolitan Oriental Plaza in Chongqing, the PRC.
Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC.
Hotels:	Operation of Grand Hyatt Beijing in Oriental Plaza, Beijing, the PRC, Sofitel Shenyang Lido, Shenyang, the PRC, Harbour Plaza Chongqing, Chongqing, the PRC and Sheraton Chengdu Lido Hotel, Chengdu, the PRC.

Hui Xian REIT completed two acquisitions of hotels as set out in note 22 during the six months ended 30 June 2017. The Manager has revised the reportable segments and Hui Xian REIT's internal reporting according to the nature of business operations at each property as shown above. The previous operating and reportable segment of "The Chongqing Property" segment has been reallocated to the segments of "Malls" and "Offices". As a result of the changes to reportable segments and segment presentation, the segment revenue and results and other segment information for the six months ended 30 June 2016 and segment assets as at 31 December 2016 has been re-presented to conform to the revised presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. SEGMENT REPORTING (continued)

(a) Segment revenue and results

Six months ended 30 June 2017 (unaudited)

	Malls	Offices	Apartments	Hotels	Consolidated
	RMB million				
Segment revenue	657	603	73	250	1,583
Segment profit	494	451	39	67	1,051
Decrease in fair value of investment properties					(361)
Finance costs					(130)
Depreciation and amortisation					(159)
Gain on bargain purchase on acquisition of subsidiaries					85
Unallocated income and gain					472
Unallocated expense					(76)
Profit before taxation and transactions with unitholders					882

4. SEGMENT REPORTING (continued)

(a) Segment revenue and results (continued)

Six months ended 30 June 2016 (unaudited and restated)

	Malls <i>RMB million</i>	Offices <i>RMB million</i>	Apartments <i>RMB million</i>	Hotels <i>RMB million</i>	Consolidated <i>RMB million</i>
Segment revenue	665	603	69	238	1,575
Segment profit	537	457	37	67	1,098
Decrease in fair value of investment properties					(334)
Finance costs					(109)
Depreciation and amortisation					(138)
Increase in fair value of top-up amount asset					2
Unallocated income					103
Unallocated expense and loss					(254)
Profit before taxation and transactions with unitholders					368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. SEGMENT REPORTING (continued)

(a) Segment revenue and results (continued)

Segment profit represents the profit earned by each segment without allocation of the changes in fair value of investment properties and top-up amount asset, gain on bargain purchase on acquisition of subsidiaries, certain Manager's fees and real estate investment trust expenses, certain depreciation and amortisation expenses, certain other operating expenses, exchange gain (loss) and certain 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:

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited and restated)
Malls	17,479	17,892
Offices	15,845	15,813
Apartments	2,424	1,938
Hotels	4,863	4,307
Total segment assets	40,611	39,950
Bank balances and cash	7,048	6,884
Other assets	85	106
Consolidated total assets	47,744	46,940

4. SEGMENT REPORTING (continued)**(b) Segment assets** (continued)

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

(c) Geographical information

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

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

(d) Other segment information**Six months ended 30 June 2017 (unaudited)**

	Malls	Offices	Apartments	Hotels	Consolidated
	RMB million				
Depreciation of property, plant and equipment	1	1	1	2	5

Six months ended 30 June 2016 (unaudited)

	Malls	Offices	Apartments	Hotels	Consolidated
	RMB million				
Depreciation of property, plant and equipment	1	1	1	1	4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. REVENUE

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Gross rental from investment properties	1,193	1,237
Income from hotel operation	250	238
Income from serviced apartments operation	73	69
Rental related income	67	31
Total revenue	1,583	1,575

The gross rental from investment properties includes contingent rents of RMB5 million (2016: RMB7 million).

The direct operating expense from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB316 million (2016: RMB274 million).

6. OTHER INCOME

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Interest income from banks	132	102
Government subsidies	1	4
Others	2	1
Total	135	107

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. OTHER OPERATING EXPENSES

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Advertising and promotion	10	10
Audit fee	1	1
Business tax	—	62
Insurance	3	3
Lease agency fee	14	15
Property manager's fee (<i>Note 1(a)</i>)	22	25
Property management fees	37	38
Repairs and maintenance	35	34
Other miscellaneous expenses (<i>Note</i>)	82	70
Stamp duty	2	1
Urban land use tax	2	1
Urban real estate tax	150	62
Utilities	51	51
Value added tax and surcharges	9	3
	418	376

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

8. FINANCE COSTS

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Interest expense on unsecured bank loans	130	109

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. MANAGER'S FEES

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Base Fee (Note 1(c))	61	61
Variable Fee (Note 1(c))	22	23
Acquisition Fee (Note 1(c))	5	—
	88	84

10. REAL ESTATE INVESTMENT TRUST EXPENSES

	2017 <i>RMB million</i> (unaudited)	2016 <i>RMB million</i> (unaudited)
Trustee's fee (Note 1(b))	2	2
Legal and professional fees	5	1
Public relations — related expenses	1	1
	8	4

11. INCOME TAX EXPENSE

	2017	2016
	RMB million	RMB million
	(unaudited)	(unaudited)
The income tax expense comprises:		
Current tax		
— PRC Enterprise Income Tax	236	242
— Withholding tax	—	61
Deferred taxation	6	(98)
	242	205

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 Hui Xian REIT's PRC subsidiaries.

The Law of the PRC 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. EARNINGS PER UNIT

The earnings per unit is calculated by dividing the profit for the period attributable to unitholders before transactions with unitholders of RMB647 million (2016: RMB170 million) by 5,489,340,542 units (2016: 5,403,295,133 units) being the weighted average number of units in issue during the period of 5,479,952,144 units (2016: 5,393,954,206 units), plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 January 2017 to 30 June 2017 of 9,388,398 units (2016: for the period from 1 January 2016 to 30 June 2016 of 9,340,927 units).

13. INVESTMENT PROPERTIES

	30.6.2017	31.12.2016
	RMB million	RMB million
	(unaudited)	(audited)
FAIR VALUE		
At the beginning of the period/year	33,534	34,060
Additions	10	33
Decrease in fair value recognised in profit or loss	(361)	(450)
Transferred to property, plant and equipment	(3)	(27)
Transferred to land and related costs	(29)	(82)
At the end of the period/year	33,151	33,534

- (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.

13. INVESTMENT PROPERTIES (continued)

- (b) Investment properties were revalued on 30 June 2017 and 31 December 2016 by D&P China (HK) Limited and Knight Frank Petty Limited, independent valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations respectively. The valuations of properties have been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties.

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

The investment properties are included in level 3 (31 December 2016: level 3) of the fair value hierarchy.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of RMB492 million through acquisitions of subsidiaries (Note 22). The Group also acquired other property, plant and equipment of RMB11 million (2016: RMB5 million) and an amount of RMB3 million (2016: RMB16 million) was transferred from investment properties.

Items of plant and equipment with a net book value of RMB2 million were disposed of during the six months ended 30 June 2017 (2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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:

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Non-current asset	4,525	3,974
Current asset	170	130
	4,695	4,104

During the six months ended 30 June 2017, an amount of RMB29 million (2016: RMB45 million) was transferred from investment properties.

16. HOTEL INVENTORIES

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Food and beverage	6	6
Other consumables	21	20
	27	26

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. TRADE AND OTHER RECEIVABLES

	30.6.2017	31.12.2016
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(audited)
Trade receivables	39	44
Deposits and prepayments	9	19
Advance to suppliers	27	19
Interest receivables	39	25
Top-up amount receivable	—	42
Other receivables	15	14
	129	163

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

	30.6.2017	31.12.2016
	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(audited)
Less than or equal to 1 month	28	35
1–3 months	6	2
Over 3 months	5	7
	39	44

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18. BANK BALANCES AND CASH

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Cash at bank and in hand	3,232	3,777
Time deposits (with original maturity of three months or less)	1,037	1,033
Cash and cash equivalents	4,269	4,810
Time deposits (with original maturity of more than three months)	3,013	2,262
	7,282	7,072

19. TRADE AND OTHER PAYABLES

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Trade payables	65	73
Rental received in advance	223	218
Others (<i>Note</i>)	139	235
	427	526

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

19. TRADE AND OTHER PAYABLES (continued)

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

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Less than or equal to 3 months	51	45
Over 3 months	14	28
	65	73

20. BANK LOANS

	30.6.2017 <i>RMB million</i> (unaudited)	31.12.2016 <i>RMB million</i> (audited)
Unsecured term loans	11,434	10,891
Loan front-end fees	(58)	(75)
	11,376	10,816
The maturities of the above bank loans are as follows:		
Within one year	5,535	893
More than one year but not exceeding two years	1,899	6,399
More than two years but not exceeding five years	3,942	3,524
	11,376	10,816
Less: Amounts shown under current liabilities	(5,535)	(893)
Amount due after one year	5,841	9,923

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. BANK LOANS (continued)

In relation to the credit facility of HK\$1,000 million (equivalent to RMB868 million) granted to the Group on 9 January 2017 to finance the general corporate funding requirements of the Group, including but not limited to the funding for repayment of any amounts outstanding under existing loan facilities and financing acquisitions of subsidiaries by Hui Xian REIT, the total amount of the credit facility utilised by the Group as at 30 June 2017 was HK\$1,000 million (equivalent to RMB868 million). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.85% and is repayable in full in February 2020.

In relation to the credit facility of HK\$800 million (equivalent to RMB694 million) granted to the Group on 27 April 2017 to refinance the credit facility granted by the same lenders in May 2014, the total amount of the credit facility utilised by the Group as at 30 June 2017 was HK\$800 million (equivalent to RMB694 million) (31 December 2016: HK\$800 million (equivalent to RMB716 million)). It bears interest at floating interest rate of HIBOR plus 0.80% per annum and is repayable in full in May 2020.

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

21. UNITS IN ISSUE

As at 30 June 2017, Hui Xian REIT had 5,523,493,330 (31 December 2016: 5,462,193,939) issued units.

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

	Number of units	RMB million
Balance at 1 January 2016	5,378,973,852	27,196
Payment of Manager's fees through issuance of new units during the year	37,321,793	122
Units issued pursuant to the distribution reinvestment arrangement in respect of 2015 final and 2016 interim distributions	45,898,294	145
Balance at 31 December 2016	5,462,193,939	27,463
Payment of Manager's fees through issuance of new units during the period	18,591,696	57
Units issued pursuant to the distribution reinvestment arrangement in respect of 2016 final distribution	42,707,695	129
Balance at 30 June 2017	5,523,493,330	27,649

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

21. UNITS IN ISSUE (continued)

On 11 April 2017, 18,591,696 units at RMB3.08 per unit were issued to the Manager as settlement of Manager's fee for period from 1 July 2016 to 31 December 2016.

On 22 May 2017, 42,707,695 scrip units at issue price of RMB3.02 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2016 final distribution.

Details of units issued during the year ended 31 December 2016 as payment of Manager's fees are as follows:

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	20,204,574
22 August 2016	1 January 2016 to 30 June 2016	3.43	17,117,219
			37,321,793

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.

22. ACQUISITIONS OF SUBSIDIARIES

During the six months ended 30 June 2017, Hui Xian REIT acquired Highsmith HK Group and Chengdu Investment Group, detailed information is illustrated below:

- (a) On 28 February 2017, the Group completed the acquisition of Harbour Plaza Chongqing through acquisition of the entire issued share capital of Highsmith HK from Highsmith Limited, which was indirectly wholly-owned by Cheung Kong Property Holdings Limited (“Cheung Kong Property”), a connected and related party of the Group, at a consideration of RMB256 million. Highsmith HK holds the entire equity interests in Chongqing Hotel Company which operates Harbour Plaza Chongqing. This transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Highsmith HK became a wholly-owned subsidiary of the Group. After re-assessment by the Manager, the provisional fair value of net identifiable assets exceeded the purchase consideration, resulting in a bargain purchase gain of RMB85 million. The Manager considers that the gain is resulted from an attractive consideration after negotiations between the Group and Cheung Kong Property.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. ACQUISITIONS OF SUBSIDIARIES (continued)

(a) (continued)

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

	<i>RMB million</i>
Property, plant and equipment	97
Land and related costs	312
Trade and other receivables, deposits and prepayments	4
Inventories	1
Bank balances and cash	9
Trade and other payables	(8)
Deferred tax liabilities	(74)
Total	341
Gain on bargain purchase on acquisition of subsidiaries	85
Consideration, satisfied by cash	256
	<i>RMB million</i>
Net cash outflow arising on acquisition:	
Consideration paid in cash	256
Less: bank balances and cash acquired	(9)
Total	247

22. ACQUISITIONS OF SUBSIDIARIES (continued)

(a) (continued)

Included in profit for the period, before transactions with unitholders is a profit of RMB76 million (including the gain on bargain purchase of RMB85 million) attributable to the business combination of the Highsmith HK Group. Revenue for the period includes RMB13 million generated from Highsmith HK Group.

If the above acquisition had been completed on 1 January 2017, the Group's total revenue for the period would have been RMB1,589 million, and profit for the period, before transactions with unitholders would have been RMB634 million. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to RMB5 million have been excluded from the consideration transferred and have been recognised as expense in the current period, are included in "other operating expenses" and "manager's fees" on the face of the condensed consolidated statement of comprehensive income.

- (b) On 8 March 2017, the Group completed the acquisition of 69% interest in Sheraton Chengdu Lido Hotel through acquisition of the entire issued share capital of Chengdu Investment from Yick Ho Limited, which was indirectly wholly-owned by Cheung Kong Property, a connected and related party of the Group, at a consideration of RMB276 million. Chengdu Investment is the foreign joint venture party of Chengdu Changtian Co. Ltd. ("Chengdu Changtian"), a sino-foreign co-operative joint venture enterprise established in the PRC which operates Sheraton Chengdu Lido Hotel. The transaction has been accounted for as a business combination using acquisition accounting. Upon completion of the acquisition, Chengdu Changtian became a non-wholly owned subsidiary controlled by the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. ACQUISITIONS OF SUBSIDIARIES (continued)

(b) (continued)

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

	<i>RMB million</i>
Property, plant and equipment	395
Land and related cost	327
Trade and other receivables, deposits and prepayments	3
Inventories	1
Bank balances and cash	29
Trade and other payables	(15)
Loans from a connected party	(262)
Deferred tax liabilities	(81)
<hr/>	
Total	397
Non-controlling interests	(123)
Goodwill arising on acquisition	2
<hr/>	
Consideration, satisfied by cash	276

Simultaneous with completion of the acquisition, the Group purchased the loans owed by Chengdu Changtian to a connected and related party of the Group, Huge Grace Enterprises Limited (“Huge Grace”), which is indirectly wholly-owned by Cheung Kong Property, with principal amount together with after tax accrued interests totaled to approximately HK\$295 million (equivalent to RMB262 million).

22. ACQUISITIONS OF SUBSIDIARIES (continued)

(b) (continued)

The non-controlling interests recognised at the acquisition dates in respect of the acquisitions for the six months ended 30 June 2017 were measured by reference to the proportionate share of fair values of the acquirees' net assets at the acquisition dates and amounted to RMB397 million.

	<i>RMB million</i>
Net cash outflow arising on acquisition:	
Consideration paid in cash	276
Less: bank balances and cash acquired	(29)
Total	247

Included in profit for the period, before transactions with unitholders is a loss of RMB1 million attributable to the business combination of the Chengdu Investment Group. Revenue for the period includes RMB26 million generated from Chengdu Investment Group.

If the above acquisition had been completed on 1 January 2017, the Group's total revenue for the period would have been RMB1,598 million, and profit for the period, before transactions with unitholders would have been RMB639 million. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition-related costs amounting to RMB6 million have been excluded from the consideration transferred and have been recognised as expense in the current period, are included in "other operating expenses" and "manager's fees" on the face of the condensed consolidated statement of comprehensive income.

22. ACQUISITIONS OF SUBSIDIARIES (continued)

In determining the pro-forma profit of the Group had Highsmith HK Group and Chengdu Investment Group been acquired at the beginning of the current period, the Manager has calculated depreciation/amortisation of plant and equipment and land and related costs acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

The fair values of the property, plant and equipment and land and related costs of Highsmith HK Group and Chengdu Investment Group at the respective dates of acquisition have been arrived at on the basis of valuations carried out on the respective dates by D&P China (HK) Limited, a firm of independent and qualified professional valuers. The valuations of the property, plant and equipment and land and related costs were principally based on income approach by the projection of a series of periodic cash flows generated from the hotel operations of Highsmith HK Group and Chengdu Investment Group.

The Manager considers that the acquisitions offer a good opportunity to expand the properties investment portfolio of Hui Xian REIT, which are expected to bring in returns to the unitholders in the long run.

Highsmith Limited, Yick Ho Limited and Huge Grace are associated companies of Hui Xian (Cayman Islands) Limited (“Hui Xian Cayman”), a significant unitholder of Hui Xian REIT and are subsidiaries of Cheung Kong Property.

23. 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 Limited (“Chongqing Investment”). Pursuant to the agreement, Cheerjoy Limited (“Cheerjoy”) and Joinpower Holdings Ltd. (“Joinpower”) as the vendors 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 received from Cheerjoy and Joinpower in respect of the twelve months ended 31 December 2016, which represents the shortfall of the Total Income and Guaranteed Income Level of the Chongqing Company, was RMB42 million. 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.

Top-up amount asset was accounted for as a financial derivative and was measured at fair value at 31 December 2016. The Group applied 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 RMB2 million was credited to the condensed consolidated statement of comprehensive income during the six months ended 30 June 2016.

Cheerjoy and Joinpower are associated companies of Hui Xian Cayman, a significant unitholder of Hui Xian REIT and are subsidiaries of Cheung Kong Property

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

24. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders as at 30 June 2017 of RMB26,511 million (2016: RMB26,439 million) and the total number of 5,523,493,330 units in issue as at 30 June 2017 (2016: 5,462,193,939 units).

25. NET CURRENT ASSETS

As at 30 June 2017, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB472 million (2016: RMB4,772 million).

26. TOTAL ASSETS LESS CURRENT LIABILITIES

As at 30 June 2017, the Group's total assets less current liabilities amounted to RMB40,608 million (2016: RMB44,321 million).

27. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	RMB million	RMB million
	(unaudited)	(audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	31	19

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS

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

Name of Connected/Related Party	Notes	1.1.2017 to	1.1.2016 to
		30.6.2017	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Rent and rental related income			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	1,980	2,023
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	(a)	1,189	1,180
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	366	352
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	3,098	6,605
Cheung Kong (Holdings) Limited Beijing Office	(a)	46	42
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	(a)	46	44
北京雷霆萬鈞網路科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	427	—
北京雷霆無極網路科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	291	—
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	376	—
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	20	—
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	20	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2017 to	1.1.2016 to
		30.6.2017	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	13	—
森棟乙(北京)科技有限公司 (Sendongyi (Beijing) Technology Limited*)	(a)	20	—
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	280	285
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	1,299	1,308
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	159	152
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	575	727
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	478	321
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	894	825
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	954	880
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	32	29
重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.*)	(l)	84	317

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2017 to	1.1.2016 to
		30.6.2017	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
李嘉誠基金會 (香港) 北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office*)	(c)	1,372	1,162
Bank of China Limited	(f)	13,797	13,627
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(g)	222	218
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)	—	915
德意志銀行 (中國) 有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	(h)	576	567
Public utility charges			
重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.*)	(i) & (l)	183	699
Room revenue			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(g)	233	—
Interest income from banks			
Bank of China Limited	(f)	9,888	6,435
Bank of China (Hong Kong) Limited	(f)	16	110
The Hongkong and Shanghai Banking Corporation Limited	(c)	—	—
Reimbursement of staff cost			
Hui Xian Asset Management Limited		508	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2017 to	1.1.2016 to
		30.6.2017	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Property management fee			
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	7,495	7,911
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	9,239	10,120
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Ltd.*)	(b)	12,276	12,177
海逸酒店管理有限公司 (Harbour Plaza Hotel Management Limited*)	(b)	250	—
重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.*)	(l)	149	—
Beverages			
廣州屈臣氏食品飲料有限公司北京飲料分公司 (Guangzhou Watson's Food & Beverages Company Limited Beijing Beverages Branch*)	(a)	175	216
Cleaning supplies			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	515	17
Hotel services			
Hutchison Hotel Hong Kong Limited	(b)	—	100
重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.*)	(l)	54	50
Harbour Grand Hong Kong Catering Limited	(a)	146	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2017 to 30.6.2017 RMB'000 (unaudited)	1.1.2016 to 30.6.2016 RMB'000 (unaudited)
Leasing expenses			
重慶東廣飯店有限公司 (Chongqing Dongguang Hotel Co., Ltd.*)	(l)	30	129
Transitional administrative service fee			
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
Trademark license fee			
和記黃埔企業有限公司 (Hutchison Whampoa Enterprises Limited*)	(a) & (j)	—	—
海逸酒店企業有限公司 (Harbour Plaza Hotel Enterprises Limited*)	(b)	12	—
Commission expenses			
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
Insurance expense			
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	(f)	202	215
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*)	(f)	776	754
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*)	(f)	101	117

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	1.1.2017 to	1.1.2016 to
		30.6.2017	30.6.2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Interest expense			
Bank of China (Hong Kong) Limited	(d) & (f)	27,922	24,646
Bank of China Limited Macau Branch	(d) & (f)	1,563	—
The Hongkong and Shanghai Banking Corporation Limited	(c) & (d)	10,439	9,044
Bank charges			
Bank of China Limited	(f)	1,631	—
Trustee's fee			
DB Trustees (Hong Kong) Limited		2,198	2,021
Manager's fees			
Hui Xian Asset Management Limited		87,957	83,874
Property Manager's fee			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(g)	22,070	24,728
Valuation fee			
Knight Frank Petty Limited	(e)	160	148
D&P China (HK) Limited (formerly known as "American Appraisal China Limited")	(e)	304	—
Technical due diligence fee			
Knight Frank Petty Limited	(m)	250	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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

Balances with connected and related parties as at 30 June 2017 and 31 December 2016 are as follows:

Name of Connected/Related Party	Notes	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Bank loans			
Bank of China (Hong Kong) Limited	(d) & (f)	2,333,254	2,399,052
Bank of China Limited Macau Branch	(d) & (f)	172,036	177,172
The Hongkong and Shanghai Banking Corporation Limited	(c) & (d)	778,748	800,648
Bank balances			
Bank of China Limited	(f)	1,011,761	1,704,850
Bank of China (Hong Kong) Limited	(f)	45,016	33,809
The Hongkong and Shanghai Banking Corporation Limited	(c)	903	872
Deposits placed with the Group for the lease of the Group properties			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	1,092	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)	600	572
和記環球電訊(廣東)有限公司 (Hutchison Global Communications (Guangdong) Limited*)	(a)	185	185
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	840	840
Cheung Kong (Holdings) Limited Beijing Office	(a)	23	44
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	(a)	31	31
北京雷霆萬鈞網路科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	498	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	30.6.2017	31.12.2016
		RMB'000 (unaudited)	RMB'000 (audited)
北京雷霆無極網路科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	349	—
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	451	—
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	24	—
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	24	—
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	16	—
森棟乙(北京)科技有限公司 (Sendongyi (Beijing) Technology Limited*)	(a)	24	—
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	126	126
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	626	626
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	71	71
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	311	369
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	295	237

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Name of Connected/Related Party	Notes	30.6.2017	31.12.2016
		RMB'000 (unaudited)	RMB'000 (audited)
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(b)	447	447
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(b)	476	476
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.)*	(b)	16	14
李嘉誠基金會 (香港) 北京辦事處 (Li Ka Shing Foundation (Hong Kong) Beijing Office*)	(c)	508	768
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(g)	110	110
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*)	(e)	451	451

Notes:

- (a) These companies are associated companies¹ of Hui Xian Cayman, a significant unitholder² of Hui Xian REIT, and are subsidiaries or associated companies of CK Hutchison Holdings Limited.
- (b) These companies are associated companies¹ of Hui Xian Cayman, a significant unitholder² of Hui Xian REIT and are subsidiaries or associated companies of Cheung Kong Property.
- (c) These companies are associates³ of Mr. Li Tzar Kuoi, Victor, a director of Noblecrown Investment Limited, a significant unitholder² of Hui Xian REIT.
- (d) The bank loans represent part of the outstanding bank loans (Note 20) for the six months ended 30 June 2017. The interest expense represents the respective interest expense under part of the outstanding bank loans for the period.
- (e) D&P China (HK) Limited (previously known as "American Appraisal China Limited") is the principal valuer of Hui Xian REIT for the six months ended 30 June 2017 and Knight Frank Petty Limited was the former principal valuer of Hui Xian REIT for the year ended 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

28. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (f) These companies are associated companies¹ of Hui Xian Cayman, a significant unitholder² of Hui Xian REIT.
- (g) This company is a subsidiary of the Manager.
- (h) This company is an associated company of DB Trustee (HK) Ltd, the trustee of Hui Xian REIT.
- (i) The relevant public utility charges have been reimbursed by this company at cost. The amount represents transactions up to 28 February 2017.
- (j) The relevant trademarks are licensed by this company to Chongqing Company at no cost.
- (k) This company is a subsidiary of the former principal valuer, Knight Frank Petty Limited of which engagement was ceased on or about 1 January 2017.
- (l) This company was formerly known as Harbour Plaza Chongqing Co. Ltd., which was an associated company of Hui Xian Cayman, a significant unitholder of Hui Xian REIT and was a subsidiary of Cheung Kong Property prior to 1 March 2017. The amounts represented transactions up to 28 February 2017.
- (m) The service charges represent the technical due diligence services rendered by Knight Frank Petty Limited which was the former principal valuer of Hui Xian REIT for the year ended 31 December 2016.

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.

SUMMARY FINANCIAL INFORMATION

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

SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.1.2017 to 30.6.2017	1.1.2016 to 30.6.2016	1.1.2015 to 30.6.2015	1.1.2014 to 30.6.2014	1.1.2013 to 30.6.2013
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue					
Gross rental from investment properties	1,193	1,237	1,201	1,061	968
Income from hotel operation	250	238	246	258	287
Income from serviced apartments operation	73	69	68	64	64
Rental related income	67	31	32	28	23
	1,583	1,575	1,547	1,411	1,342
Profit before taxation and transactions with unitholders	882	368	689	1,334	824
Income tax expense	(242)	(205)	(237)	(395)	(262)
Profit for the period, before transactions with unitholders	640	163	452	939	562
Profit for the period attributable to unitholders, before transactions with unitholders	647	170	458	945	569
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Basic earnings per unit	0.1178	0.0315	0.0858	0.1819	0.1117

SUMMARY FINANCIAL INFORMATION

SUMMARY OF DISTRIBUTIONS

	1.1.2017 to 30.6.2017 RMB million	1.1.2016 to 30.6.2016 RMB million	1.1.2015 to 30.6.2015 RMB million	1.1.2014 to 30.6.2014 RMB million	1.1.2013 to 30.6.2013 RMB million
Distributions to unitholders	761	781	730	663	616
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Distribution per unit	0.1377	0.1439	0.1363	0.1271	0.1203

SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.6.2017 RMB million	31.12.2016 RMB million	31.12.2015 RMB million	31.12.2014 RMB million	31.12.2013 RMB million
Non-current assets	40,136	39,549	40,282	37,194	36,775
Current assets	7,608	7,391	6,422	5,034	3,952
Total assets	47,744	46,940	46,704	42,228	40,727
Current liabilities	7,136	2,619	3,075	2,741	1,623
Non-current liabilities, excluding net assets attributable to unitholders	13,738	17,639	15,816	10,652	10,856
Total liabilities, excluding net assets attributable to unitholders	20,874	20,258	18,891	13,393	12,479
Non-controlling interests	359	243	256	271	285
Net assets attributable to unitholders	26,511	26,439	27,557	28,564	27,963
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net asset value per unit attributable to unitholders	4.7997	4.8403	5.1231	5.3919	5.4144

PERFORMANCE TABLE

	Notes	30.6.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Net assets attributable to unitholders (RMB million)		26,511	26,439	27,557	28,564	27,963
Net asset value per unit attributable to unitholders (RMB)		4.7997	4.8403	5.1231	5.3919	5.4144
Market capitalisation (RMB million)		17,178	17,151	17,912	18,436	19,935
Units issued (units)		5,523,493,330	5,462,193,939	5,378,973,852	5,297,591,509	5,164,525,496
Debts to net asset value ratio	1	42.9%	40.9%	34.2%	13.5%	11.5%
Debts to total asset value ratio	2	23.8%	23.0%	20.2%	9.2%	7.9%
		1.1.2017 to 30.6.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015	1.1.2014 to 31.12.2014	1.1.2013 to 31.12.2013
Highest traded unit price (RMB)		3.19	3.51	3.57	3.88	4.32
Highest premium of the traded unit price to net asset value per unit	3	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price (RMB)		3.04	2.98	2.94	3.29	3.70
Highest discount of the traded unit price to net asset value per unit		36.7%	38.4%	42.6%	39.0%	31.7%
Distribution per unit (RMB)		0.1377	0.2754	0.2700	0.2567	0.2455
Annualised distribution yield per unit	4	8.93%	8.77%	8.11%	7.38%	6.36%

PERFORMANCE TABLE

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. Annualised distribution yield per unit is calculated by dividing the annualised distribution per unit by the closing unit price as at the end of the reporting period.

INVESTOR CALENDAR

On or around

Interim results announcement for the six months ended 30 June 2017 announcing, among other information, the interim distribution for the six months ended 30 June 2017 (“2017 Interim Distribution”) and the distribution reinvestment arrangement (“DRA”)	28 July 2017 (Friday)
Units quoted ex-2017 Interim Distribution	10 August 2017 (Thursday)
Ten consecutive trading days to determine unit price for new units to be issued from scrip distribution under the DRA (“Scrip Units”)	10 August 2017 (Thursday) to 23 August 2017 (Wednesday) (both dates inclusive)
Closure of register of Unitholders (for ascertaining entitlement to the 2017 Interim Distribution)	14 August 2017 (Monday) to 16 August 2017 (Wednesday) (both dates inclusive)
Record date for 2017 Interim Distribution	16 August 2017 (Wednesday)
Announcement in relation to the DRA	24 August 2017 (Thursday)
Despatch of circular and election form for the DRA	29 August 2017 (Tuesday)
Latest time for return of election form for the DRA ¹	by 4:30 p.m., 13 September 2017 (Wednesday)
Payment of the 2017 Interim Distribution for cash distribution election	28 September 2017 (Thursday)
Despatch of new unit certificates for scrip distribution election	28 September 2017 (Thursday)

INVESTOR CALENDAR

On or around

Expected first day of dealings in Scrip Units
(subject to the granting of listing approval
by the Stock Exchange) 29 September 2017 (Friday)

1. A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the 2017 Interim Distribution for the six months ended 30 June 2017 wholly in cash or in the form of new units or a combination of both. An announcement containing details of the distribution reinvestment arrangement was published on 24 August 2017 (Thursday) and a circular together with the relevant election form will be delivered by post to the Unitholders on 29 August 2017 (Tuesday). The election form for scrip distribution must be lodged with and received by the Computershare Hong Kong Investor Services Limited (at its address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 pm on 13 September 2017 (Wednesday). 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.

CORPORATE INFORMATION

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

CORPORATE INFORMATION

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

D&P China (HK) Limited
*(formerly known as American Appraisal
China Limited)*

LEGAL ADVISER

Woo Kwan Lee & Lo

UNIT REGISTRAR

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

INVESTOR RELATIONS

TONG BARNES Wai Che, Wendy
Tel: (852) 2121 1128
Fax: (852) 2121 1138
Email: info@huixianreit.com

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

* The English name is shown for identification purpose only.

GLOSSARY

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
Chengdu Changtian	成都長天有限公司 (Chengdu Changtian Co., Ltd.*), 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
Hui Xian REIT group	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Manager	Hui Xian Asset Management Limited, a company incorporated in Hong Kong and a corporation licensed to carry on the regulated activity of asset management under the SFO

GLOSSARY

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
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 four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 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.

The information set out in this interim report is updated as of 28 July 2017.