HUI XIAN REIT
滙賢產業信託

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)

Managed by Hui Xian Asset Management Limited

滙賢房託管理有限公司

ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

HUI XIAN REIT

Hui Xian Real Estate Investment Trust ("**Hui Xian REIT**") is a real estate investment trust constituted by a deed of trust entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited (as manager of Hui Xian REIT), 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 70% by CK Asset Holdings Limited and 30% by ARA Asset Management Limited which was privatized on 19 April 2017.

The Manager is pleased to announce the annual results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2017 to 31 December 2017 ("**Reporting Period**") as follows:

FINANCIAL HIGHLIGHTS

For the financial year from 1 January 2017 to 31 December 2017

	1 Jan – 31 Dec 2017	1 Jan – 31 Dec 2016	Percentage Change
Total Revenue[1] *(RMB million)*	**3,199**	3,106	+3.0%
Net Property Income[2] *(RMB million)*	**2,074**	2,074	+0.0%
Amount Available for Distribution[3] *(RMB million)*	**1,489**	1,546	-3.7%
Distributions to Unitholders[4] *(RMB million)*	**1,489**	1,499	-0.7%
Distribution per Unit[5] *(RMB)*	**0.2681**	0.2754	-2.7%
Payout Ratio	**100%**	97%	N/A
Distribution Yield	**8.5%[6]**	8.8%[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 5.0% 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 4.0% 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 0.3%.

(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 3.4%.

(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 1.3%.

(6) Based on the closing price of the units of Hui Xian REIT ("**Units**") on 29 December 2017 and the actual distribution amount for the period from 1 January 2017 to 31 December 2017.

(7) Based on the closing price of Units on 30 December 2016 and the actual distribution amount for the period from 1 January 2016 to 31 December 2016.

CHAIRMAN'S STATEMENT

Results and Distribution

During the Reporting Period, the total revenue was RMB3,199 million, an increase of 3.0% year-on-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 have then been presented net of VAT. Excluding the impact of VAT reform, total revenue would have grown 5.0% year-on-year.

NPI amounted to RMB2,074 million, same as that of 2016. The change in real estate tax regulations in Beijing introduced on 1 July 2016, which resulted in a tax increase for our flagship asset – Beijing Oriental Plaza, continued to impact Hui Xian REIT's NPI during 2017. Excluding the impact of the additional real estate tax provision, NPI would have grown by 4.0% year-on-year.

The Distributions to Unitholders for the Reporting Period was RMB1,489 million, slightly down by 0.7% year-on-year. With a payout ratio of 100%, the distribution per unit ("**DPU**") for the second half of the year was RMB0.1304. Together with the interim DPU, the total DPU for the Reporting Period was RMB0.2681, a decrease of 2.7% year-on-year. This represented a distribution yield of 8.5% based on the closing unit price of RMB3.15 on 29 December 2017.

Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, distributions to Unitholders and DPU would have increased 3.4% and 1.3% year-on-year respectively.

New Acquisition

Hui Xian REIT acquired two five-star hotels in Western China, Sheraton Chengdu Lido Hotel and Harbour Plaza Chongqing during the Reporting Period, expanding its hotel portfolio to four hotel properties.

(1) 69% interest in Sheraton Chengdu Lido Hotel

Sheraton Chengdu Lido Hotel, situated in Chengdu's city centre, provides a total of 387 guest rooms and suites, four restaurants, an array of conference and banquet facilities, office units and retail shops.

(2) 100% interest in Harbour Plaza Chongqing

Located at Jiefangbei (also known as "Liberation Square" (解放碑)), Chongqing's Central Business District ("**CBD**"), Harbour Plaza Chongqing is the first five-star international hotel in Chongqing.

Harbour Plaza Chongqing is located within the same complex as Hui Xian REIT's mixed-use asset, Chongqing Metropolitan Oriental Plaza. The acquisition gives us an opportunity to reorganise and integrate these two components under a unified ownership structure, establishing a comprehensive complex featuring retail, commercial and hospitality facilities under one roof.

Business Environment in China

According to the National Bureau of Statistics of China, the country's gross domestic product ("**GDP**") increased 6.9% year-on-year in 2017, the first annual acceleration for the economy since 2010. The country's per capita disposable income was RMB25,974, up by 7.3% year-on-year in real terms. Total retail sales of consumer goods rose 10.2% year-on-year to RMB36,626 billion. The RMB exchange rate against Hong Kong Dollars as at 31 December 2017 has risen by approximately 7.0%* compared to that as at 31 December 2016.

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

Business Review

Following the acquisition in early 2017, Hui Xian REIT has expanded its geographic footprint to four key cities in China and its areas under management are now over 1.1 million square metres. Hui Xian REIT's property portfolio spans across retail, office, serviced apartment and hotel sectors.

(1) Retail Portfolio

With the rapid changing consumer behaviour, growing popularity of social media and e-commerce, well-developed mobile payment infrastructure and low logistics costs, China's retail landscape is undergoing a major transformation.

China's online retail sales of goods and services during 2017 surged 32.2% year-on-year to RMB7,175 billion according to official data. The online retail sales of physical goods amounted to RMB5,481 billion, accounting for 15.0% of the total retail sales of consumer goods. The growth of online and mobile shopping continues to pose threats to traditional brick and mortar shops, thus the overall retail market in China is immensely competitive.

Hui Xian REIT's retail portfolio consists of two shopping centres at Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza. NPI was RMB947 million, a year-on-year decrease of 4.2%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 1.0% year-on-year.

Against the backdrop of a challenging retail market, The Malls at Beijing Oriental Plaza continues to be popular among retailers and shoppers due to its prime location and high footfall. The average occupancy rate in 2017 was 97.4%. The average monthly passing rent was RMB1,163 per square metre, a year-on-year decrease of 4.0%.

The comprehensive asset enhancement and tenant revamp programme at Chongqing Metropolitan Oriental Plaza mall continued in 2017 and is expected to be completed by end 2018. During the renovation, the average occupancy rate was 75.8% and the average monthly passing rent was RMB196 per square metre.

(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 RMB906 million, a year-on-year increase of 3.2%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 6.9% year-on-year.

Beijing's office market remained stable during the year. Multinational corporations remained cost-conscious and conservative on office expansion. Leasing demand continued to be led by domestic companies, particularly those in the financial, and technology, media, and telecom ("**TMT**") sectors. The city will see an increase in new office supply over the next few years, exerting pressure on both rents and occupancy rates.

The average occupancy rate of The Tower Offices at Beijing Oriental Plaza was 95.5%. The average monthly passing rent was RMB286 per square metre, up by 3.6% year-on-year. The average monthly spot rent was RMB335 per square metre, an increase of 1.4% year-on-year. Excluding the impact of VAT reform, the average monthly passing rent and the average monthly spot rent would have increased 5.6% and 3.1% year-on-year respectively.

While Chongqing's office market continued to be competitive due to escalating new supply, The Tower at Chongqing Metropolitan Oriental Plaza at Jiefangbei CBD remains the popular addresses among the multinational corporations and consulates. The average occupancy rate was 88.1% (2016: 89.2%). The average monthly passing rent was RMB121 per square metre (2016: RMB124 per square metre).

(3) Serviced Apartment Portfolio

Leasing demand for well-appointed downtown serviced apartments in Beijing is growing. To capture this business opportunity, we have made the strategic decision in 2017 to convert certain floors of hotel rooms into furnished serviced apartments for leasing.

During the Reporting Period, 107 Grand Hyatt Beijing hotel rooms were refurbished and converted into serviced apartments, and have become part of The Tower Apartments at Beijing Oriental Plaza. The total inventory of serviced apartments has increased from 613 units as at 31 December 2016 to 720 units as at 31 December 2017. The average occupancy rate was 86.7%. During 2017, NPI was RMB79 million, an increase of 9.0% year-on-year.

There is also an increasing demand for well-located serviced apartments in Shenyang and Chongqing. In 2018, we plan to convert several floors of hotel rooms at Sofitel Shenyang Lido and Harbour Plaza Chongqing into serviced apartments to cater to this market.

(4) Hotel Portfolio

As at 31 December 2017, Hui Xian REIT's hotel portfolio consisted of four five-star hotels across four cities in China: Grand Hyatt Beijing, Sofitel Shenyang Lido, Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel. The aggregate NPI was RMB142 million, 5.3% higher than the same period last year.

With the conversion of 107 hotel rooms into serviced apartments, Grand Hyatt Beijing's number of available rooms in 2017 was reduced to 718. The revenue per available room ("**RevPAR**") increased 9.8% year-on-year to RMB923. The average occupancy rate was 73.4% (2016: 60.2%). The average room rate per night was RMB1,258, a year-on-year decrease of 9.9%.

The renovation programme at Sofitel Shenyang Lido commenced in 2017 impacted its revenue and occupancy rate. The average occupancy rate was 39.7% and the average room rate per night dropped 5.0% year-on-year to RMB455. The RevPAR was RMB181 compared to RMB219 for the same period last year.

Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel were added to Hui Xian REIT's hotel portfolio in March 2017. During March and December 2017, the average occupancy rates were 66.0% and 73.6% respectively. Harbour Plaza Chongqing's average room rate per night was RMB377 and the RevPAR was RMB249 while the average room rate per night and the RevPAR of Sheraton Chengdu Lido Hotel were RMB548 and RMB403 respectively.

Strong Financial Position
Hui Xian REIT has continued to adhere to its prudent financial management strategy. As at 31 December 2017, bank balances and cash on hand amounted to RMB7,401 million and total debts amounted to RMB10,969 million. Debts to gross asset value ratio was 23.0%. Hui Xian REIT has sufficient financial capacity to capitalise on new investment opportunities as they arise.

Outlook
2018 will be a year of transformation and consolidation for Hui Xian REIT. On one hand, we will continue to maximise organic growth from our assets in Beijing, Chongqing, Shenyang and Chengdu. On the other hand, we will step up our efforts on the asset enhancement programmes which are taking place in Shenyang and Chongqing.

The asset enhancement programme for Sofitel Shenyang Lido consists of two parts:
(1) a renovation of the hotel rooms and lobby, offering a fresh new look and upgraded facilities; and
(2) a major conversion of several floors of hotel rooms into fully furnished serviced apartment units with a dedicated entrance, lobby reception and guest lifts

As for Chongqing, we are now in the process of redesigning and integrating Harbour Plaza Chongqing and Chongqing Metropolitan Oriental Plaza into one comprehensive mixed-use complex by creating seamless connections between the mall, office, hotel and serviced apartments. Harbour Plaza Chongqing is also undergoing a comprehensive renovation programme, which includes a makeover of all the guest rooms, food and beverage outlets and public area.

With the total revamp expected to be completed in early 2019, the whole complex in Chongqing would effectively evolve to be Hui Xian REIT’s second Oriental Plaza, modelled after Beijing Oriental Plaza. The mixed-use development, branded as “Chongqing Oriental Plaza”, will encompass a one-stop shopping centre, a Grade A office tower, well-designed downtown serviced apartments and a top-notch hotel.

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.

KAM Hing Lam
Chairman
Hui Xian Asset Management Limited
(as manager of Hui Xian Real Estate Investment Trust)
Hong Kong, 12 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO HIGHLIGHTS

As at 31 December 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 holds 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 Oriental Plaza Hotel Co., Ltd #^), which holds the land use rights and building ownership rights of **Harbour Plaza Chongqing**; and

(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% interest 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**.

The English name is shown for identification purpose only

^ Previously translated as Chongqing Dongguang Hotel Co., Ltd.

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.

(1) Retail Portfolio

Hui Xian REIT's retail portfolio consists of two large-scale shopping centres in Beijing and Chongqing, covering about 220,000 square metres of retail space. Revenue was RMB1,279 million, a year-on-year decrease of 1.6%. Excluding the impact of VAT reform, revenue would have increased slightly. NPI was RMB947 million, a year-on-year decline of 4.2%. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have grown 1.0 % year-on-year.

(i) The Malls at Beijing Oriental Plaza

According to the Beijing Municipal Bureau of Statistics, Beijing's GDP grew 6.7% year-on-year to RMB2,800 billion in 2017. Retail sales of consumer goods increased 5.2% year-on-year to RMB1,158 billion. Disposable income per capita of Beijing's urban residents was RMB62,406, up by 7.0% year-on-year in real terms.

Revenue of The Malls at Beijing Oriental Plaza was slightly up to RMB1,180 million. Excluding the impact of VAT reform, revenue would have increased by 2.0% year-on-year. NPI was down by 2.9% year-on-year to RMB908 million. Excluding the impact of the additional real estate tax provision, NPI would have grown 2.6% year-on-year.

The average monthly passing rent of The Malls was RMB1,163 per square metre, a decrease of 4.0% year-on-year. Similar to last year, the average occupancy rate stood at 97.4%.

During 2017, The Malls welcomed a number of new retailers, such as Brooks Brothers, FABIANA FILIPPI, Polo Ralph Lauren, TUMI, New Look, Replay, TSL, NIKE, Descente and a number of new restaurants. NIO, a new electric vehicle, opened its first NIO House at The Malls. Occupying two floors, it is Beijing's largest brand experience centre.

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

In 2017, Chongqing's GDP grew 9.3% year-on-year to RMB1,950 billion. Retail sales of consumer goods were up by 11.0% year-on-year to RMB807 billion. Disposable income per capita of its urban residents increased 8.7% year-on-year to RMB32,193.

Chongqing Metropolitan Oriental Plaza is currently undergoing an extensive asset enhancement and tenant mix refinement programme. The average monthly passing rent was RMB196 per square metre and the average occupancy rate was 75.8%.

(2) Office Portfolio

Hui Xian REIT's office portfolio comprises two Grade A office developments: The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue increased 3.3% year-on-year to RMB1,228 million. Excluding the impact of VAT reform, revenue would have grown 5.3% year-on-year. NPI increased 3.2% year-on-year to RMB906 million. Excluding the impact of the additional real estate tax provision for Beijing Oriental Plaza, NPI would have increased 6.9% year-on-year.

(i) The Tower Offices at Beijing Oriental Plaza

Beijing's office market remained stable during 2017. Leasing demand was mainly driven by domestic corporations, especially those from the financial and TMT industries while multinational corporations have become conservative in regards to office expansion plans. Beijing is set to see more new office supply come on stream in the coming few years, putting pressure on rentals and occupancy levels.

The Tower Offices at Beijing Oriental Plaza, encompassing eight Grade A office towers, generates a stable revenue income from a diversified tenant base across different 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 RMB1,163 million, up by 4.0% year-on-year. Excluding the impact of VAT reform, revenue would have grown 5.9% year-on-year. NPI was RMB866 million, an increase of 3.7% year-on-year. Excluding the impact of real estate tax provision, NPI would have increased 7.6% year-on-year.

The average monthly passing rent of The Tower Offices was RMB286 per square metre, an increase of 3.6% year-on-year. The average monthly spot rent was RMB335 per square metre, up by 1.4% 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 3.1% year-on-year respectively. Rental reversion was 14.5%, and the average occupancy rate was slightly up to 95.5%.

(ii) The Tower at Chongqing Metropolitan Oriental Plaza

Chongqing's office market was competitive in 2017 due to the continual influx of new supply. Rental and occupancy rates are expected to remain under pressure.

Strategically located in the Jiefangbei CBD, The Tower at Chongqing Metropolitan Oriental Plaza is home to five consulates and multinational corporations from a wide range of sectors, including insurance and financial services, electronics, logistics and healthcare. The Tower's revenue was down by 7.1% year-on-year to RMB65 million; NPI declined by 7.5% year-on-year to RMB40 million. The average occupancy rate was 88.1%. The average monthly passing rent and the monthly spot rent were RMB121 and RMB116 respectively.

The Tower's asset enhancement programme, including the renovation of the lobby and façade, is completed. 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

During the Reporting Period, Hui Xian REIT's serviced apartment portfolio comprises The Tower Apartments at Beijing Oriental Plaza. Revenue increased 8.9% year-on-year to RMB151 million. Excluding the impact of VAT reform, revenue would have grown 11.4% year-on-year. NPI was RMB79 million, an increase of 9.0% year-on-year.

Leasing demand for downtown serviced apartments in China's key cities is growing. Hui Xian REIT plans to expand its serviced apartment portfolio by converting certain number of hotel rooms into fully furnished serviced apartments.

During the Reporting Period, 107 Grand Hyatt Beijing hotel rooms were being refurbished and converted into serviced apartments in phases and they have become part of The Tower Apartments at Beijing Oriental Plaza. The total apartment inventory has increased from 613 units to 720 units.

In 2018, we plan to convert several floors of hotel rooms at Sofitel Shenyang Lido and Harbour Plaza Chongqing into serviced apartments for leasing.

(4) Hotel Portfolio

Hui Xian REIT acquired two hotels in the first quarter of 2017 and its hotel portfolio has grown to include four five-star hotels: Grand Hyatt Beijing at Beijing Oriental Plaza, Sofitel Shenyang Lido (70% interest), Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel (69% interest). The aggregate revenue was RMB541 million, an increase of 13.0% year-on-year. NPI was RMB142 million, up by 5.3% year-on-year.

(i) Grand Hyatt Beijing, Beijing

According to the Beijing Municipal Bureau of Statistics, the capital city's 2017 tourist arrivals dropped 5.8% year-on-year to 3.9 million.

Grand Hyatt Beijing's room inventory has decreased to 718 after the conversion of 107 hotel rooms into serviced apartments. The average occupancy rate was 73.4%. The average room rate per night decreased 9.9% year-on-year to RMB1,258. RevPAR increased 9.8% year-on-year to RMB923.

(ii) Sofitel Shenyang Lido, Shenyang

The asset enhancement initiatives started at Sofitel Shenyang Lido has affected its revenue and occupancy level. The average occupancy rate and the average room rate per night were 39.7% and RMB455 respectively. The RevPAR was RMB181.

(iii) Harbour Plaza Chongqing
Chongqing's tourist arrivals during 2017 increased 20.3% year-on-year. A new 530,000 sq m airport terminal at Chongqing Jiangbei Airport was unveiled in August 2017, making it the first airport in Western China with three runways.

The acquisition of Harbour Plaza Chongqing was completed in the first quarter of 2017. The hotel is now undergoing an asset enhancement programme. During March and December 2017, the average occupancy rate was 66.0%. The average room rate per night and the RevPAR were RMB377 and RMB249 respectively.

(iv) Sheraton Chengdu Lido Hotel
Hui Xian REIT acquired 69% interest of Sheraton Chengdu Lido Hotel in March 2017. During March and December 2017, the average occupancy rate was 73.6%; the average room rate was RMB548; and the RevPAR was RMB403.

FINANCIAL REVIEW

Net Property Income
The net property income was RMB2,074 million for the year ended 31 December 2017.

Distributions
Distribution Amount
Hui Xian REIT will distribute a total of RMB728 million ("**2017 Final Distribution**") to Unitholders for the period from 1 July 2017 to 31 December 2017. The 2017 Final Distribution represents 100% of Hui Xian REIT's total amount available for distribution during the period from 1 July 2017 to 31 December 2017 and will be paid in RMB. A total of RMB761 million has been distributed to Unitholders of Hui Xian REIT on 28 September 2017 for the period from 1 January 2017 to 30 June 2017. In total, Hui Xian REIT will distribute a total of RMB1,489 million to Unitholders for the year ended 31 December 2017. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB334 million (2016: RMB974 million).

Distribution per Unit
The final DPU for the period from 1 July 2017 to 31 December 2017 is RMB0.1304 based on the number of outstanding Units on 31 December 2017. Together with the interim DPU of RMB0.1377, Hui Xian REIT provides a total DPU for the year ended 31 December 2017 of RMB0.2681. This represents a distribution yield of 8.5% based on the closing unit price of RMB3.15 on 29 December 2017.

Closure of Register of Unitholders
The record date for the 2017 Final Distribution will be 29 March 2018, Thursday ("**Record Date**"). The Register of Unitholders will be closed from 27 March 2018, Tuesday to 29 March 2018, Thursday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 21 May 2018, Monday to Unitholders whose names appear on the Register of Unitholders on the Record Date.

Subject to obtaining authorisation from the Securities and Futures Commission of Hong Kong ("**SFC**"), a distribution reinvestment arrangement will be made available to Unitholders under which eligible Unitholders will be entitled to have a scrip distribution in lieu of a cash distribution. Eligible Unitholders can elect to receive their distribution in the form of cash, in the form of new Units of Hui Xian REIT (subject to any fractional entitlement being disregarded), or a combination of both.

In order to qualify for the 2017 Final Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 26 March 2018, Monday.

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 May 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.

In November 2017, Hui Xian Investment accepted and agreed a revolving credit facility of USD180 million offered by Hui Xian Holdings Limited ("**Hui Xian Holdings**"). The facility is on substantially the same terms and conditions as the revolving credit facility of RMB1,300 million with Hui Xian Holdings which expired in November 2017. As at 31 December 2017, Hui Xian Investment did not utilise any amount of the revolving credit facility.

In December 2017, Hui Xian Investment drew down an unsecured 5-year term loan of HK$1,200 million offered by Bank of China (Hong Kong) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility was to refinance the credit facility granted by the same lenders in December 2014.

In December 2017, Hui Xian Investment extended the maturity date of an unsecured term loan of HK$200 million offered by Bank of East Asia Limited for two years. The purpose of the facility was to finance the general working capital requirement of the Hui Xian REIT group.

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

As at 31 December 2017, Hui Xian REIT's total debts amounted to RMB10,969 million (31 December 2016: RMB10,816 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB26,783 million as at 31 December 2017 (31 December 2016: RMB26,439 million), Hui Xian REIT's debts to net asset value ratio increased to 41.0% (31 December 2016: 40.9%). Meanwhile, the debts to gross asset value ratio was 23.0% as at 31 December 2017 (31 December 2016: 23.0%).

Bank Balances and Asset Positions
As at 31 December 2017, Hui Xian REIT's bank balances and cash amounted to RMB7,401 million (31 December 2016: RMB7,072 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Pursuant to the requirements of the Code on Real Estate Investment Trusts ("**REIT Code**"), Knight Frank Petty Limited retired as principal valuer after it has conducted valuations of the real estate of Hui Xian REIT for three consecutive years. D&P China (HK) Limited ("**D&P China**") was appointed as the principal valuer of Hui Xian REIT and valued its properties portfolio as at 31 December 2017.

Hui Xian REIT is indirectly interested in a 131,344 square metre shopping centre, eight blocks of Grade A office, three serviced apartment towers and a 718-room five-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 valued the eight blocks of office towers, the shopping centre and car parking spaces at RMB29,551 million as at 31 December 2017 (31 December 2016: RMB29,711 million), translating into a decrease of 0.5% over the valuation as of 31 December 2016. The hotel and serviced apartment premises were valued at RMB5,690 million as at 31 December 2017 (31 December 2016: RMB5,870 million). The total valuation of Beijing Oriental Plaza was RMB35,241 million (31 December 2016: RMB35,581 million), while the total gross property value of the properties was RMB34,574 million as at 31 December 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 Qingnian Street, 78,746 square metre, 30-storey Sofitel Shenyang Lido is located in the heart of the newly established CBD in southern Shenyang.

D&P China valued the hotel premises of Shenyang Lido at RMB850 million as at 31 December 2017 (31 December 2016: RMB870 million). Gross property value of hotel premises as at 31 December 2017 was RMB700 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 CBD, Yuzhong District, Chongqing.

As at 31 December 2017, the shopping centre, office building and car parking spaces were valued by D&P China at RMB3,692 million (31 December 2016: RMB3,942 million). Gross property value of the properties as at 31 December 2017 was RMB3,630 million (31 December 2016: RMB3,931 million).

On 28 February 2017, Hui Xian REIT completed the 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 adjacent to Chongqing Metropolitan Oriental Plaza.

D&P China valued the hotel premises of Harbour Plaza Chongqing at RMB421 million as at 31 December 2017. Gross property value of hotel premises as at 31 December 2017 was RMB382 million.

On 8 March 2017, Hui Xian REIT completed the acquisition of 69% interest in Sheraton Chengdu Lido Hotel through the acquisition of Chengdu Investment Limited. It is a 37-storey hotel tower of 56,350 square metre located to the north of the landmark Tianfu Plaza, Chengdu city centre.

D&P China valued the hotel premises of Sheraton Chengdu Lido Hotel at RMB722 million as at 31 December 2017. Gross property value of hotel premises as at 31 December 2017 was RMB691 million.

Net Assets Attributable to Unitholders

As at 31 December 2017, net assets attributable to Unitholders amounted to RMB26,783 million (31 December 2016: RMB26,439 million) or RMB4.7943 per Unit, representing a 52.2% premium to the closing unit price of RMB3.15 on 29 December 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.

Commitments

As at 31 December 2017, except for capital commitment in respect of the asset enhancement programmes for Sofitel Shenyang Lido, Chongqing Metropolitan Oriental Plaza and Harbour Plaza Chongqing, Hui Xian REIT did not have any significant commitments.

Employees

As at 31 December 2017, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,406 employees in Hong Kong and the PRC, of which 1,380 employees performed hotel operation functions and services, and 26 employees handled legal, regulatory and other administrative matters and carried out and provided commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

Save as disclosed above, Hui Xian REIT is managed by the Manager and did not directly employ any staff as at 31 December 2017.

CORPORATE GOVERNANCE

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

Throughout the 12 months ended 31 December 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**") and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Authorisation Structure

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

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

Review of the Annual Results

The annual results of Hui Xian REIT for the year ended 31 December 2017 have been reviewed by the Audit Committee and Disclosures Committee of the Manager in accordance with their respective terms of reference.

New Units Issued

In the year ended 31 December 2017, (i) an aggregate of 37,386,579 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) an aggregate of 86,831,971 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 and the interim distribution for the period from 1 January 2017 to 30 June 2017.

The total number of Units in issue as at 31 December 2017 was 5,586,412,489 Units.

Corporate Social Responsibility

The Manager recognises the importance of corporate social responsibility and will continue to commit appropriate resources to meet the environmental, social and governance standards and requirements in the day-to-day operations of Hui Xian REIT's properties. Detailed information in these areas will be published in the Annual Report of Hui Xian REIT for the year ended 31 December 2017.

Buy-Back, Sale or Redemption of Units

There was no buy-back, sale or redemption of the Units of Hui Xian REIT by the Manager on behalf of Hui Xian REIT or any of the special purpose vehicles that were owned and controlled by Hui Xian REIT in the year ended 31 December 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 31 December 2017.

Issuance of the Annual Report 2017

The annual report of Hui Xian REIT for the year ended 31 December 2017 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Hui Xian REIT at www.huixianreit.com, and will be sent to Unitholders on or before 30 April 2018.

Annual General Meeting of Unitholders

The 2018 annual general meeting of Hui Xian REIT will be held on or around 8 May 2018, Tuesday, notice of which will be published and given to Unitholders in due course.

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

Hong Kong, 12 March 2018

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** **RMB million**	2016 RMB million
Revenue	5	**3,199**	3,106
Other income	6	**273**	206
Decrease in fair value of investment properties	13	**(497)**	(450)
Gain on bargain purchase on acquisition of subsidiaries		**85**	-
Inventories consumed		**(47)**	(41)
Staff costs		**(155)**	(124)
Depreciation and amortisation		**(343)**	(286)
Other operating expenses	7	**(888)**	(822)
Finance costs	8	**(262)**	(225)
Exchange gain (loss)		**758**	(663)
Manager's fees	9	**(160)**	(164)
Real estate investment trust expenses	10	**(21)**	(12)
Fair value gain from top-up amount asset		**-**	3
Profit before taxation and transactions with unitholders		**1,942**	528
Income tax expense	11	**(502)**	(427)
Profit for the year, before transactions with unitholders		**1,440**	101
Distributions to unitholders		**(1,489)**	(1,499)
Loss and total comprehensive expense for the year, after transactions with unitholders		**(49)**	(1,398)
Profit for the year, before transactions with unitholders attributable to:			
Non-controlling interests		**(16)**	(13)
Unitholders		**1,456**	114
		1,440	101
Basic earnings per unit (RMB)	12	**0.2635**	0.0211

FINANCIAL INFORMATION

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 **RMB million**	2016 RMB million
Profit for the year, before transactions with unitholders	**1,440**	101
Non-controlling interests	**16**	13
Profit for the year attributable to unitholders, before transactions with unitholders	**1,456**	114
Adjustments *(Note (i))*:		
Manager's fees	**109**	116
Deferred tax	**(23)**	(85)
Distributable depreciation and amortisation	**201**	212
Decrease in fair value of investment properties	**497**	450
Net unrealised exchange gain on bank loans and loan front-end fee	**(763)**	-
Gain on bargain purchase on acquisition of subsidiaries	**(85)**	-
Fair value gain from top-up amount asset	**-**	(3)
	(64)	690
Distributable income	**1,392**	804
Additional items *(Note (ii))*:		
Depreciation and amortisation arising from fair value adjustments	**47**	19
Net unrealised exchange loss on bank loans and loan front-end fee	**-**	664
Top-up amount receivable	**-**	42
Other cash distributions	**50**	17
	97	742
Amount available for distribution	**1,489**	1,546
Payout ratio *(Note (iii))*	**100%**	97.0%
Distributions to unitholders *(Note (iv))*		
- Interim distribution paid	**761**	781
- Final distribution payable	**728**	718
	1,489	1,499
Distribution per unit *(RMB) (Note (iv))*		
Interim distribution per unit	**0.1377**	0.1439
Final distribution per unit	**0.1304**	0.1315
	0.2681	0.2754

Notes:

(i) *Adjustments for the year include:*

(a) *For the year ended 31 December 2017, Manager's fees paid and payable in units of RMB 109 million (18,794,883 units issued and 16,190,602 units estimated to be issued) out of the total Manager's fees of RMB160 million. The difference of RMB51 million are paid or payable in cash.*

For the year ended 31 December 2016, Manager's fees paid and payable in units of RMB116 million out of the total Manager's fees of RMB164 million. The difference of RMB48 million are paid or payable in cash.

(b) *Deferred tax charge of RMB20 million (2016: RMB27 million) in relation to accelerated tax depreciation and deferred tax credit of RMB43 million (2016: RMB112 million) in relation to changes in fair value of investment properties.*

(c) *Distributable depreciation and amortisation of Beijing Oriental Plaza attributable to unitholders of RMB201 million (2016: RMB212 million) represented by depreciation and amortisation of RMB211 million (2016: RMB212 million) less capital expenditure of RMB10 million (2016: nil).*

(d) *Decrease in fair value of investment properties of RMB497 million (2016: RMB450 million).*

(e) *For the year ended 31 December 2017, there was a net unrealised exchange gain on bank loans and loan front-end fee of RMB763 million. Net unrealised exchange loss on bank loans and loan front-end fee for year ended 31 December 2016 is shown in Note (ii)(2) below.*

(f) *Gain on bargain purchase on acquisition of subsidiaries of RMB85 million (2016: nil).*

(g) *Fair value gain from top-up amount asset of RMB3 million* for the ye*ar ended 31 December 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 year, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of comprehensive income for the relevant financial year.

Notes: - continued

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

(1) *Depreciation and amortisation attributable to unitholders arising from fair value adjustments upon acquisition of Shenyang Lido Business Co. Ltd., Chongqing Oriental Plaza Hotel Co., Ltd# ("Chongqing Hotel Company") (formerly known as Harbour Plaza Chongqing Co. Ltd.) and Chengdu Changtian Co., Ltd. totalling RMB47 million (2016: RMB19 million).*

(2) *Net unrealised exchange loss on bank loans and loan front-end fee of RMB664 million for the year ended 31 December 2016.*

(3) *Top-up amount receivable of RMB42 million for the year ended 31 December 2016.*

(4) *Other cash distributions of RMB50 million (2016: RMB17 million).*

(iii) *In accordance with the Trust Deed, Hui Xian REIT (as defined in Note 1) is required to distribute to unitholders not less than 90% of its distributable income for each financial year.*

Distributions to unitholders for the year ended 31 December 2017 represent a payout ratio of 100% (2016: 97.0%) of Hui Xian REIT's distributable income for the year.

(iv) *The interim 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 final distribution per unit of RMB0.1304 for the six months ended 31 December 2017 is calculated based on 100% of Hui Xian REIT's amount available for distribution for the year of RMB1,489,267,002, less distribution to unitholders for the six months ended 30 June 2017, over 5,586,412,489 units, representing issued units as at 31 December 2017.*

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

 # Previously translated as Chongqing Dongguang Hotel Co., Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTES	**2017** **RMB million**	2016 RMB million
Non-current assets			
Investment properties	13	**32,981**	33,534
Property, plant and equipment	14	**2,408**	2,041
Land and related costs	15	**4,484**	3,974
Goodwill		**2**	-
Total non-current assets		**39,875**	39,549
Current assets			
Inventories		**28**	26
Land and related costs	15	**172**	130
Trade and other receivables	16	**133**	163
Bank balances and cash		**7,401**	7,072
Total current assets		**7,734**	7,391
Total assets		**47,609**	46,940
Current liabilities			
Trade and other payables	17	**495**	526
Tenants' deposits		**292**	300
Tax payable		**46**	101
Manager's fee payable		**72**	81
Distribution payable		**728**	718
Bank loans	18	**5,009**	893
Total current liabilities		**6,642**	2,619
Total assets less current liabilities	21	**40,967**	44,321
Non-current liabilities, excluding net assets attributable to unitholders			
Bank loans	18	**5,960**	9,923
Tenants' deposits		**490**	466
Deferred tax liabilities		**7,384**	7,250
Total non-current liabilities, excluding net assets attributable to unitholders		**13,834**	17,639
Total liabilities, excluding net assets attributable to unitholders		**20,476**	20,258
Non-controlling interests		**350**	243
Net assets attributable to unitholders		**26,783**	26,439
Units in issue ('000)		**5,586,412**	5,462,194
Net asset value per unit (RMB) attributable to unitholders	19	**4.7943**	4.8403

1. GENERAL

Hui Xian Real Estate Investment Trust ("Hui Xian REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing) and its units were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") since that date. Hui Xian REIT is governed by the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by 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 subsidiaries (the "Group") is to own and invest in high quality commercial properties with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of Hui Xian REIT.

2. BASIS OF PREPARATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 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 year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle [1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

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 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 during the year ended 31 December 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 year ended 31 December 2016 and segment assets as at 31 December 2016 has been re-presented to conform to the revised presentation.

(a) Segment revenue and results

For the year ended 31 December 2017

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	**1,279**	**1,228**	**151**	**541**	**3,199**
Segment profit	**947**	**906**	**79**	**142**	**2,074**
Decrease in fair value of investment properties					**(497)**
Finance costs					**(262)**
Depreciation and amortisation					**(332)**
Gain on bargain purchase on acquisition of subsidiaries					**85**
Unallocated income and gain					**1,027**
Unallocated expense					**(153)**
Profit before taxation and transactions with unitholders					**1,942**

4. SEGMENT REPORTING - continued

(a) Segment revenue and results - continued

For the year ended 31 December 2016 (restated)

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	1,299	1,189	139	479	3,106
Segment profit	989	877	73	135	2,074
Decrease in fair value of investment properties					(450)
Finance costs					(225)
Depreciation and amortisation					(277)
Increase in fair value of top-up amount asset					3
Unallocated income					197
Unallocated expense and loss					(794)
Profit before taxation and transactions with unitholders					528

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:

	2017 RMB million	2016 RMB million (restated)
Malls	**17,378**	17,892
Offices	**15,826**	15,813
Apartments	**2,199**	1,938
Hotels	**4,947**	4,307
Total segment assets	**40,350**	39,950
Bank balances and cash	**7,151**	6,884
Other assets	**108**	106
Consolidated total assets	**47,609**	46,940

For the purposes of monitoring segment performances and resources allocation, all investment properties, land and related costs, 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.

4. SEGMENT REPORTING - continued

(b) Segment assets - continued

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

(c) Geographical information

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

(d) Other segment information

For the year ended 31 December 2017

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated Total RMB million
Depreciation of property, plant and equipment	**2**	**1**	**1**	**7**	**11**
Additions to non-current assets	**33**	**11**	**12**	**24**	**80**
Additions to non-current assets arising from business combinations	-	-	-	**1,131**	**1,131**

For the year ended 31 December 2016 (restated)

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated Total RMB million
Depreciation of property, plant and equipment	3	2	1	3	9
Additions to non-current assets	24	10	2	6	42

5. REVENUE

	2017 **RMB million**	2016 RMB million
Gross rental from investment properties	**2,407**	2,423
Income from hotel operation	**541**	479
Income from serviced apartments operation	**151**	139
Rental related income	**100**	65
Total	**3,199**	3,106

The gross rental from investment properties includes contingent rents of RMB10 million (2016: RMB12 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB659 million (2016: RMB630 million).

6. OTHER INCOME

	2017 **RMB million**	2016 RMB million
Interest income from banks	**269**	193
Government subsidies	**3**	6
Warranty claims	**-**	4
Others	**1**	3
Total	**273**	206

7. OTHER OPERATING EXPENSES

	2017 **RMB million**	2016 RMB million
Advertising and promotion	**25**	23
Audit fee	**2**	1
Business tax	**-**	61
Insurance	**6**	6
Lease agency fee	**31**	29
Property manager's fee	**55**	52
Property management fees	**81**	77
Repairs and maintenance	**95**	91
Other miscellaneous expenses (Note)	**165**	148
Stamp duty	**3**	3
Urban land use tax	**3**	3
Urban real estate tax	**302**	214
Utilities	**103**	101
Value added tax surcharges	**17**	13
	888	822

7. OTHER OPERATING EXPENSES - continued

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

8. FINANCE COSTS

	2017 **RMB million**	2016 RMB million
Interest expense on unsecured bank loans wholly repayable within five years	**262**	225

9. MANAGER'S FEES

	2017 **RMB million**	2016 RMB million
Base fee	**121**	120
Variable fee	**34**	44
Acquisition fee	**5**	-
	160	164

10. REAL ESTATE INVESTMENT TRUST EXPENSES

	2017 **RMB million**	2016 RMB million
Trustee's fee	**4**	4
Legal and professional fees	**12**	4
Public relations - related expenses	**1**	1
Trust administrative expenses and others	**4**	3
	21	12

11. INCOME TAX EXPENSE

	2017 **RMB million**	2016 RMB million
The income tax expense comprises:		
Current tax		
- PRC Enterprise Income Tax	**460**	450
- Withholding tax	**63**	62
Deferred taxation	**(21)**	(85)
	502	427

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

11. INCOME TAX EXPENSE - continued

PRC Enterprise Income Tax was provided at the applicable enterprise income tax rate of 15%-25% on the estimated assessable profits of the Group's PRC subsidiaries. Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, a subsidiary which is operating in the Chongqing was granted a concessionary tax rate of 15% by the local tax bureau.

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

12. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2017 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB1,456 million by 5,524,131,744 units, being the weighted average number of units in issue during the year of 5,520,028,647 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2017 to 31 December 2017 of 4,103,097 units.

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

No diluted earnings per unit for both 2017 and 2016 were presented as there were no potential dilution of earnings per unit for both 2017 and 2016.

13. INVESTMENT PROPERTIES

	2017	2016
	RMB million	RMB million
FAIR VALUE		
At the beginning of the year	**33,534**	34,060
Additions	**44**	33
Transferred from property, plant and equipment	**2**	-
Transferred from land and related costs	**17**	-
Decrease in fair value recognised in profit or loss	**(497)**	(450)
Transferred to property, plant and equipment	**(26)**	(27)
Transferred to land and related costs	**(93)**	(82)
At the end of the year	**32,981**	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 31 December 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.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings					
	Hotels	Serviced apartments	Others	Plant and machinery	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
COST						
At 1 January 2016	2,115	579	-	152	70	2,916
Additions for the year	-	-	-	3	8	11
Disposals for the year	-	-	-	(5)	(5)	(10)
Transferred from investment properties	-	-	27	-	-	27
At 31 December 2016	2,115	579	27	150	73	2,944
Additions for the year	**6**	**10**	**-**	**7**	**14**	**37**
Disposals for the year	**(2)**	**-**	**-**	**(1)**	**(13)**	**(16)**
Acquired on acquisition of subsidiaries	**455**	**-**	**-**	**22**	**15**	**492**
Adjustments	**-**	**-**	**-**	**1**	**67**	**68**
Transferred from hotels to serviced apartments	**(137)**	**137**	**-**	**-**	**-**	**-**
Transferred from investment properties	**-**	**-**	**26**	**-**	**-**	**26**
Transferred to investment properties	**-**	**-**	**(2)**	**-**	**-**	**(2)**
At 31 December 2017	**2,437**	**726**	**51**	**179**	**156**	**3,549**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	592	86	-	63	14	755
Provided for the year	114	19	1	14	10	158
Eliminated on disposals	-	-	-	(5)	(5)	(10)
At 31 December 2016	706	105	1	72	19	903
Provided for the year	**128**	**25**	**2**	**14**	**11**	**180**
Adjustments	**-**	**-**	**-**	**1**	**67**	**68**
Eliminated on disposals	**(1)**	**-**	**-**	**-**	**(9)**	**(10)**
Transferred from hotels to serviced apartments	**(32)**	**32**	**-**	**-**	**-**	**-**
At 31 December 2017	**801**	**162**	**3**	**87**	**88**	**1,141**
CARRYING AMOUNTS						
At 31 December 2017	**1,636**	**564**	**48**	**92**	**68**	**2,408**
At 31 December 2016	1,409	474	26	78	54	2,041

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

The valuation of Buildings and Land were performed on 31 December 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 Manager determined that no impairment was made to Buildings and Land.

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:

	2017 **RMB million**	2016 RMB million
Non-current asset	**4,484**	3,974
Current asset	**172**	130
	4,656	4,104

16. TRADE AND OTHER RECEIVABLES

	2017 **RMB million**	2016 RMB million
Trade receivables	**33**	44
Deposits and prepayments	**18**	19
Advance to suppliers	**7**	19
Interest receivables	**56**	25
Top-up amount receivable	**-**	42
Other receivables	**19**	14
	133	163

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

	2017 **RMB million**	2016 RMB million
Less than or equal to 1 month	**29**	35
1 - 3 months	**3**	2
Over 3 months	**1**	7
	33	44

17. TRADE AND OTHER PAYABLES

	2017 **RMB million**	2016 RMB million
Trade payables	**73**	73
Rental received in advance	**218**	218
Others (Note)	**204**	235
	495	526

17. TRADE AND OTHER PAYABLES - continued

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

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

	2017 **RMB million**	2016 RMB million
Less than or equal to 3 months	**59**	45
Over 3 months	**14**	28
	73	73

18. BANK LOANS

	2017 **RMB million**	2016 RMB million
Unsecured term loans	**11,013**	10,891
Loan front-end fee	**(44)**	(75)
	10,969	10,816

The maturities of the above bank loans are as follows:

Within one year	**5,009**	893
More than one year but not exceeding two years	**1,603**	6,399
More than two years but not exceeding five years	**4,357**	3,524
	10,969	10,816
Less: Amounts shown under current liabilities	**(5,009)**	(893)
Amounts due after one year	**5,960**	9,923

In relation to the credit facility of HK$1,000 million (equivalent to RMB836 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 31 December 2017 was HK$1,000 million (equivalent to RMB836 million). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.85% per annum and is repayable in full in February 2020.

In relation to the credit facility of HK$800 million (equivalent to RMB669 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 31 December 2017 was HK$800 million (equivalent to RMB669 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.

18. BANK LOANS - continued

In relation to the credit facility of HK$1,200 million (equivalent to RMB1,003 million) granted to the Group on 14 December 2017 to refinance the credit facility granted by the same lenders in December 2014, the total amount of the credit facility utilised by the Group as at 31 December 2017 was HK$1,200 million (equivalent to RMB1,003 million) (31 December 2016: HK$1,200 million (equivalent to RMB1,073 million)). It bears interest at floating interest rate of HIBOR plus 1.05% per annum and is repayable in full in December 2022.

In relation to the credit facility of HK$200 million (equivalent to RMB167 million) granted to the Group on 19 December 2013 (as amended by supplemental letters dated 9 December 2014, 31 December 2015 and 19 December 2017) to finance the general working capital requirement of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2017 was HK$200 million (equivalent to RMB167 million) (2016: HK$200 million (equivalent to RMB179 million)). It bears interest at floating interest rate of HIBOR plus 1.30% per annum and is repayable in full in December 2019.

Bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of the Group. The weighted average effective interest rate on the bank loans is 2.3% (2016: 2.2%) per annum.

19. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders as at 31 December 2017 of RMB26,783 million (2016: RMB26,439 million) and the total number of 5,586,412,489 units in issue as at 31 December 2017 (2016: 5,462,193,939 units).

20. NET CURRENT ASSETS

At the end of the reporting period, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB1,092 million (2016: RMB4,772 million).

21. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB40,967 million (2016: RMB44,321 million).