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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)

Managed by Hui Xian Asset Management Limited

**(1) PROPOSED EXPANSION OF THE GEOGRAPHICAL SCOPE
OF THE INVESTMENT POLICY AND STRATEGIES OF HUI XIAN REIT
(2) PROPOSED AMENDMENTS TO THE TRUST DEED
(3) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee
in relation to the modified and extended waivers in respect of certain continuing connected party transactions

Hercules

Hercules Capital Limited

A letter from the Board is set out on pages 1 to 32 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 33 to 34 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 35 to 52 of this circular.

A notice convening the EGM of Hui Xian REIT to be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Monday, 5 May 2014 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) is set out on pages N-1 to N-4 of this circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires:

“2011 Interim Report”	the interim report of Hui Xian REIT for the period from 29 April 2011 (the date of first listing of the Units on the Stock Exchange) to 30 June 2011
“2012 Cheung Kong Waiver”	as defined and described under the section headed “(C) <i>Modified and extended waivers in respect of certain continuing connected party transactions</i> ” in the “ <i>Letter from the Board</i> ” of this circular
“2012 Cheung Kong/ Manager Waivers”	the 2012 Cheung Kong Waiver and the 2012 Manager Waiver
“2012 EGM Poll Results”	the announcement dated 22 May 2012 issued by the Manager in relation to the poll results of the annual general meeting and the extraordinary general meeting of the Unitholders both held on 22 May 2012
“2012 Manager Waiver”	as defined and described under the section headed “(C) <i>Modified and extended waivers in respect of certain continuing connected party transactions</i> ” in “ <i>Letter from the Board</i> ” of this circular
“2014 Extended Cheung Kong Waiver”	the proposed extended waiver for the 2012 Cheung Kong Waiver as described in this circular
“2014 Extended Manager Waiver”	the proposed extended waiver for the 2012 Manager Waiver as described in this circular
“2014 Modified and Extended Waivers”	the 2014 Extended Cheung Kong Waiver, the 2014 Extended Manager Waiver, the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver and the Modified and Extended BOC Corporate Finance Transactions Waiver
“AGM”	the annual general meeting of the Unitholders convened to be held on Monday, 5 May 2014
“Announcement”	the announcement dated 31 March 2014 made by the Manager in relation to, among other things, the proposed expansion of the geographical scope of the investment policy and strategies of Hui Xian REIT, the proposed amendments to the Trust Deed and the 2014 Modified and Extended Waivers (including the Extended Annual Caps)
“Annual Distributable Income”	has the same meaning as defined in the Trust Deed, being the income of Hui Xian REIT available for distribution to Unitholders for a financial year, which shall be the amount calculated by the Manager (based on the audited financial statements of Hui Xian REIT for that financial year) as representing the consolidated

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	audited net profit after tax of the Hui Xian REIT Group for that financial year, as adjusted to eliminate the effects of Adjustments (as defined in the Trust Deed)
“associated company”	has the meaning ascribed to it under the REIT Code
“Authorisation”	authorisation of Hui Xian REIT by the SFC under section 104 of the SFO
“Board”	the board of Directors
“BOC”	Bank of China Limited
“BOC Connected Persons Group”	BOC and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with BOC
“BOC Group”	BOC and its subsidiaries
“Cheung Kong”	Cheung Kong (Holdings) Limited
“Cheung Kong Group”	Cheung Kong and its subsidiaries
“Cheung Kong Connected Persons Group”	Cheung Kong and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with Cheung Kong, including certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL
“Cheung Kong/Manager Connected Party Transactions”	continuing connected party transactions in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, involving (A) as between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group, (i) leasing and licensing arrangements; (ii) property management and club facilities arrangements; and (iii) usage of internet and telecommunication services; and (B) as between the Hui Xian REIT Group and the Manager Group, (i) leasing and licensing arrangements and (ii) property management and club facilities arrangements which are more particularly described in this circular
“CITIC Securities Connected Persons Group”	CSI and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with CSI
“CITIC Securities Group”	CSI, its holding company and their respective subsidiaries
“connected person”	has the meaning ascribed to it under the REIT Code
“CSI”	CITIC Securities International Company Limited
“Director(s)”	the director(s) of the Manager

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“EGM”	an extraordinary general meeting of the Unitholders convened by the notice of extraordinary general meeting set out in this circular (or any adjournment thereof)
“Extended Annual Caps”	the proposed extended annual caps for the Cheung Kong/Manager Connected Party Transactions for the years ending 31 December 2015, 2016 and 2017, as set out in this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“HWL”	Hutchison Whampoa Limited
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the 2014 Modified and Extended Waivers (including the Extended Annual Caps), comprising all the INEDs, namely, Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan, and Dr. Choi Koon Shum, Jonathan
“Independent Financial Adviser”	Hercules Capital Limited, which is licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Unitholders”	Unitholders other than those Unitholders who have a material interest in the relevant waiver within the meaning of paragraph 8.11 of the REIT Code
“INEDs”	the independent non-executive Directors
“Initial BOC Corporate Finance Transactions Waiver”	the waiver granted by the SFC in April 2011 in relation to certain continuing connected party transactions involving corporate finance transactions between the Hui Xian REIT Group on the one hand and the BOC Group on the other hand for a period up to and including 31 December 2013 (details of which are set out on pages 125 to 127 of the 2011 Interim Report)
“Initial Cheung Kong/Manager Waivers”	the Initial Cheung Kong Waiver and the Initial Manager Waiver

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“Initial Cheung Kong Waiver”	the waiver granted by the SFC in April 2011 in relation to certain continuing connected party transactions between the Hui Xian Group on the one hand and the Cheung Kong Connected Persons Group on the other hand (details of which are set out on pages 104 to 107 of the 2011 Interim Report)
“Initial CITIC Securities Corporate Finance Transactions Waiver”	the waiver granted by the SFC in April 2011 in relation to certain continuing connected party transactions involving corporate finance transactions between the Hui Xian REIT Group on the one hand and the CITIC Securities Group on the other hand for a period up to and including 31 December 2013 (details of which are set out on pages 108 to 111 of the 2011 Interim Report)
“Initial CITIC/BOC Corporate Finance Transactions Waivers”	the Initial CITIC Securities Corporate Finance Transactions Waiver and the Initial BOC Corporate Finance Transactions Waiver
“Initial Manager Waiver”	the waiver granted by the SFC in April 2011 in relation to certain continuing connected party transactions between the Hui Xian REIT Group on the one hand and the Manager Group on the other hand (details of which are set out on pages 111 to 114 of the 2011 Interim Report)
“Interim Distributable Income”	has the same meaning as defined in the Trust Deed, being the income of Hui Xian REIT available for distribution to Unitholders for a distribution period, which shall be the amount calculated by the Manager (based on the interim unaudited financial statements of Hui Xian REIT for that distribution period) as representing the consolidated net profit after tax of the Hui Xian REIT Group for that distribution period, as adjusted to eliminate the effects of Adjustments (as defined in the Trust Deed)
“Latest Practicable Date”	24 March 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Manager”	Hui Xian Asset Management Limited, as manager of Hui Xian REIT
“Manager Group”	the Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the Manager, including the Property Manager, but excluding the Cheung Kong Connected Persons Group
“Modified and Extended BOC Corporate Finance Transactions Waiver”	the proposed modified and extended waiver for the Initial BOC Corporate Finance Transactions Waiver as described in this circular

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“Modified and Extended CITIC Securities Corporate Finance Transactions Waiver”	the proposed modified and extended waiver for the Initial CITIC Securities Corporate Finance Transactions Waiver as described in this circular
“NAV”	net asset value
“Offering Circular”	the offering circular dated 11 April 2011 issued in connection with the initial public offering of the Units
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 10% of Units in issue
“Oriental Plaza”	the composite development known as Oriental Plaza (東方廣場) situated at No. 1 East Chang An Ave., Dong Cheng District, Beijing, the PRC, in which Hui Xian REIT is interested
“PRC”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Property Manager”	北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*), a wholly owned subsidiary of the Manager
“Real Estate”	any land, and any interest, option or other right in or over any land. For the purpose of this definition, “land” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein;
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended from time to time)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
“Shenyang Property”	the building located at 瀋陽市和平區青年大街386號 (No. 386, Qingnian Street, He Ping District, Shenyang)

DEFINITIONS

“Special Resolution”	a resolution of Unitholders passed at a meeting of Unitholders duly convened and held and carried by 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy by way of poll, but with a quorum of two or more Unitholders holding 25% of the Units in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Deed”	the supplemental deed dated 24 May 2013 to amend the trust deed dated 1 April 2011 constituting Hui Xian REIT
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT, as amended by the Supplemental Deed and as may be modified or supplemented from time to time
“Trustee”	DB Trustees (Hong Kong) Limited, as the trustee of Hui Xian REIT, or such other person as may from time to time be appointed as the trustee of Hui Xian REIT
“Unit”	a unit of Hui Xian REIT, and “Units” will be construed accordingly
“Unit Registrar”	Computershare Hong Kong Investor Services Limited, as unit registrar of Hui Xian REIT
“Unitholder(s)”	holder(s) of the Units

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference to a time of day in this circular shall be a reference to Hong Kong time unless otherwise stated.

* *for identification purposes only*

LETTER FROM THE BOARD



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)

Managed by Hui Xian Asset Management Limited

Directors of the Manager:

Non-executive Directors

Mr. Kam Hing Lam (*Chairman*)
Mr. Ip Tak Chuen, Edmond
Mr. Lim Hwee Chiang
Mr. Yin Ke (with Mr. Pang Shuen Wai,
Nichols being his alternate director)

Executive Directors

Mr. Cheung Ling Fung, Tom (*Chief Executive Officer*)
Mr. Lee Chi Kin, Casey

Independent Non-executive Directors

Mr. Cheng Hoi Chuen, Vincent
Professor Lee Chack Fan
Dr. Choi Koon Shum, Jonathan

Registered Office of the Manager:

Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

31 March 2014

To: Unitholders

Dear Sir/Madam,

**(1) PROPOSED EXPANSION OF THE GEOGRAPHICAL SCOPE
OF THE INVESTMENT POLICY AND STRATEGIES OF HUI XIAN REIT
(2) PROPOSED AMENDMENTS TO THE TRUST DEED
(3) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the Announcement. The purpose of this circular is to (a) provide you with further information regarding (i) the proposed expansion of the geographical scope of the investment policy and strategies of Hui Xian REIT; (ii) the proposed amendments to the Trust Deed; (iii) the 2014 Modified and Extended Waivers (including the Extended Annual Caps); and (iv) the resolutions to be proposed at the EGM; (b) set out the recommendations of the Independent Board Committee to the Independent

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Unitholders in relation to the 2014 Modified and Extended Waivers (including the Extended Annual Caps); (c) set out the recommendations of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2014 Modified and Extended Waivers (including the Extended Annual Caps); and (d) provide you with the notice of the EGM.

(A) PROPOSED EXPANSION OF THE GEOGRAPHICAL SCOPE OF THE INVESTMENT POLICY AND STRATEGIES OF HUI XIAN REIT

I. Existing investment policy of Hui Xian REIT

The existing principal investment policy in respect of Hui Xian REIT is to invest in Real Estate being commercial properties located in the PRC (other than Real Estate prohibited by the REIT Code). At the time of the listing of Hui Xian REIT, the property portfolio of Hui Xian REIT comprised only of Oriental Plaza which is situated in the PRC. Accordingly, the geographical scope of the investment policy of Hui Xian REIT has been limited to the PRC under the Trust Deed.

II. Proposed expansion of the geographical scope of Hui Xian REIT's investment policy and strategies

The Manager proposes to expand the geographical scope of the investment policy and strategies of Hui Xian REIT such that the investment policy and strategies of Hui Xian REIT will no longer be limited to the commercial properties located in the PRC and Hui Xian REIT may invest in commercial properties located in any part of the world. The Manager intends to retain the same investment strategy and objective as stated in the Offering Circular except with the above proposed expansion of the geographical scope of the investment policy and strategies.

Subject to the prior approval of the Unitholders, and the SFC's approval, for the proposed expansion of the geographical scope of Hui REIT's investment policy and strategies and the corresponding amendment to the Trust Deed and after entering into the supplemental deed effecting the same, the compliance manual of the Manager in respect of the management and operation of Hui Xian REIT will be updated accordingly to reflect the change in such geographical scope of the investment policy and strategies upon the approval by the Board.

Reasons for the proposed expansion of the geographical scope

The reason for the proposed expansion of the geographical scope is to stay competitive with other property investors. The existing geographical scope of the investment policy of Hui Xian REIT allows the Manager to invest in high-quality commercial properties located in the PRC only. In the past, the Manager has been approached by external parties for potential quality investments outside the PRC, however, the Manager could not consider those opportunities because of the restrictions in the Trust Deed. The Manager proposes to remove the geographical restrictions of the investment policy to add flexibility and widen the investment scope so that in case an investment opportunity which involves properties outside of the PRC and provides attractive long-term cash flows and yields, as well as the potential for net asset value growth arises, the Manager can capture the opportunity to enhance the return on the portfolio for the Unitholders. Otherwise, offers or contractual commitments for such acquisition to be made by Hui Xian REIT have to be conditional upon the passing of a Special Resolution of Unitholders at a meeting of Unitholders for the approval of the amendment to the Trust Deed to expand the investment scope, which will increase the uncertainty of the transaction and lengthen the period leading up to completion. The above compromises Hui Xian REIT's competitiveness for such attractive investment opportunities.

LETTER FROM THE BOARD

Some considerations when evaluating acquisition opportunities outside the PRC

In evaluating acquisition opportunities outside the PRC, the Manager will take into account all relevant factors, including without limitation the following:

- (a) Similar to acquisitions in the PRC, the Manager will acquire properties outside the PRC that provide stable cash flow and the potential for long term capital appreciation.
- (b) The Manager will also consider:
 - (i) whether the acquisition plan is consistent with Hui Xian REIT's strategy to hold and invest in high quality commercial properties;
 - (ii) the strength of existing, and the potential to improve in the future, occupancy and tenant mix relative to competing properties in the respective markets; and
 - (iii) the potential to improve value through active property management. The Manager will also assess opportunities to add value through selective renovation or other enhancements.
- (c) The Manager will evaluate existing and potential yields, general market condition, local risks and benefits, macro-economy, property market condition and other relevant considerations.
- (d) The Manager will have regard to, and comply with, all applicable legal and regulatory requirements, including without limitation the requirements prescribed under the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

Currently, the Manager has no intention for Hui Xian REIT to enter into any investment property markets outside the PRC.

III. Approval Required and Recommendation of the Board

Paragraph 10.7 of the REIT Code provides that a circular shall be issued for a proposal to change the general character or nature of the scheme, such as the investment objective and/or policy of the scheme.

The Manager notes that in the circular to management companies of SFC-authorized REITs dated 12 October 2007 issued by the SFC, the SFC has (among other things) clarified that in acquiring overseas and/or new types of properties, REIT managers do not have to seek re-approval of their licences or re-authorisation of the relevant REIT by the SFC before proceeding to make such acquisitions.

Under Clause 10.2.4 of the Trust Deed, in order for the Manager to change its investment policies/strategy(ies) for Hui Xian REIT as stated in the Offering Circular, it is required to notify the Unitholders of the change by way of circular in accordance with the requirements of the REIT Code, and obtain the prior approval of the Unitholders for the change by way of a Special Resolution at a meeting of Unitholders duly convened.

Accordingly, the Manager proposes to seek the necessary Unitholders' approval for the expansion of the geographical scope of the investment policy and strategies of Hui Xian REIT by way of a Special Resolution at the EGM.

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The Board considers that the proposed expansion of the geographical scope of the investment policy and strategies of Hui Xian REIT is in the best interests of Hui Xian REIT and the Unitholders as a whole, and accordingly, the Board recommends all Unitholders to vote in favour of the Special Resolution relating to the expansion of the geographical scope of the investment policy and strategies of Hui Xian REIT to be proposed at the EGM.

The Trustee has no objection to the Manager proposing the above change of investment policy and strategies for the consideration and approval by the Unitholders.

IV. Restrictions on Voting

The note to paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, the Manager is not aware of any Unitholder who is required to abstain from voting in respect of the Special Resolution to expand the geographical scope of the investment policy and strategies of Hui Xian REIT.

(See Special Resolution (1) in the EGM notice.)

(B) PROPOSED AMENDMENTS TO THE TRUST DEED

I. Proposed Amendments to the Trust Deed

The Manager proposes that the amendments described below be made to the Trust Deed:

(i) *Corresponding amendment for the expansion of the geographical scope of the investment policy and strategies for Hui Xian REIT*

Clause 10.2.2 of the Trust Deed provides that the Manager's principal investment policy in respect of the Trust is to invest in Real Estate being commercial properties located in the PRC (other than Real Estate prohibited by the REIT Code).

As mentioned above, the Manager proposes to expand the geographical scope of the investment policy and strategies for Hui Xian REIT such that Hui Xian REIT may invest in commercial properties located in any part of the world. Accordingly, the Manager proposes to replace the words "in the PRC" in Clause 10.2.2 of the Trust Deed with the words "in any part of the world, including but not limited to, the PRC".

(See Special Resolution (1) in the EGM notice.)

LETTER FROM THE BOARD

(ii) Amendment of the formula for computation of the Distribution Amount for a financial year

As mentioned in the Offering Circular and set out in Clause 11.2 of the Trust Deed, in respect of each financial year after the financial year ended 31 December 2012, the total amounts distributable or distributed to Unitholders shall be no less than 90% of the Annual Distributable Income for that financial year.

Clause 11.4.2 of the Trust Deed provides that the “**Distribution Amount**” for a distribution period ending on the last day of a financial year is to be determined in accordance with the following formula:

$$DA = (P \text{ of ADI}) + C - D$$

Where:

DA is the distribution amount for that distribution period;

ADI is the amount (if any) the Annual Distributable Income for that financial year;

P shall be 90%;

C is any additional amount (including capital), which the Manager has determined is to be distributed; and

D is the aggregate of the distribution amount(s) for the previous distribution period(s) of that financial year.

While item “C” gives the Manager flexibility to distribute more than 90% of the Annual Distributable Income for a financial year, the Manager proposes to further clarify in the formula that the percentage of the Annual Distributable Income distributable or distributed for a financial year shall be no less than 90% by amending the meaning of item “P” above from “90%” to “a percentage not less than 90% and not more than 100%”.

In addition, the Manager proposes to rewrite in plain language the wording of the meaning of “C” in the formula in Clause 11.4.2 of the Trust Deed mentioned above by changing the same to “is any additional amount (including capital) to be distributed as determined by the Manager”. The proposed amendment does not affect the meaning of “C” in such formula.

The Trustee has confirmed to the Manager that the above proposed amendment to the Trust Deed relating to the distribution amount is in compliance with paragraph 7.12 of the REIT Code.

(See Special Resolution (2) in the EGM notice)

(iii) Correction of typographical error

The Manager also proposes to correct a typographical error in the meaning of “ADI” in the formula in Clause 11.4.2 of the Trust Deed mentioned above by adding the word “of” before the words “the Annual Distributable Income”.

(See Special Resolution (3) in the EGM notice)

LETTER FROM THE BOARD

(iv) Refinement of wording

Clause 11.4.1 of the Trust Deed provides that the “**Distribution Amount**” for a distribution period ending other than on the last day of a financial year is to be determined in accordance with the following formula:

$$DA = (P \text{ of IDI}) + C$$

Where:

DA is the distribution amount for that distribution period;

P shall be such percentage as determined by the Manager

IDI is the Interim Distributable Income for that distribution period determined by the Manager; and

C is any additional amount (including capital), which the Manager has determined is to be distributed.

The Manager proposes to rewrite in plain language the wording of the meaning of “C” in the formula in Clause 11.4.1 of the Trust Deed mentioned above by changing the same to “is any additional amount (including capital) to be distributed as determined by the Manager”. The proposed amendment does not affect the meaning of “C” in such formula.

(See Special Resolution (4) in the EGM notice)

II. Approval Required and Recommendation of the Board

Clause 26.1 of the Trust Deed provides that any amendment, variation, modification, alteration or addition to the Trust Deed must not impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof and, save for certain limited exceptions as certified by the Trustee in writing, must be made with the sanction of a Special Resolution. It is also a condition of the Authorisation that the Manager must ensure that no material changes will be made to the Trust Deed except with the prior approval of the SFC.

Each of the proposed amendments to the Trust Deed will be the subject of a Special Resolution to be decided by poll at the EGM.

The Trustee has confirmed to the Manager that, noting that the proposed amendments to the Trust Deed as set out in this circular will be subject to the prior approval of the Unitholders by way of the Special Resolutions, it has no objection to the proposed amendments to the Trust Deed as set out in this circular and the proposed amendments will not impose upon any Unitholder any obligation to make further payments in respect of his Units or to accept any liability in respect thereof. Accordingly, subject to the prior approvals of the Unitholders by way of the Special Resolutions and of the SFC, the Trustee will enter into a supplemental deed effecting the proposed amendments.

The Board considers that the proposed amendments to the Trust Deed as set out in this circular are in the interests of Hui Xian REIT and the Unitholders as a whole. Accordingly, the Board recommends all Unitholders to vote in favour of the Special Resolutions relating to such amendments to be proposed at the EGM.

LETTER FROM THE BOARD

III. Restrictions on Voting

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, the Manager is not aware of any Unitholder who is required to abstain from voting in respect of any of the Special Resolutions to amend the Trust Deed.

(C) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

I. Background

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions of Hui Xian REIT, including the Initial CITIC/BOC Corporate Finance Transactions Waivers and the Initial Cheung Kong/Manager Waivers, for a period up to and including 31 December 2013 (details of which are more particularly set out in the section "Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission" in the 2011 Interim Report).

2012 Cheung Kong/Manager Waivers

In view of inclusion of the Shenyang Property in the property portfolio of Hui Xian REIT from January 2012 and in accordance with the waiver conditions of the Initial Cheung Kong/Manager Waivers, an Ordinary Resolution was passed by the Unitholders at the extraordinary general meeting of Unitholders held on 22 May 2012 for approving the following:

- (a) the modification of the Initial Cheung Kong/Manager Waivers so that they cover transactions and arrangements in respect of properties or companies in which Hui Xian REIT may directly or indirectly be interested;
- (b) the modification and revision of the annual caps for the years ended 31 December 2012 and 2013 for the relevant continuing connected party transactions under the Initial Cheung Kong/Manager Waivers (as modified); and
- (c) the extension of the Initial Cheung Kong/Manager Waivers for a period up to and including 31 December 2014 and the setting of new annual caps for the year ending 31 December 2014.

(the Initial Cheung Kong Waiver and the Initial Manager Waiver so modified and extended as, respectively, the "**2012 Cheung Kong Waiver**" and the "**2012 Manager Waiver**", and together the "**2012 Cheung Kong/Manager Waivers**").

Save as disclosed in the 2012 EGM Poll Results and save for the relevant annual caps, the waiver conditions for the Initial Cheung Kong/Manager Waivers continue to apply in respect of the 2012 Cheung Kong/Manager Waivers.

LETTER FROM THE BOARD

Proposed modification of the Initial CITIC/BOC Corporate Finance Transactions Waivers

The Manager (on behalf of Hui Xian REIT) may engage financial advisers to provide financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group from time to time, including without limitation any proposed acquisition or disposal of Real Estate by the Hui Xian REIT Group. As the relevant members of the CITIC Securities Group and the BOC Group have experiences and expertise in the provision of such financial advisory services, the Manager proposes for the modification of the scope of the Initial CITIC/BOC Corporate Finance Transactions Waivers during the extended period so that the corporate finance transactions thereunder will cover the above financial advisory services for the Hui Xian REIT Group.

II. Expiration of the Waivers

The Initial CITIC/BOC Corporate Finance Transactions Waivers expired on 31 December 2013 and the 2012 Cheung Kong/Manager Waivers will expire on 31 December 2014.

In accordance with the waiver conditions of the Initial CITIC/BOC Corporate Finance Transactions Waiver and the 2012 Cheung Kong/Manager Waivers, they may be extended for a further term, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

III. The 2014 Modified and Extended Waivers

In respect of the 2012 Cheung Kong/Manager Waivers, the Manager proposes to seek Independent Unitholders' approval, by way of Ordinary Resolutions at the EGM, (i) to extend the waivers for a further period of three years up to and including 31 December 2017 and (ii) to set the new annual caps for the Cheung Kong/Manager Connected Party Transactions for the three years ending 31 December 2017.

In respect of the Initial CITIC/BOC Corporate Finance Transactions Waivers, the Manager proposes to seek Independent Unitholders' approval, by way of Ordinary Resolutions at the EGM, (i) to extend the Initial CITIC/BOC Corporate Finance Transactions Waivers for a further period up to and including 31 December 2016 and (ii) to modify the scope of the Initial CITIC/BOC Corporate Finance Transactions Waivers (as extended) so that the corporate finance transactions thereunder will cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group.

LETTER FROM THE BOARD

Details of the 2014 Modified and Extended Waivers and the Extended Annual Caps are set out below:

(a) Extension of the 2012 Cheung Kong Waiver

(1) the leasing and licensing arrangements in respect of properties of Hui Xian REIT

Historical transaction amounts

The approximate aggregate sums paid to the Hui Xian REIT Group by the Cheung Kong Connected Persons Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) for the financial years ended 31 December 2012 and 2013 and the two months ended 28 February 2014 were as follows:

Financial year ended 31 December 2012	Financial year ended 31 December 2013	Two months ended 28 February 2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
34,179	32,761	5,465

Extended Annual Caps

The Manager proposes that the aggregate annual value payable to the Hui Xian REIT Group by the Cheung Kong Connected Persons Group in respect of the leasing and licensing transactions for the financial years ending 31 December 2015, 2016 and 2017, are not to exceed the respective annual cap amounts as follows:

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
113,300	113,300	113,300

Basis of Extended Annual Caps

The above Extended Annual Caps for the leasing and licensing transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group mainly comprise the rental and building management fee receivable from the Cheung Kong Connected Persons Group. Such Extended Annual Caps are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and possible new leasing and licensing of the properties of Hui Xian REIT which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

LETTER FROM THE BOARD

(2) *the property management and club facilities arrangements*

Historical transaction amounts

The approximate aggregate sums paid by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the property management and club facilities transactions for the financial years ended 31 December 2012 and 2013 and the two months ended 28 February 2014 were as follows:

Financial year ended 31 December 2012	Financial year ended 31 December 2013	Two months ended 28 February 2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
12,613	13,846	2,869

The approximate aggregate sum paid by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the club facilities transactions for the financial year ended 31 December 2012 was RMB24,000. There was no club facilities transaction between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group in respect of the financial year ended 31 December 2013 and the two months ended 28 February 2014.

Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the property management and club facilities transactions for the financial years ending 31 December 2015, 2016 and 2017, are not to exceed the respective annual cap amounts as follows:

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
32,500	35,000	37,500

Basis of Extended Annual Caps

The above Extended Annual Caps for the property management and club facilities transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible new property management and club facilities transactions which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

LETTER FROM THE BOARD

(3) *usage of internet and telecommunication services*

Historical transaction amounts

The approximate aggregate sums paid by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the use of internet and telecommunication services provided by the Cheung Kong Connected Persons Group for the financial years ended 31 December 2012 and 2013 and the two months ended 28 February 2014 were as follows:

Financial year ended 31 December 2012	Financial year ended 31 December 2013	Two months ended 28 February 2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
3,594	341	56

Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the internet and telecommunication services transactions for the financial years ending 31 December 2015, 2016 and 2017, are not to exceed the respective annual cap amounts as follows:

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
7,500	7,500	7,500

Basis of Extended Annual Caps

The above Extended Annual Caps for the internet and telecommunication services transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group are determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses and possible new internet and telecommunication services which may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

LETTER FROM THE BOARD

Waiver conditions

The Manager has applied for the 2014 Extended Cheung Kong Waiver in relation to (i) leasing and licensing arrangements; (ii) property management and club facilities arrangements; and (iii) usage of internet and telecommunication services between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group on the following waiver terms and conditions which are similar to the conditions for the 2012 Cheung Kong Waiver in respect of the same categories of transactions save for the waiver period and the annual caps:

1. Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2014 Extended Cheung Kong Waiver and the Extended Annual Caps thereunder, without any material amendment thereto.

2. Extensions or modifications

The 2014 Extended Cheung Kong Waiver shall be for a period to expire on 31 December 2017 and may be extended beyond 31 December 2017, and/or the terms and conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Cheung Kong Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

LETTER FROM THE BOARD

3. Annual caps

The aggregate annual value of the (i) leasing and licensing arrangements; (ii) property management and club facilities arrangements; and (iii) usage of internet and telecommunication services, as contemplated under the 2014 Extended Cheung Kong Waiver, shall not exceed the following annual cap amounts:

	Financial year ending 31 December 2015 <i>RMB'000</i>	Financial year ending 31 December 2016 <i>RMB'000</i>	Financial year ending 31 December 2017 <i>RMB'000</i>
Leasing and licensing arrangements	113,300	113,300	113,300
Property management and club facilities arrangements	32,500	35,000	37,500
Usage of internet and telecommunication services	7,500	7,500	7,500

In respect of the leasing and licensing arrangements first entered into or renewed on or after the date on which the 2014 Extended Cheung Kong Waiver becomes effective, an independent valuation shall be conducted for each of such transactions except where they are conducted on standard or published rates.

4. Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual report of Hui Xian REIT in the relevant financial year as required under paragraph 8.14 of the REIT Code.

5. Auditors' review procedures

In respect of each relevant financial period, the Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then provide a report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the INEDs);
- (b) have been entered into in accordance with the pricing policies of Hui Xian REIT;
- (c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual caps (where applicable).

LETTER FROM THE BOARD

6. Review by the INEDs

The INEDs shall review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

7. Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

8. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the INEDs will not be able to confirm the matters set out in the above.

9. Subsequent increases in annual caps with Independent Unitholders' approval

If necessary, for example, where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the Manager may, from time to time in the future, seek to increase one or more of the annual caps set out in the above, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

LETTER FROM THE BOARD

10. Paragraph 8.14 of the REIT Code

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval. Details of the relevant connected party transactions shall be disclosed in Hui Xian REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code.

(See Ordinary Resolution (5) in the EGM notice)

(b) Extension of the 2012 Manager Waiver

(1) the leasing and licensing arrangements in respect of properties of Hui Xian REIT

Historical transaction amounts

The approximate aggregate sums paid to the Hui Xian REIT Group by the Manager Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) for the financial years ended 31 December 2012 and 2013 and the two months ended February 2014 were as follows:

Financial year ended 31 December 2012	Financial year ended 31 December 2013	Two months ended 28 February 2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
261	323	57

Extended Annual Caps

The Manager proposes that the aggregate annual value payable to the Hui Xian REIT Group by the Manager Group in respect of the leasing and licensing transactions for the financial years ending 31 December 2015, 2016 and 2017, are not to exceed the respective annual cap amounts as follows:

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
500	550	600

Basis of Extended Annual Caps

The above Extended Annual Caps for the leasing and licensing transactions between the Hui Xian REIT Group and the Manager Group mainly comprise the rental and building management fee receivable from the Manager Group. Such Extended Annual Caps are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and possible new leasing and licensing

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transaction which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

(2) *the property management and club facilities arrangements*

Historical transaction amounts

The approximate aggregate sums paid by the Hui Xian REIT Group to the Manager Group in respect of the property management and club facilities transactions for the financial years ended 31 December 2012 and 2013 and the two months ended 28 February 2014 were as follows:

Financial year ended 31 December 2012	Financial year ended 31 December 2013	Two months ended 28 February 2014
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
32,708	30,297	5,865
<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>

Note: including 1% per annum of the net property income in respect of Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

There was no club facilities transaction between the Hui Xian REIT Group and the Manager Group in respect of the above financial periods.

Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Manager Group in respect of the property management and club facilities transactions for the financial years ending 31 December 2015, 2016 and 2017, are not to exceed the respective annual cap amounts as follows:

Financial year ending 31 December 2015	Financial year ending 31 December 2016	Financial year ending 31 December 2017
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
51,000	56,000	61,000
<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>

Note: including 1% per annum of the net property income in respect of Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

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Basis of Extended Annual Caps

The above Extended Annual Caps for the property management and club facilities transactions between the Hui Xian REIT Group and the Manager Group are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account possible occasional increase in expenses and possible new property management and club facilities transactions which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

Waiver conditions

The Manager has applied for the 2014 Extended Manager Waiver in relation to (i) leasing and licensing arrangements; and (ii) property management and club facilities arrangements between the Hui Xian REIT Group and the Manager Group on the following waiver terms and conditions which are similar to the conditions for the 2012 Manager Waiver in respect of the same categories of transactions save for the waiver period and the annual caps:

1. Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2014 Extended Manager Waiver and the Extended Annual Caps thereunder, without any material amendment thereto.

2. Extension or modification

The 2014 Extended Manager Waiver shall be for a period to expire on 31 December 2017 and may be extended beyond 31 December 2017, and/or the terms and conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Manager Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

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3. Annual caps

The aggregate annual value of the (i) leasing and licensing arrangements; and (ii) property management and club facilities arrangements, as contemplated under the 2014 Extended Manager Waiver, shall not exceed the following annual cap amounts:

	Financial year ending 31 December 2015 RMB'000	Financial year ending 31 December 2016 RMB'000	Financial year ending 31 December 2017 RMB'000
Leasing and licensing arrangements	500	550	600
Property management and club facilities arrangements	51,000 (Note)	56,000 (Note)	61,000 (Note)

Note: including 1% per annum of the net property income in respect of Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

In respect of the leasing and licensing transactions first entered into or renewed on or after the date on which the 2014 Extended Manager Waiver becomes effective, an independent valuation shall be conducted for each of such transactions except where they are conducted on standard or published rates.

4. Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual report of Hui Xian REIT as required under paragraph 8.14 of the REIT Code.

5. Auditors' review procedures

In respect of each relevant financial period, the Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then provide a report to the Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the INEDs);
- (b) have been entered into in accordance with the pricing policies of Hui Xian REIT;
- (c) have been entered into and carried out in accordance with the terms of the agreements (if any) governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual caps (where applicable).

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6. Review by the INEDs

The INEDs shall review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

7. Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

8. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the INEDs will not be able to confirm the matters set out in the above.

9. Subsequent increases in annual caps with Independent Unitholders' approval

If necessary, for example, where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the Manager may, from time to time in the future, seek to increase one or more of the annual limits set out in the above, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

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10. Paragraph 8.14 of the REIT Code

The Manager shall comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval. Details of the relevant connected party transactions shall be disclosed in Hui Xian REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code.

(See Ordinary Resolution (6) in the EGM notice)

(c) Modification and Extension of the Initial CITIC Securities Corporate Finance Transactions Waiver

The Manager proposes to extend the Initial CITIC Securities Corporate Finance Transactions Waiver for a period up to and including 31 December 2016 and modify the scope of the Initial CITIC Securities Corporate Finance Transactions Waiver (as extended) so that the CITIC Securities Corporate Finance Transactions thereunder will include the "financial advisory transactions", namely the provision of financial advisory services to the Hui Xian REIT Group relating to investments or proposed investments of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of Real Estate, as further described in paragraph (iii) under "(1) Scope of the CITIC Securities Corporate Finance Transactions" below.

There was no CITIC Securities Corporate Finance Transactions entered into or carried out from 1 January 2014 to the Latest Practicable Date and no such transactions will be entered into or carried out from the Latest Practicable Date to the date on which the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver is granted by the SFC.

(1) Scope of the CITIC Securities Corporate Finance Transactions

For the purpose of the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver, the "**CITIC Securities Corporate Finance Transactions**" means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the CITIC Securities Group is involved in an underwriting or arranging capacity or acts as listing agent, placing agent, stabilising manager and/or financial adviser and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the CITIC Securities Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the Hui Xian REIT Group will finance the acquisition of real estate;

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- (iii) “financial advisory transactions”, namely the provision of financial advisory services to the Hui Xian REIT Group relating to investment or proposed investment of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of Real Estate and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the CITIC Securities Group derived from all “financial advisory transactions” and “corporate advisory transactions” (as described in (iv) below) conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT; and
- (iv) “corporate advisory transactions”, namely the provision of “corporate finance advice” to the Hui Xian REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the CITIC Securities Group derived from all “corporate advisory transactions” and “financial advisory transactions” (as described in (iii) above) conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT.

For the avoidance of doubt, “**corporate finance advice**” means advice concerning:

- (a) compliance with or in respect of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the REIT Code, the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Code on Share Buy-backs or The Hong Kong Code on Takeovers and Mergers;
- (b) (I) any offer to dispose of securities to the public, (II) any offer to acquire securities from the public, or (III) acceptance of any offer referred to in (I) or (II), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

(2) *Waiver conditions*

The Manager has applied for the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver on the following waiver terms and conditions which are similar to the conditions for the Initial CITIC Securities Corporate Finance Transactions Waiver in respect of the same categories of transactions save for the waiver period and the addition of the requirement for due approval of the Unitholders:

(I) **Waiver general conditions and undertakings**

In support of the application for the waiver request, the INEDs have undertaken with the SFC to meet certain conditions, including the following general conditions on an on-going basis:

- (i) the CITIC Securities Corporate Finance Transactions will be carried out at arm’s length on normal commercial terms and in the interests of the Unitholders as a whole;

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- (ii) the Manager must implement internal controls and compliance procedures to ensure that the CITIC Securities Corporate Finance Transactions are regularly monitored and undertaken on terms in compliance with the REIT Code;
- (iii) the INEDs are satisfied with the Manager's internal controls and compliance procedures (such as Chinese wall procedures), to ensure that the operation of the Manager is independent of other banking, financial services and other business functions and operations of the CITIC Securities Group; and
- (iv) the Manager incorporates provisions in the Trust Deed that require the Trustee to take actions or commence proceedings on behalf of Hui Xian REIT as necessary to protect the interest of Unitholders, including against the Manager or its connected persons in relation to any transaction or agreement entered into for and on behalf of the Hui Xian REIT with such persons.

Separately, for the purpose of the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver:

- (i) CSI has given an undertaking to the SFC that its instruction to the Manager that the Manager shall act in the sole interests of Hui Xian REIT and shall disregard any other interest of, or instructions from, the CITIC Securities Group in respect of any transactions with persons who constitute "connected persons" of Hui Xian REIT by virtue of their association with the CITIC Securities Group under the REIT Code (the "**Instruction**") shall not be revoked or amended without the prior written consent of the SFC during the period in which the Units are listed on the Stock Exchange; and
- (ii) the Manager has given an undertaking to the SFC that it will abide by the Instruction so long as CSI remains a controlling entity of the Manager and the Manager remains the manager of Hui Xian REIT.

The waiver is being sought on the premises that it will only apply to connected party transactions involving the persons who constitute "connected persons" of Hui Xian REIT solely by virtue of their association with the Manager under the REIT Code, and solely and so long as CSI is, directly or indirectly, a controlling entity or an associated company of the Manager, and where the Manager is in its capacity as manager of Hui Xian REIT. If connected party transactions arise as a result of other circumstances, they will be governed by Chapter 8 of the REIT Code unless they are covered by the other waivers.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of the waiver if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waiver granted by the SFC on transactions of the kind to which the CITIC Securities Corporate Finance Transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the Independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

LETTER FROM THE BOARD

(II) Waiver specific conditions — disclosure and reporting requirements

The above Modified and Extended CITIC Securities Corporate Finance Transactions Waiver is being sought to be granted on the following specific conditions:

- (i) due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver, without any material amendment thereto.
- (ii) the waiver shall be for a period to expire on 31 December 2016 and may be extended beyond 31 December 2016 and/or the terms and conditions of the waiver as set out in (iii) to (viii) below may be modified from time to time, provided that:
 - (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
 - (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
 - (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above;

- (iii) the offering document and any circular for Hui Xian REIT involving the CITIC Securities Corporate Finance Transactions includes upfront disclosure of this waiver and, with respect to those corporate finance transactions under categories (i) and (ii) of this waiver (as set out under “(1) *Scope of the CITIC Securities Corporate Finance Transactions*” above), full disclosure of the material terms of the relevant agreements;
- (iv) the annual report includes disclosure of the aggregate fees paid to the CITIC Securities Group in respect of the CITIC Securities Corporate Finance Transactions conducted for the Hui Xian REIT Group in the financial year;
- (v) the annual report includes disclosure in respect of any CITIC Securities Corporate Finance Transaction the amount of fees in respect of which exceeds HK\$1 million: (a) the occurrence and nature of the transaction; (b) the parties to the transaction and (c) the date of the transaction;

LETTER FROM THE BOARD

- (vi) the annual report discloses a statement made by each of the INEDs to confirm that the CITIC Securities Corporate Finance Transactions have complied with the general conditions set out in “(I) Waiver general conditions and undertakings” above;
- (vii) the annual report includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of Hui Xian REIT;
 - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties;
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (viii) the auditors’ report in respect of the Hui Xian REIT shall cover all the relevant CITIC Securities Corporate Finance Transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the CITIC Securities Group generates from all “financial advisory transactions” and “corporate advisory transactions” conducted for the Hui Xian REIT Group during any financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the CITIC Securities Group in its capacity as described above under the CITIC Securities Corporate Finance Transactions, an announcement has to be made pursuant to the REIT Code (and is not exempted by any waiver from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the CITIC Securities Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

(See Ordinary Resolution (7) in the EGM notice)

(d) Modification and Extension of the Initial BOC Corporate Finance Transactions Waiver

The Manager proposes to extend the Initial BOC Corporate Finance Transactions Waiver for a period up to and including 31 December 2016 and modify the scope of the Initial BOC Corporate Finance Transactions Waiver (as extended) so that the BOC Corporate Finance Transactions thereunder will include the “financial advisory transactions”, namely the provision of financial advisory services to the Hui Xian REIT Group relating to investment or proposed investment of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of Real Estate, as further described in paragraph (iii) under “(1) Scope of BOC Corporate Finance Transactions” below.

LETTER FROM THE BOARD

There was no BOC Corporate Finance Transactions entered into or carried out from 1 January 2014 to the Latest Practicable Date and no such transactions will be entered into or carried out from the Latest Practicable Date to the date on which the Modified and Extended BOC Corporate Finance Transactions Waiver is granted by the SFC.

(1) Scope of the BOC Corporate Finance Transactions

For the purpose of the Modified and Extended BOC Corporate Finance Transactions Waiver, the “**BOC Corporate Finance Transactions**” means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the BOC Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or bookrunner and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm’s length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the BOC Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which Hui Xian REIT Group will finance the acquisition of real estate;
- (iii) “financial advisory transactions”, namely the provision of financial advisory services to the Hui Xian REIT Group relating to investments or proposed investments of the Hui Xian REIT Group, including without limitation any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of Real Estate and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the BOC Group derived from all “financial advisory transactions” and “corporate advisory transactions” (as described in (iv) below) conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT; and
- (iv) “corporate advisory transactions”, namely the provision of corporate finance advice to Hui Xian REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the BOC Group derived from all “corporate advisory transactions” and “financial advisory transactions” (as described in (iii) above) conducted for Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT.

For the avoidance of doubt, “**corporate finance advice**” means advice concerning:

- (a) compliance with or in respect of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the REIT Code, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, The Hong Kong Code on Share Buy-backs or The Hong Kong Code on Takeovers and Mergers;
- (b) (I) any offer to dispose of securities to the public, (II) any offer to acquire securities from the public, or (III) acceptance of any offer referred to in (I) or (II), but only in so far as the advice is generally given to holders of securities or a class or securities; or

LETTER FROM THE BOARD

- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

(2) *Waiver and conditions*

The Manager has applied for the Modified and Extended BOC Securities Corporate Finance Transactions Waiver on the following waiver terms and conditions which are similar to the conditions for the Initial BOC Corporate Finance Transactions Waiver in respect of the same categories of transactions save for the waiver period and the addition of the requirement for due approval of the Unitholders:

- (i) due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Modified and Extended BOC Corporate Finance Transactions Waiver, without any material amendment thereto.
- (ii) the waiver shall be for a period to expire on 31 December 2016 and may be extended beyond 31 December 2016 and/or the terms and conditions of the waiver as set out in (iii) to (vii) below may be modified from time to time, provided that:
 - (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
 - (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
 - (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Modified and Extended BOC Corporate Finance Transactions Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above;

- (iii) the offering document and any circular for Hui Xian REIT involving the BOC Corporate Finance Transactions includes upfront disclosure of this waiver and, with respect to those corporate finance transactions under categories (i) and (ii) of this waiver (as set out under “(1) *Scope of the BOC Corporate Finance Transactions*” above), full disclosure of the material terms of the relevant agreements.
- (iv) the annual report includes disclosure of the aggregate fees paid to the BOC Group in respect of the BOC Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;

LETTER FROM THE BOARD

- (v) the annual report includes disclosure in respect of any BOC Corporate Finance Transaction whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction, (b) the parties to the transaction, and (c) the date of the transaction;
- (vi) the annual report includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
 - (a) in the ordinary and usual course of business of Hui Xian REIT;
 - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (vii) the auditors' report in respect of Hui Xian REIT shall cover all the relevant BOC Corporate Finance Transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the BOC Group generates from all “financial advisory transactions” and “corporate advisory transactions” conducted for Hui Xian REIT Group during the financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the BOC Group in its capacity as described above under “BOC Corporate Finance Transactions”, an announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the BOC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

(See Ordinary Resolution (8) in the EGM notice)

IV. Approvals Required

(a) Approval by Ordinary Resolutions

Pursuant to the 2012 Cheung Kong/Manager Waivers and the Initial CITIC/BOC Corporate Finance Transactions Waivers, the Manager is required to issue an announcement and to issue a circular and notice to Unitholders in relation to the 2014 Modified and Extended Waivers in accordance with Chapter 10 of the REIT Code, and to seek approval from the Independent Unitholders for the relevant 2014 Modified and Extended Waiver(s) which shall be in respect of a period expiring not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval by the Independent Unitholders for the relevant 2014 Modified and Extended Waiver(s) is obtained.

Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for the relevant 2014 Modified and Extended Waiver(s) by way of Ordinary Resolutions at the EGM.

LETTER FROM THE BOARD

(b) Restrictions on Voting

The note to paragraph 8.11 of the REIT Code provides that where a unitholder has a material interest in the transaction tabled for approval, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting at the general meeting.

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the relevant 2014 Modified and Extended Waiver(s), (i) the Cheung Kong Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2014 Extended Cheung Kong Waiver; (ii) the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2014 Extended Manager Waiver; (iii) the CITIC Securities Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver; and (iv) the BOC Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended BOC Corporate Finance Transactions Waiver.

So far as the Manager is aware, as at the Latest Practicable Date, holdings of Units of the Cheung Kong Connected Persons Group, the Manager Group, the CITIC Securities Connected Persons Group and the BOC Connected Persons Group were as follows:

Entities	Number of Units held	Approximate Percentage of Unit holding
Wisdom Ally Limited (<i>Note 1</i>)	68,672,749	1.3254%
Wealth Finder Limited (<i>Note 1</i>)	8,475,982	0.1636%
Noblecrown Investment Limited (<i>Note 1</i>)	275,262,033	5.3125%
Heathcliff Developments Limited (<i>Note 2</i>)	148,218,019	2.8606%
Manager	10,621,949	0.2050%
KAM Hing Lam	649,371	0.0125%
IP Tak Chuen, Edmond	400,000	0.0077%
CHEUNG Ling Fung, Tom	54,977	0.0011%
TONG BARNES Wai Che, Wendy	108,609	0.0021%
HUI Tung Keung, Tommy	54,000	0.0010%
CSI REITs Investment Management Company Limited (<i>Note 3</i>)	4,000,000	0.0772%
Lucky Star International Holdings Inc. (<i>Note 4</i>)	148,125,000	2.8588%

Notes:

1. Wisdom Ally Limited and Wealth Finder Limited are wholly-owned subsidiaries of Cheung Kong.
2. Heathcliff Developments Limited is a wholly-owned subsidiary of HWL.
3. CSI REITs Investment Management Company Limited is a wholly-owned subsidiary of CSI.
4. Lucky Star International Holdings Inc. is a wholly-owned subsidiary of BOC.

LETTER FROM THE BOARD

Further, each of Hui Xian Holdings Limited (“**Hui Xian Holdings**”) and Hui Xian (Cayman Islands) Limited (“**Hui Xian Cayman**”, a wholly-owned subsidiary of Hui Xian Holdings) informed the Manager that it will abstain from voting on the Ordinary Resolutions to approve the 2014 Extended Cheung Kong Waiver and the 2014 Extended Manager Waiver and the Extended Annual Caps thereunder. As at the Latest Practicable Date, Hui Xian Holdings and Hui Xian Cayman directly held 60,000,000 Units and 2,190,000,000 Units respectively, representing approximately 1.1580% and approximately 42.2668%, respectively, of the total number of Units in issue as at that date. Each of Hui Xian Holdings and Hui Xian Cayman is considered as a “significant holder” of Units in Hui Xian REIT within the meaning of the REIT Code. As disclosed in the Offering Circular, the investors which ultimately own the issued share capital of Hui Xian Holdings include Cheung Kong (as to approximately 33.4% of the issued share capital of Hui Xian Holdings) and HWL (as to approximately 17.9% of the issued share capital of Hui Xian Holdings).

Reference is also made to the paragraph headed “Conflicts of Interests” in the Corporate Governance section in Hui Xian REIT’s 2012 annual report. The conflicts of interest and measures implemented to address such conflicts as described therein have not changed in any material respect since the publication of that annual report and up to the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Manager’s knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Ordinary Resolutions to approve the 2014 Modified and Extended Waiver(s).

V. Opinion of the Independent Financial Adviser

Hercules Capital Limited, being the Independent Financial Adviser, has been appointed as independent financial adviser to provide its opinion on the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder) to the Independent Board Committee, the Independent Unitholders and the Trustee. Your attention is drawn to the “Letter from the Independent Financial Adviser in relation to the 2014 Modified and Extended Waivers” set out in this circular. The Independent Financial Adviser confirms that it is of the view that having considered the principal factors and reasons stated in its above letter, (i) the connected party transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

VI. Opinion of the Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder). Your attention is drawn to the “Letter from the Independent Board Committee in relation to the 2014 Modified and Extended Waivers” set out in this circular. Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that (i) the connected party transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

LETTER FROM THE BOARD

The Independent Board Committee therefore recommends that the Independent Unitholders to vote at the EGM in favour of the Ordinary Resolutions to approve the 2014 Modified and Extended Waivers (including the Extended Annual Caps).

VII. Recommendation of the Board

Having regard to the reasons for, the scope of and the waiver terms and conditions for the 2014 Modified and Extended Waivers and the Extended Annual Caps, the Board considers that:

- (a) the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of Hui Xian REIT and the Independent Unitholders as a whole;
- (b) for those relevant connected party transactions which were subsisting as at the Latest Practicable Date, each such transaction has been entered into: (i) in the ordinary and usual course of business of Hui Xian REIT (or its predecessors, as the case may be); and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole; and
- (c) for those relevant connected party transactions which will be entered into after the Latest Practicable Date, each such transaction will be (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Having regard to the reasons for, the scope of and the waiver terms and conditions for the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver, the Board also confirms that:

- (a) the waiver is fair and reasonable so far as the Independent Unitholders are concerned and in the interests of the Unitholders as a whole;
- (b) it is satisfied with the internal control procedures of the Manager with respect to the independence of the Manager's operation vis-à-vis the other functions and activities of the CITIC Securities Group;
- (c) each CITIC Securities Corporate Finance Transaction shall be entered into in the ordinary course of business of Hui Xian REIT, on normal commercial terms at arm's length and in the interests of the Unitholders and the Independent Unitholders as a whole.

The Board therefore recommends that the Independent Unitholders to vote at the EGM in favour of the Ordinary Resolutions to approve the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder).

Based on (1) the information and assurances provided by the Manager; (2) the opinion of the Independent Financial Adviser; and (3) the "Letter from the Independent Board Committee in relation to the 2014 Modified and Extended Waivers" set out in this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

LETTER FROM THE BOARD

Unitholders who are in any doubt as to the merits or impact of the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder) should seek their own financial or other professional advice.

(D) EXTRAORDINARY GENERAL MEETING

The EGM will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on Monday, 5 May 2014 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the Special Resolutions and the Ordinary Resolutions set out in the notice of the EGM, which is set out on pages N-1 to N-4 of this circular.

For the purpose of determining which Unitholders are entitled to attend and vote at the AGM and the EGM, the Unit Register will be closed from Tuesday, 29 April 2014 to Monday, 5 May 2014, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the AGM and the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 April 2014.

If you are a Unitholder on the Unit Register on Monday, 5 May 2014 (being the date fixed for the purposes of determining Unitholders' entitlement to vote at the AGM and the EGM), you can vote at the AGM and the EGM. You will find enclosed with this circular the notice of the EGM and a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed thereon, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

(E) GENERAL

So far as the Manager is aware, as at the Latest Practicable Date, none of the directors, senior executives and officers of the Trustee and their associates were beneficially interested in any Units.

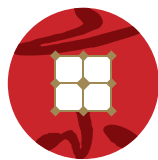
A copy of the Trust Deed is available for inspection at Unit 303, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, the place of business of the Manager, at all times during 9:00 a.m. to 5:00 p.m. (Hong Kong time) ("**Business Hours**") on any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is in effect in Hong Kong at any time during Business Hours) on which licensed banks are open for general business in Hong Kong ("**Business Day**"). A copy of the draft supplemental deed effecting the proposed amendments to the Trust Deed as mentioned in this circular is available for inspection at Unit 303, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, the place of business of the Manager, at all times during the Business Hours on any Business Day between the date of this circular and the date of the EGM (both dates inclusive).

LETTER FROM THE BOARD

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

By order of the board of directors of
Hui Xian Asset Management Limited
(as manager of Hui Xian Real Estate Investment Trust)
Kam Hing Lam
Chairman of the Manager

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN
RELATION TO THE 2014 MODIFIED AND EXTENDED WAIVERS**



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)

Managed by Hui Xian Asset Management Limited

31 March 2014

To the Independent Unitholders

Dear Sir or Madam,

**MODIFIED AND EXTENDED WAIVERS IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the 2014 Modified and Extended Waivers (and the Extended Annual Caps thereunder), details of which are set out in the “Letter from the Board” in the circular dated 31 March 2014 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Hercules Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2014 Modified and Extended Waivers (and the Extended Annual Caps thereunder), in particular as to (1) whether the transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business and whether the terms of which are at arm’s length and on normal commercial terms, and (2) whether the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole. Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser in relation to the 2014 Modified and Extended Waivers”, the text of which is contained in the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Hercules Capital Limited, we consider that (i) the transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of Hui Xian REIT and the Independent Unitholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN
RELATION TO THE 2014 MODIFIED AND EXTENDED WAIVERS**

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions to approve the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder).

Yours faithfully,
Independent Board Committee

Hui Xian Asset Management Limited
(as the manager of Hui Xian Real Estate Investment Trust)

Cheng Hoi Chuen, Vincent

Lee Chack Fan

Choi Koon Shum, Jonathan

Independent non-executive Directors

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN
RELATION TO THE 2014 MODIFIED AND EXTENDED WAIVERS**

The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2014 Modified and Extended Waivers.

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

31 March 2014

*To the Independent Board Committee,
the Independent Unitholders and the Trustee*

Dear Sirs,

**MODIFIED AND EXTENDED WAIVERS IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee with respect to the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder), details of which are set out in the Letter from the Board contained in the circular dated 31 March 2014 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions of Hui Xian REIT, including the Initial CITIC/BOC Corporate Finance Transactions Waivers and the Initial Cheung Kong/Manager Waivers, for a period up to and including 31 December 2013. Subsequently, the scope and annual caps of the Initial Cheung Kong/Manager Waivers were modified and the waiver periods thereof were extended to 31 December 2014 with the approval of the Unitholders.

The Initial CITIC/BOC Corporate Finance Transactions Waivers expired on 31 December 2013 and the 2012 Cheung Kong/Manager Waivers will expire on 31 December 2014. The Manager expects that the continuing connected party transactions under the Initial CITIC/BOC Corporate Finance Transactions Waivers and the 2012 Cheung Kong/Manager Waivers may be conducted from time to time in the future and thus has made a submission to the SFC, and proposes to seek the approval from the Independent Unitholders, to modify the Initial CITIC/BOC Corporate Finance Transactions Waivers to cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group from time to time, including without limitation any proposed acquisition or disposal of Real Estate by the Hui Xian REIT Group, to extend the Initial CITIC/BOC Corporate Finance Transactions Waivers and the 2012

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Cheung Kong/Manager Waivers for a further period up to, and including, 31 December 2016 and 31 December 2017 respectively, and to set the new annual caps for the Cheung Kong/Manager Connected Party Transactions under such extended waivers.

By virtue of the material interests of the Cheung Kong Connected Persons Group, the Manager Group, the CITIC Securities Connected Persons Group and the BOC Connected Persons Group in the relevant 2014 Modified and Extended Waiver(s), (i) the Cheung Kong Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2014 Extended Cheung Kong Waiver; (ii) the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2014 Extended Manager Waiver; (iii) the CITIC Securities Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver; and (iv) the BOC Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended BOC Corporate Finance Transactions Waiver in accordance with the REIT Code and the Trust Deed.

The Independent Board Committee, comprising all INEDs, namely Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders in respect of the fairness and reasonableness of the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder). We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2014 Modified and Extended Waivers, in particular as to whether the connected party transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT, at arm's length and on normal commercial terms, and whether the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Hercules Capital Limited is independent of (i) the Hui Xian REIT Group; (ii) the Trustee; (iii) the Manager Group; (iv) the Cheung Kong Connected Persons Group; (v) the CITIC Securities Connected Persons Group; (vi) the BOC Connected Persons Group; and (vii) Hui Xian Cayman and Hui Xian Holdings, the significant Unitholders, and their respective associates. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the aforementioned parties.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Manager and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Manager and the Directors, collectively and individually, accepted full responsibility for the accuracy of the information contained in the Circular and confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading.

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we have reviewed include, among others, the Offering Circular, the latest interim and annual reports of Hui Xian REIT, agreements entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group and the Manager Group in relation to the Cheung Kong/Manager Connected Party Transactions, quotations and price lists provided by, and agreements entered into with, independent third parties in respect of transactions similar to the Cheung Kong/Manager Connected Party Transactions, the internal controls and compliance procedures contained in the compliance manual of the Manager for governing the Corporate Finance Transactions, the published documents of other listed real estate investment trusts and other market information such as Asia Pacific Property Digest Fourth Quarter 2013 and Property Times North China Q4 2013. We have no reasons to suspect that any material information has been withheld by the Manager, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Hui Xian REIT Group, the Manager and the related subjects of, and parties to, the transactions under the 2014 Modified and Extended Waivers. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the 2014 Modified and Extended Waivers and the Extended Annual Caps, we have considered the following principal factors and reasons:

1. Background of the 2014 Modified and Extended Waivers and transactions thereunder

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions of Hui Xian REIT, including the Initial CITIC/BOC Corporate Finance Transactions Waivers and the Initial Cheung Kong/Manager Waivers, for a period up to and including 31 December 2013 (details of which are more particularly set out in the section “Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission” in the 2011 Interim Report).

In view of the inclusion of the Shenyang Property in the property portfolio of Hui Xian REIT from January 2012 and in accordance with the waiver conditions of the Initial Cheung Kong/Manager Waivers, an Ordinary Resolution was passed by the Unitholders at the EGM held on 22 May 2012 for approving the following:

- (a) the modification of the Initial Cheung Kong/Manager Waivers so that they cover transactions and arrangements in respect of properties or companies in which Hui Xian REIT may directly or indirectly be interested;
- (b) the modification and revision of the annual caps for the years ended 31 December 2012 and 2013 for the relevant continuing connected party transactions under the Initial Cheung Kong/Manager Waivers (as modified); and
- (c) the extension of the Initial Cheung Kong/Manager Waivers for a period up to and including 31 December 2014, and the setting of new annual caps for the year ending 31 December 2014.

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The Initial CITIC/BOC Corporate Finance Transactions Waivers expired on 31 December 2013 and the 2012 Cheung Kong/Manager Waivers will expire on 31 December 2014. The Manager expects that the continuing connected party transactions under the Initial CITIC/BOC Corporate Finance Transactions Waivers and the 2012 Cheung Kong/Manager Waivers may be conducted from time to time in the future and thus has made a submission to the SFC, and proposes to seek the approval from the Independent Unitholders, save as disclosed in the Circular to modify the scope of the Initial CITIC/BOC Corporate Finance Transactions Waivers (as extended) so that the corporate finance transactions thereunder will cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group, and to extend the Initial CITIC/BOC Corporate Finance Transactions Waivers and the 2012 Cheung Kong/Manager Waivers for a further period up to, and including, 31 December 2016 and 31 December 2017 respectively, and to set the new annual caps for the Cheung Kong/Manager Connected Party Transactions under such extended waivers. If the waiver extension is granted by the SFC and approved by Independent Unitholders, the conditions of the Initial CITIC/BOC Corporate Finance Transactions Waivers and the 2012 Cheung Kong/Manager Waivers will continue to apply to Hui Xian REIT until the expiry date of the 2014 Modified and Extended Waivers. The waiver conditions of the 2014 Modified and Extended Waivers are set out in the “Letter from the Board” in the Circular.

The transactions under the 2014 Modified and Extended Waivers include (a) the leasing and licensing transactions in respect of properties of Hui Xian REIT (the “**Properties**”) (the “**Leasing and Licensing Transactions**”); (b) the property management and club facilities transactions in respect of the Properties or companies within the Hui Xian REIT Group (the “**Property Management and Club Facilities Transactions**”); (c) the usage of internet and telecommunication services (the “**Internet Service Transactions**”) between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand; and (d) the provision of corporate finance services by the CITIC Securities Group or the BOC Group to the Hui Xian REIT Group (the “**Corporate Finance Transactions**”), details of which are particularly set out in the Circular and summarised as follows:

(a) Leasing and Licensing Transactions

Leasing and Licensing Transactions include leasing and licensing transactions in respect of the Properties entered or to be entered into by the Hui Xian REIT Group on the one hand and the members of Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand.

(b) Property Management and Club Facilities Transactions

Property Management and Club Facilities Transactions include services provided or to be provided by the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) to the Hui Xian REIT Group in relation to property management, operation arrangements and marketing in respect of the Properties or companies within the Hui Xian REIT Group and any transaction in relation to the usage of club and other facilities of the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) by the Hui Xian REIT Group.

(c) Internet Service Transactions

Internet Service Transactions include internet and telecommunication services provided or to be provided by the Cheung Kong Connected Persons Group to the Hui Xian REIT Group.

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(d) Corporate Finance Transactions

For the purposes of the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver and the Modified and Extended BOC Corporate Finance Transactions Waiver, Corporate Finance Transactions mean:

- (A) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the CITIC Securities Group or the BOC Group (as the case may be) is involved in an underwriting or arranging capacity or acts as listing agent, placing agent, stabilising manager and/or financial adviser and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the CITIC Securities Group or the BOC Group (as the case may be);
- (B) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the Hui Xian REIT Group will finance the acquisition of real estate;
- (C) "financial advisory transactions", namely the provision of financial advisory services to the Hui Xian REIT Group relating to investments or proposed investments of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of Real Estate and excludes transactions set out in (A) and (B) above, provided that the aggregate fees that the CITIC Securities Group or the BOC Group (as the case may be) derived from all "financial advisory transactions" and "corporate advisory transactions" (as described in (D) below) conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT; and
- (D) "corporate advisory transactions", namely the provision of "corporate finance advice" to the Hui Xian REIT Group and excludes transactions set out in (A) and (B) above, provided that the aggregate fees that the CITIC Securities Group or the BOC Group (as the case may be) derived from all "corporate advisory transactions" and "financial advisory transactions" (as described in (C) above) conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT,

For the avoidance of doubt, "corporate finance advice" means advice concerning:

- (a) compliance with or in respect of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the REIT Code, the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Code on Share Buy-backs or The Hong Kong Code on Takeovers and Mergers;
- (b) (i) any offer to dispose of securities to the public, (ii) any offer to acquire securities from the public, or (iii) acceptance of any offer referred to in (i) or (ii), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

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The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the CITIC Securities Group or the BOC Group (as the case may be) acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with the Hui Xian REIT Group;
- (ii) where a collective investment scheme (including another real estate investment trust) transacts with the Hui Xian REIT Group, and a company within the CITIC Securities Group or the BOC Group (as the case may be) acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the CITIC Securities Group or the BOC Group (as the case may be); and
- (iii) where a member of the CITIC Securities Group or the BOC Group (as the case may be) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the CITIC Securities Group or the BOC Group (as the case may be) in Units on the Stock Exchange will not be a connected party transaction.

2. Reasons for the transactions under the 2014 Modified and Extended Waivers

Hui Xian REIT is a real estate investment trust formed to own and invest in high quality commercial properties in the PRC with the objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in its NAV per unit.

Given that the businesses of the Cheung Kong Connected Persons Group cover a wide range of industries, including retail, property management, hotel operation, telecommunications etc. and the Manager Group is principally engaged in asset and property management business, it is not unusual for Hui Xian REIT to conduct certain connected party transactions with the Cheung Kong Connected Persons Group and the Manager Group in its ordinary and usual course of business such as leasing or licensing of the Properties to the Cheung Kong Connected Persons Group and the Manager Group and using the property management, internet, telecommunication or other services provided by the Cheung Kong Connected Persons Group or the Manager Group.

As at the Latest Practicable Date, certain properties, including offices and retail shops, of the Hui Xian REIT Group were leased to the members of the Cheung Kong Connected Persons Group and the Manager Group. 北京東方廣場有限公司 (Beijing Oriental Plaza Company Limited) (“BOP”), an indirect owned special purpose vehicle of Hui Xian REIT which holds the land use rights and building ownership rights of Oriental Plaza, has also engaged members of the Cheung Kong Connected Persons Group to provide certain property management services in respect of Oriental Plaza, one of the major properties of the Hui Xian REIT Group. Furthermore, the Property Manager, a wholly-owned subsidiary of the Manager, is engaged by BOP to provide certain services relating to the operation, management and marketing of Oriental Plaza. Currently, BOP is also using the internet and telecommunication services of a member of the Cheung Kong Connected Persons Group in the ordinary and usual course of management and operation of Oriental Plaza. The Manager expected that the abovementioned Leasing and Licensing Transactions, Property Management and Club Facilities Transactions and Internet Service Transactions between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand would continue in the future so as to facilitate the daily operation and management of the Properties of the Hui Xian REIT Group.

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Since the listing date of Hui Xian REIT, no Corporate Finance Transactions have been carried out between the CITIC Securities Group or the BOC Group (as the case may be) on one hand and the Hui Xian REIT Group on the other hand save for the services provided by the CITIC Securities Group and/or the BOC Group to Hui Xian REIT during its initial public offering. However, as the Hui Xian REIT Group may have a practical need for professional corporate finance advices or other financing services or arrangements in respect of compliance or financing issues during its ordinary course of business from time to time and the relevant members of the CITIC Securities Group and/or the BOC Group have solid experiences and expertise in providing corporate finance services, the Manager considers that the Hui Xian REIT Group shall have a greater flexibility in its operations if it is allowed to select the corporate finance services from the CITIC Securities Group and/or the BOC Group as and when appropriate.

Having considered that (i) the businesses of the Cheung Kong Connected Persons Group and the Manager Group cover a great variety of industries and the entering into of the Cheung Kong/Manager Connected Party Transactions can facilitate the management and operation of the Hui Xian REIT Group; (ii) leasing of properties is one of the core businesses and major source of income of the Hui Xian REIT Group and the Leasing and Licensing Transactions shall contribute a stable and reliable income to the Hui Xian REIT Group; (iii) the relevant members of the Cheung Kong Connected Persons Group and the Manager Group have solid experiences and expertise in providing property management, operation and marketing services and the Property Management and Club Facilities Transactions can facilitate effective management of the Properties; (iv) the Hui Xian REIT Group has the practical need to use internet and telecommunication services from time to time in its ordinary and usual course of business and the Internet Service Transactions offer a greater flexibility for the Hui Xian REIT Group in the selection of such services by allowing the Hui Xian REIT Group to use the services of the Cheung Kong Connected Persons Group as and when appropriate; and (v) the Hui Xian REIT Group has the practical need to use corporate finance services from time to time in its ordinary and usual course of business and the Corporate Finance Transactions can offer a greater flexibility for the Hui Xian REIT Group in the selection of such services by allowing the Hui Xian REIT Group to use the services of the CITIC Securities Group and the BOC Group as and when appropriate, we consider that the proposed connected party transactions under the 2014 Modified and Extended Waivers are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group and are reasonable, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

3. Major terms of the connected party transactions under the 2014 Modified and Extended Waivers

(a) Leasing and Licensing Transactions

According to the 2014 Extended Cheung Kong Waiver and the 2014 Extended Manager Waiver being sought from the SFC, the Leasing and Licensing Transactions should be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions should be on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms available to or from, as appropriate, independent third parties.

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As at the Latest Practicable Date, certain rentable areas of the Properties were leased to the Cheung Kong Connected Persons Group and the Manager Group. The Manager confirmed that the Leasing and Licensing Transactions were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms.

We have reviewed selected samples of the tenancy agreements entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) and compared their terms with those of the tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of similar Properties and noted that the major terms, such as rental, building management fee, tenure and rental deposit offered to the Cheung Kong Connected Persons Group and the Manager Group were in general similar and comparable to those for the independent third parties.

In view of the above, we consider that the terms of the Leasing and Licensing Transactions carried out in the past were fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Leasing and Licensing Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles and internal control procedures are consistently applied by the management of Hui Xian REIT in determining the terms of such transactions.

(b) Property Management and Club Facilities Transactions

(i) Transactions with the Cheung Kong Connected Persons Group

As at the Latest Practicable Date, two subsidiaries of Cheung Kong were engaged by BOP to provide property management services in respect of Oriental Plaza (other than Grand Hyatt Beijing at Oriental Plaza).

The Manager confirmed that the Property Management and Club Facilities Transactions in respect of the services provided by the Cheung Kong Connected Persons Group were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms.

We understand from the Manager that no agreements have been entered into by Hui Xian REIT with independent third parties regarding property management services and/or club facilities arrangement up to the Latest Practicable Date. However, a quotation was obtained from an independent third party in respect of property management services for Oriental Plaza. We have reviewed the property management agreements entered into between Hui Xian REIT and the Cheung Kong Connected Persons Group and compared the property management fee to that of the quotation obtained from the independent third party. We noted that the contract for property management services was awarded to the lowest bid with similar terms. In light of the above, we are of the opinion that the terms of the Property Management and Club Facilities Transactions carried out with the Cheung Kong Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned.

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(ii) Transactions with the Manager Group

Pursuant to the Operations Management Agreement, the Property Manager was engaged by BOP to provide certain services relating to the operation, management and marketing of Oriental Plaza (other than Grand Hyatt Beijing in Oriental Plaza). The Property Manager receives a fee of 1% per annum of net property income (before deduction therefrom of the variable fee and the property management fee) and the Property Manager is reimbursed by BOP for certain expenses incurred in relation to its provision of services to BOP, including certain costs in respect of the employees of the Property Manager engaged solely and exclusively for the provision of its services relating to Oriental Plaza to BOP.

The Manager confirmed that the Property Management and Club Facilities Transactions in respect of property management services provided by the Manager Group were and would be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions would be on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms available from/to independent third parties.

We have reviewed the terms of similar transactions regarding the property management services of other listed real estate investment trusts and noted that the terms vary among the listed real estate investment trusts with a typical adopted rate of 3% per annum of gross property revenue. Given the rate of 1% per annum of net property income charged by the Manager Group is no less favourable than those adopted by other listed real estate investment trusts, we are of the opinion that the terms of Property Management and Club Facilities Transactions carried out with the Manager Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Property Management and Club Facilities Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

(c) Internet Service Transactions

As at the Latest Practicable Date, BOP has used the internet and telecommunication services provided by a member of the Cheung Kong Connected Persons Group in the ordinary and usual course of management and operation of Oriental Plaza.

We have reviewed the service agreement entered into between the Hui Xian REIT Group and the member of the Cheung Kong Connected Persons Group and compared their terms with those of the service agreements entered into between the Hui Xian REIT Group and independent third parties in respect of internet and telecommunication services and noted that the terms were no less favorable than those for the independent third parties. Given the above, we are of the opinion that the terms of the Internet Service Transactions carried out with the Cheung Kong Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Internet Service Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

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Given all the factors mentioned above, we consider that the terms of the Cheung Kong/Manager Connected Party Transactions are fair and reasonable and on normal commercial terms so far as the Independent Unitholders are concerned and in the interest of Hui Xian REIT and the Unitholders as a whole.

(d) Corporate Finance Transactions

Since the listing date of Hui Xian REIT, no Corporate Finance Transactions have been carried out between the CITIC Securities Group or the BOC Group (as the case may be) on one hand and the Hui Xian REIT Group on the other hand save for the services provided by the CITIC Securities Group and/or the BOC Group to Hui Xian REIT during its initial public offering.

In supporting the application for the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver, the INEDs have undertaken with the SFC, on an on-going basis, that (i) the Corporate Finance Transactions with the CITIC Securities Group would be carried out at arm's length on normal commercial terms and in the interests of the Unitholders as a whole; (ii) the Manager would implement internal controls and compliance procedures to ensure that the Corporate Finance Transactions with the CITIC Securities Group were regularly monitored and undertaken on terms in compliance with the REIT Code; (iii) the INEDs were satisfied with the Manager's internal controls and compliance procedures to ensure that the operation of the Manager was independent of other banking, financial services and other business functions and operations of the CITIC Securities Group; and (iv) the Manager incorporated provisions in the Trust Deed that required the Trustee to take actions or commence proceedings on behalf of Hui Xian REIT as necessary to protect the interest of the Unitholders (including against the Manager or its connected persons in relation to any transaction or agreement entered into for and on behalf of Hui Xian REIT with such person).

We have reviewed the compliance manual of the Manager, which contains the internal controls and compliance procedures for use in relation to the management and operation of Hui Xian REIT, and were satisfied that such internal controls and compliance procedures were adequate for ensuring that the Corporate Finance Transactions would be regularly monitored and undertaken on terms in compliance with the REIT Code. We were also confirmed by the Manager that the aforementioned internal controls and compliance procedures were implemented and followed by the Manager throughout the period of the Initial CITIC/BOC Corporate Finance Transactions Waivers. In the presence of the abovementioned internal controls and compliance procedures, we are of the view that the Corporate Finance Transactions to be carried out by the Hui Xian REIT Group would be properly governed and the interests of the Independent Unitholders under the Corporate Finance Transactions would be safeguarded. We also believe that the terms of the Corporate Finance Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders based on the above.

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4. Bases of the Extended Annual Caps

The historical transaction amounts and the Extended Annual Caps for each of the Cheung Kong/Manager Connected Party Transactions are summarised as follows:

Table 1 — Historical transaction amounts and Extended Annual Caps for the Continuing Connected Party Transactions

	Historical Transaction Amounts			Extended Annual Caps		
	For the year ended		For the	For the year ending 31 December		
	31 December	2013	two months	2015	2016	2017
	2012		ended			
	RMB'000	RMB'000	28 February	RMB'000	RMB'000	RMB'000
			2014			
			RMB'000			
Leasing and Licensing Transactions						
— the Cheung Kong Connected Persons Group	34,179	32,761	5,465	113,300	113,300	113,300
— the Manager Group	261	323	57	500	550	600
Property Management and Club Facilities Transactions						
— the Cheung Kong Connected Persons Group	12,613	13,846	2,869	32,500	35,000	37,500
— the Manager Group	32,708	30,297	5,865	51,000	56,000	61,000
Internet Service Transactions						
— the Cheung Kong Connected Persons Group	3,594	341	56	7,500	7,500	7,500

(a) Leasing and Licensing Transactions

(i) Transactions with the Cheung Kong Connected Persons Group

The Extended Annual Caps for the Leasing and Licensing Transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group mainly comprise the rental and building management fee receivable from the Cheung Kong Connected Persons Group. According to the Manager, the Extended Annual Caps for the Leasing and Licensing Transactions were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and the possible new leasing and licensing of the Properties which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

We noted that the Extended Annual Cap of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group for each of the three years ending 31 December 2017 was smaller than the approved annual cap of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group for the year ending 31 December 2014 under the 2012 Cheung Kong Waiver while it represents approximately 346% of the annualised historical transaction amount for the year ending 31 December 2014. We were advised by the Manager that the transaction amount of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group for the three years ending 31 December 2017 might be much higher than the annualised historical transaction amount for the year ending 31 December 2014 as certain leases or licenses of premises in Oriental Plaza with independent third parties would expire in 2014 and 2015, and there was a possibility that the Cheung Kong

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Connected Persons Group would lease or license such premises upon the expiry of the tenancy agreements with the independent third parties. The Manager also anticipated that premises in the Shenyang Property might be leased or licensed to the Cheung Kong Connected Persons Group in the coming years. It is expected that the transaction amount to be derived from new leases with the Cheung Kong Connected Persons Group (including those transactions for leases and licenses of the premises in the Shenyang Property) might boost the total transaction amount of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group by approximately RMB41 million, RMB38 million and RMB34 million for the year ending 31 December 2015, 2016 and 2017 respectively. The Manager has also taken into account the possible increase in rental during the relevant period. The Manager assumed that the rental would increase by 20% in each biennial renewal while the management fee and miscellaneous fees charged to the tenants would increase by 10% annually. As a result, the rental income together with the management fee and miscellaneous fees to be generated from the existing tenancies were expected to increase by 10% annually. A buffer of approximately 30% for contingencies such as unforeseeable market fluctuations is also budgeted for the Extended Annual Caps for the three years ending 31 December 2017.

We have reviewed the tenancy expiry profile of the Properties and the tenancy information provided by the Manager and noted that the leases or licenses with independent third parties for premises with total area of over 250,000 square meters would expire in 2014 and 2015 and the leasing and licensing income receivable from such premises under the current leases and licenses amounted to over RMB1 billion per annum. Given the abovementioned, we consider that the inclusion of the possible new leases with the Cheung Kong Connected Persons Group in the Extended Annual Caps for the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group is reasonable.

Furthermore, given the extensive jurisdictions and industries that the Cheung Kong Connected Persons Group are involved in, the Manager has taken into account the fact that some of the existing third party tenants may be acquired or merged by/with member(s) of the Cheung Kong Connected Persons Group and some of the leasing and licensing transactions with those parties may become connected party transactions at any time. In view of the above, we consider that it is reasonable for Hui Xian REIT to include a contingency buffer for possible leases with the Cheung Kong Connected Persons Group arising from potential expansion of the Cheung Kong Connected Persons Group.

We have also reviewed the Asia Pacific Property Digest Fourth Quarter 2013 issued by Jones Lang LaSalle in February 2014 (the “**APPD Report**”) and noted that the demand of office premises in finance street submarket in Beijing remained strong which led to a strong rental growth in this submarket in the fourth quarter of 2013 while most other submarkets recorded rental declines. The overall net effective office rents, based on gross floor area, in Beijing for the fourth quarter of 2013 was RMB341 per square meter per month, representing a quarter-on-quarter (“**q-o-q**”) increase of approximately 1.5%. On the other hand, the new supply in the central business district had pushed the vacancy rate higher by 1.3% to 5% in spite of the uptick in net absorption which reached 61,600 square meters in the fourth quarter of 2013. According to the APPD Report, the downward trend in most submarkets appeared to be decelerating and many were expected to be near the bottom of the trough. Therefore, not much further downside risk in the overall Beijing office market was expected in 2014 as any slack in demand from international firms would likely be taken up by domestic companies. DTZ Research, an independent research

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company focuses on worldwide real estate markets, also indicated in its report titled “Property Times North China Q4 2013” and published in February 2014 that the office rental of Grade-A offices in Beijing was expected to further increase while the vacancy rate would go opposite in 2014.

The APPD Report also revealed that the demand for prime retail space remained strong in Beijing. The vacancy rate in the core market decreased further by 1.5% q-o-q to 4% in the fourth quarter of 2013, the second lowest level since the first quarter of 2000. During the fourth quarter of 2013, two new shopping centers entered the urban leasing market in Beijing. The spot rental growth was pulled down by low asking rents at newly completed projects as the landlord of the new shopping centers followed a low-rent strategy so as to achieve a high occupancy rate upon opening. However, the reduction in leasable stock has led to sustained rental growth, particularly in the core market. The net effective rents rose by 1.2% q-o-q and 2.3% q-o-q in the urban and core markets respectively. The APPD Report also stated that the supply of retail space in Beijing was expected to rebound in 2014 with the completion of eight shopping centers, which would potentially push up the vacancy rate by year-end. However, retail sales growth was expected to maintain the accelerated pace achieved in late 2013. Accordingly, rental rates of both urban and core markets were expected to continue with the increasing trend in 2014.

According to the APPD Report, the citywide serviced apartment vacancy rate in Beijing declined 0.4% q-o-q to 9.1% in the fourth quarter of 2013. The overall serviced apartment rents remained largely flat while luxury apartment rents increased 0.3% q-o-q. Although no new serviced apartments were scheduled to enter the leasing market in Beijing in 2014, a temporary upward pressure on serviced apartment vacancy rates was anticipated as two projects with 430 units were expected to return to the leasing market following refurbishment. Therefore, rental growth of serviced apartments was expected to be moderate until there was a solid rebound in leasing demand.

Besides, we have reviewed the renewal contracts of certain existing leases entered into between the Hui Xian REIT group and the Cheung Kong Connected Persons Group and noted that annual increment of approximately 10% in management fee and miscellaneous fees and increment of over 20% in rental for lease renewals were common in renewal transactions in the past. Based on the above, we consider that it is reasonable for the Manager to take into account the possible increase in rental in determination of the Extended Annual Caps.

We have reviewed the range of buffer of some other listed real estate investment trusts and noted that a buffer range of 25% to 33% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 30% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer proposed by Hui Xian REIT is reasonable.

Having taken into account all the abovementioned factors, we consider that the basis for the Extended Annual Caps of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group is fair and reasonable and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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(ii) Transactions with the Manager Group

The Extended Annual Caps for the Leasing and Licensing Transactions mainly comprise the rental and building management fee receivable from the Manager Group. Such Extended Annual Caps were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

Having taken into account the anticipated growth in rental, the Manager expected that the transaction amount for the Leasing and Licensing Transactions in respect of the Manager Group for the three years ending 31 December 2017 would increase at an annual growth rate of approximately 10%. Furthermore, a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations was included in the Extended Annual Caps for the three years ending 31 December 2017.

Based on the aforementioned market analysis and reasons explained by the Manager for the increases in the proposed annual caps, we consider that the incorporation of an annual growth rate of approximately 10% and the inclusion of a contingency buffer of 30% in the Extended Annual Caps in respect of the Leasing and Licensing Transactions with the Manager Group for the three years ending 31 December 2017 are justifiable and the Extended Annual Caps for the Leasing and Licensing Transactions with the Manager Group are fair and reasonable so far as the Independent Unitholders are concerned.

(b) Property Management and Club Facilities Transactions

(i) Transactions with the Cheung Kong Connected Persons Group

According to the Manager, the Extended Annual Caps for the Property Management and Club Facilities Transactions with the Cheung Kong Connected Persons Group were determined with general reference to the historical transaction amounts and were based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

The Manager expected that the transaction amount for the existing Property Management and Club Facilities Transactions in respect of the Cheung Kong Connected Persons Group would increase with an annual growth rate of approximately 10% for the three years ending 31 December 2017 after taking into account the general inflation in the PRC and the historical growth rate of the Property Management and Club Facilities Transactions in the past two years. In deriving the proposed Extended Annual Caps, the Manager assumed that an increase of approximately RMB6 million in transaction amount in each of the three years ending 31 December 2017 might be resulted from potential increase in scope of services of the existing contracts, which accounts for approximately 35% of the annualised historical transaction amount of the Property Management and Club Facilities Transactions in respect of the Cheung Kong Connected Persons Group for the year ending 31 December 2014. Furthermore, a buffer of 30%

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for contingencies such as unforeseeable market fluctuations is budgeted in the Extended Annual Cap of the Property Management and Club Facilities Transactions for each of the three years ending 31 December 2017.

We noted that there was an increase of approximately 10% in the historical transaction amount of the Property Management and Club Facilities Transactions for the year ended 31 December 2013 as compared to the previous year and the annualised transaction amount of the Property Management and Club Facilities Transactions for the year ending 31 December 2014 was approximately 24% higher than the actual transaction amount for the year ended 31 December 2013. Furthermore, according to the information published by National Bureau of Statistics of the PRC, the inflation rate of China was in the range of approximately 1.4% to 5.0% for the five years ended 31 January 2014. Having taken into account the effect of general inflation in the PRC and the actual growth rate in the historical transaction amount of the Property Management and Club Facilities Transactions for the two years ending 31 December 2014, we are of the view that it is reasonable to include a growth factor of approximately 10% for the existing contracts in relation to the Property Management and Club Facilities Transactions for the three years ending 31 December 2017.

Given the continuous increasing demand of additional management services from the tenants, we consider that it is reasonable for Hui Xian REIT to include a budget in the Extended Annual Caps to cater for a potential increase in scope of services for the existing contracts.

We have also reviewed the range of contingency buffer of some other listed real estate investment trusts and noted that a buffer in the range of 25% to 33% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 30% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer proposed by Hui Xian REIT is reasonable.

In view of the above, we consider the Extended Annual Caps for Property Management and Club Facilities Transactions with the Cheung Kong Connected Persons Group are fair and reasonable so far as the Independent Unitholders are concerned.

(ii) Transactions with the Manager Group

The Extended Annual Caps for the Property Management and Club Facilities Transactions with the Manager Group were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible occasional increase in expenses and possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

The Manager expected that the transaction amounts for the existing Property Management and Club Facilities Transactions in respect of the Manager Group would increase with an annual growth rate of approximately 10% for the three years ending 31 December 2017 after taking into account the general inflation in the PRC and the anticipated increase in net property income of the Properties. Furthermore, a buffer of 30% for contingencies such as unforeseeable market fluctuations is budgeted in the Extended Annual Cap of the Property Management and Club Facilities Transactions for each of the three years ending 31 December 2017.

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We noted that the historical transaction amount of Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2013 decreased by approximately 7% as compared to the previous year while the annualised transaction amount for the year ending 31 December 2014 was approximately 16% higher than the actual transaction amount for the year ended 31 December 2013. The Manager explained to us that the decrease in transaction amount for the year ended 31 December 2013 was mainly attributable to the incidental decrease in reimbursement to the Manager Group of certain expenses incurred in relation to the provision of property management services to BOP during 2013. The Manager considered that the decrease in transaction amount of Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2013 was incidental and the growth in transaction amounts shall resume in the coming years. As discussed in the previous section, the net effective rent for both commercial and retail premises in Beijing is expected to continue its rising trend in the near future although the growth rate may have slowed down recently. Therefore, we concur with the Manager's view that the net property income of the Properties as well as the property management fee to be charged by the Manager Group under the Property Management and Club Facilities Transactions might increase in the coming years.

Having taken into account the effect of general inflation in the PRC and the anticipated increase in net property income of the Properties, we are of the view that it is reasonable to include a growth factor of approximately 10% for the existing contracts in relation to the Property Management and Club Facilities Transactions for the three years ending 31 December 2017.

We have reviewed the range of contingency buffer of some other listed real estate investment trusts and noted that a buffer in the range of 25% to 33% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 30% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer proposed by Hui Xian REIT is reasonable.

Having considered the anticipated increase in the net property income of the Properties, the general inflation in the PRC as well as the possibility of having new Property Management and Club Facilities Transactions to be entered into between the Hui Xian REIT Group and the Manager Group, we consider the Extended Annual Caps for Property Management and Club Facilities Transactions with the Manager Group are fair and reasonable so far as the Independent Unitholders are concerned.

(c) *Internet Service Transactions*

According to the Manager, the Extended Annual Caps for the Internet Service Transactions were determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses at an annual growth rate of approximately 5%, and possible new internet and telecommunication services which may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group, and the inclusion of a buffer of approximately 30% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2017.

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We noted that the amounts of Extended Annual Caps for the Internet Service Transactions for the three years ending 31 December 2017 were the same as the original annual caps granted under the 2012 Cheung Kong Waiver but substantially higher than the annualised transaction amount of the Internet Service Transactions for the year ending 31 December 2014. According to the Manager, certain service contracts entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group in relation to the provision of internet and telecommunication services in Oriental Plaza by a member of the Cheung Kong Connected Persons Group expired in 2012 and such service contracts were granted to certain independent service providers subsequently. Therefore, the actual transaction amount for the Internet Service Transactions with the Cheung Kong Group for the year ended 31 December 2013 and two months ended 28 February 2014 decreased substantially as compared to the year ended 31 December 2012. The Manager advised us that the subject service contracts would expire starting from 2014 and they would be subject to tender after expiration of their current term of services. The Manager expected that the Cheung Kong Connected Persons Group might participate in the tender and there was a possibility that the Cheung Kong Connected Persons Group might be successful in bidding the tender. Therefore, the Manager has included approximately RMB5 million in the Extended Annual Caps for the Internet Service Transactions for each of the three years ending 31 December 2017 to cater for the possible new contract to be signed with the Cheung Kong Connected Persons Group in relation to the internet services in Oriental Plaza and expansion in scope of services. Such figure was determined with reference to the actual historical transaction amount of Internet Service Transactions with the Cheung Kong Connected Persons Group for the year ended 31 December 2011, which amounted to approximately RMB5.5 million.

In view of the possibility that new Internet Service Transactions may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group and the effect of general inflation in the PRC, we consider the Extended Annual Caps for Internet Service Transactions fair and reasonable so far as the Independent Unitholders are concerned.

In conclusion, having taken into account the above analysis, we are of the view that the Extended Annual Caps of each of the Cheung Kong/Manager Connected Party Transactions proposed by the Board are fair and reasonable so far as the Independent Unitholders are concerned.

5. Waiver conditions

According to the waivers being sought by Hui Xian REIT, the transactions under the 2014 Modified and Extended Waivers are subject to certain review requirements, the details of which are set out in the Letter from the Board contained in the Circular. We are of the view that those review requirements can provide appropriate measures to govern the Manager in carrying out the relevant transactions and safeguard the interests of the Independent Unitholders.

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RELATION TO THE 2014 MODIFIED AND EXTENDED WAIVERS**

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the connected party transactions under the 2014 Modified and Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms; and (ii) the 2014 Modified and Extended Waivers and the Extended Annual Caps (and the basis of the Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we ourselves also recommend the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2014 Modified and Extended Waivers (including the Extended Annual Caps thereunder) at the upcoming EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

Managed by Hui Xian Asset Management Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “**Unitholders**”) of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on Monday, 5 May 2014 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for considering and, if thought fit, passing, with or without modification, the following resolutions, of which resolution nos. (1) to (4) are intended to be proposed as special resolutions, and resolutions nos. (5) to (8) are intended to be proposed as ordinary resolutions:

SPECIAL RESOLUTIONS

(1) “**THAT:**

- (a) Pursuant to Clause 10.2.4 of the trust deed dated 1 April 2011 constituting Hui Xian REIT (as amended by a supplemental deed dated 24 May 2013) (the “**Trust Deed**”), approval be and is hereby granted for the investment policy and strategies of Hui Xian REIT to be amended so as not to contain any geographical restrictions;
- (b) Pursuant to Clause 26.1 of the Trust Deed, approval be and is hereby granted for Clause 10.2.2 of the Trust Deed to be amended by replacing the words “in the PRC” with the words “in any part of the world, including but not limited to, the PRC”; and
- (c) Hui Xian Asset Management Limited as the manager of Hui Xian REIT (the “**Manager**”), any director of the Manager and DB Trustees (Hong Kong) Limited as the trustee of Hui Xian REIT (the “**Trustee**”) each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters referred to in paragraphs (a) and (b) above.”

(2) “**THAT:**

- (a) Pursuant to Clause 26.1 of the Trust Deed, approval be and is hereby granted for the amendment of Clause 11.4.2 of the Trust Deed, by (i) replacing the words “90%” with the words “a percentage not less than 90% and not more than 100%” and (ii) replacing the words “is any

NOTICE OF EXTRAORDINARY GENERAL MEETING

additional amount (including capital), which the Manager has determined is to be distributed” with the words “is any additional amount (including capital) to be distributed as determined by the Manager”; and

- (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) above.”
- (3) **“THAT:**
- (a) Pursuant to Clause 26.1 of the Trust Deed, approval be and is hereby granted for the amendment of Clause 11.4.2 of the Trust Deed, by adding the word “of” immediately before the words “the Annual Distributable Income”; and
 - (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraph (a) above.”
- (4) **“THAT:**
- (a) Pursuant to Clause 26.1 of the Trust Deed, approval be and is hereby granted for the amendment of Clause 11.4.1 of the Trust Deed, by replacing the words “is any additional amount (including capital), which the Manager has determined is to be distributed” with the words “is any additional amount (including capital) to be distributed as determined by the Manager”;
 - (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the amendments of the Trust Deed referred to in paragraphs (a) and (b) above.”

ORDINARY RESOLUTIONS

- (5) **“THAT:**
- (a) the 2014 Extended Cheung Kong Waiver and the Extended Annual Caps thereunder (each as defined and described in the circular of Hui Xian REIT dated 31 March 2014 (the “**Circular**”)) be and are hereby approved; and
 - (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

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(6) “**THAT:**

- (a) the 2014 Extended Manager Waiver and the Extended Annual Caps thereunder (each as defined and described in the Circular) be and are hereby approved; and
- (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

(7) “**THAT:**

- (a) the Modified and Extended CITIC Securities Corporate Finance Transactions Waiver (as defined and described in the Circular) be and are hereby approved; and
- (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

(8) “**THAT:**

- (a) the Modified and Extended BOC Corporate Finance Transactions Waiver (as defined and described in the Circular) be and is hereby approved; and
- (b) the Manager, any director of the Manager and the Trustee each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

By order of the board of directors of
Hui Xian Asset Management Limited
(as manager of Hui Xian Real Estate Investment Trust)
Mak Sum Wun, Simmy
Company Secretary

Hong Kong, 31 March 2014

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Unitholder entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. The person appointed to act as proxy or corporate representative need not be a Unitholder.
2. In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) and, in such event, the instrument appointing the proxy shall be deemed to be revoked.
3. Where there are joint registered Unitholders of a Unit, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint registered Unitholders and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Unitholders in respect of such Unit.
4. For the purpose of determining which Unitholders are entitled to attend and vote at the EGM and the annual general meeting of Hui Xian REIT to be held on 5 May 2014, the Register of Unitholders of Hui Xian REIT will be closed from 29 April 2014 (Tuesday) to 5 May 2014 (Monday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the EGM, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 April 2014 (Monday).
5. The voting of the above special resolutions and the above ordinary resolutions at the EGM will be taken by way of poll. On a poll votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or by proxy shall have one vote for every Unit of which he is the Unitholder.

As at the date of this notice, the board of directors of the Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Cheung Ling Fung, Tom and Mr. Lee Chi Kin, Casey (executive Directors); Mr. Ip Tak Chuen, Edmond, Mr. Lim Hwee Chiang and Mr. Yin Ke (with Mr. Pang Shuen Wai, Nichols being his alternate director)(non-executive Directors); and Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan (independent non-executive Directors).