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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 SCOPE OF
THE INVESTMENT POLICY OF HUI XIAN REIT
(2) PROPOSED MODIFICATION OF MANAGER'S
VARIABLE FEE STRUCTURE
(3) OTHER MISCELLANEOUS PROPOSED AMENDMENTS
TO THE TRUST DEED
AND
(4) CLOSURE OF REGISTER OF UNITHOLDERS**

The Manager proposes to seek Unitholders' approval at the AGM of the following amendments to the Trust Deed:

- (1) to expand the investment scope of Hui Xian REIT and to make related amendments to the Trust Deed so that it shall have the flexibility to engage in or undertake Property Development and Related Activities and to invest in Relevant Investments; and
- (2) to allow the application of the existing variable fee structure adopted in connection with Beijing Oriental Plaza to all real estates of Hui Xian REIT where the Property Manager in respect of such real estate is a wholly-owned subsidiary of the Manager.

In addition to the proposed amendments mentioned in (1) and (2) above which require Unitholders' approval, the Manager also proposes to adopt the Clarification Amendments and Miscellaneous Amendments, which do not require Unitholders' approval.

Details of the above amendments are set out in the Circular which is expected to be despatched together with the AGM Notice and the form of proxy for the AGM to the Unitholders on Wednesday, 1 April 2015. The AGM will be held at 12:00 noon on Monday, 11 May 2015 at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong. In order to determine the entitlement of Unitholders to attend and vote at the AGM, the register of Unitholders will be closed from Wednesday, 6 May 2015 to Monday, 11 May 2015, both days inclusive, during which period no transfer of Units will be effected.

1. PROPOSED EXPANSION OF THE SCOPE OF THE INVESTMENT POLICY OF HUI XIAN REIT

A. Background

In January 2014, the SFC proposed amendments to the REIT Code to allow REITs to undertake property development and related activities and invest in certain financial instruments. Such proposals gained majority support and the REIT Code Amendments became effective from 29 August 2014. As a result of the REIT Code Amendments, more flexibility has been introduced to REITs with respect to their investment in properties under development or engagement in property development and related activities as well as to allow REITs to invest in listed securities, unlisted debt securities, government and other public securities and property funds, subject to, inter alia, the REIT Code restrictions summarized in the section headed “*1. Proposed Expansion of the Scope of the Investment Policy of Hui Xian REIT — F. Restrictions Under the REIT Code*” below.

B. Expanded Investment Scope Regarding Property Development and Related Activities

Currently, the investment policy and objectives of Hui Xian REIT only allows the Manager to acquire uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment. The Manager is of the view that providing Hui Xian REIT with greater flexibility by expanding its investments scope to include Property Development and Related Activities is beneficial to Hui Xian REIT and the Unitholders as a whole. In particular, the Manager is of the view that allowing Hui Xian REIT to undertake Property Development and Related Activities would benefit Hui Xian REIT as follows:

- (a) Hui Xian REIT will be able to invest in a property project at an early stage, thereby taking advantage of a lower purchase price closer to “at-cost” pricing.
- (b) Investment in a property development project as opposed to acquiring a developed property would allow Hui Xian REIT to have better control over the design and specification of the property such that the final developed property would be in such form as would suit Hui Xian REIT’s investment strategy. Further, this will also avoid the need for Hui Xian REIT to incur additional cost for purpose of making modification to the design or specification of any property being acquired in order to be in line with Hui Xian REIT’s property investment parameters.

The Manager will ensure that before engaging in any Property Development and Related Activities, it will have competent and adequate staff with sufficient and appropriate skill, resources and expertise in place, either as part of its in-house skills or by way of out sourcing to a competent external party under its oversight, to manage the Property Development and Related Activities.

C. Expanded Investment Scope Regarding Relevant Investments

Currently, the investment policy and objectives of Hui Xian REIT does not include investing in Relevant Investments. The Manager is of the view that providing Hui Xian REIT with greater flexibility by expanding its investments scope to allow it to invest in Relevant Investments is beneficial to Hui Xian REIT and the Unitholders as a whole. In particular, this will enable the Manager to better manage Hui Xian REIT's cash position to enhance returns to Unitholders, especially when there are limited suitable property investment opportunities. Further, this will provide flexibility for Hui Xian REIT's financial planning, particularly at times when the interest rates for cash deposits are low.

The Manager will ensure that before investing in any Relevant Investments, it will have competent and adequate staff with sufficient and appropriate skill, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party under its oversight, to manage the Relevant Investments.

D. Unitholders' Approval Required

In order for Hui Xian REIT to be able to invest in (i) Property Development and Related Activities and (ii) Relevant Investments, Unitholders must first approve respectively, by way of Special Resolution in accordance with the Trust Deed, (i) the Expanded Investment Scope regarding Property Development and Related Activities and (ii) the Expanded Investment Scope regarding Relevant Investments. The Manager proposes to seek Unitholders' approval by way of Special Resolutions at the AGM approving the Expanded Investment Scope regarding Property Development and Related Activities and the Property Development Amendments and the Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments.

As at the date of this announcement, 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 on the Special Resolutions to be proposed at the AGM to approve the Expanded Investment Scope regarding Property Development and Related Activities and the Property Development Amendments and the Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments.

E. Board and Trustee's views

The Board considers that the proposed Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Amendments and the proposed Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments are in the interests of Hui Xian REIT and the Unitholders as a whole. The Trustee also has no objection to the Manager submitting the Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Amendments and the Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments for Unitholders' approval.

F. Restrictions Under the REIT Code

(1) As regards the Expanded Investment Scope regarding Property Development and Related Activities

The proposed Expanded Investment Scope regarding Property Development and Related Activities is subject to the REIT Code restrictions as summarised below:

- (a) at least 75% of the gross asset value of Hui Xian REIT shall be invested in real estate that generates recurrent rental income at all times;
- (b) the Total Development Costs shall not exceed 10% of the gross asset value (which, for the purpose of calculating the 10% GAV Cap, the gross asset value of the assets of Hui Xian REIT should not include the value of any investment properties under development) of Hui Xian REIT (the "**10% GAV Cap**") at any time;
- (c) investment in vacant land is prohibited unless the Manager can demonstrate that such investment is part-and-parcel of the Property Development and Related Activities and is within the investment objective or policy of Hui Xian REIT; and
- (d) investments in properties under the Property Development and Related Activities shall be held by Hui Xian REIT for a period of at least two years from the completion of such properties, unless the Unitholders approve the disposal of such investment by Special Resolution at a general meeting.

(2) As regards the Expanded Investment Scope regarding Relevant Investments

The proposed Expanded Investment Scope regarding Relevant Investments is subject to the REIT Code restrictions as summarised below:

- (a) the value of Hui Xian REIT's holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of the gross asset value of Hui Xian REIT;

- (b) the combined value of the Relevant Investments, together with other non-real estate assets of Hui Xian REIT, when aggregated with the Total Development Costs should not exceed 25% of the gross asset value of Hui Xian REIT (the “**25% Cap Limit**”) at any time;
- (c) at least 75% of the gross asset value of Hui Xian REIT shall be invested in real estate that generates recurrent rental income at all times;
- (d) the Relevant Investments should be sufficiently liquid, be capable of readily acquired or disposed under normal market conditions and in the absence of trading restrictions, and have transparent pricing; and
- (e) investments should not be made in any high risk, speculative, or complex financial instruments, structured products or enter into any securities lending, repurchase transactions or other similar over-the-counter transactions.

When determining whether the 25% Cap Limit is exceeded:

- Items that are considered as part-and-parcel of the properties of Hui Xian REIT, and accounted for as such in accordance with requisite accounting standards, shall not be treated as “other non-real estate assets”, and hence may be disregarded. These items would include plant, machinery and equipment, fixtures, furniture and fittings.
- Plain vanilla hedging instruments in the nature of treasury tools for Hui Xian REIT to manage interest rate and currency exposures may also be disregarded. This exclusion is limited to those instruments to the extent used for genuine hedging purposes in connection with the ordinary course of business of Hui Xian REIT, and not with the aim of yield enhancement.

G. Corporate Governance Measures

(1) As regards the Expanded Investment Scope regarding Property Development and Related Activities

In addition to complying with the restrictions under the REIT Code with regard to Property Development and Related Activities as mentioned above, the Manager shall also comply with the guidelines set by the SFC (including those listed in the REIT Code) in relation to Property Development and Related Activities, including the following:

- (a) the upfront calculation of the Property Development Costs and where necessary any subsequent increase should be based on a fair estimate made by the Manager in good faith and supported by the opinion of an independent expert acceptable to the SFC;

- (b) the Manager shall include a prudent buffer when preparing budgets in line with best industry standards and practice to cater for cost overruns that may arise during the course of development (and where the Property Development and Related Activities are conducted overseas, the Manager shall also take into account any currency impact in the calculation);
- (c) any decision made by the Manager to invest in Property Development and Related Activities must be made solely in the best interest of Unitholders;
- (d) investments in Property Development and Related Activities should not result in a material change in the overall risk profile of Hui Xian REIT;
- (e) the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting Property Development and Related Activities;
- (f) the Manager shall consult the Trustee and issue an announcement where appropriate to inform Unitholders upon Hui Xian REIT entering into a contract to invest in Property Development and Related Activities, which shall include all material information concerning the Property Development and Related Activities (including a summary of the key terms and conditions, the Property Development Costs and the risks involved); and
- (g) the Manager shall also ensure that all material information concerning the Property Development and Related Activities is set out in periodic updates (namely, the annual and interim reports) which should include the development progress, the extent (in percentage terms) to which the 10% GAV Cap has been applied and the costs incurred. Such disclosure in the annual reports shall be reviewed by the audit committee of the Manager.

The Manager will update its compliance manual as appropriate to include the above corporate governance provisions in relation to the management of Hui Xian REIT if the Expanded Investment Scope regarding Property Development and Related Activities and the Property Development Amendments are approved by the Unitholders.

(2) As regards the Expanded Investment Scope regarding Relevant Investments

In addition to complying with the restrictions under the REIT Code with regard to Relevant Investments as mentioned above, the Manager shall also comply with the guidelines set by the SFC (including those listed in the REIT Code) in relation to Relevant Investments, including the following:

- (a) any decision made by the Manager to invest in Relevant Investments must be made solely in the best interest of the Unitholders;

- (b) investments in Relevant Investments should not result in a material change in the overall risk profile of Hui Xian REIT. In assessing the risks involved, the Manager should take into account all relevant factors including but not limited to the creditworthiness of the issuer of the Relevant Investments. The Manager should monitor these investments on an ongoing basis to ensure compliance with all applicable requirements;
- (c) the Manager must ensure that the Relevant Investments are independently and fairly valued on a regular basis in accordance with the Trust Deed and in consultation with the Trustee. The valuation should be made in accordance with the applicable accounting standards adopted for preparing Hui Xian REIT's financial statements as well as best industry standards and practice, and there should be a daily marked-to-market valuation wherever practicable;
- (d) the Manager shall manage the Relevant Investments and monitor them on an ongoing basis to ensure the 25% Cap Limit is observed;
- (e) the Manager shall publish the full investment portfolio of the Relevant Investments with key information, such as credit ratings of the instruments invested, if applicable, on Hui Xian REIT's website on an ongoing basis which shall be updated monthly within five business days of each calendar month end;
- (f) the Manager shall also ensure that all material information concerning the Relevant Investments is set out in periodic updates (namely, the annual and interim reports of Hui Xian REIT) which should include the extent (in percentage terms) to which the 25% Cap Limit has been applied. The relevant disclosure in the annual reports shall be reviewed by the audit committee of the Manager; and
- (g) the Manager must have the requisite resources, competence, expertise, effective internal controls and risk management system for conducting the investments in the Relevant Investments.

The Manager will update its compliance manual as appropriate to include the above corporate governance provisions in relation to the management of Hui Xian REIT if the Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments are approved by the Unitholders.

H. Risks relating to Property Development and Related Activities and risks relating to investments in Relevant Investments

(1) Risks relating to Property Development and Related Activities

Engaging in Property Development and Related Activities may involve certain risks, including, without limitation, the following:

- (a) **Construction risk.** Factors such as shortage of materials, contractors or skilled labour, labour disputes, construction accidents, natural catastrophes and adverse weather conditions have impacts on the progress and costs of any Property Development and Related Activities. If there is a significant increase in costs involved in undertaking the Property Development and Related Activities, such as the increase in labour costs or construction costs or delay in construction progress, and such increase or cost of delay cannot be fully offset by reducing other costs of the same project, Hui Xian REIT's return from the investment in such project may be adversely affected, which may in turn affect the level of distributions to Unitholders.
- (b) **Risk of inadequacies or default of project contractors.** Third party contractors (including sub-contractors) engaged to carry out works in relation to Property Development and Related Activities may not perform to the satisfaction of Hui Xian REIT in terms of the quality, timing and safety standards of their work. Moreover, there may be delays such contractors may undertake other property development projects, thereby diverting resources, or they may encounter financial or other difficulties. These inadequacies of the third party contractors may cause delays in the completion of Hui Xian REIT's property developments, leading to an increase in the cost of construction, which in turn may adversely impact Hui Xian REIT's return from the investment in that project as well as the results of Hui Xian REIT's operations, which may then affect the level of distributions to Unitholders.
- (c) **Risk of failure or delays in obtaining governmental approvals.** In order to develop and complete a property development project, various governmental permits, licences, certificates and other regulatory approvals at various stages of the property development are required, and each of such approvals is dependent on the satisfaction of certain conditions. In the event that Hui Xian REIT fails to obtain the requisite approval or to fulfill the conditions of such approval for its property developments in a timely manner, or at all, these property developments may not be able to proceed as scheduled or at all. Moreover, any changes in local legislation, rules and regulations relating to property development may lead to a need to revise the original plan for property development, thereby resulting in additional costs being incurred and extra time needed for completion of the property development project. This in turn may adversely impact the financial and business conditions of Hui Xian REIT as well as the results of its operations, and the level of distributions to Unitholders may be affected.

- (d) **Risk of insufficient financing and increase in financing costs.** A substantial amount of capital expenditure is usually required for property development projects. Hui Xian REIT may have to obtain debt facilities (which is subject to the relevant borrowing limitations specified in the REIT Code) in order to finance the property development project, but adequate financing may not be sourced and secured on a timely manner. Further, fluctuations in interest rates may increase the financing costs incurred and may have an adverse impact on the level of distributions to Unitholders. Changes in the business environment during the construction period, such as fluctuations in the prospective rental yield and property value, may also result in rising financing costs of the project that may adversely impact the financial and business conditions of Hui Xian REIT as well as the results of its operations, which may also affect the level of distributions to Unitholders.
- (e) **Risk of disputes with partners.** Subject to the requirements of the REIT Code, Hui Xian REIT may undertake Property Development and Related Activities through joint ventures or in collaboration with third parties. Such joint venture arrangements or collaborations may involve a number of risks, including disputes in connection with the performance of obligations or scope of responsibilities under the relevant project or joint venture agreements, financial difficulties encountered by such partners affecting their ability to perform their obligations, or conflicts between the policies or objectives adopted by such partners and those adopted by Hui Xian REIT. These disputes may lead to legal proceedings, damage to Hui Xian REIT's reputation, substantial costs and diversion of resources and management's attention. The occurrence of any of the foregoing and other related situations could adversely affect the financial and business conditions of Hui Xian REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders.
- (f) **Risk of delay and adverse impact on income.** During the period when Property Development and Related Activities are being undertaken in respect of a property, Hui Xian REIT may receive reduced or no income from such property. Such period of property development may be extended if completion of the Property Development and Related Activities is delayed due to but not limited to the reasons noted above. These delays may adversely impact on the return of investment for that project and the financial and business conditions of Hui Xian REIT as well as the results of its operations, which may in turn affect the level of distributions to Unitholders. There is no guarantee of a return from any investment in Property Development and Related Activities.

The Manager will update its compliance manual as appropriate to include the following measures to minimise and mitigate the above risks:

- (i) prepare detailed budgets and manage budgets effectively and efficiently;

- (ii) ensure that construction contracts are entered into on an arm's length basis, on normal commercial terms and contain adequate risks ring-fencing measures in line with best industry practices (for example, appropriate payment and indemnity terms) so as to protect investors' interests;
- (iii) monitor the process of application of all relevant governmental and regulatory approvals, and conduct proper due diligence to ensure all relevant government and regulatory approvals required for the Property Development and Related Activities have been obtained and all applicable laws and regulations are complied with;
- (iv) ensure that Hui Xian REIT has sufficient resources to finance the Property Development and Related Activities having regard to the limitations on borrowing under the REIT Code and any exigencies that may arise in the course of construction;
- (v) ensure that Manager has competent and adequate staff with sufficient and appropriate skills, resources and expertise in place, either as part of its in-house skills or by way of outsourcing to a competent external party (e.g. engaging a reputable, suitably qualified and financially sound developer or contractor to undertake the development or construction activities) under its oversight, to manage the Property Development and Related Activities; and
- (vi) ensure that the Property Development and Related Activities would not result in a material change or increase in the overall risk profile of Hui Xian REIT.

(2) *Risks relating to investments in Relevant Investments*

Engaging in investments in Relevant Investments may involve, without limitation, the following characteristics and risks:

- (a) **Market risk.** If Hui Xian REIT invests in the Relevant Investments in the nature of equity securities, debt securities or property funds, it will be exposed to the risk of the market which it has invested in. The market value of these investments will fluctuate depending on a number of factors including the general market and economic conditions, foreign exchange rates fluctuations and changes in interest rates. In particular, since the Hong Kong Dollar is pegged to the US Dollar, an increase in interest rate in the United States may directly influence the interest rate in Hong Kong thereby adversely impact on the value of debt securities. In addition, if there is inflation, the purchasing power of the return on debt securities (such as bond investments) will decrease. Such market fluctuations and uncertainties may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders.

- (b) **Default/Credit risk.** Hui Xian REIT may face financial loss if an issuer or counterparty to the Relevant Investments defaults in payment, or experiences a decline in its payment capacity. A corporate change such as a merger or takeover may have an adverse impact on the financial position and thus the credit rating of the issuer. Any decline in the creditworthiness of an issuer may have a major impact on the value of the Relevant Investments.
- (c) **Price volatility risk.** Substantial fluctuations in the price of a financial instrument may negatively affect the investment. In the case of equity securities, stock prices may be highly volatile and unpredictable as a result of various local and international market and economic factors. The price volatility of the stock may also increase due to speculations in the market and changes in business risk of the underlying operations. Moreover, a stock may be suspended from trading on the relevant stock exchange or market, during which time Hui Xian REIT would not be able to buy or sell such stock on such stock exchange or market. The price of the stock may fall or fluctuate after its resumption of trading due to changes in market and/or business risks during the period of suspension. These fluctuations can be unpredictable, and such occurrences could adversely affect Hui Xian REIT's financial conditions and results of operations.
- (d) **Liquidity risk.** Hui Xian REIT may not be able to sell a sufficient amount of the Relevant Investments at a desired time and at a satisfactory price because demand in the Relevant Investments may become low during certain periods of time. In such circumstances, Hui Xian REIT may be forced to sell the Relevant Investments on unfavourable terms.
- (e) **Management and policy risk of investment products.** Hui Xian REIT may unintentionally invest in companies with improper management practices, which conduct transactions that are detrimental to Hui Xian REIT's interests as an investor or, in the case of property funds, the risk of poor performance by fund managers. Such improper actions or practices may affect the value of the Relevant Investments and have an adverse impact on the level of distributions to Unitholders. Meanwhile, changes in local and/or international government policies and regulations may have a profound impact on the pricing of equity securities in the relevant sectors or industries.
- (f) **Risks in relation to property funds.** Investments in local or overseas property funds may involve additional risks. There is no assurance that a property fund will achieve its investment objective and strategy. A property fund is highly susceptible to the relevant real estate market conditions if it concentrates its investment in a single property or asset class. In the case of overseas property funds, changes in exchange rates may have an adverse effect on the value of the fund's assets. Moreover, investing overseas will entail country/regional as well as political risks.

The Manager will use its best endeavours to minimise and mitigate the above risks by:

- (i) analysing the financials of any issuer before an investment is made and on a regular basis so long as it is part of Hui Xian REIT's portfolio;
- (ii) ensuring that the proportion of Hui Xian REIT's assets exposed to such risks will be small and diversified across multiple investments; and
- (iii) adhering to the restrictions and adopting the corporate governance measures set out above in this section.

The Manager will update its compliance manual as appropriate to include the above measures in relation to the management of Hui Xian REIT if the Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments are approved by the Unitholders.

I. Proposed amendments to the Trust Deed

(1) Proposed amendments relating to Property Development and Related Activities

In connection with the Expanded Investment Scope regarding Property Development and Related Activities, the Manager proposes amendments to the Trust Deed (being the Property Development Amendments), which are summarised below:

- (i) ***Engagement or Participation in Property Development and Related Activities.*** The Manager proposes to amend Clause 10.2.3 of the Trust Deed to, among other things, allow Hui Xian REIT to undertake Property Development and Related Activities, provided that the Total Development Costs shall not exceed the 10% GAV Cap at any time, and to insert a new Clause 10.2.3A into the Trust Deed to set out the meaning of "gross asset value of the Deposited Property" for the purpose of calculating the denominator to be used for the purpose of the 10% GAV Cap. Consequently, the Manager also proposes to insert the definitions of "10% GAV Cap", "Aggregate Development Costs", "Authorised Investments" and "Property Development and Related Activities" in Clause 1.1 of the Trust Deed.
- (ii) ***Vacant Land Restrictions.*** The Manager proposes to qualify the investment restriction in Clause 10.3.3 of the Trust Deed on investment in vacant land such that the restriction will not extend to any investment in vacant land which is part-and-parcel of Property Development and Related Activities undertaken in accordance with the relevant provision in the Trust Deed and within the investment objective and policy of Hui Xian REIT.
- (iii) ***Minimum Holding Period.*** The Manager proposes to amend the requirement in Clauses 10.3.6 and 25.4.1 (iii) of the Trust Deed in relation to the minimum investment holding period so that investments in relation to Property Development and Related Activities undertaken by Hui Xian REIT shall be held for a period of at least two years from the completion of the relevant Property Development

and Related Activities unless Hui Xian REIT has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such two-year period and that the Unitholders approve such disposal by way of a Special Resolution at a general meeting.

- (iv) ***Investment in income-generating Real Estate.*** To reflect the requirements under Note (1) to paragraph 7.1 and paragraph 7.2B(iii) of the REIT Code, the Manager also proposes to clarify the requirement for investing “primarily in real estate” under Clause 10.2.1 of the Trust Deed such that at least 75% of the gross asset value of the Trust shall be invested in real estate that generates recurrent income at all times.

The full text of the proposed Property Development Amendments are set out in the Circular.

(2) *Proposed amendments relating to investments in Relevant Investments*

In connection with the Expanded Investment Scope regarding Relevant Investments, the Manager proposes amendments to the Trust Deed (being the Relevant Investments Amendments), which are summarised below:

- (i) ***Investments in Relevant Investments.*** The Manager proposes that the Trust Deed be amended by adding a new Clause 10.2.4 and by including “Relevant Investments” in the list of “Authorised Investments” in Clause 1.1 of the Trust Deed to expressly permit Hui Xian REIT to invest in Relevant Investments, and it is also proposed that the definition of “Relevant Investments” be added to Clause 1.1 of the Trust Deed.
- (ii) ***Threshold Requirement.*** The Manager proposes to add a new clause 10.3.3 to the Trust Deed to provide that the combined value of the Relevant Investments, together with other non-real estate assets of Hui Xian REIT when aggregated with the Aggregate Development Costs of Hui Xian REIT, shall not exceed 25% of the gross asset value of Hui Xian REIT at any time.
- (iii) ***Diversification of Relevant Investments.*** The Manager proposes to add a new clause 10.3.4 to the Trust Deed to provide that the value of the Relevant Investments held by Hui Xian REIT issued by any single group of companies shall not exceed 5% of the gross asset value of Hui Xian REIT at any time.
- (iv) ***Valuation of Relevant Investments.*** The Manager proposes to amend Clause 6.1.4 of the Trust Deed so that it will also apply to the valuation of Relevant Investments.

The full text of the proposed Relevant Investment Amendments are set out in the Circular.

2. PROPOSED APPLICATION OF THE EXISTING VARIABLE FEE STRUCTURE OF BEIJING ORIENTAL PLAZA TO THE OTHER REAL ESTATES

A. Background

Under the Trust Deed, the Manager is entitled to receive a variable fee of an annual amount equal to 3% per annum of the Net Property Income (before deduction of the variable fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's fee) of that real estate for each financial year in respect of each real estate of Hui Xian REIT. However, in respect of Beijing Oriental Plaza, Clause 14.1.2(i) of the Trust Deed provides that so long as the Property Manager of Beijing Oriental Plaza is a subsidiary of the Manager, the variable fee payable to the Manager in respect of Beijing Oriental Plaza shall be reduced to 2% per annum.

Currently, the Manager and its subsidiary (being the Property Manager of Beijing Oriental Plaza) in aggregate receive a total of 3% per annum of the Net Property Income (before deduction of the variable fee and the Property Manager's fee) of Beijing Oriental Plaza. Out of the abovementioned 3%, 2% of the Net Property Income is paid to the Manager as variable fee in accordance with the Trust Deed and the Property Manager of Beijing Oriental Plaza, which is a wholly-owned subsidiary of the Manager based in Beijing specifically established for the purpose of executing the relevant on-site management service of Beijing Oriental Plaza, receives a property management fee equal to 1% of the Net Property Income of Beijing Oriental Plaza (the "**2+1 Fee Structure**").

B. Proposed Amendments to the Trust Deed

At the time of entering into the Trust Deed, Hui Xian REIT only had one property, namely Beijing Oriental Plaza. As Hui Xian REIT has acquired additional properties since then and subsidiaries of the Manager have and may from time to time be engaged as Property Manager in respect of the properties of Hui Xian REIT, the Manager is of the view that the existing variable fee structure adopted in connection with Beijing Oriental Plaza should not be restricted to the Beijing Oriental Plaza but should be applied to all properties of Hui Xian REIT in respect of which the Property Manager is a wholly-owned subsidiary of the Manager.

The proposed Variable Fee Amendments will allow the Manager to apply the existing variable fee structure adopted in connection with Beijing Oriental Plaza to all real estates of Hui Xian REIT where the Property Manager in respect of which is a wholly-owned subsidiary of the Manager, such that the Manager and the Property Manager of that real estate shall respectively receive a variable fee equal to 2% per annum and a management fee equal to 1% per annum, of the Net Property Income of that real estate (before deduction therefrom of the variable fee and such Property Manager's fee), making a total of 3% of the Net Property Income of that real estate (before deduction therefrom of the variable fee and such Property Manager's fee). If the proposed Variable Fee Amendments are approved, the default position (other than in respect of Beijing Oriental Plaza) will be that the Manager

will receive a variable fee equal to 3% of the Net Property Income of the relevant real estate (before deduction therefrom of the variable fee and such Property Manager's fee). The Manager however has the right at any time (be it at the time of acquisition of a real estate or thereafter) to elect once to change this variable fee structure to the 2+1 Fee Structure. Once elected, the Manager cannot revert back to the 3% Net Property Income variable fee structure since no subsequent re-election rights will be provided for under the Trust Deed. The proposed Variable Fee Amendments will also provide that if such election is made by the Manager, an announcement in relation to such election will be made.

It is therefore proposed that amendments be made to the Trust Deed, including clause 14.1.2(i) of the Trust Deed, the full text of which are reproduced below, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below:

“14.1.2 Variable Fee

- (i) With effect from and including the date immediately after the date of completion of the Reorganisation Agreement, the Manager shall be entitled to receive for its own account out of the Deposited Property a Variable Fee for each Financial Year in respect of each Real Estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle. The Variable Fee payable to the Manager in respect of each Real Estate (whether held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle) shall be an annual amount equal to 3% per annum of the Net Property Income of that Real Estate (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's Fee) provided however that in respect of the Initial Property, and if the Manager so elects, any other Real Estate(s) of the Trust subsequently acquired after the Initial Property, and for so long as the Property Manager is a wholly-owned subsidiary of the Manager and with effect from the date on which the Property Manager is appointed or the date of such election by the Manager, whichever is later, such 3% rate shall be split into 2 portions comprising a Variable Fee payable to the Manager which is equal to 2% per annum, and a Property Manager's Fee payable to the Property Manager which is equal to 1% per annum, of the Net Property Income of the relevant Real Estate (before deduction therefrom of the Variable Fee and such Property Manager's Fee) reduced to 2% (instead of 3% as stated above) per annum. In the event that the Manager makes an election as stated above, it shall disclose the same by way of an announcement to the Holders. In the event that the Manager makes an election as stated above, it shall disclose the same by way of an announcement to the Holders. Any increase in the Variable Fee payable to the Manager above the rate aforesaid or any change in the structure of the Variable Fee shall be subject to the approval of the Holders by a Special Resolution at a meeting of Holders, duly convened and held in accordance with the provisions of Schedule I.”

Where the Property Manager (being a subsidiary of the Manager) is situated in the PRC, the 2+1 Fee Structure will facilitate the administration of payment procedures and reduces cross-border payment complications. The purpose of splitting the 3% into 2 portions,

being 2% to the Manager in Hong Kong and 1% to the Property Manager in the PRC, is to facilitate the payment of normal day to day operating expenses in the PRC instead of routing fund first to the head office of the Manager in Hong Kong then re-channel some of the fund to its subsidiary (being the Property Manager) in the PRC, which would be time-consuming, tedious, and expensive. Depending on cross-border payment or exchange control rules and regulations or relevant accounting principles, the Manager will then consider whether to make the election to adopt the 2+1 Fee Structure for practical operational reasons with a goal to facilitate easy administration.

If the Variable Fee Amendments are approved by the Independent Unitholders in the AGM, the Variable Fee Amendments will take effect from the first day of the calendar month immediately after the signing of the supplemental trust deed to the Trust Deed containing the Variable Fee Amendments.

C. Independent Unitholders' Approval Required

To adopt the Variable Fee Amendments, Independent Unitholders must first approve, by way of Special Resolution in accordance with the Trust Deed, the Variable Fee Amendments. The Manager proposes to seek Unitholders' approval by way of Special Resolution at the AGM approving the Variable Fee Amendments.

Paragraph 9.9(f) of the REIT Code provides that where a unitholder has a material interest in the resolution tabled for approval at a general meeting and that interest is different from that of all other unitholders, such unitholder shall be prohibited from voting his own units at, or counted in the quorum for, such meeting. Also, 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.

The Manager, being the receiver of the variable fee, is regarded as having a material interest in the proposed amendments to the Trust Deed regarding the Variable Fee Amendments. Pursuant to the REIT Code and the Trust Deed, the Manager will, and will procure its associates to, abstain from voting on the Special Resolution to be proposed at the AGM approving the Variable Fee Amendments. CK Hutchison Holdings Limited, ARA Asset Management Limited and CITIC Securities International Company Limited, which have interest in shares of the Manager, will and will procure their respective subsidiaries to abstain from voting on the Special Resolution to be proposed at the AGM to approve the Variable Fee Amendments.

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 Special Resolution to be proposed at the AGM to approve the Variable Fee Amendments.

D. Board and Trustee's Views

The Board considers that the proposed Variable Fee Amendments are in the interests of Hui Xian REIT and the Unitholders as a whole. The Trustee is also of the view that the proposed Variable Fee Amendments are in the interests of Hui Xian REIT and the Independent Unitholders as a whole and has no objection to the Variable Fee Amendments.

3. OTHER MISCELLANEOUS PROPOSED AMENDMENTS TO THE TRUST DEED

A. Amendments Pursuant to the SFC Circular

The Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) was revised with effect from 1 December 2013, which provides, among others, that a trustee of a trust is not liable for any act or omission of an agent, nominee or custodian acting for the trust if the trustee has discharged the statutory duty of care applicable to the trustee imposed under the revised Trustee Ordinance, but if the application of such provision is inconsistent with the terms of the instrument creating the trust (in the case of Hui Xian REIT, the Trust Deed), then such provision in the Trustee Ordinance will not apply.

In compliance with the SFC Circular, the Manager proposes to adopt the Clarification Amendments to the Trust Deed, details of which are set out in the Circular.

B. Amendments to Update Terminologies Used in the Trust Deed

The Manager proposes to make certain amendments to the Trust Deed, being the Miscellaneous Amendments, to update the terminologies used in the Trust Deed to bring it in line with the terminologies used in the Companies Ordinance which came into effect on 3 March 2014 and the amendments to the REIT Code in August 2014. Details of the proposed Miscellaneous Amendments are set out in the Circular.

C. Unitholders' Approval Not Required

No specific approval from Unitholders is required for the Clarification Amendments and Miscellaneous Amendments, provided that the Trustee certifies pursuant to clause 26.1(a) of the Trust Deed and 9.6 of the REIT Code that (among others), in its opinion, such alteration (a) is necessary to comply with fiscal or other statutory or official requirements; or (b) does not materially prejudice Unitholders' interests, does not to any material extent release the trustee, the Manager or any other person from any liability to Unitholders and does not increase the costs and charges payable from the properties of Hui Xian REIT. The Trustee has indicated that it would provide the relevant certificate to effect such amendments.

4. CIRCULAR AND AGM NOTICE

Details regarding compliance with the REIT Code as well as a summary of the risk factors in relation to the Expanded Investment Scope regarding Property Development and Related Activities and Expanded Investment Scope regarding Relevant Investments are set out in the Circular. The Circular containing, among other things: (1) a letter from the Board to the Unitholders containing, among other things, details of the relevant proposed amendments to the Trust Deed (being the Property Development Amendments, the Relevant Investments Amendments, the Variable Fee Amendments, the Clarification Amendments and the Miscellaneous Amendments) and (2) the notice of AGM containing the Special Resolutions for approving the Amendments Requiring Approval, is expected to be despatched to Unitholders on the date of this announcement.

The Circular is expected to be despatched together with the AGM Notice and the form of proxy for the AGM to the Unitholders on Wednesday, 1 April 2015. The AGM will be held at 12:00 noon on Monday, 11 May 2015 at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong. Unitholders' attention is drawn to the "Notice of Annual General Meeting" set out in the Circular, which contains the full text of the proposed Special Resolutions regarding the Amendments Requiring Approval.

5. CLOSURE OF REGISTER OF UNITHOLDERS

For the purposes of determining the entitlements of Unitholders to attend and vote at the AGM, the register of Unitholders will be closed from Wednesday, 6 May 2015 to Monday, 11 May 2015, both days inclusive, during which period no transfer of Units will be effected. For those Unitholders who are not already on the Register, in order to qualify to attend and vote at the AGM, all Unit certificates accompanied by 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 Tuesday, 5 May 2015.

6. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Trust Deed and the draft supplemental deed proposed to be entered into by the Manager and the Trustee for effecting the proposed amendments to the Trust Deed as described in this announcement are available for inspection at the registered office of the Manager at Unit 303, Cheung Kong Center, 2 Queen's Road Central, Hong Kong 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.

DEFINITIONS

“10% GAV Cap”	10% of the gross asset value of Hui Xian REIT, being the threshold limit of the Total Development Costs
“25% Cap Limit”	25% of the gross asset value of Hui Xian REIT, being the threshold limit for the total sum of (i) the combined value of the Relevant Investments, (ii) other non-real estate assets of Hui Xian REIT; and (iii) the Total Development Costs
“AGM”	the annual general meeting of the Unitholders to be convened on 11 May 2015 to approve, among other things, the Amendments Requiring Approval
“AGM Notice”	the notice of the AGM set out in the Circular
“Amendments Requiring Approval”	(i) the proposed Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Amendments; (ii) the proposed Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments; and (iii) the proposed Variable Fee Amendments
“Beijing 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
“Board”	the board of Directors
“Circular”	the circular which is expected to be issued and despatched to the Unitholders on 1 April 2015, containing, among other things, details of (i) the proposed expansion of the scope of the investment policy of Hui Xian REIT, (ii) the proposed modification of Manager’s variable fee structure, and (iii) other miscellaneous proposed amendments to the Trust Deed, and the AGM Notice
“Clarification Amendments”	the proposed amendments to the Trust Deed to bring it in line with the SFC Circular, the details of which are set out in the Circular
“Companies Ordinance”	Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (as amended, supplemented and/or otherwise modified from time to time)
“Director(s)”	the director(s) of the Manager

“Expanded Investment Scope regarding Property Development and Related Activities”	the proposed expansion of the scope of Hui Xian REIT’s investment policy so that Hui Xian REIT shall have the flexibility to engage in or undertake Property Development and Related Activities (subject to restrictions in the REIT Code and the Trust Deed), which is to be considered, and if thought fit, approved by Unitholders at the AGM
“Expanded Investment Scope regarding Relevant Investments”	the proposed expansion of the scope of Hui Xian REIT’s investment policy so that Hui Xian REIT shall have the flexibility to invest in Relevant Investments (subject to restrictions in the REIT Code and the Trust Deed), which is to be considered, and if thought fit, approved by Unitholders at the AGM
“Gross Revenue”	<p>in relation to any financial year or part thereof, all income accruing or resulting from the operation of a real estate for that financial year or part thereof, but shall exclude the following:</p> <ul style="list-style-type: none"> <li data-bbox="603 846 1525 969">(i) proceeds derived or arising from the sale and/or disposal of the real estate and/or the operating equipment of the real estate, or any part thereof; <li data-bbox="603 1014 1525 1137">(ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of Gross Revenue); <li data-bbox="603 1182 1525 1265">(iii) all rental deposits and other refundable security deposits; and <li data-bbox="603 1310 1525 1568">(iv) all goods and services or value added taxes (whether in force at present or in the future), charged to tenants, licensees and users of the real estate for the sale or supply of services or goods, which taxes are accountable by the Trustee or the relevant special purpose vehicle (as the case may be) to the tax authorities
“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
“Independent Unitholders”	Unitholders other than those who have a material interest in the Variable Fee Amendments and that interest is different from the interests of all other Unitholders
“Manager”	Hui Xian Asset Management Limited 滙賢房託管理有限公司, as manager of Hui Xian REIT

“Miscellaneous Amendments”	the proposed minor amendments to the Trust Deed as referred to in the section headed “3. <i>OTHER MISCELLANEOUS PROPOSED AMENDMENTS TO THE TRUST DEED — B. Amendments to Update Terminologies Used in the Trust Deed</i> ” in this announcement, the details of which are set out in the Circular
“Net Property Income”	in relation to any financial year or a part thereof, Gross Revenue less Property Operating Expenses for a real estate for a financial year or part thereof
“Property Development Amendments”	the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Property Development and Related Activities, the details of which are set out in the Circular, which are to be considered, and if thought fit, approved by Unitholders at the AGM
“Property Development and Related Activities”	the acquisition of uncompleted units in a building by a REIT and property developments (including both new development projects and the redevelopment of existing properties) undertaken in accordance with the REIT Code
“Property Development Costs”	the total project costs borne and to be borne by a REIT in relation to a property development project, inclusive of all costs associated with such project, including, where applicable, the costs for the acquisition of land, development or construction costs and financing costs
“Property Manager”	the property manager of a property owned by Hui Xian REIT
“Property Operating Expenses”	<p>in relation to any financial year or part thereof, all costs and expenses incurred by the Trust or the relevant special purpose vehicle directly in the course of the operation, maintenance, management and marketing of such real estate, but shall not include the following:</p> <ul style="list-style-type: none"> <li data-bbox="603 1615 1525 1823">(a) expenditure on alterations, additions or improvements in or to such real estate, expenditures of a capital nature which are not regarded as operating costs and expenses in accordance with generally accepted accounting principles in Hong Kong; <li data-bbox="603 1868 1525 1912">(b) all depreciation or amortisation costs of the real estate; and <li data-bbox="603 1957 1525 2033">(c) interest on loans taken up by the Trustee or the relevant special purpose vehicle

“REIT(s)”	real estate investment trust(s)
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended, supplemented and/or otherwise modified from time to time)
“REIT Code Amendments”	the amendments to the REIT Code to allow for greater flexibility in the investment scope of REITs’ investment strategy, namely (i) investments in Property Development and Related Activities and (ii) investments in Relevant Investments, with effect from 29 August 2014
“Relevant Investments”	the following financial instruments: (i) securities listed on the Stock Exchange or other internationally recognised stock exchanges; (ii) unlisted debt securities; (iii) government and other public securities; and (iv) local or overseas property funds
“Relevant Investments Amendments”	the proposed amendments to the Trust Deed in connection with the Expanded Investment Scope regarding Relevant Investments, the details of which are set out in the Circular, which are to be considered, and if thought fit, approved by Unitholders at the AGM
“SFC”	Securities and Futures Commission of Hong Kong
“SFC Circular”	the “Circular to Management Companies and Trustees of SFC-authorized Hong Kong domiciled funds” published by the SFC on 17 April 2014
“Special Resolution”	a resolution proposed and passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding not less than 25% of the Units in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Trust Deeds”	(i) the supplemental deed dated 24 May 2013 and (ii) the supplemental deed dated 16 May 2014, both to amend the trust deed dated 1 April 2011 constituting Hui Xian REIT

“Total Development Costs”	the aggregate Property Development Costs in respect of all subsisting Property Development and Related Activities undertaken by a REIT (which, for such purpose, shall not include refurbishment, retrofitting and renovations), together with the aggregate contract value of the uncompleted units of real estate acquired by a REIT
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT, as amended by the Supplemental Trust Deeds and as may be modified or supplemented from time to time
“Trustee”	DB Trustees (Hong Kong) Limited 德意志信托 (香港) 有限公司, 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(s)”	the unit(s) of Hui Xian REIT
“Unitholder”	any person registered as holding a Unit
“Variable Fee Amendments”	the proposed modification of the variable fee structure as summarised in the section headed “2. PROPOSED APPLICATION OF THE EXISTING VARIABLE FEE STRUCTURE OF BEIJING ORIENTAL PLAZA TO THE OTHER REAL ESTATES” in this announcement, and the proposed amendments to the Trust Deed in connection therewith (the details of which are set out in the Circular), which are to be considered, and if thought fit, approved by Unitholders at the AGM

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

Hong Kong, 1 April 2015

As at the date of this announcement, the Directors of the Manager are Mr. KAM Hing Lam (Chairman and non-executive Director); Mr. CHEUNG Ling Fung, Tom and Mr. LEE Chi Kin, Casey (executive Directors); Mr. IP Tak Chuen, Edmond, Mr. LIM Hwee Chiang and Mr. YIN Ke (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).