
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution licensed to deal in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your units in **Hui Xian REIT**, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular is for information purposes only and does not constitute an offer or invitation to subscribe for or purchase any securities, nor is it calculated to invite any such offer and invitation.



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

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(1) GENERAL MANDATE TO BUY BACK UNITS
(2) PROPOSED EXPANSION OF THE SCOPE OF
THE INVESTMENT POLICY OF HUI XIAN REIT
(3) PROPOSED MODIFICATION OF MANAGER'S VARIABLE
FEE STRUCTURE
(4) OTHER MISCELLANEOUS PROPOSED AMENDMENTS TO
THE TRUST DEED
AND
NOTICE OF ANNUAL GENERAL MEETING**

A letter from the Board is set out on pages 1 to 19 of this Circular.

A notice convening the Annual General Meeting 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 11 May 2015 (Monday) at 12:00 noon 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 Annual General Meeting 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, at 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 Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

TABLE OF CONTENTS

	<i>Page</i>
CORPORATE INFORMATION	ii
DEFINITIONS	iii
LETTER FROM THE BOARD	1
1. General Mandate to Buy-back Units	2
2. Expanded Investment Scope Regarding Property Development and Related Activities	4
3. Expanded Investment Scope Regarding Relevant Investments	9
4. Proposed Application of the Existing Variable Fee Structure of Beijing Oriental Plaza to the other Real Estates	14
5. Proposed Clarification Amendments and Miscellaneous Amendments	17
6. Annual General Meeting	18
7. General	18
APPENDIX I — EXPLANATORY STATEMENT	I-1
APPENDIX II — PROPOSED PROPERTY DEVELOPMENT AMENDMENTS	II-1
APPENDIX III — PROPOSED RELEVANT INVESTMENTS AMENDMENTS	III-1
APPENDIX IV — PROPOSED VARIABLE FEE AMENDMENTS	IV-1
APPENDIX V — PROPOSED CLARIFICATION AMENDMENTS AND MISCELLANEOUS AMENDMENTS	V-1
NOTICE OF ANNUAL GENERAL MEETING	N-1

CORPORATE INFORMATION

Hui Xian Real Estate Investment Trust	A collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
Manager	Hui Xian Asset Management Limited Unit 303, Cheung Kong Center 2 Queen's Road Central Hong Kong
Directors of the Manager	
<i>Non-executive Directors</i>	Mr. KAM Hing Lam (<i>Chairman</i>) Mr. IP Tak Chuen, Edmond Mr. LIM Hwee Chiang Mr. YIN Ke (with Mr. PANG Shuen Wai, Nichols as his alternate)
<i>Executive Directors</i>	Mr. CHEUNG Ling Fung, Tom Mr. LEE Chi Kin, Casey
<i>Independent Non-executive Directors</i>	Mr. CHENG Hoi Chuen, Vincent Professor LEE Chack Fan Dr. CHOI Koon Shum, Jonathan
Trustee	DB Trustees (Hong Kong) Limited Level 52 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

DEFINITIONS

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

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 or Annual General Meeting	the annual general meeting of Unitholders to be convened by and referred to in the notice of AGM as set out on pages N-1 to N-4 of this 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
Announcement	the announcement of Hui Xian REIT dated 1 April 2015 made by the Manager in relation to, among other things, the proposed expansion of the scope of the investment policy of Hui Xian REIT, the proposed modification of Manager's variable fee structure and the other miscellaneous proposed amendments to the Trust Deed
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
Buy-back Mandate	the general mandate proposed to be granted to the Manager to allow the Manager to buy back on behalf of Hui Xian REIT up to 10% of the number of Units in issue as at the date of the passing of the resolution approving such mandate in accordance with the terms and conditions as set out in the notice of AGM
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 Appendix V to this 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

DEFINITIONS

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
Explanatory Statement	the explanatory statement set out in Appendix I to this Circular
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
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">(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;(ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of Gross Revenue);(iii) all rental deposits and other refundable security deposits; and(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
Latest Practicable Date	24 March 2015, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein

DEFINITIONS

Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented and/or otherwise modified from time to time
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 “5. <i>PROPOSED CLARIFICATION AMENDMENTS AND MISCELLANEOUS AMENDMENTS — 5.2 Proposed Miscellaneous Amendments</i> ” in the “Letter from the Board” contained in this Circular, the details of which are set out in Appendix V to this 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
Ordinary Resolution	a resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy and the votes shall be taken by way of poll
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 Appendix II to this 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

DEFINITIONS

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">(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;(b) all depreciation or amortisation costs of the real estate; and(c) interest on loans taken up by the Trustee or the relevant special purpose vehicle
Register	the register of Unitholders
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 Appendix III to this 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
SFC Repurchase Circular	the "Circular to Management Companies of SFC-authorized Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorized REITs", issued by the SFC on 31 January 2008

DEFINITIONS

SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
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
Takeovers Code	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented and/or otherwise modified from time to time
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
Unit Registrar	Computershare Hong Kong Investor Services Limited, as unit registrar of Hui Xian REIT
Unitholder(s)	any person(s) registered as holding a Unit

DEFINITIONS

Variable Fee Amendments

the proposed modification of the variable fee structure as summarised in the section headed “4. *PROPOSED APPLICATION OF THE EXISTING VARIABLE FEE STRUCTURE OF BEIJING ORIENTAL PLAZA TO THE OTHER REAL ESTATES*” in the Letter from the Board contained in this Circular and the proposed amendments to the Trust Deed in connection therewith (the details of which are set out in Appendix IV to the Circular), which are to be considered, and if thought fit, approved by Unitholders at the AGM

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.

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 as his alternate)

Executive Directors

Mr. CHEUNG Ling Fung, Tom
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:

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

1 April 2015

To: Unitholders

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(1) GENERAL MANDATE TO BUY BACK UNITS
(2) PROPOSED EXPANSION OF THE SCOPE OF
THE INVESTMENT POLICY OF HUI XIAN REIT
(3) PROPOSED MODIFICATION OF MANAGER'S VARIABLE
FEE STRUCTURE
(4) OTHER MISCELLANEOUS PROPOSED AMENDMENTS TO
THE TRUST DEED
AND
NOTICE OF ANNUAL GENERAL MEETING**

Reference is made to (i) the SFC Repurchase Circular pursuant to which the Manager proposes to seek Unitholders' approval at the AGM to grant a general mandate to the Manager to effect on-market buy-back(s) of Units on behalf of Hui Xian REIT; and (ii) the Announcement.

LETTER FROM THE BOARD

The purposes of this Circular are to provide you with information with respect to (i) the grant of the Buy-back Mandate; (ii) the proposed expansion of the scope of the investment policy of Hui Xian REIT (which include the Expanded Investment Scope regarding Property Development and Related Activities and the Expanded Investment Scope regarding Relevant Investments) and the relevant proposed amendments to the Trust Deed (namely, the Property Development Amendments and the Relevant Investments Amendments); (iii) the proposed application of the existing variable fee structure of Beijing Oriental Plaza to the other real estates of Hui Xian REIT and the relevant proposed amendments to the Trust Deed (namely, the Variable Fee Amendments); (iv) other miscellaneous proposed amendments to the Trust Deed (namely, the Clarification Amendments and Miscellaneous Amendments); and to give you the notice of the Annual General Meeting.

1. GENERAL MANDATE TO BUY BACK UNITS

1.1 Buy-Back Mandate

The Manager wishes to seek the approval of the Unitholders at the AGM to grant the Buy-back Mandate to the Manager for the buy-back of Units on behalf of Hui Xian REIT pursuant to the SFC Repurchase Circular.

The Buy-back Mandate will, if granted, become effective from the date of the passing of the resolution approving the Buy-back Mandate and remain valid until the earlier of:

- (i) the conclusion of the next annual general meeting of Hui Xian REIT following the passing of the resolution to approve the grant of the Buy-back Mandate unless by Ordinary Resolution passed at that meeting the Buy-back Mandate is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the meeting referred to in (i) above is required to be held under the Trust Deed, the REIT Code or any applicable laws; and
- (iii) its revocation or variation by an Ordinary Resolution of the Unitholders passed at a general meeting of the Unitholders.

Hui Xian REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the Stock Exchange under Rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased shares.

1.1.2. Explanatory Statement

The explanatory statement in connection with the Buy-back Mandate is set out in Appendix I to this Circular, which contains further information on the Buy-back Mandate and sets out the terms and conditions on which the Manager may exercise its power under the Buy-back Mandate, if granted, to effect on-market buy-back(s) of Units on the Stock Exchange on behalf of Hui Xian REIT.

1.1.3. Maximum number of Units that may be bought back

Subject to the passing of the proposed Ordinary Resolution for approving the Buy-back Mandate, the number of Units which may be bought back pursuant to the Buy-back Mandate is up to 10% of the total number of Units in issue as at the date of the passing of the resolution approving the Buy-back Mandate.

LETTER FROM THE BOARD

1.2 Approval Required

Pursuant to the SFC Repurchase Circular, the Manager proposes to seek Unitholders' approval by way of an Ordinary Resolution at the AGM to grant a general mandate to the Manager to buy back Units on the Stock Exchange on behalf of Hui Xian REIT.

Pursuant to Paragraph 3.3 of Schedule 1 to the Trust Deed, at any meeting a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.

The proposed Ordinary Resolution in relation to the grant of the Buy-back Mandate to the Manager will be decided on a poll at the AGM and the result of the poll shall be deemed to be the resolution of the meeting.

1.3 Restrictions on Voting

Paragraph 9.9(f) of the REIT Code provides that where a unitholder has a material interest in the business to be contracted at a general meeting of the unitholders, and that interest is different from that of all other unitholders, such unitholder shall abstain from voting.

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the transaction tabled for approval at a general meeting of Hui Xian REIT, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units at, or being counted in the quorum for, the general meeting.

With respect to the proposed Ordinary Resolution relating to the Buy-back Mandate, the Manager is unaware of any Unitholders that are required to abstain from voting on such Ordinary Resolution.

1.4 Opinion of the Board

The Directors are of the opinion that the Buy-back Mandate is in the interests of Hui Xian REIT and the Unitholders as a whole.

1.5 Directors' Recommendations

The Directors are of the opinion that the Buy-back Mandate is in the interests of Hui Xian REIT and the Unitholders as a whole and accordingly recommend the Unitholders to vote in favour of the Ordinary Resolution with respect to the Buy-back Mandate to be proposed at the AGM.

1.6 Trustee's opinion and consent

DB Trustees (Hong Kong) Limited, the Trustee of Hui Xian REIT, is of the opinion that the granting of the Buy-back Mandate complies with the Trust Deed, and has given its consent to the Manager to proceed with any proposed buy-backs pursuant to the Buy-back Mandate.

2. EXPANDED INVESTMENT SCOPE REGARDING PROPERTY DEVELOPMENT AND RELATED ACTIVITIES

2.1 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, subject to, inter alia, the REIT Code restrictions summarised in the section headed “2.3 Restrictions Under the REIT Code in relation to the Expanded Investment Scope regarding Property Development and Related Activities” below.

2.2 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.

2.3 Restrictions Under the REIT Code in relation to 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;

LETTER FROM THE BOARD

- (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.

2.4 Corporate Governance Matters in relation to 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.

LETTER FROM THE BOARD

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.

2.5 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

LETTER FROM THE BOARD

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:

- (a) prepare detailed budgets and manage budgets effectively and efficiently;
- (b) 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 investor's interests;
- (c) 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;
- (d) 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;

LETTER FROM THE BOARD

- (e) 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
- (f) 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.

2.6 Proposed Property Development Amendments

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) and certain ancillary amendments relating to investments by Hui Xian REIT as summarised below, the full text of which is set out in Appendix II to this circular.

2.6.1 Engagement or Participation in Property Development and Related Activities

Under the existing Clause 10.2.3 of the Trust Deed, Hui Xian REIT may acquire real estate in the form of uncompleted units in a building (which is unoccupied and non-incoming producing or in the course of substantial development, redevelopment or refurbishment), provided that the aggregate contract value of such real estate shall not exceed 10% (or such other percentage as provided in the REIT Code) of the total net asset value of Hui Xian REIT's deposited property at the time of acquisition.

The Manager proposes to amend Clause 10.2.3 of the Trust Deed to remove the existing proviso and to allow Hui Xian REIT to undertake Property Development and Related Activities, provided that (i) the aggregate investments in all Property Development and Related Activities undertaken by Hui Xian REIT together with (ii) the aggregate contract value of such uncompleted units acquired, shall not exceed the 10% GAV Cap at any time.

The Manager proposes 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.

In line with the above proposed amendments, 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.

2.6.2 Vacant Land Restrictions

In line with the above proposed amendments, 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.

LETTER FROM THE BOARD

2.6.3 Minimum Holding Period

Further, in line with the amendment to the REIT Code, 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.

2.6.4 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.

2.7 Unitholders’ Approval Required

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

As at the date of this circular, 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 Resolution to be proposed at the AGM to approve the Expanded Investment Scope regarding Property Development and Related Activities and the Property Development Amendments.

2.8 Recommendation

The Board considers that the proposed Expanded Investment Scope regarding Property Development and Related Activities together with the Property Development Amendments 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 Special Resolution no.2 relating to such amendments to be proposed at the AGM. 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 for Unitholders’ approval.

3. EXPANDED INVESTMENT SCOPE REGARDING RELEVANT INVESTMENTS

3.1 Background

In addition to the above amendments to the REIT Code regarding Property Development and Related Activities, the amendments to the REIT Code in August 2014 have also introduced flexibility for 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 summarised in the section headed “3.3 Restrictions under the REIT Code in relation to the Expanded Investment Scope regarding Relevant Investments” below.

LETTER FROM THE BOARD

3.2 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.

3.3 Restrictions under the REIT Code in relation to 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.

LETTER FROM THE BOARD

3.4 Corporate Governance Measures in relation to 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 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.

LETTER FROM THE BOARD

3.5 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.

LETTER FROM THE BOARD

- (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.

3.6 Proposed Relevant Investments Amendments

In connection with the Expanded Investment Scope regarding Relevant Investments, the Manager proposes amendments to the Trust Deed (being the Relevant Investments Amendments) and certain ancillary amendments relating to investments by Hui Xian REIT as summarised below, the full text of which is set out in Appendix III to this circular.

3.6.1 Investments in Relevant Investments

To allow Hui Xian REIT to invest in financial instruments permitted by the REIT Code, 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.

3.6.2 Threshold Requirement

As proposed under the Property Development Amendments described above, the Manager 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.

A new clause 10.3.3 is proposed to be added 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.

LETTER FROM THE BOARD

3.6.3 Diversification of Relevant Investments

A new clause 10.3.4 is proposed to be added 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.

3.6.4 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.

3.7 Unitholders' Approval Required

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

As at the date of this circular, 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 Resolution to be proposed at the AGM to approve the Expanded Investment Scope regarding Relevant Investments and the Relevant Investments Amendments.

3.8 Recommendation

The Board considers that 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. Accordingly, the Board recommends all Unitholders to vote in favour of the Special Resolution no.3 relating to such amendments to be proposed at the AGM. The Trustee also has no objection to the Manager submitting the Expanded Investment Scope regarding Relevant Investments together with the Relevant Investments Amendments for Unitholders' approval.

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

4.1 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.

LETTER FROM THE BOARD

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**").

4.2 Reasons for Amendment

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.

4.3 Proposed Variable Fee Amendments

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.

The Manager proposes amendments 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

LETTER FROM THE BOARD

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. 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."

Certain other amendments related to the above are made to the definitions section of the Trust Deed, the details of which are set out in Appendix IV to the Circular.

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.

4.4 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.

LETTER FROM THE BOARD

The Manager, being the receiver of the variable fee, is regarded as having a material interest in the proposed amendment 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.

As at the date of this Circular, 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.

4.5 Recommendation

The Board considers that the proposed Variable Fee Amendments are in the interests of Hui Xian REIT and the Independent Unitholders as a whole. Accordingly, the Board recommends all Independent Unitholders to vote in favour of the Special Resolution no.4 relating to such amendments to be proposed at the AGM. 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.

5. PROPOSED CLARIFICATION AMENDMENTS AND MISCELLANEOUS AMENDMENTS

5.1 Proposed Clarification Amendments

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 section headed "A. *Clarification Amendments*" in Appendix V to the Circular.

5.2 Proposed Miscellaneous Amendments

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 section headed "B. *Miscellaneous Amendments*" in Appendix V to the Circular.

LETTER FROM THE BOARD

5.3 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.

6. ANNUAL GENERAL MEETING

The AGM will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on 11 May 2015 (Monday) at 12:00 noon, for the purpose of, among others, considering and, if thought fit, passing, with or without modifications, the Ordinary Resolution and Special Resolutions set out in the notice of AGM, which is set out on pages N-1 to N-4 of this Circular.

For the purposes of determining the entitlements of Unitholders to attend and vote at the AGM, the Register will be closed from Wednesday, 6 May 2015 to Monday, 11 May 2015, both days inclusive, during which period no transfers 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 Tuesdays, 5 May 2015.

You can vote at the AGM if you are a Unitholder on 11 May 2015 (Monday). You will find enclosed with this Circular the notice of AGM (see pages N-1 to N-4 of this Circular) and a form of proxy for use for the AGM.

Please complete, sign and date the enclosed form of proxy, whether or not you are able to attend the AGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar of Hui Xian REIT, 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 AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you wish.

7. GENERAL

7.1 Material Adverse Change

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of Hui Xian REIT since 31 December 2014 (being the date to which the latest published audited financial statements of Hui Xian REIT have been made up).

7.2 Responsibility Statement

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

LETTER FROM THE BOARD

7.3 Documents 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 circular 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.

7.4 Language

In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

Yours faithfully,
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

This is the explanatory statement as required by the SFC Repurchase Circular to provide requisite information to enable you to make an informed decision on whether to vote for or against the Ordinary Resolution to approve the grant of the Buy-back Mandate to the Manager.

(A) ISSUED UNITS

As at the Latest Practicable Date, 5,308,859,520 Units were in issue. Such number of Units included the 11,268,011 Units issued to the Manager as payment of its acquisition fee for acquisition of the property located at No. 68 Zou Rong Road, Yuzhong, Chongqing as disclosed in the announcement of Hui Xian REIT dated 2 March 2015. Subject to the passing of the Ordinary Resolution as referred to in the Letter from the Board in this Circular and as set out in the notice of AGM in respect of the Buy-back Mandate, the Manager will be allowed under the Buy-back Mandate to buy back up to 10% of the number of Units in issue as at the date of the resolution approving the Buy-back Mandate, which, if no additional Units will be issued prior to the AGM, would be equivalent to a maximum of 530,885,952 Units. The number of Units in issue as at the date of the passing of the resolution approving the Buy-back Mandate is expected to be larger than the number of Units in issue as at the Latest Practicable Date, as a result of the Units expected to be issued to the Manager as payment of part of the base fee and the variable fee for the period from 1 July 2014 to 31 December 2014 to the Manager by way of Units. As at the Latest Practicable Date, the Manager had no present intention to buy back Units pursuant to the Buy-back Mandate.

(B) REASONS FOR THE BUY-BACK

The Manager believes that it is in the best interests of Hui Xian REIT and the Unitholders as a whole to seek the Buy-back Mandate. Unit buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Unit and/or earnings per Unit and will only be made when the Manager believes that such buy-back will benefit Hui Xian REIT and the Unitholders as a whole.

(C) FUNDING OF BUY-BACKS

For the purposes of any buy-backs, the Manager will only use funds legally available for such purposes in accordance with the Trust Deed, the REIT Code, the guidelines issued by the SFC from time to time and the applicable laws of Hong Kong.

If the Buy-back Mandate is exercised in full at any time during the proposed buy-back period, it may have a material adverse effect on the working capital and gearing position of Hui Xian REIT as compared with the position disclosed in its most recent published audited financial statements. The Manager does not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have any material adverse impact on the working capital or gearing position of Hui Xian REIT (as compared with the position disclosed in its most recent published audited financial statements).

(D) UNIT PRICES

The highest and lowest prices at which the Units have traded on the Stock Exchange in each of the previous twelve months were as follows:

	Highest <i>RMB</i>	Lowest <i>RMB</i>
March 2014	3.80	3.35
April 2014	3.52	3.35
May 2014	3.42	3.35
June 2014	3.41	3.35
July 2014	3.63	3.35
August 2014	3.57	3.38
September 2014	3.52	3.39
October 2014	3.47	3.29
November 2014	3.52	3.30
December 2014	3.50	3.40
January 2015	3.49	3.42
February 2015	3.51	3.45
From 1 March 2015 up to the Latest Practicable Date	3.57	3.35

(E) UNITS BOUGHT-BACK

The Manager has not bought back any Units on behalf of Hui Xian REIT (whether on the Stock Exchange or otherwise) in the six months preceding the date of this Circular.

(F) STATUS OF BOUGHT-BACK UNITS

The listing of all Units which are bought back by the Manager pursuant to the Buy-back Mandate shall be automatically cancelled upon purchase. The Manager will ensure that the documents of title of purchased Units are cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase.

(G) DIRECTORS' UNDERTAKING

The Directors have undertaken to the SFC that when the Manager exercises the power to make purchases of the Units pursuant to the Buy-back Mandate, it will exercise the power in accordance with the provisions of the Trust Deed, the laws of Hong Kong, the REIT Code and the guidelines issued by the SFC from time to time.

(H) DISCLOSURE OF INTERESTS

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell to the Manager on behalf of Hui Xian REIT any of the Units if the Buy-back Mandate is approved at the AGM.

As at the Latest Practicable Date, no connected person (as defined in the REIT Code) of Hui Xian REIT has notified the Manager that he/she/it has a present intention to sell any Units nor has such connected person (as defined in the REIT Code) undertaken not to sell any of the Units held by him/her/it to the Manager on behalf of Hui Xian REIT in the event that the Buy-back Mandate is granted.

(I) TRUSTEE'S OPINION AND CONSENT

DB Trustees (Hong Kong) Limited, the Trustee of Hui Xian REIT, is of the opinion that the granting of the Buy-back Mandate complies with the Trust Deed, and has given its consent to the Manager to proceed with any proposed buy-backs pursuant to the Buy-back Mandate.

(J) RULE 10.06 OF THE LISTING RULES

Hui Xian REIT shall comply with the restrictions and notification requirements applicable to listed companies purchasing their own shares on the Stock Exchange under Rule 10.06 of the Listing Rules, with necessary changes being made, as if the provisions therein were applicable to REITs. These include, but are not limited to, the dealing restrictions, the restrictions on subsequent issues, the reporting requirements and status of purchased units.

(K) DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the Buy-back Mandate is in the interests of Hui Xian REIT and the Unitholders as a whole and accordingly recommend the Unitholders to vote in favour of the Ordinary Resolution approving the Buy-back Mandate to be proposed at the AGM.

(L) RESPONSIBILITY STATEMENT

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Explanatory Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

(M) EFFECT OF TAKEOVERS CODE

If, on exercise of the power to buy back Units pursuant to the Buy-back Mandate, a Unitholder's proportionate interest in the voting rights of Hui Xian REIT increases, pursuant to Rule 6 of the Code on Share Buy-backs and Rule 32 of the Takeovers Code, such increase will be treated as an acquisition of voting rights for purposes of the Takeovers Code. As a result, a Unitholder, or group of Unitholders acting in concert, could obtain or consolidate control of Hui Xian REIT and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code, unless a waiver is available.

As at the Latest Practicable Date and so far as the Manager is aware, Hui Xian (Cayman Islands) Limited ("**Hui Xian Cayman**"), directly held 1,500,000,000 Units (representing approximately 28.3% of the Units in issue). As at the same date and so far as the Manager is aware, Hui Xian Cayman together with parties which are or presumed to be acting in concert with them (including the Manager) held a total of approximately 46.6% of the Units then in issue.

Further, as at the Latest Practicable Date, the Manager (in its own capacity) held 26,115,032 Units (representing approximately 0.5% of the Units then in issue).

Should the Buy-back Mandate be exercised in full, assuming that the number of Units currently held by Hui Xian Cayman and parties which are or presumed to be acting in concert with them remain unchanged, based on 5,308,859,520 Units in issue as at the Latest Practicable Date, the aggregate percentage unitholding of such group would be increased to approximately 51.8% and such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In any event, the Manager does not intend to exercise the Buy-back Mandate to such extent as to give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix II, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix II are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 2)

1. A new definition of "10% GAV Cap" be inserted immediately before the definition of "Accounts" under Clause 1.1 of the Trust Deed as follows:

"**10% GAV Cap**" means 10% of the gross asset value of the Deposited Property, which for this purpose the gross asset value of the Deposited Property shall be calculated in accordance with Clause 10.2.3A;"

2. A new definition of "Aggregate Development Costs" be inserted immediately before the definition of "Annual Distributable Income" under Clause 1.1 of the Trust Deed as follows:

"**Aggregate Development Costs**" means the total of:

(a) the aggregate investments in all Property Development and Related Activities undertaken by the Trust (which shall mean the total project costs borne and to be borne by the Trust in respect of Property Development and Related Activities, inclusive of the costs for the acquisition of land (if any) and the development or construction costs and financing costs); and

(b) the aggregate contract value (which shall comprise all costs associated with the acquisition of uncompleted units) of any uncompleted units acquired by the Trust;"

3. The definition of "Authorised Investments" under Clause 1.1 of the Trust Deed be amended as follows:

"**Authorised Investments**" means... (b) any improvement or extension of or addition to or reconstruction or renovation or other development of any Real Estate (including Property Development and Related Activities);..."

4. A new definition of "Property Development and Related Activities" be inserted immediately before the definition of "Property Manager" under Clause 1.1 of the Trust Deed as follows:

"**Property Development and Related Activities**" means the acquisition of uncompleted units in a building by the Trust and property developments (including both new development projects and the redevelopment of existing properties, but does not include refurbishment, retrofitting and renovations) undertaken in accordance with the Code;"

5. Clauses 10.2.1, 10.2.2 and 10.2.3 of the Trust Deed be amended as follows:

“Subject to the provisions of this Deed, the Manager’s investment policy and objective of the Trust are as follows:

10.2.1 the Trust is established to invest primarily in Real Estate either directly or indirectly through Special Purpose Vehicles, and the Manager, on behalf of the Trust, may only invest in Real Estate and other Authorised Investments directly or indirectly through Special Purpose Vehicles, and shall manage the Deposited Property so that ~~the principal investments~~ at least 75% of the gross asset value of the Trust are shall be invested in Real Estate that generates recurrent income at all times;

10.2.2 without limiting the generality of Clause 10.2.1, the Manager’s principal investment policy in respect of the Trust is to invest in Real Estate being commercial properties located in any part of the world, including but not limited to, the PRC (other than Real Estate prohibited by the Code). Such Real Estate shall generally be income-producing. The investment strategy of the Trust shall be solely determined by the Manager from time to time at its absolute discretion so far as it is consistent with the investment policy;

10.2.3 the Manager may engage or participate in Property Development and Related Activities, including the acquisition of ~~acquire~~ uncompleted units in a building which is unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, provided that the Aggregate Development Costs ~~the aggregate contract value of such Real Estate~~ shall not exceed the 10% GAV Cap at any time ~~(or such other percentage as provided in the Code)~~ of the total Net Asset Value of the Deposited Property at the time of acquisition; and

...”

6. A new Clause 10.2.3A be inserted immediately after Clause 10.2.3 of the Trust Deed as follows:

“10.2.3A for the purpose of calculating the denominator to be used for the purpose of the 10% GAV Cap, the “gross asset value of the Deposited Property” shall be determined in accordance with the following formula:

“gross asset value of the Deposited Property” = GAV – D ± V – DRI

where:

GAV ≡ the total assets as shown in the Trust’s latest published accounts;

D ≡ the amount of any distribution proposed in the Trust’s latest published accounts and any distribution declared since the issuance of the Trust’s latest published accounts;

V ≡ the change (if any) in the Approved Valuer’s determination of the value of the Trust’s Real Estate, based on its valuation report(s) published subsequent to the Trust’s latest published accounts; and

DRI ≡ the value of any investments in properties under development (which for the avoidance of doubt, shall not include the value of existing properties undergoing redevelopment);”

7. Clauses 10.3.3 and 10.3.6 of the Trust Deed be amended as follows, and subject to passing of Resolution no.3, be renumbered as 10.3.5 and 10.3.8 respectively:

“Subject to the restrictions and requirements of the Code, the Manager shall ensure that the following investment restrictions are complied with:

...

[~~10.3.3~~ 10.3.5] the Trust shall not invest in vacant land ~~or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations)~~ unless such investment is part-and-parcel of the Property Development and Related Activities undertaken in accordance with Clause 10.2.3 and within the investment objective or policy of the Trust;

...

[~~10.3.6~~ 10.3.8] the Trust shall hold each Investment (which is in the nature of a Real Estate or shares in any Special Purpose Vehicle holding interest in a Real Estate) for a period of at least two years from the date of its acquisition, or in the case of any such Investments on which the Property Development and Related Activities have been undertaken by the Trust, for a period of at least two years from the completion of such Property Development and Related Activities, unless the Manager has clearly communicated to the Holders the rationale for disposal prior to the expiry of such period and the Holders approve the disposal of such Investment by Special Resolution at a meeting to be convened by the Manager in accordance with the Schedule I.

...”

(Note: The proposed amendments shown in the square bracketed language above will not be effected if Special Resolution no. 3 is not passed at the AGM.)

8. Clause 25.4.1(iii) of the Trust Deed be amended as follows:

“25.4.1 The Manager shall issue a circular to Holders in respect of transactions that, pursuant to the Code (or in the reasonable opinion of the Trustee or the Manager), require Holders’ approval, including:

...

- (iii) entering into a disposal of Real Estate within a period of less than two years from the ~~Acquisition Date~~ date of its acquisition (or if the Trust engages in Property Development and Related Activities, from the date that such Property Development and Related Activities in respect of the Real Estate are completed);

...”

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix III, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix III are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 3)

1. The definition of "Authorised Investments" under Clause 1.1 of the Trust Deed be amended as follows:

“**Authorised Investments**” means

... ~~(c)~~ Relevant Investments;

~~(e)~~ (d) Real Estate Related Assets;

~~(d)~~ (e) Cash and Cash Equivalent Items;

~~(e)~~ (f) shares in the issued share capital of, and loans to, any Special Purpose Vehicle and any goodwill and other intangible assets acquired in relation to the acquisition of Special Purpose Vehicles;

~~(f)~~ (g) any other assets or investments as permitted by the Code from time to time; and

~~(g)~~ (h) investments in relation to arrangements for the purposes of enhancing the return on, or reducing the risks associated with, the Authorised Investments contemplated by paragraphs (a), (b), (c), (d), ~~(e)~~, (f) and ~~(f)~~(g) of this definition, or of other Investments, or in respect of the Trust generally, including investments in the form of derivatives instruments for the purposes of hedging only,...

2. A new definition of "Relevant Investments" be inserted immediately before the definition of "Reorganisation Agreement" under Clause 1.1 of the Trust Deed as follows:

“**Relevant Investments**” has the meaning ascribed to it in Clause 10.2.4;”

3. A new Clause 10.2.4 be inserted immediately after the new Clause 10.2.3A if Special Resolution no. 2 is passed at the AGM (or, if Special Resolution no. 2 is not passed at the AGM, immediately after Clause 10.2.3) of the Trust Deed as follows, and the original Clause 10.2.4 be re-numbered Clause 10.2.5:

10.2 Investment of the Trust

Subject to the provisions of this Deed and the Manager's investment policy and objective of the Trust are as follows:

...

10.2.4 the Manager may, subject to the restrictions and requirements of the REIT Code and the provisions of Clauses 10.3.3 and 10.3.4, invest in the following financial instruments (the “**Relevant Investments**”):

- (i) securities listed on SEHK or other internationally recognised stock exchange(s);
- (ii) unlisted debt securities;
- (iii) government and other public securities; and
- (iv) local or overseas property funds;

...”

4. Two new Clauses 10.3.3 and 10.3.4 be inserted immediately after Clause 10.3.2 of the Trust Deed as follows, and the original Clauses 10.3.3, 10.3.4, 10.3.5 and 10.3.6 of the Trust Deed be re-numbered Clauses 10.3.5, 10.3.6, 10.3.7 and 10.3.8 respectively:

“10.3 Investment Restrictions

Subject to the restrictions and requirements of the Code, the Manager shall ensure that the following investment restrictions are complied with:

...

10.3.3 the combined value of the Relevant Investments held by the Trust, together with other non-real estate assets of the Trust, [when aggregated with the Aggregate Development Costs,] shall not exceed 25% of the gross asset value of the Trust at any time. For such purpose, hedging instruments for genuine hedging purpose as well as real estate related assets (e.g. plant and equipment) included as part of the Real Estate of the Trust in its valuation and financial statements shall be disregarded as “other non-real estate assets” above;

10.3.4 the value of the Trust’s holding of the Relevant Investments issued by any single group of companies shall not exceed 5% of the gross asset value of the Trust at any time;

...”

(Note: The proposed amendments shown in the square bracketed language above will be deleted if Special Resolution no. 2 is not passed at the AGM.)

5. Clauses 10.2.1 of the Trust Deed be amended as follows:

“Subject to the provisions of this Deed, the Manager’s investment policy and objective of the Trust are as follows:

10.2.1 the Trust is established to invest primarily in Real Estate either directly or indirectly through Special Purpose Vehicles, and the Manager, on behalf of the Trust, may only invest in Real Estate and other Authorised Investments directly or indirectly through Special Purpose Vehicles, and shall manage the Deposited Property so that the principal investments at least 75% of the gross asset value of the Trust are shall be invested in Real Estate that generates recurrent income at all times;

...”

6. Clause 10.7 be amended as follows:

“10.7 Realisation of Investments

If any Investment forming part of the Deposited Property is not or at any time ceases to be an Authorised Investment, it shall be realised by the Manager and the net proceeds of realisation shall be applied as aforesaid but the Manager may postpone the realisation of any such Investment for such period as it may determine to be in the interest of the Holders unless the Trustee shall require the same to be realised. Without prejudice to the foregoing provisions and subject to the provisions of Clauses 10.3.8 ~~10.3.6~~ and 10.12 and in particular to the requirements therein mentioned, any Investment comprised in the Deposited Property may at any time be realised at the discretion of the Manager either in order to invest the proceeds of sale in other Authorised Investments or to provide Cash required to be paid out of the Deposited Property for the purpose of any provision of this Deed or in order to retain the proceeds of sale in Cash or on deposit as aforesaid or partly one and partly the other.”

7. Clause 6.1.4 of the Trust Deed be amended as follows:

“6.1 Valuation of Investments

The Value of an Authorised Investment at any given date means:

...

6.1.4 (in the case of Investments falling within any paragraph of the definition of “Authorised Investment” which are Relevant Investments, or are ~~is~~ in the nature of derivative instruments used for hedging or efficient portfolio management purposes), the Value of such an Investment shall be determined by the Manager, subject to the approval of the Trustee, and shall be calculated as follows:

- (i) all calculations of investments quoted, listed, traded or dealt on any stock exchange, commodities exchange, futures exchange or over-the-counter market shall be made by reference to the last traded price on the principal stock exchange for such investments as at the close of business in such place on the day as of which such calculation is to be made; and

- (ii) where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market, all calculations based on the value of investments quoted by any person, firm or institution making a market in such investments (and if there is more than one such market maker, then such market maker as the Manager shall designate) shall be conducted in accordance with prevailing generally accepted accounting principles in Hong Kong;

...

and the Value of the Deposited Property at any given date means the aggregate Value of all Authorised Investments comprising the Deposited Property at the relevant date provided that in all cases such Value shall be in accordance with generally accepted accounting principles as promulgated by the Hong Kong Institute of Certified Public Accountants as are applicable in the relevant Financial Year.”

The Manager proposes to seek Unitholders' approval to make the amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix IV, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix IV are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

(Please refer to Special Resolution no. 4)

1. The definition of "Property Manager" under Clause 1.1 of the Trust Deed be amended as follows:

"Property Manager" means the property manager to which the Manager has delegated the property management functions in respect of any Real Estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle ~~the Initial Property;~~

2. The definition of "Property Manager's Fee" under Clause 1.1 of the Trust Deed be amended as follows:

"Property Manager's Fee" means the fee periodically charged by the Property Manager from time to time in accordance with the relevant management agreement pursuant to which the Property Manager is delegated with the property management functions in respect of any Real Estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle ~~the Initial Property;~~

3. Clause 14.1.2(i) of the Trust Deed be amended as follows:

"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. 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."

The amendments to the Trust Deed of which the full text or extract of the relevant clauses are reproduced in this Appendix V do not require Unitholders' approval. The proposed insertions and deletions are indicated by, respectively, the underlined text and the strikethrough text below. All capitalised terms in the proposed Trust Deed amendments contained in this Appendix V are terms defined in the Trust Deed which shall have the corresponding meanings ascribed to them in the Trust Deed.

A. Clarification Amendments

1. The following text be added after the last sentence of Clause 1.9.4 of the Trust Deed:

“For so long as the Trust is authorized by the SFC under section 104 of the SFO, section 410 of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong) shall not apply to the extent that is inconsistent with Clause 17.16.2(iii) of this Deed reflecting 4.2(a)(iii) of the Code, and shall not in any way operate to exempt or diminish any liability of the Trustee as set out in this Clause 1.9.4 reflecting 9.5 of the Code.”

2. Clause 17.16.2 of the Trust Deed be amended as follows:

“~~17.16.2~~ The Trustee shall:

...

- (iii) notwithstanding any provisions of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong), be liable for the acts and omissions of its nominees and agents in relation to the Deposited Property (other than the Registrar (if the Trustee is not the Registrar), the Manager and any Approved Valuer);”

B. Miscellaneous Amendments

I. Updates in relation to amendments to REIT Code

1. Clause 6.2 of the Trust Deed be amended as follows:

“6.2 ...fellows or ~~associate~~ members of the Hong Kong Institute of Surveyors or the Royal Institution of Chartered Surveyors (Hong Kong Branch)...”

2. Clause 6.4 of the Trust Deed be amended as follows:

“6.4 ...International Valuation Standards ~~Committee~~ Council...”

II. Updates in relation to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)

3. The definition of “Companies Ordinance” under Clause 1.1 of the Trust Deed be amended as follows:

““**Companies Ordinance**” means the Companies Ordinance (Chapter 622 ~~32~~ of the Laws of Hong Kong);”

4. The definition of “Duties and Charges” under Clause 1.1 of the Trust Deed be amended as follows:

“**Duties and Charges**” means ... buy-back repurchase of Units ...”

5. The definition of “Manager” under Clause 1.1 of the Trust Deed be amended as follows:

“**Manager**” means Hui Xian Asset Management Limited 滙賢房託管理有限公司, or any other person appointed to act as manager of the Trust in accordance with the provisions of this Deed;”

6. The definition of “Takeovers Code” under Clause 1.1 of the Trust Deed be amended as follows:

“**Takeovers Code**” means the Codes on Takeovers and Mergers and Share Repurchases Buy-backs issued by the SFC (as amended from time to time);”

7. The definition of “Trustee” under Clause 1.1 of the Trust Deed be amended as follows:

“**Trustee**” means DB Trustees (Hong Kong) Limited 德意志信託(香港)有限公司, or any other person appointed from time to time to act as trustee of the Trust in accordance with the provisions of this Deed;”

8. Clause 1.2 of the Trust Deed be amended as follows:

1.2 Holding Company

... Section 2 of the Companies Ordinance (~~Chapter 32 of the Laws of Hong Kong~~).

9. Clauses 7.1 and 7.2 of the Trust Deed be amended as follows:

7. Buy-back Repurchase and Redemption of Units

7.1 No Right to Demand Buy-back Repurchase or Redemption of Units

Holders have no right to demand for the buy-back repurchase or redemption of their Units.

7.2 Buy-back Repurchase and Redemption of Units by Manager

The Manager must not buy-back repurchase or redeem any Units unless it is permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. Any buy-back repurchase or redemption of Units by the Manager must be effected in accordance with such codes and guidelines.”

10. Clause 17.16.2(iv) of the Trust Deed be amended as follows:

“17.16.2 The Trustee shall:

...

(iv) take all reasonable care to ensure that the sale, issue, buy-back repurchase and cancellation of Units...”

NOTICE OF ANNUAL 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 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting 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, Hungghom, Kowloon, Hong Kong on Monday, 11 May 2015 at 12:00 noon for the following purposes:

- (A) To note the audited consolidated financial statements of Hui Xian REIT together with the Independent Auditor’s Report for the year ended 31 December 2014;
- (B) To note the appointment of the Auditor of Hui Xian REIT and the fixing of its remuneration;
- (C) To consider and, if thought fit, pass, with or without modification, the following resolutions, of which resolution no. (1) is proposed as ordinary resolution, and resolutions nos. (2) to (4) are proposed as special resolutions:

ORDINARY RESOLUTION

- (1) “**THAT** a mandate to purchase units in Hui Xian REIT (the “**Units**”) be given to Hui Xian Asset Management Limited, as the manager of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (the “**Manager**”):
 - (a) subject to the “Circular to Management Companies of SFC-authorized Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorized REITs” issued by the Securities and Futures Commission (the “**SFC**”) on 31 January 2008 and paragraph (b) below, the exercise by the Manager during the Relevant Period (as defined in paragraph (c) below) of all powers of the Manager to purchase Units on The Stock Exchange of Hong Kong Limited in accordance with the trust deed constituting Hui Xian REIT (as amended by a supplemented deed dated 24 May 2013 and further amended by a supplemental deed dated 16 May 2014) (the “**Trust Deed**”), the Code on Real Estate Investment Trusts (the “**REIT Code**”), the applicable provisions of The Codes on Takeovers and Mergers and Share Buy-backs, the guidelines issued by the SFC from time to time, applicable rules and regulations and the laws of Hong Kong, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of Units which may be purchased or agreed to be purchased by the Manager pursuant to the approval in paragraph (a) above during the Relevant Period (as defined below) shall not exceed 10% of the aggregate number of Units in issue as at the date of the passing of this resolution and the authority pursuant to paragraph (a) above shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the unitholders of Hui Xian REIT following the passing of this resolution;
 - (ii) the expiration of the period within which the next annual general meeting as referred to in (i) above is required to be held under the Trust Deed, the REIT Code or any applicable laws; and
 - (iii) the revocation or variation of the authority given to the Manager under this resolution by an ordinary resolution passed at a general meeting of the unitholders of Hui Xian REIT.”

SPECIAL RESOLUTIONS

(2) “**THAT**

- (a) pursuant to Clause 10.2.4 and 26.1 of the trust deed dated 1 April 2011 constituting Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (as amended by a supplemental deed dated 24 May 2013 and further amended by a supplemental deed dated 16 May 2014), approval be and is hereby granted for (i) the proposed amendment to Hui Xian REIT’s investment policy and objectives so as to permit the Expanded Investment Scope regarding Property Development and Related Activities, as more fully described in the Circular and (ii) the Property Development Amendments as set out in Appendix II to the Circular; and
- (b) 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) above.”

(3) “**THAT**

- (a) Pursuant to Clauses 10.2.4 and 26.1 of the trust deed dated 1 April 2011 constituting Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (as amended by a supplemental deed dated 24 May 2013 and further amended by a supplemental deed dated 16 May 2014), approval be and is hereby granted for (i) the proposed amendment to Hui Xian REIT’s investment policy and objectives so as to permit the

NOTICE OF ANNUAL GENERAL MEETING

Expanded Investment Scope regarding Relevant Investments, as more fully described in the Circular and (ii) the Relevant Investment Amendments as set out in Appendix III to the Circular; and

- (b) Hui Xian Asset Management Limited as the manager of Hui Xian REIT (the “**Manager**”) 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) above.”

(4) “**THAT**

- (a) pursuant to Clause 14.1.2(i) and 26.1 of the trust deed dated 1 April 2011 constituting Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (as amended by a supplemental deed dated 24 May 2013 and further amended by a supplemental deed dated 16 May 2014), approval be and is hereby granted for the Variable Fee Amendments as set out in Appendix IV to the Circular; and
- (b) 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 paragraph (a) above.”

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

Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Hui Xian REIT dated 1 April 2015 to the Unitholders (the “**Circular**”) shall have the same meanings when used in this notice
2. A Unitholder entitled to attend and vote at the Annual General Meeting (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

NOTICE OF ANNUAL GENERAL MEETING

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 in accordance with its constitutional documents. The person appointed to act as proxy or corporate representative need not be a Unitholder.

3. 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 Annual General Meeting or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude the Unitholder 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.
4. 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.
5. The Register of Unitholders of Hui Xian REIT will be closed from 6 May 2015 (Wednesday) to 11 May 2015 (Monday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the Annual General Meeting, 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 5 May 2015 (Tuesday).
6. The voting of the above Ordinary Resolution at the Annual General Meeting 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 proxy shall have one vote for every Unit of which he is the Unitholder.

As at the date of this notice, 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 as his alternate) (non-executive Directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive Directors).