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

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**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.



**Hui Xian Real Estate Investment Trust**

*(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

**(1) EXTENDED WAIVERS IN RESPECT OF  
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee, the Independent Unitholders and the Trustee**

***Hercules***  
**Hercules Capital Limited**

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A letter from the Board is set out on pages 1 to 25 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 28 to 40 of this circular.

A notice convening the EGM of Hui Xian REIT to be held at Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Friday, 6 May 2016 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

19 April 2016

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## DEFINITIONS

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

“2013 Waiver Circular and Poll Results Announcement”	collectively, (a) the circular of Hui Xian REIT dated 12 April 2013 in relation to, among other things, the modified and extended waivers in respect of certain continuing connected party transactions (including the Existing BOC Leasing and Licensing and Insurance Waiver and the Existing China Life Insurance Waiver); and (b) the announcement of Hui Xian REIT dated 7 May 2013 in relation to the poll results of the annual general meeting and the extraordinary general meeting of the Unitholders both held on 7 May 2013
“2014 Waiver Circular and Poll Results Announcement”	collectively, (a) the circular of Hui Xian REIT dated 31 March 2014 in relation to, among other things, the modified and extended waivers in respect of certain continuing connected party transactions (including the Existing BOC Corporate Finance Waiver and the Existing CITIC Securities Corporate Finance Waiver); and (b) the announcement of Hui Xian REIT dated 5 May 2014 in relation to the poll results of the annual general meeting and the extraordinary general meeting of the Unitholders both held on 5 May 2014
“2016 Extended Waivers”	collectively, the following waivers for the three years ending 31 December 2019: (a) the Extended BOC Leasing and Licensing and Insurance Waiver; (b) the Extended China Life Insurance Waiver; (c) the Extended BOC Corporate Finance Waiver; and (d) the Extended CITIC Securities Corporate Finance Waiver
“Announcement”	the announcement of Hui Xian REIT dated 18 April 2016 in relation to, among other things, the 2016 Extended Waivers
“Board”	the board of Directors
“BOC”	Bank of China Limited
“BOC Connected Persons Group”	BOC and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with BOC
“BOC Corporate Finance Transactions”	the corporate finance transactions conducted by the Hui Xian REIT Group on the one hand and the BOC Group on the other hand as described in the section headed “1.4.1 Scope of BOC Corporate Finance Transactions” in this circular
“BOC Group”	BOC and its subsidiaries
“BOC Leasing and Licensing and Insurance Transactions”	the leasing and licensing and insurance transactions conducted with the BOC Connected Persons Group as described in the section headed “1.2.1 Scope of BOC Leasing and Licensing and Insurance Transactions” in this circular
“BOP”	北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd.), a Sino-foreign co-operative joint venture established in the People’s Republic of China, which holds the land use rights and building ownership rights of Oriental Plaza

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## DEFINITIONS

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“China Life”	China Life Insurance (Group) Company
“China Life Connected Persons Group”	China Life and entities or persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with China Life
“China Life Insurance Transactions”	the insurance transactions conducted by the Hui Xian REIT Group on the one hand and the China Life Connected Persons Group on the other hand as described in the section headed “ <i>1.3.1 Scope of China Life Insurance Transactions</i> ” in this circular
“CITIC Securities Connected Persons Group”	CSI and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with CSI
“CITIC Securities Corporate Finance Transactions”	the corporate finance transactions conducted by the Hui Xian REIT Group on the one hand and the CITIC Securities Group on the other hand as described in the section headed “ <i>1.5.1 Scope of CITIC Securities Corporate Finance Transactions</i> ” in this circular
“CITIC Securities Group”	CSI, its holding company and their respective subsidiaries
“connected person”	has the meaning ascribed to it under the REIT Code
“CSI”	CITIC Securities International Company Limited
“Directors”	the directors of the Manager
“EGM”	an extraordinary general meeting of the Unitholders to be convened and held at Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Friday, 6 May 2016 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) to consider and, if thought fit, approve each of the 2016 Extended Waivers (and the New Annual Caps)
“Existing BOC Corporate Finance Waiver”	the waiver granted by the SFC on 5 May 2014 in relation to certain corporate finance transactions between the Hui Xian REIT Group and the BOC Group for a period up to and including 31 December 2016 (the terms and conditions of such waiver are set out in the 2014 Waiver Circular and Poll Results Announcement)
“Existing BOC Leasing and Licensing and Insurance Waiver”	the waiver granted by the SFC on 7 May 2013 in relation to certain leasing and licensing transactions, and insurance transactions between the Hui Xian REIT Group and the BOC Connected Persons Group for a period up to and including 31 December 2016 (the terms and conditions of such waiver are set out in the 2013 Waiver Circular and Poll Results Announcement)

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## DEFINITIONS

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“Existing China Life Insurance Waiver”	the waiver granted by the SFC on 7 May 2013 in relation to certain insurance transactions between the Hui Xian REIT Group and the China Life Connected Persons Group for a period up to and including 31 December 2016 (the terms and conditions of such waiver are set out in the 2013 Waiver Circular and Poll Results Announcement)
“Existing CITIC Securities Corporate Finance Waiver”	the waiver granted by the SFC on 5 May 2014 in relation to certain corporate finance transactions between the Hui Xian REIT Group and the CITIC Securities Group for a period up to and including 31 December 2016 (the terms and conditions of such waiver are set out in the 2014 Waiver Circular and Poll Results Announcement)
“Existing Waivers”	collectively, (a) the Existing BOC Leasing and Licensing and Insurance Waiver; (b) the Existing China Life Insurance Waiver; (c) the Existing BOC Corporate Finance Waiver; and (d) the Existing CITIC Securities Corporate Finance Waiver
“Extended BOC Corporate Finance Waiver”	the proposed extension of the Existing BOC Corporate Finance Waiver for a further period up to and including 31 December 2019, as described in the section headed “ <i>1.4 Extended BOC Corporate Finance Waiver</i> ” in this circular
“Extended BOC Leasing and Licensing and Insurance Waiver”	the proposed extension of the Existing BOC Leasing and Licensing and Insurance Waiver for a further period up to and including 31 December 2019, as described in the section headed “ <i>1.2 Extended BOC Leasing and Licensing and Insurance Waiver</i> ” in this circular
“Extended China Life Insurance Waiver”	the proposed extension of the Existing China Life Insurance Waiver for a further period up to and including 31 December 2019, as described in the section headed “ <i>1.3 Extended China Life Insurance Waiver</i> ” in this circular
“Extended CITIC Securities Corporate Finance Waiver”	the proposed extension of the Existing CITIC Securities Corporate Finance Waiver for a further period up to and including 31 December 2019, as described in the section headed “ <i>1.5 Extended CITIC Securities Corporate Finance Waiver</i> ” in this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“Hui Xian REIT Group”	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the 2016 Extended Waivers (including the New Annual Caps), comprising all the INEDs, namely, Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan, and Dr. Choi Koon Shum, Jonathan

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## DEFINITIONS

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“Independent Financial Adviser”	Hercules Capital Limited, which is licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Unitholders”	Unitholders other than those Unitholders who have a material interest in the relevant waiver within the meaning of paragraph 8.11 of the REIT Code
“INEDs”	the independent non-executive Directors
“Latest Practicable Date”	13 April 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Main Board and GEM Listing Rules”	collectively, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Manager”	Hui Xian Asset Management Limited 滙賢房託管理有限公司, as the manager of Hui Xian REIT
“NAV”	net asset value
“New Annual Caps”	collectively, the (i) Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions and (ii) Proposed Annual Caps for China Life Insurance Transactions
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 10% of Units in issue
“Oriental Plaza”	the composite development known as Oriental Plaza (東方廣場) situated at No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People’s Republic of China
“Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions”	the proposed annual caps for the BOC Leasing and Licensing and Insurance Transactions for the years ending 31 December 2017, 2018 and 2019, as set out in this circular
“Proposed Annual Caps for China Life Insurance Transactions”	the proposed annual caps for the China Life Insurance Transactions for the years ending 31 December 2017, 2018 and 2019, as set out in this circular
“Real Estate”	any land, and any interest, option or other right in or over any land. For the purpose of this definition, “land” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein

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## DEFINITIONS

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“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended from time to time)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT (as amended by a first supplemental deed dated 24 May 2013, a second supplemental deed dated 16 May 2014 and a third supplemental deed dated 28 May 2015), as may be modified or supplemented from time to time
“Trustee”	DB Trustees (Hong Kong) Limited 德意志信託(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”	a unit of Hui Xian REIT, and “Units” will be construed accordingly
“Unit Registrar”	Computershare Hong Kong Investor Services Limited, as the unit registrar of Hui Xian REIT
“Unitholder(s)”	holder(s) of the Units

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

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

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## LETTER FROM THE BOARD

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**HUI XIAN** REIT  
匯賢產業信託

### Hui Xian Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

***Directors of the Manager:***

*Non-executive Directors*

Mr. KAM Hing Lam (*Chairman*)  
Mr. IP Tak Chuen, Edmond  
Mr. LIM Hwee Chiang  
Mr. YIN Ke

*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 of the Manager:***

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

19 April 2016

*To: Unitholders of Hui Xian REIT*

Dear Sir/Madam,

**(1) EXTENDED WAIVERS IN RESPECT OF  
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Reference is made to the Announcement. The purpose of this circular is to (a) provide you with further information regarding the 2016 Extended Waivers and the Ordinary Resolutions to be proposed at the EGM approving each of the 2016 Extended Waivers; (b) set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the 2016 Extended Waivers; (c) set out the advice of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2016 Extended Waivers; and (d) provide you with the notice of the EGM.



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## LETTER FROM THE BOARD

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### 1. 2016 EXTENDED WAIVERS

The Manager has applied to the SFC for an extension of the following waivers from strict compliance with the requirements under the REIT Code (and, where relevant, to set new annual caps relating thereto), in respect of certain connected party transactions to be conducted by the Hui Xian REIT Group, for a further period up to and including 31 December 2019:

- (i) the Existing BOC Leasing and Licensing and Insurance Waiver (including the annual caps relating thereto);
- (ii) the Existing China Life Insurance Waiver (including the annual caps relating thereto);
- (iii) the Existing BOC Corporate Finance Waiver; and
- (iv) the Existing CITIC Securities Corporate Finance Waiver (collectively, the “**Existing Waivers**”).

The Manager will seek Independent Unitholders’ approval of such extensions, the details of which are set out in this section 1 below.

#### 1.1 Background

A brief summary of the backgrounds of the Existing Waivers and the relationship between Hui Xian REIT and certain connected persons of Hui Xian REIT is set out below.

##### *1.1.1 Connected person of Hui Xian REIT*

The connected persons of Hui Xian REIT include, among others:

- (i) BOC and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with BOC (collectively, the “**BOC Connected Persons Group**”), as BOC has a right to nominate directors to Hui Xian (Cayman Islands) Limited, which is a significant holder (within the meaning of the REIT Code) of Hui Xian REIT;
- (ii) China Life and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with China Life (collectively, the “**China Life Connected Persons Group**”), as China Life has a right to nominate directors to Hui Xian (Cayman Islands) Limited, which is a significant holder (within the meaning of the REIT Code) of Hui Xian REIT; and
- (iii) CITIC Securities International Company Limited (“**CSI**”), its holding company and their respective subsidiaries (the “**CITIC Securities Group**”), as CSI indirectly holds 40% interest in the Manager.

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## LETTER FROM THE BOARD

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### *1.1.2 Existing Waivers*

Before the first listing of the Units on the Stock Exchange, at the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011, a number of waivers from strict compliance with the REIT Code were granted by the SFC in relation to certain connected party transactions conducted between the Hui Xian REIT Group on the one hand, and (i) the BOC Group or the BOC Connected Persons Group, (ii) the China Life Connected Persons Group or (iii) the CITIC Securities Group (as the case maybe) on the other hand (each waiver hereinafter referred to as an “**Initial Waiver**”).

#### *(i) Transactions with the BOC Group or the BOC Connected Persons Group*

The Manager applied for, and the SFC granted, the Initial Waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code for a period up to and including 31 December 2013, in respect of (a) certain leasing and licensing transactions with the BOC Connected Persons Group in respect of Oriental Plaza; and (b) the insurance policies with the BOC Connected Persons Group as insurer which the Hui Xian REIT Group (including BOP) had or might from time to time take out in relation to the properties and business of Hui Xian REIT Group. In 2013, the Manager applied for, and the SFC granted, the Existing BOC Leasing and Licensing and Insurance Waiver to (a) extend (with new annual caps relating thereto) such Initial Waiver for a period up to and including 31 December 2016, and (b) modify such Initial Waiver to cover leasing and licensing transactions in respect of any properties in which Hui Xian REIT may directly or indirectly be interested.

The Manager also applied for, and the SFC granted, another Initial Waiver from strict compliance with the requirement under 8.9 and 8.11 of the REIT Code to seek Unitholders’ prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) for a period up to and including 31 December 2013 in respect of certain “corporate finance transactions” (the description of which was set out on pages 262 to 263 of the offering circular of Hui Xian REIT dated 11 April 2011) between Hui Xian REIT Group and the BOC Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions was modified in accordance with the conditions of such waiver. In 2014, the Manager applied for, and the SFC granted, the Existing BOC Corporate Finance Waiver to (a) extend such Initial Waiver for a period up to and including 31 December 2016 and (b) modify such Initial Waiver to expand its scope so that such waiver will also cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group.

Please refer to (i) the 2013 Waiver Circular and Poll Results Announcement for details of the Existing BOC Leasing and Licensing and Insurance Waiver and (ii) the 2014 Waiver Circular and Poll Results Announcement for details of the Existing BOC Corporate Finance Waiver.

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## LETTER FROM THE BOARD

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*(ii) Transactions with the China Life Connected Persons Group*

The Manager applied for, and the SFC granted, the Initial Waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code, for a period up to and including 31 December 2013 in respect of the insurance policies with the China Life Connected Persons Group as insurer which the Hui Xian REIT Group (including BOP) had or might from time to time take out in relation to the properties and business of Hui Xian REIT Group. In 2013, the Manager applied for, and the SFC granted, the Existing China Life Insurance Waiver to extend (with new annual caps relating thereto) such Initial Waiver for a period up to and including 31 December 2016.

Please refer to the 2013 Waiver Circular and Poll Results Announcement for details of the Existing China Life Insurance Waiver.

*(iii) Transactions with the CITIC Securities Group*

The Manager applied for, and the SFC granted, the Initial Waiver from strict compliance with the requirement under 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) for a period up to and including 31 December 2013 in respect of certain "corporate finance transactions" (the description of which was set out on pages 248 to 249 of the offering circular of Hui Xian REIT dated 11 April 2011) between Hui Xian REIT Group and the CITIC Securities Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions was modified in accordance with the specific conditions of such waiver. In 2014, the Manager applied for, and the SFC granted, the Existing CITIC Securities Corporate Finance Waiver to (a) extend such Initial Waiver for a period up to and including 31 December 2016 and (b) modify such Initial Waiver to expand its scope so that such waiver will also cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group.

Please refer to the 2014 Waiver Circular and Poll Results Announcement for details of the Existing CITIC Securities Corporate Finance Waiver.

### ***1.1.3 Proposed extension of the Existing Waivers***

Each of the Existing Waivers will be for a period up to and including 31 December 2016. In accordance with the waiver conditions of each of the Existing Waivers, each of them may be extended beyond 31 December 2016, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant waiver within the meaning of 8.11 of the REIT Code is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) is made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

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## LETTER FROM THE BOARD

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The Manager proposes to seek Independent Unitholders' approval, by way of Ordinary Resolutions at the EGM, to extend each of the following Existing Waivers for a further period up to and including 31 December 2019:

- (a) the Existing BOC Leasing and Licensing and Insurance Waiver;
- (b) the Existing China Life Insurance Waiver;
- (c) the Existing BOC Corporate Finance Waiver; and
- (d) the Existing CITIC Securities Corporate Finance Waiver.

The Manager also proposes to seek Independent Unitholders' approval, by way of Ordinary Resolutions at the EGM, to set the new annual caps for the three years ending 31 December 2019 for (i) the transactions under the Existing BOC Leasing and Licensing and Insurance Waiver (as extended by the Extended BOC Leasing and Licensing and Insurance Waiver) and (ii) the transactions under the Existing China Life Insurance Waiver (as extended by the Extended China Life Insurance Waiver), respectively.

### **1.2 Extended BOC Leasing and Licensing and Insurance Waiver**

#### ***1.2.1 Scope of BOC Leasing and Licensing and Insurance Transactions***

The scope and nature of the leasing and licensing transactions and insurance transactions proposed to be covered by the Extended BOC Leasing and Licensing and Insurance Waiver will be the same as those covered by the Existing BOC Leasing and Licensing and Insurance Waiver. For the purpose of the Extended BOC Leasing and Licensing and Insurance Waiver, the transactions covered thereunder are:

- (a) the leases or licences with the BOC Connected Persons Group in respect of any properties in which Hui Xian REIT may directly or indirectly be interested; and
- (b) the insurance policies which have been or may be taken out by the Hui Xian REIT Group (including BOP) with the BOC Connected Persons Group as insurer in relation to the properties and business of Hui Xian REIT Group

(collectively, the “**BOC Leasing and Licensing and Insurance Transactions**”).

## LETTER FROM THE BOARD

### ***1.2.2 Historical transaction amounts with respect to transactions under the Existing BOC Leasing and Licensing and Insurance Waiver***

The approximate aggregate sums (a) paid to the Hui Xian REIT Group by the BOC Connected Persons Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) and (b) paid by the Hui Xian REIT Group to the BOC Connected Persons Group in respect of the insurance transactions, for the two years ended 31 December 2014 and 2015 and the two months ended 29 February 2016 were as follows:

<b>Transactions under the Existing BOC Leasing and Licensing and Insurance Waiver</b>	<b>Financial year ended 31 December 2014 RMB'000</b>	<b>Financial year ended 31 December 2015 RMB'000</b>	<b>Two months ended 29 February 2016 RMB'000</b>
(a) BOC leasing and licensing transactions	25,855	26,993	4,609
<i>Annual caps</i>	32,000	35,000	38,000 <sup>(Note)</sup>
<i>Utilisation rate</i>	80.8%	77.1%	N.A.
(b) BOC insurance transactions	435	437	72
<i>Annual caps</i>	1,400	1,400	1,400 <sup>(Note)</sup>
<i>Utilisation rate</i>	31.1%	31.2%	N.A.

*Note: The figure represents the annual cap for the year ending 31 December 2016.*

### ***1.2.3 Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions***

The Manager proposes that the aggregate annual sums (a) to be paid to the Hui Xian REIT Group by the BOC Connected Persons Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) and (b) to be paid by the Hui Xian REIT Group to the BOC Connected Persons Group in respect of the insurance transactions, under the Extended BOC Leasing and Licensing and Insurance Waiver for the three years ending 31 December 2017, 2018 and 2019, are not to exceed the respective proposed annual cap amounts as follows:

<b>Transactions under the Extended BOC Leasing and Licensing and Insurance Waiver</b>	<b>Financial year ending 31 December 2017 RMB'000</b>	<b>Financial year ending 31 December 2018 RMB'000</b>	<b>Financial year ending 31 December 2019 RMB'000</b>
(a) BOC leasing and licensing transactions	39,000	41,000	43,000
(b) BOC insurance transactions	1,800	1,900	2,000

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## LETTER FROM THE BOARD

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### ***1.2.4 Basis for the Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions***

The above Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions with respect to leasing and licensing transactions mainly comprise the rental and building management fee receivable from the BOC Connected Persons Group. Such annual caps are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years taking into account the possible growth in rentals during the relevant financial periods, and a contingency buffer of approximately 30% was added so as to cope with unforeseeable fluctuations resulting from any change in rental or other market conditions, possible additional leases of properties by the members of the BOC Connected Persons Group and possible acquisitions of properties where the members of the BOC Connected Persons Group was the leasee of the properties to be acquired by the Hui Xian REIT Group in the future.

The above Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions with respect to insurance transactions are determined with general reference to the historical transaction amounts for the insurance transactions and the amount of insurance services required by the Hui Xian REIT Group from the BOC Connected Persons Group.

### ***1.2.5 Waiver conditions for the Extended BOC Leasing and Licensing and Insurance Waiver***

#### ***(i) Due approval by Unitholders***

Due approval by Independent Unitholders and adoption of the Ordinary Resolution to approve the Extended BOC Leasing and Licensing and Insurance Waiver and the annual caps relating thereto set out in the notice of EGM dated 19 April 2016, without any material amendment thereto.

#### ***(ii) Extensions or modifications***

The Extended BOC Leasing and Licensing and Insurance Waiver shall be for a period to expire on 31 December 2019 and may be extended beyond 31 December 2019, and/or the terms and conditions of the Extended BOC Leasing and Licensing and Insurance Waiver may be modified from time to time, provided that:

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

For the avoidance of doubt, any material change to the transactions covered by the Extended BOC Leasing and Licensing and Insurance Waiver (including without limitation

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## LETTER FROM THE BOARD

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the scope or nature of the transactions) provided by the Manager in the waiver application dated 12 April 2016 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

*(iii) Annual caps*

The annual value of the connected party transactions under the Extended BOC Leasing and Licensing and Insurance Waiver shall not exceed the respective annual cap amounts set out in the following table:

<b>Transactions under the Extended BOC Leasing and Licensing and Insurance Waiver</b>	<b>Financial year ending 2017 RMB'000</b>	<b>Financial year ending 2018 RMB'000</b>	<b>Financial year ending 2019 RMB'000</b>
(a) BOC leasing and licensing transactions	39,000	41,000	43,000
(b) BOC insurance transactions	1,800	1,900	2,000

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the Extended BOC Leasing and Licensing and Insurance Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transaction except where they are conducted on standard or published rates.

*(iv) Disclosure in semi-annual and annual reports*

Details of the connected party transactions under the Extended BOC Leasing and Licensing and Insurance Waiver shall be disclosed in the semi-annual and annual report of Hui Xian REIT as required under 8.14 of the REIT Code.

*(v) Auditors' review procedures*

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

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

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*(vi) Review by the INEDs*

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

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

*(vii) Auditors' access to books and records*

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

*(viii) Notification to the SFC*

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

*(ix) Subsequent increases in annual caps with Independent Unitholders' approval*

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

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



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(x) *8.14 of the REIT Code*

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

### 1.3 Extended China Life Insurance Waiver

#### *1.3.1 Scope of China Life Insurance Transactions*

The scope and nature of the insurance transactions proposed to be covered by the Extended China Life Insurance Waiver will be the same as those covered by the Existing China Life Insurance Waiver. The China Life Insurance Waiver will cover the insurance policies which have been or may be taken out by the Hui Xian REIT Group (including BOP) with the China Life Connected Persons Group as insurer in relation to the properties and business of Hui Xian REIT Group (the "China Life Insurance Transactions").

#### *1.3.2 Historical transaction amounts with respect to transactions under the Existing China Life Insurance Waiver*

The approximate aggregate sums paid by the Hui Xian REIT Group to the China Life Connected Persons Group in respect of the insurance transactions under the Existing China Life Insurance Waiver for the two financial years ended 31 December 2014 and 2015, and the two months ended 29 February 2016 were as follows:

Transactions under the Existing China Life Insurance Waiver	Financial year ended 31 December 2014 RMB'000	Financial year ended 31 December 2015 RMB'000	Two months ended 29 February 2016 RMB'000
China Life Insurance Transactions	1,523	1,726	290
Annual cap	5,000	5,000	5,000 <sup>(Note)</sup>
Utilisation rate	30.5%	34.5%	N.A.

*Note: The figure represents the annual cap for the year ending 31 December 2016.*

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### ***1.3.3 Proposed Annual Caps for China Life Insurance Transactions***

The Manager proposes that for the financial years ending 31 December 2017, 2018 and 2019, the aggregate annual value payable by the Hui Xian REIT Group to the China Life Connected Persons Group in respect of the China Life Insurance Transactions for the three years ending 31 December 2017, 2018 and 2019 are not to exceed the respective proposed annual cap amounts as follows:

<b>Transactions under the Extended China Life Insurance Waiver</b>	<b>Financial year ending 31 December 2017 RMB'000</b>	<b>Financial year ending 31 December 2018 RMB'000</b>	<b>Financial year ending 31 December 2019 RMB'000</b>
China Life Insurance Transactions	6,000	6,300	6,600

### ***1.3.4 Basis for the Proposed Annual Caps for China Life Insurance Transactions***

The above Proposed Annual Caps for China Life Insurance Transactions are determined with general reference to the historical transaction amounts for the insurance transactions and the amount of insurance services required by the Hui Xian REIT Group from the China Life Connected Persons Group.

### ***1.3.5 Waiver conditions for the Extended China Life Insurance Waiver***

#### ***(i) Due approval by Unitholders***

Due approval by Independent Unitholders and adoption of the Ordinary Resolution to approve the Extended China Life Insurance Waiver and the annual caps relating thereto set out in the notice of EGM dated 19 April 2016, without any material amendment thereto.

#### ***(ii) Extensions or modifications***

The Extended China Life Insurance Waiver shall be for a period to expire on 31 December 2019 and may be extended beyond 31 December 2019, and/or the terms and conditions of the Extended China Life Insurance Waiver may be modified from time to time, provided that:

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

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- (c) any extension of the period of the Extended China Life Insurance Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Extended China Life Insurance Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 12 April 2016 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

*(iii) Annual caps*

The annual value of the connected party transactions under the Extended China Life Insurance Waiver shall not exceed the respective annual cap amounts set out in the following table:

<b>Transactions under the Extended China Life Insurance Waiver</b>	<b>Financial year ending 31 December 2017 RMB'000</b>	<b>Financial year ending 31 December 2018 RMB'000</b>	<b>Financial year ending 31 December 2019 RMB'000</b>
China Life Insurance Transactions	6,000	6,300	6,600

*(iv) Disclosure in semi-annual and annual reports*

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

*(v) Auditors' review procedures*

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

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

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*(vi) Review by the INEDs*

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

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

*(vii) Auditors' access to books and records*

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

*(viii) Notification to the SFC*

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

*(ix) Subsequent increases in annual caps with Independent Unitholders' approval*

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

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

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(x) *8.14 of the REIT Code*

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

### 1.4 Extended BOC Corporate Finance Waiver

#### *1.4.1 Scope of BOC Corporate Finance Transactions*

The scope and nature of the corporate finance transactions, conducted between the Hui Xian REIT Group and the BOC and its subsidiaries (the "**BOC Group**"), proposed to be covered by the Extended BOC Corporate Finance Waiver will be the same as those covered by the Existing BOC Corporate Finance Waiver. For the purpose of the Extended BOC Corporate Finance Waiver, the "**BOC Corporate Finance Transactions**" means:

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

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

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

### ***1.4.2 Waiver Conditions for Extended BOC Corporate Finance Waiver***

The Manager has applied for the Extended BOC Corporate Finance Waiver on the following waiver conditions which are, save for the waiver period, consistent with the conditions for the Existing BOC Corporate Finance Waiver:

- (i) due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Extended BOC Corporate Finance Waiver, without any material amendment thereto;
- (ii) the waiver shall be for a period to expire on 31 December 2019 and may be extended beyond 31 December 2019 and/or the terms and conditions of the waiver as set out in (iii) to (vii) below may be modified from time to time, provided that:
  - (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
  - (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
  - (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Extended BOC Corporate Finance Waiver (including without limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 12 April

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2016 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above;

- (iii) the offering document and any circular for Hui Xian REIT involving the BOC Corporate Finance Transactions includes upfront disclosure of this Extended BOC Corporate Finance Waiver and, with respect to those corporate finance transactions under categories (i) and (ii) of the definition of “BOC Corporate Finance Transaction” as set out in the section headed “*1.4.1 Scope of BOC Corporate Finance Transactions*” in this circular, full disclosure of the material terms of the relevant agreements;
- (iv) the annual report of Hui Xian REIT includes disclosure of the aggregate fees paid to the BOC Group in respect of the BOC Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;
- (v) the annual report of Hui Xian REIT includes disclosure in respect of any BOC Corporate Finance Transaction whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction, (b) the parties to the transaction, and (c) the date of the transaction;
- (vi) the annual report of Hui Xian REIT includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (vii) the auditors’ report in respect of Hui Xian REIT shall cover all the relevant BOC Corporate Finance Transactions.

Notwithstanding the Extended BOC Corporate Finance Waiver, in the case where the aggregate fees that the BOC Group generates from all “financial advisory transactions” and “corporate advisory transactions” (both as defined under the section headed “*1.4.1 Scope of BOC Corporate Finance Transactions*” in this circular) conducted for Hui Xian REIT Group during the financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the BOC Group in its capacity as described under the section headed “*1.4.1 Scope of BOC Corporate Finance Transactions*” in this circular, an announcement has to be made pursuant to the REIT Code (and is not exempt under any waiver(s) from announcements under the REIT Code granted by the SFC), such announcement shall disclose the role of the BOC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

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## LETTER FROM THE BOARD

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### 1.5 Extended CITIC Securities Corporate Finance Waiver

#### *1.5.1 Scope of CITIC Securities Corporate Finance Transactions*

The scope and nature of the corporate finance transactions, conducted between the Hui Xian REIT Group and the CITIC Securities Group, proposed to be covered by the Extended CITIC Securities Corporate Finance Waiver will be the same as those covered by the Existing CITIC Securities Corporate Finance Waiver. For the purpose of the Extended CITIC Securities Corporate Finance Waiver, the “**CITIC Securities Corporate Finance Transactions**” means:

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

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

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



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## LETTER FROM THE BOARD

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### *1.5.2 Waiver Conditions for Extended CITIC Securities Corporate Finance Waiver*

The Manager has applied for the Extended CITIC Securities Corporate Finance Waiver on the following waiver terms and conditions which are, save for the waiver period, consistent with the conditions for the Existing CITIC Securities Corporate Finance Waiver:

*(A) Waiver general conditions and undertakings*

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

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

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

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

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

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

*(B) Waiver specific conditions — disclosure and reporting requirements*

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

- (i) due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Extended CITIC Securities Corporate Finance Waiver, without any material amendment thereto;
- (ii) the waiver shall be for a period to expire on 31 December 2019 and may be extended beyond 31 December 2019 and/or the terms and conditions of the waiver as set out in (iii) to (viii) below may be modified from time to time, provided that:
  - (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
  - (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
  - (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the Extended CITIC Securities Corporate Finance Waiver (including without

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## LETTER FROM THE BOARD

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limitation the scope or nature of the transactions) provided by the Manager in the waiver application dated 12 April 2016 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above;

- (iii) the offering document and any circular for Hui Xian REIT involving the CITIC Securities Corporate Finance Transactions includes upfront disclosure of this Extended CITIC Securities Corporate Finance Waiver and, with respect to those corporate finance transactions under categories (i) and (ii) of the definition of “CITIC Securities Corporate Finance Transaction” as set out in the section headed “1.5.1 Scope of CITIC Securities Corporate Finance Transactions” in this circular, full disclosure of the material terms of the relevant agreements;
- (iv) the annual report of Hui Xian REIT includes disclosure of the aggregate fees paid to the CITIC Securities Group in respect of the CITIC Securities Corporate Finance Transactions conducted for the Hui Xian REIT Group in the financial year;
- (v) the annual report of Hui Xian REIT includes disclosure in respect of any CITIC Securities Corporate Finance Transaction the amount of fees in respect of which exceeds HK\$1 million: (a) the occurrence and nature of the transaction; (b) the parties to the transaction and (c) the date of the transaction;
- (vi) the annual report of Hui Xian REIT discloses a statement made by the INEDs to confirm that the CITIC Securities Corporate Finance Transactions have complied with the general conditions set out in the section headed “(A) Waiver general conditions and undertakings” above;
- (vii) the annual report of Hui Xian REIT includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties;
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (viii) the auditors’ report in respect of the Hui Xian REIT shall cover all relevant CITIC Securities Corporate Finance Transactions.

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## LETTER FROM THE BOARD

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Notwithstanding the Extended CITIC Securities Corporate Finance Waiver, in the case where the aggregate fees that the CITIC Securities Group generates from all “financial advisory transactions” and “corporate advisory transactions” (both as defined under the section headed “*1.5.1 Scope of CITIC Securities Corporate Finance Transactions*” in this circular) conducted for the Hui Xian REIT Group during any financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the CITIC Securities Group in its capacity as described above under the section headed “*1.5.1 Scope of CITIC Securities Corporate Finance Transactions*” in this circular, an announcement has to be made pursuant to the REIT Code (and is not exempt under any waiver(s) from announcements under the REIT Code granted by the SFC), such announcement shall disclose the role of the CITIC Securities Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

### 1.6 Approvals required

As mentioned in the sub-section headed “*1.1.3 Proposed extension of the Existing Waivers*” above, pursuant to the conditions of each of the Existing Waivers, each of the Existing Waivers may be extended beyond 31 December 2016, provided, among other things, the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders. Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for the following 2016 Extended Waivers, each by way of a separate Ordinary Resolution at the EGM:

- (i) the Extended BOC Leasing and Licensing and Insurance Waiver (including the Proposed Annual Caps for BOC Leasing and Licensing and Insurance Transactions), which, if approved, will extend the Existing BOC Leasing and Licensing and Insurance Waiver for a further period up to and including 31 December 2019 with new annual caps for the BOC Leasing and Licensing and Insurance Transactions for the three years ending 31 December 2019 (see Ordinary Resolution (1) contained in the EGM notice);
- (ii) the Extended China Life Insurance Waiver (including the Proposed Annual Caps for China Life Insurance Transactions), which, if approved, will extend the Existing China Life Insurance Waiver for a further period up to and including 31 December 2019 with new annual caps for the China Life Insurance Transactions for the three years ending 31 December 2019 (see Ordinary Resolution (2) contained in the EGM notice);
- (iii) the Extended BOC Corporate Finance Waiver, which, if approved, will extend the Existing BOC Corporate Finance Waiver for a further period up to and including 31 December 2019 (see Ordinary Resolution (3) contained in the EGM notice); and
- (iv) the Extended CITIC Securities Corporate Finance Waiver, which, if approved, will extend the Existing CITIC Securities Corporate Finance Waiver for a further period up to and including 31 December 2019 (see Ordinary Resolution (4) contained in the EGM notice).

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## LETTER FROM THE BOARD

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### *1.6.1 Restrictions on voting*

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

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

Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the relevant 2016 Extended Waiver(s), (i) members of the CITIC Securities Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Extended CITIC Securities Corporate Finance Waiver; (ii) members of the China Life Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Extended China Life Insurance Waiver; and (iii) members of the BOC Connected Persons Group shall abstain from voting on the Ordinary Resolutions to approve the Extended BOC Leasing and Licensing and Insurance Waiver and the Extended BOC Corporate Finance Waiver respectively.

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

Entities	Number of Units held	Approximate Percentage of Unit holding
Subsidiary of CSI <sup>Note 1</sup>	10,000,000	0.19%
Subsidiaries of China Life <sup>Note 2</sup>	643,218,500	11.96%
Subsidiary of BOC <sup>Note 3</sup>	86,689,500	1.61%

*Notes:*

1. The subsidiary being CSI REITs Investment Management Company Limited.
2. The subsidiaries being Po Lian Enterprises Limited and China Life Insurance (Overseas) Co. Ltd, which held 370,312,500 Units and 272,906,000 Units respectively as at the Latest Practicable Date.
3. The subsidiary being Lucky Star International Holdings Inc..

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Ordinary Resolutions to approve the 2016 Extended Waiver(s).

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## LETTER FROM THE BOARD

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### **1.7 Opinion of the Independent Financial Adviser**

Hercules Capital Limited has been appointed as independent financial adviser to provide its opinion on the 2016 Extended Waivers (including the New Annual Caps) to the Independent Board Committee, the Independent Unitholders and the Trustee. Your attention is drawn to the “Letter from the Independent Financial Adviser” set out in this circular.

The Independent Financial Adviser confirms that it is of the view that having considered the principal factors and reasons stated in its above letter, (i) the connected party transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole. The Independent Financial Adviser recommends the Independent Board Committee to advise the Independent Unitholders, and Independent Financial Adviser also recommends the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2016 Extended Waivers (and the New Annual Caps) at the upcoming EGM.

### **1.8 Opinion of the Independent Board Committee**

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the 2016 Extended Waivers (including the New Annual Caps). Your attention is drawn to the “Letter from the Independent Board Committee” set out in this circular.

Having taken into account the opinion of, and the principal factors and reasons considered by, the Independent Financial Adviser, the Independent Board Committee considers that (i) the connected party transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Independent Board Committee therefore recommends that the Independent Unitholders to vote at the EGM in favour of all the Ordinary Resolutions to approve the 2016 Extended Waivers (including the New Annual Caps).

### **1.9 Recommendation of the Board**

Having regard to the reasons for, the scope of and the waiver terms and conditions for the 2016 Extended Waivers, the Board considers that:

- (a) the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of Hui Xian REIT and the Independent Unitholders as a whole;

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## LETTER FROM THE BOARD

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- (b) for those relevant connected party transactions subsisting as at the Latest Practicable Date, each such transaction has been entered into: (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole; and
- (c) for those relevant connected party transactions to be entered into after the Latest Practicable Date, each such transaction will be: (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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

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

The Board therefore recommends that the Independent Unitholders to vote at the EGM in favour of all the Ordinary Resolutions to approve the 2016 Extended Waivers (including the New Annual Caps).

### **1.10 Opinion of the Trustee**

Based on (i) the information and assurances provided by the Manager; (ii) the opinion of the Independent Financial Adviser; and (iii) the "Letter from the Independent Board Committee" set out in this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Trustee's view is not to be taken as a recommendation or representation by the Trustee of the merits of the 2016 Extended Waivers and the New Annual Caps. The Trustee has not made any assessment of the merits or impact of the 2016 Extended Waivers and the New Annual Caps, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

Unitholders who are in any doubt as to the merits or impact of the 2016 Extended Waivers (including the New Annual Caps) should seek their own financial or other professional advice.

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## LETTER FROM THE BOARD

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### 2. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hunghom, Kowloon, Hong Kong on Friday, 6 May 2016 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the notice of the EGM, which is set out on pages N-1 to N-3 of this circular.

For the purpose of determining which Unitholders are entitled to attend and vote at the EGM, the register of Unitholders will be closed from Tuesday, 3 May 2016 to Friday, 6 May 2016, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 April 2016.

If you are a Unitholder on Friday, 6 May 2016, you can vote at the EGM. You will find enclosed with this circular the notice of the EGM and a form of proxy for use for the purpose of the EGM.

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

### 3. GENERAL

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

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.

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*





**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**

19 April 2016

*To the Independent Unitholders of Hui Xian REIT*

Dear Sir/Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in respect of the 2016 Extended Waivers (and the New Annual Caps), details of which are set out in the “Letter from the Board” in the circular dated 19 April 2016 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Hercules Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2016 Extended Waivers (and the New Annual Caps), in particular as to (i) whether the transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business and whether the terms of which are at arm’s length and on normal commercial terms, and (ii) whether the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser”, the text of which is contained in the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by Hercules Capital Limited, we consider that (i) the connected party transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions to approve the 2016 Extended Waivers (including the New Annual Caps).

Yours faithfully,

Independent Board Committee

**Hui Xian Asset Management Limited**

**滙賢房託管理有限公司**

**(as the Manager of Hui Xian Real Estate Investment Trust)**

**CHENG Hoi Chuen, Vincent**

**LEE Chack Fan**

**CHOI Koon Shum, Jonathan**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2016 Extended Waivers (and the New Annual Caps).*

### ***Hercules*** **Hercules Capital Limited**

1503 Ruttonjee House  
11 Duddell Street  
Central  
Hong Kong

19 April 2016

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

Dear Sirs,

### **EXTENDED WAIVERS IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee with respect to the 2016 Extended Waivers (and the New Annual Caps), details of which are set out in the Letter from the Board contained in the circular dated 19 April 2016 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined elsewhere in the Circular unless the context requires otherwise.

At the time of authorization of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, the Manager applied for, and the SFC granted, a number of waivers from strict compliance with the REIT Code in relation to certain continuing connected party transactions conducted between the Hui Xian REIT Group on the one hand, and (i) the BOC Group or the BOC Connected Persons Group, (ii) the China Life Connected Persons Group or (iii) the CITIC Securities Group (as the case maybe) on the other hand. Such initial waivers were subsequently extended and/or modified and the Existing BOC Leasing and Licensing and Insurance Waiver (including the annual caps thereunder), the Existing China Life Insurance Waiver (including the annual caps thereunder), the Existing BOC Corporate Finance Waiver and the Existing CITIC Securities Corporate Finance Waiver, were granted for a period up to and including 31 December 2016. The Manager expects such continuing connected party transactions shall continue in the future and thus proposes to extend the Existing Waivers for a further term of three years up to and including 31 December 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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By virtue of their material interest in the relevant 2016 Extended Waiver(s), (i) members of the BOC Connected Persons Group shall abstain from voting on the Ordinary Resolutions to approve the Extended BOC Leasing and Licensing and Insurance Waiver and the Extended BOC Corporate Finance Waiver; (ii) members of the China Life Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Extended China Life Insurance Waiver; and (iii) members of the CITIC Securities Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the Extended CITIC Securities Corporate Finance Waiver respectively, in accordance with the REIT Code and the Trust Deed.

The Independent Board Committee, comprising all INEDs, namely Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders in respect of the 2016 Extended Waivers (and the New Annual Caps). We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2016 Extended Waivers (and the New Annual Caps), in particular as to whether the transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and whether the terms of which are at arm's length and on normal commercial terms, and whether the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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

### **BASIS OF OUR OPINION**

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

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we have reviewed include, among others, the 2013 Waiver Circular and Poll Results Announcement, the 2014 Waiver Circular and Poll Results Announcement, the latest interim and annual reports of Hui Xian REIT, agreements/insurance policies entered into between the Hui Xian REIT Group and the BOC Connected Persons Group and the China Life Connected Persons Group (as the case may be) in relation to the connected party transactions, agreements/insurance policies entered into with independent third parties in respect of transactions similar to the connected party transactions, the internal controls and compliance procedures contained in the compliance manual of the Manager for governing the BOC Corporate Finance Transactions and the CITIC Securities Corporate

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Finance Transactions, the published documents of other listed real estate investment trusts and other market information. We have no reasons to suspect that any material information has been withheld by the Manager, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Hui Xian REIT Group, the Manager and the related subjects of, and parties to, the transactions under the 2016 Extended Waivers. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the 2016 Extended Waivers (and the New Annual Caps), we have considered the following principal factors and reasons:

#### 1. Background of the transactions under the 2016 Extended Waivers

At the time of authorization of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, the Manager applied for, and the SFC granted, a number of waivers from strict compliance with the REIT Code in relation to certain continuing connected party transactions conducted between the Hui Xian REIT Group on the one hand, and (i) the BOC Group or the BOC Connected Persons Group; (ii) the China Life Connected Persons Group; or (iii) the CITIC Securities Group (as the case may be) on the other hand.

In 2013, Hui Xian REIT obtained the (i) Existing BOC Leasing and Licensing and Insurance Waiver, which extended (with new annual caps relating thereto) the initial waiver for a period of up to and including 31 December 2016 and modified the initial waiver to cover leasing and licensing transactions in respect of any properties in which Hui Xian REIT may directly or indirectly be interested; and (ii) the Existing China Life Insurance Waiver, which extended (with new annual caps relating thereto) the initial waiver for a period of up to and including 31 December 2016. In 2014, Hui Xian REIT obtained the Existing BOC Corporate Finance Waiver and the Existing CITIC Securities Corporate Finance Waiver, which extended the initial waivers for a period of up to and including 31 December 2016 and modified the initial waivers to expand the scope so that such waivers will also cover financial advisory services concerning investments or proposed investments of the Hui Xian REIT Group.

The Existing Waivers will expire on 31 December 2016. The Manager expects that the continuing connected party transactions under the Existing Waivers may be conducted from time to time in the future and thus has made a submission to the SFC, and proposes to seek the approval from the Independent Unitholders to extend the Existing Waivers for a further period of three years up to and including 31 December 2019, and to set the New Annual Caps for the BOC Leasing and Licensing and Insurance Transactions and the China Life Insurance Transactions under such extended waivers.

The scope and nature of transactions under the 2016 Extended Waivers are set out in the Circular and summarized as follows:

##### *(a) BOC Leasing and Licensing Transactions*

BOC leasing and licensing transactions cover the leases or licences with the BOC Connected Persons Group in respect of any properties in which Hui Xian REIT may directly or indirectly be interested (the “**BOC Leasing and Licensing Transactions**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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***(b) BOC Insurance Transactions and China Life Insurance Transactions***

BOC insurance transactions cover the insurance policies which have been or may be taken out by the Hui Xian REIT Group (including BOP) with the BOC Connected Persons Group as insurer in relation to the properties and business of the Hui Xian REIT Group (the “**BOC Insurance Transactions**”) while China Life Insurance Transactions cover the insurance policies which have been or may be taken out by the Hui Xian REIT Group (including BOP) with the China Life Connected Persons Group as insurer in relation to the properties and business of the Hui Xian REIT Group.

***(c) BOC Corporate Finance Transactions and CITIC Securities Corporate Finance Transactions***

The BOC Corporate Finance Transactions and CITIC Securities Corporate Finance Transactions include:

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

### 2. Reasons for the transactions under the 2016 Extended Waivers

#### *(a) BOC Leasing and Licensing Transactions*

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

BOC is one of the major banks in the PRC and the BOC Connected Persons Group provides a full range of financial services such as commercial banking services, investment banking services, insurance services, fund management services, direct investment and investment management services and aircraft leasing services. As at the Latest Practicable Date, certain properties, including office units and retail units, of the Hui Xian REIT Group were leased to the members of the BOC Connected Persons Group. Although certain existing leasing contracts shall expire in the near future, the Manager expects that the BOC Leasing and Licensing Transactions shall continue in the future. Given that leasing of properties is one of the core businesses and major source of income of the Hui Xian REIT Group and the leasing and licensing of properties to the BOC Connected Persons Group shall contribute a stable and reliable income to the Hui Xian REIT Group, we are of the opinion that the BOC Leasing and Licensing Transactions are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group and it is fair and reasonable and in the interests of Hui Xian REIT and the Unitholders as a whole to conduct such transactions.

#### *(b) BOC Insurance Transactions and China Life Insurance Transactions*

China Life Insurance (Group) Company is a large state-owned financial and insurance company with business covering life insurance, property and casualty insurance, pension plans, asset management, industrial investment and overseas operations.

During its ordinary course of business, the Hui Xian REIT Group has the practical needs of insurance services in respect of its properties and operations. The members of the BOC Connected Persons Group and the China Life Connected Persons Group have been providing insurance services to the Hui Xian REIT Group from time to time and the Hui Xian REIT Group is satisfied with their quality of services. Given that the BOC Connected Persons Group and the China Life Connected Persons Group have solid experiences and expertise in providing insurance services, which is one of their core businesses, and the Hui Xian REIT Group has the practical needs of insurance services for its properties and operations, we consider that it is fair and reasonable and in the interests of the Hui Xian REIT Group to continue the BOC Insurance Transactions and the China Life Insurance Transactions and such transactions are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***(c) BOC Corporate Finance Transactions and CITIC Securities Corporate Finance Transactions***

CITIC Securities Company Limited, the holding company of CSI, is principally engaged in the businesses of providing securities trading, underwriting and sponsoring, proprietary trading, asset management and investment banking advisory services. The CITIC Securities Group also provides corporate finance, equity broking and asset management services to global corporate and institutional customers.

Since the listing date of Hui Xian REIT, neither BOC Corporate Finance Transactions nor CITIC Securities Corporate Finance Transactions have been carried out between the BOC Group or the CITIC Securities Group (as the case may be) on one hand and the Hui Xian REIT Group on the other hand save for the services provided by the BOC Group and/or the CITIC Securities Group to Hui Xian REIT during its initial public offering. However, as the Hui Xian REIT Group may have a practical need for professional corporate finance advices or other financing services or arrangements in respect of compliance or financing issues during its ordinary course of business from time to time and the relevant members of the BOC Group and/or the CITIC Securities Group have solid experiences and expertise in providing corporate finance services, the Manager considers that the Hui Xian REIT Group shall have a greater flexibility in its operations if it is allowed to select the corporate finance services from the BOC Group and/or the CITIC Securities Group as and when appropriate.

Having considered that the Hui Xian REIT Group has the practical need to use corporate finance services from time to time in its ordinary and usual course of business and the BOC Corporate Finance Transactions and the CITIC Securities Corporate Finance Transactions can offer a greater flexibility for the Hui Xian REIT Group in the selection of such services by allowing the Hui Xian REIT Group to use the services of the BOC Group and the CITIC Securities Group as and when appropriate, we consider that the BOC Corporate Finance Transactions and the CITIC Securities Corporate Finance Transactions are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

### **3. Major terms of the transactions under the 2016 Extended Waivers**

According to the 2016 Extended Waivers being sought by Hui Xian REIT, the waiver terms and conditions of which are the same as the conditions for the Existing Waivers. The transactions under the 2016 Extended Waivers should be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions should be on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms readily available to or from, as appropriate, independent third parties. Moreover, an independent valuation shall be conducted for each of the BOC Leasing and Licensing Transactions first entered into or renewed on or after the date on which the Extended BOC Leasing and Licensing and Insurance Waiver becomes effective except where they are conducted on standard or published rates.

#### ***(a) BOC Leasing and Licensing Transactions***

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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed all the tenancy agreements entered into between the Hui Xian REIT Group and the BOC Connected Persons Group in respect of office and retail units and compared their terms with those of the tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of similar properties and noted that the major terms such as rentals, building management fees and rental deposit offered to the BOC Connected Persons Group were in general similar and comparable to those for the independent third parties.

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

***(b) BOC Insurance Transactions and China Life Insurance Transactions***

The BOC Connected Persons Group and the China Life Connected Persons Group have been providing insurance services to the Hui Xian REIT Group since 2008 and 2007 respectively. The Manager confirmed that the BOC Insurance Transactions and the China Life Insurance Transactions were and would be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions were and would be determined on normal commercial terms.

We have reviewed all the existing insurance policies relating to the properties and operations of the Hui Xian REIT Group in Beijing, Shenyang and Chongqing and noted that the BOC Connected Persons Group and the China Life Connected Persons Group are providing insurance services to the Hui Xian REIT Group in respect of its properties and operations in Beijing and Chongqing jointly with other independent third party insurers. The BOC Connected Persons Group and the China Life Connected Persons Group share 10% and 35% of the risk of the insurance in relation to the properties and operations in Beijing respectively while other insurers share the remaining 55% of the risk of the insurance. For the properties and operations in Chongqing, the China Life Connected Persons Group share 40% of the risk of the insurance while another third party insurer share the remaining 60% of the risk of the insurance. Currently, the insurance policies in respect of all properties and operations of the Hui Xian REIT Group in Shenyang are provided by independent third parties.

As the location, nature and scale of the Hui Xian REIT Group's properties and operations in Beijing, which involve a commercial complex comprising shopping mall, office towers, serviced apartments and hotel, and Chongqing, which involve a commercial complex comprising shopping mall and offices, are significantly different from that in Shenyang, which involve a hotel comprising mainly hotel rooms and retail shops, we consider that the terms of the three insurance policies are not directly comparable. Having taken into account that (i) the insurance policies were entered into between the Hui Xian REIT Group and the BOC Connected Persons Group and the China Life Connected Persons Group (as the case may be) together with other independent third party insurers with the same terms and conditions; and (ii) all insurers of the insurance policies share the same benefits of the insurance policies in accordance with their respective sharing of risks, we consider that the terms of the BOC Insurance Transactions and the China Life Insurance Transactions carried out in the past were fair and reasonable so far as the Independent Unitholders are concerned. We believe that the terms of the BOC Insurance Transactions and the China Life Insurance Transactions to be carried out in the future would also be on normal commercial terms, at arm's length and fair and reasonable to the Independent Unitholders if the same principles and internal control procedures are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(c) BOC Corporate Finance Transactions and CITIC Securities Corporate Finance Transactions*

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

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

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

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given all the factors mentioned above, we consider that the transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms, and the 2016 Extended Waivers are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Unitholders as a whole.

#### 4. Bases of the New Annual Caps

The historical transaction amounts and the annual caps for the BOC Leasing and Licensing Transactions, the BOC Insurance Transactions and the China Life Insurance Transactions are summarized as follows:

**Table 1 — Historical transaction amounts and annual caps for the connected party transactions**

	Historical Transaction Amount			New Annual Caps		
	For the year ended 31 December			For the year ending 31 December		
	2014	2015	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>BOC Leasing and Licensing Transactions</b>						
Historical transaction amount	25,855	26,993	4,609 <sup>(Note)</sup>	N/A	N/A	N/A
Annual caps	32,000	35,000	38,000	39,000	41,000	43,000
Utilization rate	80.8%	77.1%	N/A	N/A	N/A	N/A
<b>BOC Insurance Transactions</b>						
Historical transaction amount	435	437	72 <sup>(Note)</sup>	N/A	N/A	N/A
Annual caps	1,400	1,400	1,400	1,800	1,900	2,000
Utilization rate	31.1%	31.2%	N/A	N/A	N/A	N/A
<b>China Life Insurance Transactions</b>						
Historical transaction amount	1,523	1,726	290 <sup>(Note)</sup>	N/A	N/A	N/A
Annual caps	5,000	5,000	5,000	6,000	6,300	6,600
Utilization rate	30.5%	34.5%	N/A	N/A	N/A	N/A

*Note: The figures represent the actual transaction amounts for the two months ended 29 February 2016.*

#### **(a) BOC Leasing and Licensing Transactions**

The New Annual Caps for the BOC Leasing and Licensing Transactions mainly cover the rental and building management fee receivable from the BOC Connected Persons Group. According to the Manager, the New Annual Caps in respect of the BOC Leasing and Licensing Transactions for the three years ending 31 December 2019 were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, taking into account the possible growth in rentals, and a contingency buffer of approximately 30% was added so as to cope with unforeseeable fluctuations resulting from any change in rental or other market conditions, possible additional leases of properties by the members of the BOC Connected Persons Group and possible acquisitions of properties where the members of the BOC Connected Persons Group was the lessee of the properties to be acquired by the Hui Xian REIT Group in the future.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed all the existing tenancy agreements entered into between the Hui Xian REIT Group and the BOC Connected Persons Group and noted that all the properties leased to the BOC Connected Persons Group are located in Oriental Plaza and most of such tenancy agreements would expire in the third quarter of 2016 while the remaining would expire in 2018. The rental rates under the existing tenancy agreements were used for the computation of the New Annual Caps in respect of the BOC Leasing and Licensing Transactions for the relevant period.

In view of the actual increase of approximately 4.4% in transaction amount under the BOC Leasing and Licensing Transactions for the year ended 31 December 2015 as compared to the previous year, the prospects of the offices and retail rental market in Beijing, the prime location of the retail units leased to the BOC Connected Persons Group in the mall and the recent incremental rates for rental renewals between the Hui Xian REIT Group and independent third parties, the Manager expects that the rental rates for the properties to be leased to the BOC Connected Persons Group shall increase at a rate of 5% upon renewal and there shall be a 5% increase thereafter annually. Accordingly, such growth rates in rental were applied in the computation of the New Annual Caps in respect of the BOC Leasing and Licensing Transactions for the period after the expiry of the existing tenancy agreements.

We have reviewed the list of renewed tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of the leasing of office and retail units in Oriental Plaza, where all the office and retail units leased to the BOC Connected Persons Group are located, for the period from 1 December 2015 to 29 February 2016 and noted that the average growth rate of the renewed rentals of these office units and retail units as compared to the original rentals were comparable to the growth rate adopted by the Manager in calculating the New Annual Caps in respect of the BOC Leasing and Licensing Transactions.

Based on the latest statistics released by the National Bureau of Statistics of the PRC, the preliminary gross domestic product (“GDP”) of the PRC for 2015 was approximately RMB67,670.8 billion, representing an increase of approximately 6.9% as compared to the previous year, and the national per capita disposable income was approximately RMB16,367.2 for the nine months ended 30 September 2015, representing a growth of approximately 9.2% over the same period of the previous year. The statistics also show that the national consumer price index had increased from 100 in December 2014 to 101.6 in December 2015 while the consumer price index of Beijing had increased to 102.0 in December 2015. However, the OECD Interim Economic Outlook released in February 2016 by the Organization for Economic Cooperation and Development, an international organization with 34 country members, revealed that the economic growth of the PRC has slowed down recently as the economy rebalances from manufacturing to services and it is challenging for the PRC Government to manage the rebalancing process together with the financial risks. It is expected that the GDP growth rate of the PRC for 2016 and 2017 would be 6.5% and 6.2% respectively.

As all the existing transactions under the BOC Leasing and Licensing Transactions are located in Beijing, we focus our analysis on property rental market in Beijing. According to Asia Pacific Property Digest Fourth Quarter 2015 (the “JLL Report”) issued in February 2016 by Jones Lang LaSalle (“JLL”), an independent international firm specialized in real estate services, the retail property market in Beijing recorded the lowest rental growth rate since 2009, with only a 3.3% and 3.8% year-on-year growth rate for the urban market and core market respectively in 2015. The sluggish economy, rising overseas sales and surge in e-commerce have adversely impacted the retail sales of bricks-and-mortar stores and subsequently the retail rentals. JLL anticipated that the rental growth of retail property in Beijing is unlikely to rebound in 2016 with forecasted chain-linked rental growth for the urban market at 4% and the core market at 4.3%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On the other hand, the JLL Report indicated that the robust domestic demand had bolstered take-ups of office premises in Beijing in 2015. Net take-up was 77,200 square meters in the fourth quarter of 2015, being the highest fourth quarter figure since 2010, pushing the total 2015 figure up by 13.8% year-on-year. The vacancy rate dropped to 2.7% in the fourth quarter of 2015 as no new project openings in the second half of 2015 and the projects completed in the first half of 2015 have leased well. Driven by the strong demand and tight vacancy, the chain-linked rents grew at a year-on-year rate of 3.7% in 2015. Given steady demand and the limited space at existing projects, JLL expected that the office rents in Beijing's Grade A office market are likely to continue a modest ascent although vacancy is projected to rise in 2016 with the incoming supply from new projects.

Based on the above, we are of the view that the annual increment rate of 5% adopted by the Manager for estimating the New Annual Caps in respect of the BOC Leasing and Licensing Transactions for the period after the expiry of the existing tenancy agreements is fair and reasonable and commercially justifiable.

We were advised by the Manager that a contingency buffer of 30% was adopted for the New Annual Caps for the three years ending 31 December 2019 so as to cope with unforeseeable fluctuations resulting from any change in rental or other market conditions, possible additional leases of properties by the BOC Connected Persons Group and possible acquisitions of properties where the BOC Connected Persons Group was the lessee of the properties to be acquired by the Hui Xian REIT Group in the future. We have conducted a research on the buffer for annual caps of transactions in similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% to 33% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 30% proposed by the Manager falls within the range of other listed real estate investment trusts and taking into account the possible unexpected additional lease of properties by the BOC Connected Persons Group and the unforeseeable market fluctuation, we are of the opinion that the contingency buffer of 30% proposed by Hui Xian REIT is reasonable.

Having considered the abovementioned factors, we consider that the New Annual Caps (and the basis of the New Annual Caps) for the BOC Leasing and Licensing Transactions for the three years ending 31 December 2019 are fair and reasonable so far as the Independent Unitholders are concerned.

### ***(b) BOC Insurance Transactions and China Life Insurance Transactions***

The New Annual Caps for the BOC Insurance Transactions and the China Life Insurance Transactions were determined with general reference to the historical transaction amounts for the insurance transactions and the amount of insurance services required by the Hui Xian REIT Group from the BOC Connected Persons Group and the China Life Connected Persons Group.

In view of (i) the projected increases in the premium of the insurance policies of 5% per annum; (ii) the possible changes in benefits and risks sharing ratios attributable to the BOC Connected Persons Group and the China Life Connected Persons Group regarding the properties and operations in Beijing and Chongqing to a maximum of 30% and 100% respectively in the future; and (iii) the possibilities of providing the insurance services by the BOC Connected Persons Group and the China Life Connected Persons Group regarding the properties and operations in Shenyang at a maximum benefits and risks sharing ratios of 30% and 100% respectively in the future, the Manager considers that annual caps relating to the BOC Insurance Transactions for the three years ending 31 December 2017, 2018 and 2019 of RMB1.8 million, RMB1.9 million and RMB2.0 million respectively and annual caps relating to the China Life Insurance Transactions for the three years ending 31 December

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2017, 2018 and 2019 of RMB6.0 million, RMB6.3 million and RMB6.6 million respectively are required although the actual transaction amounts for the BOC Insurance Transactions and the China Life Insurance Transactions only amounted to approximately RMB0.4 million and RMB1.7 million respectively in 2015.

We noted that the actual transaction amount under the China Life Insurance Transactions for the year ended 31 December 2015 had increased by approximately 13.3%, as compared to the previous year, to approximately RMB1.7 million. The increase in transaction amount was mainly attributable to the completion of the acquisition of properties and operations in Chongqing by the Hui Xian REIT Group in 2015, the insurance services of which were provided jointly by the China Life Connected Persons Group and independent third party as to 40% and 60% respectively.

The Manager explained to us that they assumed there would be an annual growth of 5% in insurance expenses when estimating the New Annual Caps for the China Life Insurance Transactions and the BOC Insurance Transactions after taking into consideration the general inflation in the PRC. According to the statistics released by the National Bureau of Statistics of the PRC, the national consumer price index ranged from 101.6 to 105.4 in the past five years. Given that there were no significant premium adjustments in respect of insurance for the properties and operations in Beijing for the year 2015, there might be a possible price adjustment in the insurance premium upon expiry of the existing insurance policies and the average inflation rate of the PRC for the past five years were in the range of 1.6% to 5.4%, we consider that the annual growth rate of 5% adopted by the Manager in determining the New Annual Caps for the BOC Insurance Transactions and the China Life Insurance Transactions is reasonable.

We were also advised by the Manager that it is possible that the benefits and risks sharing ratios of the insurance policies in respect of properties and operations in Beijing might change in the coming years and the insurance services might be provided solely by the China Life Connected Persons Group or jointly by a consortium of the China Life Connected Persons Group and/or BOC Connected Persons Group and other independent third parties. Therefore, the China Life Connected Persons Group's benefits and risks sharing ratio of the insurance policies in respect of properties and operations in Beijing might increase from 35% to a maximum of 100% in the event that the insurance services are solely provided by the China Life Connected Persons Group and the BOC Connected Persons Group's benefits and risks sharing ratio of the insurance policies in respect of properties and operations in Beijing might further increase from 10% to its intended maximum of 30%. The insurance services in respect of properties and operations in Chongqing might also be provided solely by the China Life Connected Persons Group after the expiry of the existing contracts. Therefore, the benefits and risks sharing ratios of the insurance policies in respect of properties and operations in Chongqing for the China Life Connected Persons Group might also increase from 40% to a maximum of 100%. Furthermore, more properties and operations of the Hui Xian REIT Group in Shenyang and Chongqing might use the insurance services of the China Life Connected Persons Group and the BOC Connected Persons upon expiry of the existing insurance policies.

We have reviewed all the insurance policies regarding the properties and operations of the Hui Xian REIT Group in Beijing, Shenyang and Chongqing and noted that all the existing insurance policies will be expired in 2016 and the current benefits and risks sharing ratios of the insurance policies attributable to the BOC Connected Persons Group and the China Life Connected Persons Group regarding the properties and operations in Beijing are 10% and 35% respectively, the current benefits and risks sharing ratios of the insurance policies attributable to the China Life Connected Persons Group regarding the properties and operations in Chongqing is 40% while the insurance services regarding all the properties and operations of the Hui Xian REIT Group in Shenyang are

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provided by independent third parties. Given the possible changes in the coverage of insurance required by the Hui Xian REIT Group in the future, we consider that it is justifiable to use the possible maximum benefits and risks sharing ratios of 100% for the China Life Connected Persons Group and 30% for the BOC Connected Persons Group in determining the New Annual Caps of the China Life Insurance Transactions and the BOC Insurance Transactions respective so as to provide flexibility for the Hui Xian REIT Group in the selection of insurers for its properties and operations.

Having considered the actual increase in the transaction amount of the China Life Insurance Transactions for the year ended 31 December 2015 and the reasons provided by the Manager for the possible increase in transaction amounts for the BOC Insurance Transactions and the China Life Insurance Transactions in the future, we consider that the New Annual Caps (and the basis of the New Annual Caps) for the BOC Insurance Transactions and the China Life Insurance Transactions are fair and reasonable so far as the Independent Unitholders are concerned.

### 5. Waiver conditions

According to the waivers being sought by Hui Xian REIT, the transactions under the 2016 Extended Waivers are subject to certain review requirements, the details of which are set out in the Letter from the Board contained in the Circular. We are of the view that those review requirements can provide appropriate measures to govern the Manager in carrying out the relevant transactions and safeguard the interests of the Independent Unitholders.

## RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the connected party transactions under the 2016 Extended Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms; and (ii) the 2016 Extended Waivers and the New Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interests of Hui Xian REIT and the Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we ourselves also recommend the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2016 Extended Waivers (and the New Annual Caps) at the upcoming EGM.

Yours faithfully,  
For and on behalf of  
**Hercules Capital Limited**

**Louis Koo**  
*Managing Director*

**Amilia Tsang**  
*Director*

### Notes:

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.
2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**HUI XIAN** REIT  
匯賢產業信託

### Hui Xian Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))*

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “Unitholders”) of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) will be held at Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Friday, 6 May 2016 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for considering and, if thought fit, passing, with or without modification, the following ordinary resolutions:

### ORDINARY RESOLUTIONS

(1) “**THAT:**

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

(2) “**THAT:**

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



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(3) “**THAT:**

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

(4) “**THAT:**

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

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, 19 April 2016

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Hui Xian REIT dated 19 April 2016 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 EGM (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised 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 EGM 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. For the purpose of determining which Unitholders are entitled to attend and vote at the EGM and the annual general meeting of Hui Xian REIT to be held on 6 May 2016, the Register of Unitholders of Hui Xian REIT will be closed from 3 May 2016 (Tuesday) to 6 May 2016 (Friday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the EGM, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 April 2016 (Friday).
6. The voting of the above Ordinary Resolutions at the EGM will be taken by way of poll. On a poll, votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or 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 (non-executive Directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive Directors).*