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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**

### **CONNECTED PARTY TRANSACTION**

### **PROPOSED ACQUISITION OF SHENYANG INVESTMENT BVI**

**Financial adviser to Hui Xian Asset Management Limited**



The Board is pleased to announce that on 10 November 2011, the Trustee (as trustee of Hui Xian REIT) and Yick Ho entered into the SP Agreement pursuant to which Yick Ho has conditionally agreed to sell, and the Trustee (as trustee of Hui Xian REIT) has conditionally agreed to purchase, the entire issued share capital of, and shareholder's loans owing at Completion by, Shenyang Investment BVI at a Consideration of RMB980,000,000. Shenyang Investment BVI is currently a wholly-owned subsidiary of Yick Ho. Yick Ho is an indirect wholly-owned subsidiary of Cheung Kong, which is an "associate" of a "significant holder" (within the meaning given in the REIT Code) of Hui Xian REIT. Therefore, Yick Ho is regarded as a connected person of Hui Xian REIT under the REIT Code, and the Acquisition thus constitutes a connected party transaction for Hui Xian REIT under the REIT Code.

Yick Ho is the foreign joint venture party of Shenyang Lido, a sino-foreign cooperative joint venture enterprise established in the PRC, which holds the land use rights and building ownership rights in the Property. The Property, which is located in Shenyang, PRC, has a gross floor area of approximately 79,000 sq. m. and comprises a hotel development complex (where Sheraton Shenyang Lido Hotel (瀋陽麗都喜來登飯店) is located).

Under the JV Documents, the original joint venture period of Shenyang Lido was 50 years, expiring in 2046. In July 2011, the joint venture period was extended by 15 years to a total of 65 years, expiring in 2061 (with a remaining term of about 50 years). The land use rights in the Property are held by Shenyang Lido and have a term expiring in 2042 (with a remaining term of about 31 years). The building ownership rights in the Property are also held by Shenyang Lido. Currently, Yick Ho is entitled to 99% of the distributions of Shenyang Lido under the JV Documents and Beijing Wondergrow, the domestic partner, is entitled to the remaining 1%. Beijing Wondergrow is a company incorporated in the PRC, the shareholders of which are PRC nationals including one who is currently employed by Cheung Kong and an officer of the Manager. Beijing Wondergrow is thus a connected person of Hui Xian REIT under the REIT Code.

Under the relevant land use right certificates, the land use rights in the Property have terms expiring in 2042. If those rights are not extended beyond the expiration date in 2042, Shenyang Lido will have no further land use rights upon the expiration of the existing term. It is expected that the value of the investments of the foreign parties (including Shenyang Investment HK) in Shenyang Lido will diminish overtime and will ultimately become zero at the time of expiration of the land use rights. On the other hand, if the land use rights in the Property may be extended, it is expected that land premium or other consideration will be payable by Shenyang Lido for such extension, the amount of which cannot be ascertained at this stage. Upon expiration of the term of the land use rights in the Property, Shenyang Lido may or may not apply for a renewal of the term. In assessing the Appraised Value of the Property at RMB1,590 million, the Independent Property Valuer has not assigned any value to any extension (if any) of the term of the land use rights.

Under the JV Documents, after the expiration of the joint venture term (if such term is not further extended) in 2061, Shenyang Lido will be dissolved. Even if land use rights in the Property are renewed or extended and there is any future acquisition of other properties by Shenyang Lido, it is expected that the value of the investments of the foreign parties (including Shenyang Investment HK) in Shenyang Lido will diminish over time when it gets closer to the expiration date of the joint venture term, and will ultimately become zero at the time of such expiration.

Shenyang Investment BVI and its wholly-owned subsidiary, Shenyang Investment HK, are both recently incorporated companies. Currently, Shenyang Investment BVI has no business other than its investment in Shenyang Investment HK, and Shenyang Investment HK has not carried out any business.

The Conditions Precedent, to which the Acquisition under the SP Agreement is subject, include, among other things, that the Transfer Agreement shall have been entered into between Shenyang Investment HK, Yick Ho and Beijing Wondergrow. Pursuant to the Transfer Agreement, Yick Ho as a foreign joint venture party will transfer part of its interest in Shenyang Lido to Shenyang Investment HK as a new foreign joint venture party. Upon such transfer becoming effective, Shenyang Investment HK will be entitled to 70% of the distributions of Shenyang Lido, and Yick Ho's entitlement will be reduced to 29%. Yick Ho undertakes to the Trustee that, upon notification by the Manager of the fulfilment of item (a) of the Conditions Precedent, Yick Ho will, within two Business Days, procure Shenyang Investment HK to enter into the Transfer Agreement with Yick Ho. Completion of the Acquisition will further be conditional upon, among other things, the obtaining of approvals from the relevant PRC authorities in respect of the Transfer Agreement and the Amendments to JV Documents.

The Consideration for the Acquisition under the SP Agreement will be a fixed sum of RMB980,000,000, out of which: (i) a nominal sum of RMB7 will be the consideration for the sale and purchase of the Sale Share; and (ii) RMB979,999,993 will be the consideration for the assignment of the Sale Loan (which is expected to be of a principal amount of approximately RMB980 million at Completion, and will thus be sold on a dollar-for-dollar basis approximately).

The Appraised Value of 70% of the interests in the Property as at 31 August 2011, as valued by the Independent Property Valuer, is RMB1,113 million.

Through the acquisition of the entire issued share capital of, and shareholder's loans owing at Completion by, Shenyang Investment BVI, the Trustee (as the trustee of Hui Xian REIT) is in effect acquiring interest in the entitlements of 70% of the distributions of Shenyang Lido.

The Consideration of RMB980,000,000 for the Acquisition, under which entitlements to 70% of the distributions of Shenyang Lido are to be acquired, assumes a value of RMB1,400,000,000 for 100% of the distributions of Shenyang Lido. Based on the total gross floor area of the Property of approximately 79,000 sq. m., the value of RMB1,400,000,000 effectively represents approximately RMB17,722 per sq. m. gross floor area.

The Consideration is expected to be settled by drawing down banking facilities of the Hui Xian REIT group. It is not intended that the Consideration will be financed by equity or equity-linked fund-raising by Hui Xian REIT.

Under the SP Agreement, upon Completion, the Trustee (as trustee of Hui Xian REIT) will be entitled to all the rights attached to the Sale Share including the right to all dividends and distributions declared or made by Shenyang Investment BVI in respect of the Sale Share at or after Completion (which represent indirectly the entitlement to 70% of the distributions by Shenyang Lido). Under the Transfer Agreement, all profit and loss of Shenyang Lido before the completion of the Transfer Agreement will belong to the joint venture parties of Shenyang Lido before the completion of that agreement, and all profit and loss of Shenyang Lido after such completion will belong to its joint venture parties after such completion. However, notwithstanding its interest in 99% of the distributions of Shenyang Lido before completion of the Transfer Agreement, Yick Ho has agreed: (i) not to exercise, at any time in the future, its rights to distribute the earnings of Shenyang Lido on or after 1 January 2011 and (ii) after such completion, not to make any claim in respect of such earnings of Shenyang Lido on or after 1 January 2011 (in each case, except to the extent of Yick Ho's 29% entitlement to be retained). For the avoidance of doubt, the arrangements under the Transfer Agreement relating to earnings of Shenyang Lido do not affect the entitlements of Beijing Wondergrow to 1% of the distributions of Shenyang Lido under the JV Documents.

Further, at Completion, Yick Ho will enter into the Preferred Distribution Agreement with Shenyang Investment HK, pursuant to which, during the Effective Period (as defined below), Yick Ho will agree to give priority to Shenyang Investment HK's entitlements of 70% of the Yearly Distributions of Shenyang Lido (up to a specified amount) over Yick Ho's 29% entitlements. In each year during the Effective Period, Shenyang Investment HK will be entitled to receive an amount of Yearly Distributions up to RMB64.40 million solely, before Yick Ho will be entitled to receive an amount of Yearly Distributions up to RMB26.68 million (in each case, before Withholding Tax). Based on the Consideration of RMB980 million, the sum of RMB64.40 million represents approximately 6.57% of the Consideration to be paid by Hui Xian REIT under the SP Agreement.

The Acquisition constitutes a connected party transaction for Hui Xian REIT under the REIT Code. Pursuant to paragraph 8.9 of the REIT Code, unitholders' prior approval is not required for connected party transactions of a REIT where the total consideration or value of the transaction is less than 5% of the latest net asset value of the REIT, as disclosed in the latest published audited accounts of the REIT. Since the Consideration is less than 5% of the latest audited net asset value of Hui Xian REIT (as disclosed in the 2011 Interim Results Announcement and the 2011 Interim Report), the Manager is therefore of the view that the Acquisition is not required to be approved by Unitholders but is only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code. Based on the information and confirmation provided by the Manager to the Trustee, the Trustee also confirms that the Acquisition is not required to be approved by Unitholders.

The Board of Directors (including the independent non-executive Directors) and the Audit Committee are satisfied that the Acquisition pursuant to the terms and conditions of the SP Agreement, the Transfer Agreement, the JV Documents and the transactions contemplated thereunder are at arm's length, on normal commercial terms, and are fair and reasonable and in the interests of Hui Xian REIT and the Unitholders as a whole notwithstanding that the Acquisition is a connected party transaction under the REIT Code.

The Trustee (as trustee of Hui Xian REIT) is a party signing the SP Agreement. The Trustee has confirmed that it has no objection for the Manager to proceed with the Acquisition.

HSBC is the financial adviser to the Manager in respect of the Acquisition.

The Board is pleased to announce that the Trustee (as trustee of Hui Xian REIT) has entered into the SP Agreement with Yick Ho in respect of the Acquisition.

## **KEY TERMS OF THE SP AGREEMENT**

Date: 10 November 2011.

Parties: (i) Yick Ho, as vendor.

(ii) The Trustee (as trustee of Hui Xian REIT), as purchaser.

Yick Ho is an indirect wholly-owned subsidiary of Cheung Kong, and a connected person of Hui Xian REIT within the meaning of the REIT Code.

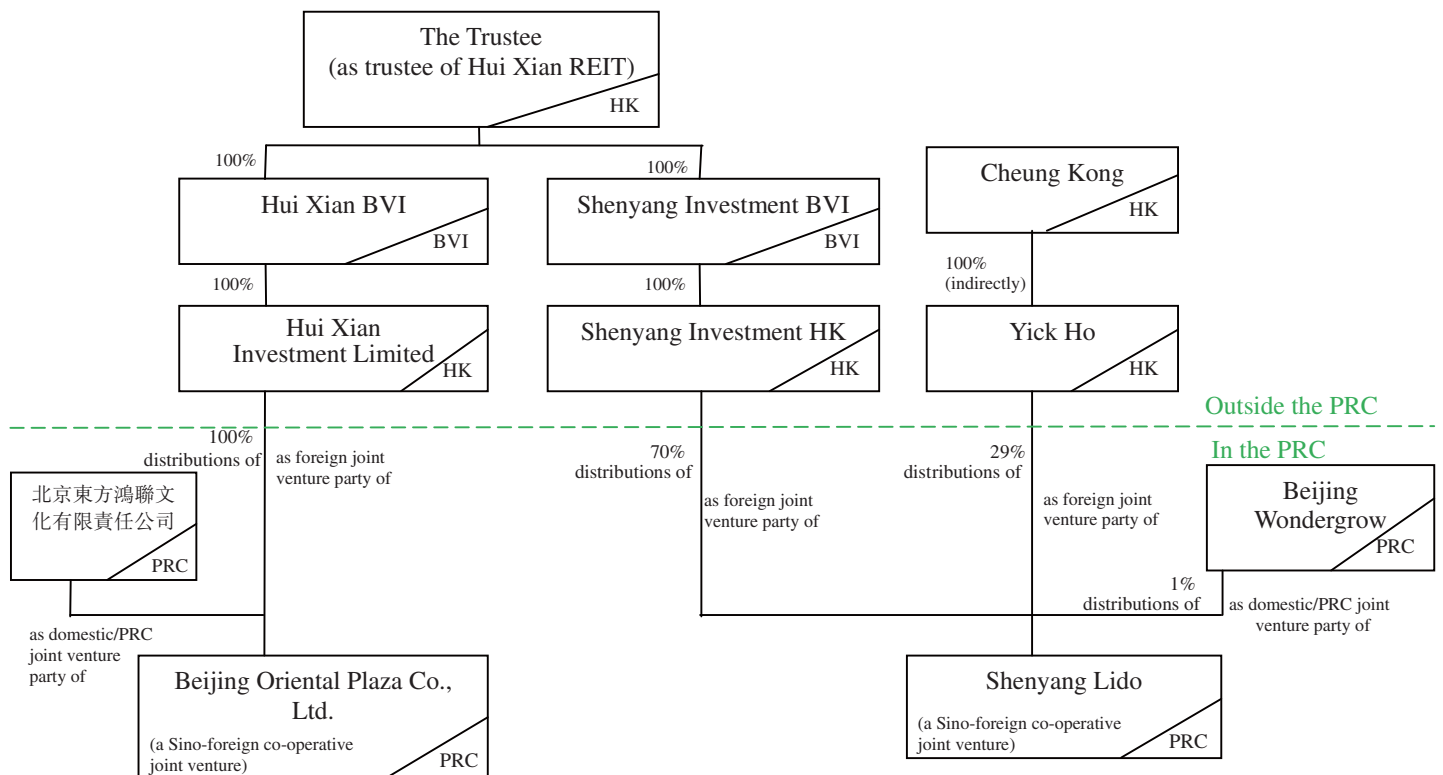
Subject of the Acquisition: The Sale Share and the Sale Loan.

Shenyang Investment BVI owns the entire issued share capital of Shenyang Investment HK. Upon fulfilment of the Conditions Precedent and the Completion Conditions under the SP Agreement, Shenyang Investment HK will at or before Completion be a new, additional foreign joint venture party of Shenyang Lido and will be entitled to 70% of the distributions of Shenyang Lido.

The Sale Share represents the entire issued share capital of Shenyang Investment BVI as at the date of the SP Agreement and as at Completion.

The Sale Loan will represent the entire shareholder's loan owing by Shenyang Investment BVI to Yick Ho as at Completion. The SP Agreement contains Yick Ho's representation and warranty that there will not at Completion be any amount owing by any of Shenyang Investment BVI, Shenyang Investment HK and Shenyang Lido to Yick Ho or its holding company, subsidiaries, associates or related companies (other than Shenyang Investment BVI, Shenyang Investment HK and Shenyang Lido), save for: (i) the Sale Loan; and (ii) any amount owing by Shenyang Lido in respect of distribution of its retained earnings on or before 31 December 2010 declared but to the extent not paid (as detailed below).

Set out below is a chart showing the holding structure of Shenyang Investment HK (which will at or before Completion be a new, additional foreign joint venture party of Shenyang Lido), the other joint venture parties of Shenyang Lido, and other special purpose vehicles of Hui Xian REIT immediately upon Completion<sup>1</sup>:



<sup>1</sup> In the chart above, the percentages stated above Shenyang Lido represent the percentage entitlements to distributions of Shenyang Lido under the JV Documents upon Completion.

Consideration:

The Consideration for the Acquisition under the SP Agreement will be a fixed sum of RMB980,000,000, out of which:

- (i) a nominal sum of RMB7 will be the consideration for the sale and purchase of the Sale Share; and
- (ii) RMB979,999,993 will be the consideration for the assignment of the Sale Loan.

The Consideration was arrived at after a series of commercial negotiations at arm's length between Yick Ho and the Manager.

The Sale Loan, being the shareholder's loan owing by Shenyang Investment BVI to Yick Ho, is expected to be of a principal amount of approximately RMB980 million at Completion. The Sale Loan will thus be sold on a dollar for dollar basis approximately under the SP Agreement. The balance of the Consideration will be the consideration for the Sale Share.

The Consideration shall be payable by the Trustee (as trustee of Hui Xian REIT) to Yick Ho in cash in a single lump sum at Completion.

For comparison and information, the Appraised Value of 70% interest in the Property as at 31 August 2011 as appraised by the Independent Property Valuer was RMB1,113 million.

Through the acquisition of the entire issued share capital of, and shareholder's loans owing at Completion by, Shenyang Investment BVI, the Trustee (as the trustee of Hui Xian REIT) is in effect acquiring interest in the entitlements of 70% of the distributions of Shenyang Lido.

The Consideration of RMB980,000,000 for the Acquisition, under which entitlements to 70% of the distributions of Shenyang Lido are to be acquired, assumes a value of RMB1,400,000,000 for 100% of the distributions of Shenyang Lido. Based on the total gross floor area of the Property of approximately 79,000 sq. m., the value of RMB1,400,000,000 effectively represents approximately RMB17,722 per sq. m. gross floor area.

Retained earnings of  
Shenyang Lido:

Under the SP Agreement, upon Completion, the Trustee (as trustee of Hui Xian REIT) will be entitled to all the rights attached to the Sale Share, including the right to all dividends and distributions declared or made by Shenyang Investment BVI in respect of the Sale Share at or after Completion.

Under the Transfer Agreement, all profit and loss of Shenyang Lido before the completion of the Transfer Agreement will belong to the joint venture parties of Shenyang Lido before the completion of that agreement, and all profit and loss of Shenyang Lido after such completion will belong to its joint venture parties after such completion. However, notwithstanding its interest in 99% of the distributions of Shenyang Lido before completion of the Transfer Agreement, Yick Ho has agreed: (i) not to exercise, at any time in the future, its rights to distribute the earnings of Shenyang Lido on or after 1 January 2011 and (ii) after such completion, not to make any claim in respect of such earnings of Shenyang Lido on or after 1 January 2011 (in each case, except to the extent of Yick Ho's 29% entitlement to be retained). Accordingly, Yick Ho has agreed that, during the period up to and including Completion, no dividend or other distribution will be declared, made or paid by Shenyang Lido in respect of its retained earnings on or after 1 January 2011, and that during the same period, no dividend or other distribution will be declared, made or paid by either Shenyang Investment HK or Shenyang Investment BVI in respect of corresponding sums.

For the avoidance of doubt, the arrangements under the Transfer Agreement relating to earnings of Shenyang Lido do not affect the entitlements of Beijing Wondergrow to 1% of the distributions of Shenyang Lido under the JV Documents.

As at the date of the SP Agreement, distribution of all retained earnings of Shenyang Lido before 31 December 2010 has been declared by Shenyang Lido. Payment of the distribution will be made as soon as relevant approval has been obtained for repatriation to Hong Kong.

For the avoidance of doubt, under the SP Agreement, no adjustment will be made to the Consideration for any undistributed retained earnings or other assets and liabilities of Shenyang Lido (except in relation to Yick Ho's agreement in respect of the consolidated net asset value of the Shenyang Investment BVI group at Completion (as detailed below)).

Date of Completion:

On or before two Business Days after the fulfilment or waiver of all the Conditions Precedent and item (a) of the Completion Conditions (or such other date as may be agreed between the parties to the SP Agreement).

Undertaking relating to Transfer Agreement:

Under the SP Agreement, Yick Ho undertakes to the Trustee that it will procure that, no later than two Business Days after the Manager's notification that item (a) of the Conditions Precedent below have been fulfilled, Shenyang Investment HK will enter into the Transfer Agreement with Yick Ho and Beijing Wondergrow. Pursuant to the Transfer Agreement, Yick Ho will transfer to Shenyang Investment HK its interest in the entitlement to 70% of the distributions of Shenyang Lido at a transfer price of RMB980 million.

Following the execution of the Transfer Agreement, to give effect to the transfer of an entitlement to 70% of the distributions of Shenyang Lido from Yick Ho to Shenyang Investment HK as contemplated under the Transfer Agreement, the joint venture documents of Shenyang Lido will, subject to the agreement of Beijing Wondergrow, be amended to the effect that: (i) Yick Ho's entitlement to the distributions of Shenyang Lido during the remaining joint venture term will become 29%; (ii) Shenyang Investment HK will be entitled to 70% of the distributions of Shenyang Lido; (iii) the entitlement of Beijing Wondergrow to the distributions of Shenyang Lido will remain at 1%; and (iv) Shenyang Investment HK will be entitled to nominate 9 out of a total of 12 directors of Shenyang Lido, with the remaining directors to be nominated by Yick Ho (as to 2 out of 12 directors) and Beijing Wondergrow (as to 1 out of 12 directors) (collectively, the "**Amendments to JV Documents**").

Preferred Distribution Agreement:

It is one of the completion requirements under the SP Agreement that, upon Completion, Yick Ho and Shenyang Investment HK will enter into the Preferred Distribution Agreement, further details of which are set out below.

Conditions Precedent:

The Acquisition is conditional upon the following conditions precedent having been fulfilled on or before 31 March 2012 (or such other date as the Manager and Yick Ho may agree in writing):

- (a) all approvals, consents including the consents from Beijing Wondergrow in respect of the Amendments to JV Documents and acts in connection with the Acquisition and the Transfer Agreement (and the transactions thereunder) to be obtained or completed before Completion as required under the Listing Rules or the REIT Code, or by the SFC or other regulatory authority (other than the Completion Condition (a) mentioned below), or by any other person pursuant to any contract, having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules or requirements having been obtained from the SFC, or other relevant authority or person;
- (b) the Transfer Agreement having been entered into between Yick Ho, Shenyang Investment HK and Beijing Wondergrow; and
- (c) Yick Ho, Beijing Wondergrow and Shenyang Investment HK having signed the relevant agreements and/or documents to give effect to the Amendments to JV Documents.

The Trustee agrees to notify Yick Ho in writing within two Business Days after the Condition Precedent in (a) above is fulfilled. No later than two Business Days after receiving such notification, Yick Ho will use all its reasonable endeavours to procure that the Conditions Precedent in (b) and (c) above are fulfilled as soon as practicable.



If the Conditions Precedent are not fulfilled or (to the extent permitted by the REIT Code and other applicable laws and regulations) waived on or before 31 March 2012 (or such other date as the Manager and Yick Ho may agree in writing), the SP Agreement shall cease and determine and be of no further effect.

Completion Conditions:

Completion is further conditional upon the following conditions being fulfilled (with the Completion Condition in (a) below to be fulfilled on or before the Long Stop Date):

- (a) approvals being obtained from the relevant PRC authorities in respect of the Transfer Agreement and the Amendments to JV Documents (and the transactions thereunder), as required;
- (b) no breach of the warranties or any other term of the SP Agreement on the part of Yick Ho in any material respect;
- (c) there being no material damage to the Property; and
- (d) there being no compulsory acquisition or resumption of the Property or any material part of it, and no order or notice or proposed notice of such intended compulsory acquisition or resumption having been issued, given or publicly advertised by the government or other competent authority.

Yick Ho has undertaken that, subject to the Conditions Precedent having been fulfilled or (to the extent permitted by applicable laws and regulations, including the REIT Code and the Listing Rules) waived, Yick Ho will use all its reasonable endeavours to procure that the above Completion Conditions are fulfilled as soon as practicable.

If the Completion Condition in (a) above is not fulfilled or (to the extent permitted by applicable laws or regulations, including the REIT Code and the Listing Rules) waived on or before the Long Stop Date, the SP Agreement shall cease and determine and be of no further effect.

An announcement will be issued by the Manager as soon as reasonably practicable after Completion.

Other terms:

The SP Agreement also contains provisions on indemnity, representations, warranties and undertakings in customary terms for transactions of this nature and scale.

In particular, Yick Ho has agreed in respect of the consolidated net asset value of the Shenyang Investment BVI group at Completion (excluding the carrying value of the Property and deferred tax asset or liability in respect of capital allowance/depreciation and change in valuation of the Property (if any), and without taking into account the Sale Loan which will be assigned to the Trustee (as trustee of Hui Xian REIT) and will become intra- Hui Xian REIT group after Completion), to the effect that: (i) if such consolidated net asset value at Completion is negative, Yick Ho will make good the shortfall by a cash payment to the Trustee (as trustee of Hui Xian REIT) equal to 70% of the shortfall; (ii) if such consolidated net asset value at Completion is positive (“**Unadjusted Positive NAV**”), no adjustment sum will be payable by Hui Xian REIT to Yick Ho. As soon as reasonably practicable after such consolidated net asset value at Completion has been determined and any negative value thereof has been made good by Yick Ho, information relating to that will be announced by the Manager.

Limitations on claims:

All claims under the SP Agreement (save for any claims in relation to employment matters of Shenyang Lido, for which the limitation period will be 4 years following the date of Completion) are subject to a limitation period of 7 years following the date of Completion. In the event that there is any Unadjusted Positive NAV at Completion, the amount which the Trustee (as trustee of Hui Xian REIT) may claim against Yick Ho in respect of representations, warranties and indemnities under the SP Agreement will be deducted by a sum equivalent to 70% of the Unadjusted Positive NAV, considering that no adjustment sum will at Completion be payable by Hui Xian REIT to Yick Ho for any such Unadjusted Positive NAV as mentioned in the preceding paragraph headed “Other terms”. The aggregate maximum liability of Yick Ho in respect of all claims under the SP Agreement and all claims under any other agreements which may be entered into between Yick Ho on one part and the Trustee (as trustee of Hui Xian REIT) and/or other persons(s) on the other part in relation to Shenyang Investment BVI group (after any deduction in respect of 70% of the Unadjusted Positive NAV) shall not exceed an amount equal to RMB250 million.

## **BRIEF OVERVIEW OF THE CITY OF SHENYANG<sup>2</sup>**

Shenyang is the capital city of Liaoning province in the PRC. Strategically located in the hinterland of the Liaodong Peninsula, it is a key industrial centre in the highly industrialised region of Northeastern China.

Covering an area of about 13,308 square kilometres, Shenyang has a population of approximately 8.1 million in 2010. It is the largest economic, cultural, science and transportation hub in Northeastern China.

Known as the “Home of Machinery”, Shenyang is the nation’s base for heavy industry in machinery equipment manufacturing. As a result of the “Revitalize NorthEast China” campaign launched by the PRC Central Government in 2003, the city’s economy has been growing rapidly. In 2010, the gross domestic product (“GDP”) of Shenyang reached RMB501.7 billion, being 14.1% higher than the figure in the previous year. Since 2001, the city’s GDP has quadrupled, with an average annual growth rate of approximately 16.8%.

In recent years, Shenyang has also been diversifying its industries by offering incentives to attract investors from other industries to invest in the city. A number of multinational companies, including General Motors, Bombardier, BMW, BASF, ABB, General Electric, Michelin, Panasonic, Siemens, and Mannesmann Demag have already established operations in the city.

Shenyang comprises one city, nine districts and three counties under its jurisdiction. The city is connected to the rest of the country by one of the most advanced highway systems and the largest railway network in China. Shenyang’s Taoxian International Airport is also a major international airport for Northeastern China.

Shenyang will be hosting the prestigious 12th National Games of the People’s Republic of China in 2013. In preparation for the game and the anticipated influx of international and domestic tourists, local authorities have made substantial investments to transform the city into a modern, world class metropolis.

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<sup>2</sup> Most of the figures and information in this section headed “Brief Overview of the City of Shenyang” are taken from public websites and third party research documents.

## **BRIEF OVERVIEW OF SHENYANG LIDO**

Shenyang Lido is a Sino-foreign cooperative joint venture enterprise established in the PRC in 1996. Under the JV Documents, the original joint venture period of Shenyang Lido was 50 years, expiring in 2046. In July 2011, the joint venture period was extended by 15 years to a total of 65 years, expiring in 2061 (with a remaining term of about 50 years). The land use rights in the Property are held by Shenyang Lido and have a term expiring in 2042 (with a remaining term of about 31 years). The building ownership rights in the Property are also held by Shenyang Lido.

As at the date of this announcement, under the JV Documents, Yick Ho as foreign joint venture party is entitled to 99%, and Beijing Wondergrow as domestic joint venture party is entitled to the remaining 1%, of the distributions of Shenyang Lido during the remaining joint venture term. Following the execution of the Transfer Agreement, the Amendments to JV Documents will provide that (i) Yick Ho’s entitlement to the distributions of Shenyang Lido during the remaining joint venture term will become 29%; (ii) Shenyang Investment HK will be entitled to 70% of the distributions of Shenyang Lido; and (iii) the entitlement of Beijing Wondergrow to the distributions of Shenyang Lido will remain at 1%. Yick Ho is an indirect wholly-owned subsidiary of Cheung Kong. Beijing Wondergrow is a company incorporated in the PRC, the shareholders of which are PRC nationals including one who is currently employed by Cheung Kong and an officer of the Manager. Thus, Beijing Wondergrow is also a connected person of Hui Xian REIT under the REIT Code.

Shenyang Lido currently holds the land use rights and building ownership rights in the Property. Located at 瀋陽市和平區青年大街 386 號 (No. 386, Qingnian Street, He Ping District, Shenyang), the Property

comprises a 5-star hotel development complex with 30 storeys (including 2 basement levels) and a total gross floor area of approximately 79,000 sq. m., including guest rooms, function rooms and office units; the Restaurants and Other F & B Outlets; retail shops; and car parking spaces and other ancillary facilities. The construction of the Property was completed and became operational in 2002. A summarized breakdown of the gross floor area of different portions of the Property is as follows:

<i>Portions</i>	<i>Gross floor area (Approx.)</i>
<hr/>	
<i>The Hotel</i>	
— Guest rooms, functions rooms and office units	68,000 sq. m.
— Restaurants and Other F & B Outlets	3,600 sq. m.
<i>The retail shops</i>	
	2,100 sq. m.
<i>Car parking spaces and other ancillary facilities</i>	
	<u>5,300 sq. m.</u>
<b>Total:</b>	<u><u>79,000 sq. m.</u></u>

The Property is located approximately 6.8 kilometres from the Northern Railway Station, approximately 13.3 kilometres from the Taoxian International Airport and approximately 11.5 kilometres from the International Exhibition Centre. It is also a short drive to famous tourist spots such as the Shenyang Imperial Palace, Beiling Park and Dongling Park.

The hotel (including the office units in the Property), namely Sheraton Shenyang Lido Hotel ( 瀋陽麗都喜來登飯店 ) (the “**H**otel”), which first commenced operation in 2002, is operated by Shenyang Lido (through its branch) under the professional management of Sheraton Overseas Management Corporation, an international hotel management company. According to information provided by Yick Ho, as early as the mid 1990’s when the project of Shenyang Lido was at its very early stage, the Cheung Kong group already participated in the project. Since then, the Cheung Kong group has at all times been a majority joint venture party of Shenyang Lido, during various stages of the project including project planning, design, fitting out, signing agreement with Sheraton in hotel management, etc., leading to the commencement of business of the Hotel in 2002. As far as the Manager is aware after having made reasonable enquiries, Sheraton is not a connected person of Hui Xian REIT. The hotel management agreement between Shenyang Lido and Sheraton will expire on 31 December 2012 and the parties are currently discussing a renewal of the hotel management agreement. It is expected that Sheraton will continue to be engaged by Shenyang Lido for the operation of the Hotel after Completion. In addition to the areas operated by Sheraton, retail shops occupy approximately 2,000 sq. m. and are currently leased by Shenyang Lido to tenants which, as far as the Manager is aware after having made reasonable enquiries, are not connected parties of Hui Xian REIT. It is expected that such leasing arrangement in respect of the retail shops will subsist after Completion.

The Hotel is one of the largest international 5-star hotels in Northeastern China with 590 guestrooms, suites and apartments. Since commencing operations in 2002, the Hotel has won many awards for its outstanding accomplishments and exceptional services. In 2011 alone, the Hotel has received the following selected awards:

- “Best Business Hotel in Shenyang” by *Business Traveller China* magazine (five consecutive years)
- “Most Popular Business Hotel in Northeast China of 2011” by *Golden-Pillow Award of China Hotels* (two-time winner)
- “TOP 10 Business Hotels of China” by *China Hotel Starlight Awards*
- “Best Hotel Owner’s Representative of China” by *China Hotel Starlight Awards*
- “Most Watched Hotel” by *UCAN Magazine*

Notably, in 2009, La Bellevue French Restaurant, one of the F & B Outlets in the Property, was named “HOTELS China Award 2009 — Hotel Restaurant Top 10” by “HOTELS” magazine.

In addition to the Property, Shenyang Lido also holds land use rights in a neighbouring site being used as open car parking spaces (having a term expiring in 2047), and land use rights and building ownership rights in a number of residential properties in a neighbouring site being used as staff quarters (without expiration date specified for their terms). Those other site and properties are used ancillary to the Property and the Hotel, are not generating any or any material revenue for Shenyang Lido, and have not been assigned with any value by the Independent Property Valuer in their assessment. Based on representations of Yick Ho, there are no liabilities attached to Shenyang Lido in respect of those neighbouring sites.

## **JV Documents and Hotel Management Agreement**

### ***The Shenyang Lido joint venture and the JV Documents***

Under the JV Documents, the original joint venture period of Shenyang Lido was 50 years. In July 2011, the joint venture period was extended by 15 years to a total of 65 years, expiring in 2061 (with a remaining term of about 50 years). The land use rights in the Property are held by Shenyang Lido and have a term expiring in 2042. The building ownership rights in the Property are also held by Shenyang Lido.

The Manager has been advised under the PRC legal opinion that it is a requirement under PRC law that a number of specified important matters of Sino-foreign co-operative joint ventures are to be decided upon unanimously by the directors present or the committee members present at a meeting.

Under the JV Documents (to be amended by the Amendments to JV Documents), there are five important matters requiring unanimous approval of all the directors, comprising the following:

- (i) amending the articles of association of Shenyang Lido;
- (ii) increase, reduction or transfer of the registered capital of Shenyang Lido;
- (iii) mortgage of assets of Shenyang Lido;

(iv) termination or dissolution of Shenyang Lido; and

(v) merger, demerger or change in organization structure of Shenyang Lido.

Except for the five important matters specified above, the board of directors of Shenyang Lido will make its decisions by simple majority of directors. Upon the Amendments to JV Documents taking effect, the quorum of meetings of directors to transaction businesses other than the five important matters specified above will be any 8 directors.

The total registered capital of Shenyang Lido is US\$59,873,990, of which 99% was contributed by or attributable to Yick Ho and 1% was contributed by or attributable to Beijing Wondergrow. Under the JV Documents, if during the joint venture period, subject to the approval of relevant PRC authorities, the foreign joint venture party(ies) (which refers to: (i) Yick Ho, before completion of the Transfer Agreement; and (ii) Yick Ho and Shenyang Investment HK, after completion of the Transfer Agreement and the Amendments to JV Documents taking effect) has or have repatriated its investment, then at the expiration of the joint venture period in 2061 (unless further extended as described below) and after dissolution of the joint venture, all the fixed assets of Shenyang Lido will belong to Beijing Wondergrow for no consideration.

Under the JV Documents, distribution of the distributable profits of Shenyang Lido shall be made to the joint venture parties of Shenyang Lido according to their respective percentage interests in registered capital of Shenyang Lido (being (i) 99% to Yick Ho and 1% to Beijing Wondergrow, before completion of the Transfer Agreement; and (ii) 70% to Shenyang Investment HK, 29% to Yick Ho and 1% to Beijing Wondergrow, after completion of the Transfer Agreement).

Under the relevant land use right certificates, the land use rights in the Property have terms expiring in 2042. If those rights are not extended beyond the expiration date in 2042, Shenyang Lido will have no further land use rights upon the expiration of the existing term. It is expected that the value of the investments of the foreign parties (including Shenyang Investment HK) in Shenyang Lido will diminish overtime and will ultimately become zero at the time of expiration of the land use rights. On the other hand, if the land use rights in the Property may be extended, it is expected that land premium or other consideration will be payable by Shenyang Lido for such extension, the amount of which cannot be ascertained at this stage. Upon expiration of the term of the land use rights in the Property, Shenyang Lido may or may not apply for a renewal of the term. In assessing the Appraised Value of the Property at RMB1,590 million, the Independent Property Valuer has not assigned any value to any extension (if any) of the term of the land use rights.

Under the JV Documents, after the expiration of the joint venture term (if such term is not further extended) in 2061, Shenyang Lido will be dissolved. Even if land use rights in the Property are renewed or extended and there is any future acquisition of other properties by Shenyang Lido, it is expected that the value of the investments of the foreign parties (including Shenyang Investment HK) in Shenyang Lido will diminish over time when it gets closer to the expiration date of the joint venture term, and will ultimately become zero at the time of such expiration.

The JV Documents provide that in the event that the joint venture parties agree to extend the joint venture period, board approval of Shenyang Lido has to be obtained and written applications have to be submitted to the relevant PRC authorities on a date earlier than 180 days prior to the expiry of the joint venture period, and that the joint venture period shall be extended subject to the approval of the relevant PRC authorities.

Under the JV Documents, each of the joint venture parties has (and will have) a pre-emptive right to acquire the interest of each of the other joint venture parties in the distribution entitlements of Shenyang Lido.

### ***Hotel Management Agreement***

The hotel management agreement entered into in 1995 between Sheraton and Shenyang Lido is for a term of 10 years from hotel opening (which was in 2002) to 31 December 2012. The parties to the hotel management agreement are currently discussing a renewal of the hotel management agreement.

### **Financial information relating to Shenyang Lido**

#### ***Financial information***

Some financial information of Shenyang Lido since the commencement of operation of the Hotel in 2002, as extracted from the audited financial statements of Shenyang Lido prepared in accordance with the generally accepted accounting principles in the PRC, is summarised as follows:

	Period from 4 April 2002 to 31 December 2002	Year ended 31 December								Compound annual growth rate (from 2003 to 2010)
		2003	2004	2005	2006	2007	2008	2009	2010	
Average occupancy rate of the Hotel (%) (approximate)	60.7	82.4	79.3	72.2	73.8	69.7	65.3	61.3	68.6	—
Average room rate of the Hotel (RMB) (approximate)	456	456	453	525	590	641	668	632	686	—
Revenue per audited accounts (RMB (million))	43.4	94.2	139.2	157.8	186.9	186.4	184.3	163.6	182.2	—
EBITDA (RMB (million))	(3.7)	19.8	48.0	56.1	72.2	82.2	85.0	69.0	76.7	21.3%
Profit after tax and adjustment of exchange gain (RMB (million))	(73.2)	(27.0)	(3.1)	(4.4)	7.3	28.2	33.5	16.7	23.4	—
“Distributable Cash” (before Withholding Tax) <sup>3</sup> (RMB (million))	(6.4)	17.3	45.1	46.7	58.2	71.3	73.6	57.7	64.4	21.4%

<sup>3</sup> The term “Distributable Cash” is used to mean profit after tax and adjustment of exchange gain plus depreciation.

The EBITDA of Shenyang Lido generally showed a trend of steady increase since the opening of the Hotel in April 2002 to 2008. The 2008 Beijing Olympic Games which boosted the tourism growth in the major cities of the PRC and the designation of the city of Shenyang as one of the host cities for the soccer games of the Beijing Olympic Games has contributed to the increase of EBITDA of Shenyang Lido in 2008. The EBITDA dropped in 2009 under the impact of the global financial crisis, and rebounded in 2010 almost to the level shortly before the 2008 Olympic Games. During the first eight complete years of operation of the Hotel (from 2003 to 2010), the compound annual growth rate of EBITDA amounted to approximately 21.3%.

Some unaudited financial information of Shenyang Lido for the eight-month period ended 31 August 2011 (and comparative figures for the eight-month period ended 31 August 2010) is summarised as follows:

	<i>For the eight months ended</i>		<i>Growth rate</i>
	<i>31 August</i>	<i>2011</i>	<i>(from the</i>
	<i>2010</i>	<i>2011</i>	<i>eight-month</i>
			<i>period ended</i>
			<i>31 August 2010 to</i>
			<i>the eight-month</i>
			<i>period ended</i>
			<i>31 August 2011)</i>
			<i>(approximate)</i>
Average occupancy rate of the Hotel (%) <i>(approximate)</i>	66.5	77.4	16.4%
Average room rate of the Hotel <sup>4</sup> (RMB) <i>(approximate)</i>	665	775	16.5%
Revenue per unaudited accounts (RMB <i>(million)</i> )	113.9	141.3	24.1%
EBITDA (RMB <i>(million)</i> )	47.4	63.2	33.3%
Profit after tax and adjustment of exchange gain (RMB <i>(million)</i> )	14.8	26.2	77.0%
“Distributable Cash” (before Withholding Tax) <sup>5</sup> (RMB <i>(million)</i> )	42.0	54.3	29.3%

<sup>4</sup> The average room rates of the Hotel stated above take into account the service charge of 15%.

<sup>5</sup> The term “Distributable Cash” is used to mean profit after tax and adjustment of exchange gain plus depreciation.

The growth momentum continued in 2011 and the unaudited EBITDA of Shenyang Lido for the eight-month period ended 31 August 2011 was RMB63.2 million, representing an increase of approximately 33.3% to the EBITDA of Shenyang Lido for the eight-month period ended 31 August 2010. Compared to the compound annual growth rate of EBITDA of approximately 21.3% during the first eight complete years of operation of the Hotel, the year-by-year increase of approximately 33.1% for the eight-month period ended 31 August 2011 is significant.

### ***Operational information relating to Shenyang Lido***

#### ***The Hotel***

##### *Hotel rooms and office units*

The Hotel has a total of 590 guest rooms, located on the 8th level to the 28th level of the Property. The average room rate of the Hotel (taking into account the service charge of 15%) for each of the three years ended 31 December 2008, 2009 and 2010 and for the eight months ended 31 August 2011 were approximately RMB668, RMB632, RMB686 and RMB775 respectively. The average occupancy rates of the Hotel for each of the three years ended 31 December 2008, 2009 and 2010 and for the eight months ended 31 August 2011 were approximately 65.3%, 61.3%, 68.6% and 77.4% respectively.

Currently, part of the floor area in the podium of the Property (up to the 7th level of the Property) is leased out to tenants for use as offices, showrooms and other commercial purposes. The office floor area also includes an area of approximately 1,780 sq. m. currently occupied by Shenyang Lido as its own office. As at 31 August 2011, the office units were at approximately 61.6% occupancy with a total of 13 tenants. The rentable area of the office units as at 31 August 2011 and the total monthly income derived from all



the office units for the month ended 31 August 2011 were approximately 2,786 sq. m. and approximately RMB0.46 million respectively.

*The Restaurants and Other F & B Outlets*

Currently, Shenyang Lido operates a total of five Restaurants and Other F & B Outlets, which are located on the 1st, 2nd and 3rd levels of the Property. The Restaurants and Other F & B Outlets include the award-winning La Bellevue French Restaurant, Celestial Court (a Chinese restaurant), Mezza Bar (a pub), Atrium Lounge (a lobby lounge) and Café Lido (a coffee shop). The total rentable area of the Restaurants and Other F & B Outlets as at 31 August 2011 and the total monthly income for the month ended 31 August 2011 in respect of the Restaurants and Other F & B Outlets are 2,479 sq. m. and approximately RMB2.5 million respectively.

*The retail shops*

As at 31 August 2011, the retail shops were at 100% occupancy with a total of 12 tenants leasing the retail shops located on the 1st level of the Property. The rentable area of the retail shops as at 31 August 2011 and the total monthly income derived from all the retail shops for the month ended 31 August 2011 were 1,949 sq. m. and approximately RMB1.36 million respectively. The tenants encompass primarily retailers in the sectors of fashion, accessories, banking, wine and cigars, and property showrooms.

*Revenue of the Hotel and the retail shops*

Some information on the revenue of the two main parts of the businesses of Shenyang Lido, namely Hotel income and retail income, for the year ended 31 December 2010 (and for the eight-month period ended 31 August 2011) is summarized as follows:

	<i>Revenue</i> <i>(RMB (million))</i>	
	<i>Year ended</i> <i>31 December</i> <i>2010</i> <i>(per audited</i> <i>accounts)</i> <i>(approximate)</i>	<i>Eight months</i> <i>ended</i> <i>31 August 2011</i> <i>(per unaudited</i> <i>accounts)</i> <i>(approximate)</i>
Hotel income (including hotel rooms, office units, and the Restaurants and Other F & B Outlets) <sup>6</sup>	169.8	132.3
Retail income (including the retail shops)	12.4	8.9
<b>Total</b>	182.2	141.3

<sup>6</sup> under the professional management of Sheraton

## **BRIEF INFORMATION RELATING TO SHENYANG INVESTMENT BVI AND SHENYANG INVESTMENT HK**

Shenyang Investment BVI and its wholly-owned subsidiary, Shenyang Investment HK, are both recently incorporated, and were organized to facilitate the transactions relating to the Acquisition.

Shenyang Investment BVI is a direct wholly-owned subsidiary of Yick Ho, and Shenyang Investment HK is an indirect wholly-owned subsidiary of Yick Ho. Currently, Shenyang Investment BVI has no business other than its investment in Shenyang Investment HK, and Shenyang Investment HK has not carried out any business.

It is expected that, immediately after Completion, Shenyang Investment HK will be a new foreign joint venture party of Shenyang Lido and entitled to 70% of the distributions of Shenyang Lido, pursuant to the Transfer Agreement and the Amendments to JV Documents.

## **PREFERRED DISTRIBUTION AGREEMENT**

As part of the SP Agreement, Shenyang Investment HK has successfully secured Yick Ho's agreement to give priority to Shenyang Investment HK's entitlements to 70% of the dividends and other distributions of Shenyang Lido over Yick Ho's 29% interest in Shenyang Lido through the entering into of the Preferred Distribution Agreement upon Completion. Under the Preferred Distribution Agreement, Yick Ho will agree that, during the Effective Period (as defined below), the dividends and other cash distributions (including repatriation of capital) to be actually distributed by Shenyang Lido to its joint venture parties in respect of each financial year of Shenyang Lido (the "**Yearly Distributions**") will, as to the portions thereof to which Yick Ho and Shenyang Investment HK are entitled, be received by Yick Ho and Shenyang Investment HK in the following sequence:

- (i) firstly, in any financial year during the Effective Period, an amount of the Yearly Distributions up to RMB64.40 million (being 70% of the Yearly Base Amount (as defined below)) (before Withholding Tax) will be paid to Shenyang Investment HK solely;
- (ii) secondly, in the same financial year, after the Yearly Distributions in the amount stated in (i) above have been paid in full to Shenyang Investment HK in respect of the relevant financial year, an amount up to RMB26.68 million (being 29% of the Yearly Base Amount) (before Withholding Tax) will be paid to Yick Ho solely; and
- (iii) thirdly, in the same financial year, after the Yearly Distributions in the amount stated in (ii) above have been paid in full to Yick Ho, any and all remaining sums in the Yearly Distributions to which Shenyang Investment HK and Yick Ho as the foreign joint venture parties of Shenyang Lido are entitled (before Withholding Tax) in respect of the relevant financial year will be paid to Shenyang Investment HK and Yick Ho in the proportions of 70:29 (or as to approximately 70.7% and 29.3%, respectively, of those two foreign joint venture parties' total entitlements to such remaining sums in the Yearly Distributions).

When the above is applied in respect of any period of any financial year within the Effective Period which is not a full financial year of Shenyang Lido, the threshold amounts in paragraphs (i) and (ii) above will be reduced proportionally according to the number of days in that incomplete year.

For the purpose of the Preferred Distribution Agreement, (A) the “**Yearly Base Amount**” is set at RMB92.0 million; (B) the “**Effective Period**” means, for so long as Yick Ho remains a foreign joint venture party of Shenyang Lido: (i) a period of 10 full financial years commencing on 1 January 2012 and ending 31 December 2021, if Completion takes place on or before 1 January 2012; and (ii) a period commencing on the date of Completion and ending on 31 December 2021, if Completion takes place after 1 January 2012.

In the event that Completion takes place after 1 January 2012, during the period from the date of Completion to 31 December 2012, Yick Ho and Shenyang Investment HK will be entitled to the Yearly Distributions for the financial year ending 31 December 2012 in the sequence as specified in (i) to (iii) above, but with each of the threshold amounts stated in (i) and (ii) above reduced in proportion to the actual number of days from the date of Completion to 31 December 2012.

The agreed level of the Yearly Base Amount, being RMB92.0 million, was arrived at after commercial negotiations, and is higher than the actual yearly level of “Distributable Cash” (before Withholding Tax) of Shenyang Lido in any of the previous years as set out in the section headed “Brief Overview of Shenyang Lido — Financial information relating to Shenyang Lido” above.

Based on the Consideration of RMB980 million, the amount of RMB64.40 million represents approximately 6.57% of the Consideration to be paid by Hui Xian REIT under the SP Agreement.

If, in any financial year during the Effective Period, the total amount of the Yearly Distributions in respect of that financial year of Shenyang Lido is not sufficient for the amount in (i) above (or, as the case may be, the amount in (ii) above) to be fully paid, the shortfall will not be carried forward to any subsequent financial year for the benefit of Shenyang Investment HK (or, as the case may be, Yick Ho).

The arrangement under the Preferred Distribution Agreement will be a contractual arrangement mutually agreed between Yick Ho and Shenyang Investment HK, the two foreign joint venture parties of Shenyang Lido after Completion. Such contractual arrangement does not affect the rights and entitlements of Beijing Wondergrow (the domestic joint venture party of Shenyang Lido), nor does such arrangement vary the JV Documents.

To illustrate the effect of the arrangement under the Preferred Distribution Agreement, the entitlements of the joint venture parties to the Yearly Distributions of Shenyang Lido in certain full financial years during the Effective Period in different hypothetical scenarios, assuming different amounts of Yearly Distributions as examples, are shown below:

*Hypothetical figures for illustration only*

*(in RMB (million))*

Assumed year	Scenarios	Yearly Distributions (before Withholding Tax) of Shenyang Lido for that year		Entitlement of domestic joint venture party		Entitlement of foreign joint venture party (with Preferred Distribution Agreement) (before Withholding Tax)					
				Beijing		Shenyang		Yick Ho		Total	
				Wondergrow	Investment HK						
				RMB	RMB	RMB		RMB		RMB	
				(million)	(%)	(million)	(%)	(million)	(%)	(million)	(%)
1	(Scenario A) Yearly Distributions (before Withholding Tax) being less than 65.05	50.00	Original distribution	0.50		35.00		14.50			
			Adjustment under the Preferred Distribution Agreement	0.00		14.50		-14.50			
			Net distribution	0.50	1%	49.50	99%	0.00	0%	50.00	100%
2	(Scenario B)	65.05	Original distribution	0.65		45.535		18.865			
			Adjustment under the Preferred Distribution Agreement	0.00		18.865		-18.865			
			Net distribution	0.65	1%	64.40	99%	0.00	0%	65.05	100%
3	(Scenario B)	80.00	Original distribution	0.80		56.00		23.2			
			Adjustment under the Preferred Distribution Agreement	0.00		8.40		-8.40			
			Net distribution	0.80	1%	64.40	87.5%	14.80	11.5%	80.00	100%
4	(Scenario B)	92.00	Original distribution	0.92		64.40		26.68			
			Adjustment under the Preferred Distribution Agreement	0.00		0.00		0.00			
			Net distribution	0.92	1%	64.40	70%	26.68	29.0%	92.00	100%
5	(Scenario C)	100.00	Original distribution	1.00		70.00		29.00			
			Adjustment under the Preferred Distribution Agreement	0.00		0.00		0.00			
			Net distribution	1.00	1%	70.00	70%	29.00	29.0%	100.00	100%

*Note:* The figures in the table above are hypothetical, and the table is included for illustration of the contractual arrangement under the Preferred Distribution Agreement only. No forecast or projection is made, and no representation, warranty, assurance or indication is given or implied as to or in respect of the Yearly Distributions or the availability of cash, distributions or other distributable amounts, whether in the sums stated above or otherwise, in any period.

The effect of the arrangement under the Preferred Distribution Agreement will be that, in any financial year within the Effective Period:

- (A) in the event that the Yearly Distributions of Shenyang Lido for that year is less than approximately RMB65.05 million, Shenyang Investment HK will be entitled to 99% of the Yearly Distributions (before Withholding Tax) for that year (and, for the avoidance of doubt, no payment of the shortfall of Shenyang Investment HK's entitlements for that year, resulting from the Yearly Distributions falling below RMB65.05 million (before Withholding Tax), will be made to Shenyang Investment HK);
- (B) in the event that the Yearly Distributions of Shenyang Lido for that year is within the range from approximately RMB65.05 million to RMB92 million, Shenyang Investment HK will be entitled to distributions in the amount of RMB64.40 million (before Withholding Tax), which is equivalent to a percentage ranging from 70% to 99% of the Yearly Distributions (before Withholding Tax) of Shenyang Lido for that year; and
- (C) in the event that the Yearly Distributions of Shenyang Lido for that year is more than RMB92 million, Shenyang Investment HK will be entitled to 70% of the Yearly Distributions (before Withholding Tax) for that year.

If, within the Effective Period, Yick Ho disposes of or transfers all or part of its 29% entitlement to distributions of Shenyang Lido to one or more party(ies) (assuming that Shenyang Investment HK does not exercise the pre-emptive right under the JV Documents), except where the transferee is Shenyang Investment HK, Yick Ho will be required to procure the transferee to enter into an arrangement in favour of Shenyang Investment HK same as that under the Preferred Distribution Agreement to the extent proportionate to the entitlements of such transferee in the Yearly Distributions of Shenyang Lido, for the remaining part of the Effective Period and for so long as such transferee remains a joint venture party of Shenyang Lido within such remaining part of the Effective Period. In the case of a partial transfer by Yick Ho of its entitlement to distributions of Shenyang Lido, Yick Ho will be required to enter into an arrangement in favour of Shenyang Investment HK similar to that under the Preferred Distribution Agreement to the extent of the portion of entitlements retained by Yick Ho in the Yearly Distributions of Shenyang Lido, for the remaining part of the Effective Period.

## **THE APPRAISED VALUE**

American Appraisal China Limited, the Independent Property Valuer, which is also the Principal Valuer (as defined in the REIT Code) of Hui Xian REIT, has been engaged by the Manager to perform valuations on the Property and 70% of the interests in the Property as at 31 August 2011.

The Appraised Value was assessed on the basis, amongst others, of the existing land use rights and building ownership rights in the Property expiring on 1 July 2042.

The Appraised Value of the Property as at 31 August 2011 was RMB1,590 million.

The Appraised Value of 70% of the interests in the Property as at 31 August 2011 was RMB1,113 million.

## FUNDING OF THE ACQUISITION

The Consideration is expected to be settled by drawing down banking facilities of the Hui Xian REIT group. It is not intended that the Consideration will be financed by equity or equity-linked fund-raisings by Hui Xian REIT.

## IMPACT OF THE ACQUISITION ON HUI XIAN REIT

### Financial impact of the Acquisition

Summarised below is the unaudited financial information of BOP for the eight months ended 31 August 2011 and (based on information supplied by and representations of Yick Ho) unaudited financial information relating to the entitlement to 70% of the distributions of Shenyang Lido for the same period:

	<i>Entitlement to 70% of distributions of Shenyang Lido</i>	<i>BOP</i>	<i>Percentage increase in total “Distributable Cash”</i>
Revenue as per unaudited accounts (RMB (million))	98.9	1,496.3	—
EBITDA (RMB (million))	44.2	1,043.7	—
Depreciation (RMB (million))	19.7	220.8	—
Profit before tax (RMB (million))	26.6	802.0	—
Tax (RMB (million))	(6.7)	(207.8)	—
Profit after tax and adjustment of exchange gain (RMB (million))	19.6	594.2	—
Total “Distributable Cash” (before Withholding Tax) (RMB (million))	39.3	815.0	4.8%

The Acquisition (including the costs and expenses of the Acquisition) is not expected to have any material adverse impact on the financial position of Hui Xian REIT. Upon Completion, the ratio of total debt to total property value of Hui Xian REIT is anticipated to increase from the current level of approximately 0.62% to approximately 3.53% upon Completion. This assumes a full drawdown of a HK\$1,200 million banking facility conditionally agreed to be provided to the Hui Xian REIT group, and also assumes that the Appraised Value of 70% of the interests in the Property is included to form part of the total property value of Hui Xian REIT. Please refer to the other announcement issued on the same date as this announcement relating to a commitment letter in respect of such HK\$1,200 million banking facility.

Under the Trust Deed, the Manager is entitled to receive out of the assets of Hui Xian REIT an acquisition fee not exceeding the rate of 1.0% of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired). The acquisition fee is payable as soon as practicable after Completion. The Trustee is not entitled to any extra fee as a result of the Acquisition apart from the annual fee which is based on the Property Values (as defined in the Offering Circular).

The costs and expenses payable by Hui Xian REIT in relation to the Acquisition (including the financial advisory fee, the acquisition fee payable to the Manager as mentioned above, valuation fees, legal fees, accounting charges) are estimated to be approximately RMB20 million.

### Changes in the real estate portfolio

If the Acquisition is completed as scheduled and assuming that there are no other changes, summarized below are the changes in the portfolio of real estate in which Hui Xian REIT will be indirectly interested (with information relating to Shenyang Lido based on information supplied by and representations of Yick Ho):

<i>Property</i>	<i>BOP</i> (existing)	<i>Shenyang Lido</i> (under the Acquisition)	<i>Impact of the Acquisition</i>
<b>Location</b>	Beijing	Shenyang	The real estate portfolio will expand to include property in another major PRC city
<b>Gross floor area</b>	Approximately 800,000 sq. m.	Approximately 79,000 sq. m.	The Acquisition will increase the gross floor area of the real estate portfolio by approximately 9.9%
<b>Use</b>	Self-contained composite property complex (including, offices, retail, serviced apartments, hotel and car parking spaces)	Primarily hotel business (as more particularly set out in the section headed "Brief Overview of Shenyang Lido" above)	Composite property complexes in Beijing and Shenyang (including offices, retail, serviced apartments, car parking spaces and two hotels)
<b>Valuation</b>	RMB32,699 million (being the valuation as at the balance sheet date of 30 June 2011, as stated in the 2011 Interim Report)	RMB1,113 million (being the Appraised Value of 70% interests in the Property as at 31 August 2011)	An increase of approximately 3.4% (without taking into account the different valuation dates)

For the year ended 31 December 2010, the aggregate revenue and profit attributable to the food and beverage business of Shenyang Lido and the food and beverage business of Grand Hyatt Beijing in BOP represented about 9.27% and 4.20% of the aggregate revenue and profit of Shenyang Lido and BOP. For the

eight months ended 31 August 2011, the aggregate revenue and profit attributable to the food and beverage business of Shenyang Lido and the food and beverage business of Grand Hyatt Beijing in BOP represented about 8.56% and 4.06% of the aggregate revenue and profit of Shenyang Lido and BOP.

## **REASONS FOR THE ACQUISITION**

### ***(A) Ongoing mandate to continue to expand and diversify asset base***

The Acquisition is consistent with the acquisition strategy of Hui Xian REIT that the Manager will from time to time consider appropriate acquisition opportunities in investment properties in the PRC that provide stable cash flow and potential for long term capital appreciation. Since the Units were first listed on the Stock Exchange in April 2011 and prior to the Acquisition, Hui Xian REIT's only asset is its investment in Hui Xian Investment, the foreign joint venture party of BOP which holds the land use rights and building ownership rights of Oriental Plaza (東方廣場) located in Beijing, PRC. Currently, Hui Xian REIT relies on Oriental Plaza for all of its revenue and the cooperative joint venture holding Oriental Plaza has a joint venture period expiring in January 2049. Despite the impressive financial performance of Oriental Plaza as one of the most iconic commercial complexes in the PRC, the Manager believes that it is important for Hui Xian REIT to continue to grow its portfolio of assets in the PRC prior to the expiry of the joint venture period of BOP with an aim to providing diversity and continuity. The Manager believes that the Acquisition will be a critical first step in adding to the diversity and continuity of Hui Xian REIT's portfolio of assets beyond the investment of BOP in Oriental Plaza, Beijing.

The Manager intends to continue to explore the possibility of further increasing the asset base of Hui Xian REIT by responding to acquisition opportunities if and when they arise, and when appropriate, with a view to increasing the recurring revenue of Hui Xian REIT and generating higher absolute Unitholders' return.

### ***(B) Competitive advantages of the Property***

#### ***(1) Solid financial and operating track record***

Shenyang Lido has an established financial track record since the opening of the Hotel in April 2002:

- (i) In the first eight complete years of operation of the Hotel (from 2003 to 2010), the EBITDA of Shenyang Lido has recorded a compound annual growth rate of approximately 21.3% (as detailed in the section headed "Brief Overview of Shenyang Lido — Financial information relating to Shenyang Lido" above).
- (ii) The unaudited EBITDA of Shenyang Lido for the eight months ended 31 August 2011 was RMB63.2 million, representing an increase of approximately 33.1% to the EBITDA of the Property for the eight months ended 31 August 2010.
- (iii) Given the unaudited EBITDA of Shenyang Lido for the first eight months of 2011 was RMB63.2 million, while the EBITDA of Shenyang Lido for the full year of 2009 was RMB69.0 million and that for the full year of 2010 was RMB76.7 million, the performance during the first eight months of 2011 was strong.



(2) *Located in a city with significant growth potential*

As the capital city of Liaoning province in the PRC, Shenyang is one of the most important industrial centres in China. Its economy has been growing rapidly in recent years, mainly as a result of the “Revitalize NorthEast China” campaign launched by the PRC Central Government. Shenyang has also been diversifying its industries by offering incentives to attract investors from other industries to invest in the city. Shenyang will be hosting the 12th National Games of the People’s Republic of China in 2013 and the event is expected to attract many international and domestic tourists to the city. Local authorities have also made substantial investments to transform the city into a modern, world class metropolis.

(C) *The Manager believes that the Acquisition is a good opportunity to acquire quality assets on favourable terms*

The Manager believes that some additional terms and features of the Acquisition are favourable to the Hui Xian REIT group. For example:

(1) *Yearly Base Amount under Preferred Distribution Agreement is higher than historical “Distributable Cash”*

Under the Preferred Distribution Agreement, during the Effective Period (as defined above), Yick Ho will agree to give priority to Shenyang Investment HK’s entitlements of 70% of the Yearly Distributions of Shenyang Lido (up to a specified amount, as detailed below) over Yick Ho’s 29% entitlements. During the Effective Period, Shenyang Investment HK will be entitled to receive an amount of Yearly Distributions up to RMB64.40 million solely, before Yick Ho will be entitled to receive an amount of Yearly Distributions up to RMB26.68 million (in each case, before Withholding Tax). If the Yearly Distributions of Shenyang Lido in any financial year during the Effective Period is below RMB65.05 million, Yick Ho’s 29% of the Yearly Distributions will be given up for the benefit of Shenyang Investment HK.

The Yearly Base Amount of RMB92.00 million (as mentioned in the section headed “Preferred Distribution Agreement” above) is higher than the actual level of “Distributable Cash” of Shenyang Lido in previous years. In addition, based on the Consideration of RMB980 million, the amount of RMB64.40 million (being 70% of the Yearly Base Amount, referred to in the same section above, and before Withholding Tax) represents approximately 6.57% of the Consideration to be paid by Hui Xian REIT under the SP Agreement.

(2) *Shenyang Investment HK entitled to 75% of the voting rights on the board of Shenyang Lido*

Subject to the Amendments to JV Documents, Shenyang Investment HK will be entitled to nominate 9 out of a total of 12 directors of Shenyang Lido, with the remaining directors to be nominated by Yick Ho (as to 2 out of 12 directors) and Beijing Wondergrow (as to 1 out of 12 directors). The number of directors which Shenyang Investment HK will be entitled to nominate represents 75% of the voting rights on the board of Shenyang Lido, which is higher than the entitlement to 70% of the distributions of Shenyang Lido which Hui Xian REIT will indirectly be interested under the Acquisition. Shenyang Investment HK will thus have control over a majority of the board of directors of Shenyang Lido, the decision of which will be by simple majority of directors except for a number of specified important matters which require unanimous approval

of directors under the JV Documents (as set out in the section headed “JV Documents and Hotel Management Agreement” above).

**(D) Yick Ho’s retention of 29% interest in Shenyang Lido**

*(1) Preferred Distribution Agreement with Yick Ho*

As mentioned in the section headed “Preferred Distribution Agreement” above, Yick Ho and Shenyang Investment HK will enter into the Preferred Distribution Agreement upon Completion, pursuant to which for the Effective Period, and for so long as Yick Ho remains a foreign joint venture party of Shenyang Lido during the Effective Period, Shenyang Investment HK will have a preferred entitlement to the Yearly Distributions of Shenyang Lido (see also paragraph (C)(1) above). By retaining a 29% entitlement to the distributions of Shenyang Lido and pursuant to the Preferred Distribution Agreement, in the event of any shortfall of the Yearly Distributions below the agreed Yearly Base Amount, the risk will in effect be taken by Yick Ho first, thus providing additional comfort to Shenyang Investment HK of the operating performance of the Property and its entitlements to the Yearly Distributions of Shenyang Lido after Completion.

*(2) New management of Shenyang Lido benefiting from Yick Ho’s continued presence as joint venture party*

The Cheung Kong group has numerous property investments in the PRC, including hotel projects. Yick Ho (a wholly-owned subsidiary of Cheung Kong) itself has substantial investments in hotel projects in Beijing and Chengdu, in addition to the investment in the Property in Shenyang through Shenyang Lido. Yick Ho, as a joint venture party of Shenyang Lido since the very early stage of the project, has established long term business and working relationships over the past decade with other stakeholders of Shenyang Lido, including Sheraton, the PRC government authorities, the financial partners and local parties (including tenants, patrons, retailers, service providers and suppliers) with whom Yick Ho has had dealings. The Manager believes that Yick Ho’s continued involvement in Shenyang Lido as a joint venture party will assist the new management of Shenyang Lido after Completion in future business dealings with those parties, and Hui Xian REIT can in turn benefit from, through its interest in the entitlement to 70% of, the distributions of Shenyang Lido.

*(3) Ongoing incentive for Yick Ho to contribute towards the operating performance of Shenyang Lido*

Yick Ho remaining as a joint venture party of Shenyang Lido having a 29% distribution entitlements will provide an ongoing incentive for Yick Ho to contribute towards the improvement of the operating performance of the Property, and Hui Xian REIT can in turn benefit through its interest in the entitlement to 70% of the distributions of Shenyang Lido after Completion.

*(4) Avoiding possible misconception of a complete departure from the Property by the Cheung Kong group*

There are numerous parties with whom Shenyang Lido has dealings locally in China. Whilst the Cheung Kong group has interests in the majority Unitholder of Hui Xian REIT and in the Manager, the Acquisition could be misconceived by some of those parties as a complete departure of the Cheung Kong group from Shenyang Lido. With Yick Ho remaining as a joint venture party of

Shenyang Lido with 29% distribution entitlements, the Manager believes that the possibility of such misconception would be mitigated.

*(5) Facilitating a smooth transfer of entitlements to Shenyang Investment HK*

As the transfer of the 70% of the entitlements in the distributions of Shenyang Lido from Yick Ho to Shenyang Investment HK under the Transfer Agreement requires the agreement of Beijing Wondergrow and approval by PRC authorities, it is expected that the continued involvement of Yick Ho as a joint venture party of Shenyang Lido will facilitate a smooth transfer as contemplated under the SP Agreement.

## **OPINION OF THE BOARD AND THE AUDIT COMMITTEE**

The Board of Directors (including the independent non-executive Directors) and the Audit Committee are satisfied that the Acquisition pursuant to the terms and conditions of the SP Agreement, the Transfer Agreement, the JV Documents and the transactions contemplated thereunder are at arm's length, on normal commercial terms, and are fair and reasonable and in the interests of Hui Xian REIT and the Unitholders as a whole notwithstanding that the Acquisition is a connected party transaction under the REIT Code. Mr. KAM Hing Lam (who is also a director of Cheung Kong and Yick Ho) and Mr. IP Tak Chuen, Edmond (who is also a director of Cheung Kong and Yick Ho) did not take part in voting on the relevant resolutions of the Board, and Mr. IP Tak Chuen, Edmond, did not take part in the relevant resolutions of the Audit Committee.

The Board is also satisfied that the arrangement of the Acquisition complies with the relevant requirements of the REIT Code.

## **CONFIRMATION BY THE MANAGER**

The Manager confirms that it has carried out due diligence review exercise (including having obtained a PRC legal opinion in relation to Shenyang Lido and the Property) in accordance with the relevant provisions under the REIT Code and the Manager's compliance manual. In particular, the Manager is advised under the PRC legal opinion that Shenyang Lido is the sole owner of the land use rights and building ownership rights of the Property, and that such rights are free from encumbrances other than tenancies. As Hui Xian REIT will, after Completion, through Shenyang Investment BVI and Shenyang Investment HK, has majority ownership and control over Shenyang Lido, the requirements under 7.7 of the REIT Code relating to property title are regarded as complied with.

## **OPINION OF THE TRUSTEE**

Based on the information and confirmation provided by the Manager to the Trustee, the Trustee confirms that:

- (a) the Acquisition is consistent with Hui Xian REIT's investment policy and is in compliance with the REIT Code and the Trust Deed; and
- (b) no Unitholders' approval is required to approve the Acquisition.

The Trustee (as trustee of Hui Xian REIT) is a party signing the SP Agreement. The Trustee has confirmed that it has no objection for the Manager to proceed with the Acquisition.

## **FINANCIAL ADVISER TO THE MANAGER**

HSBC is the financial adviser to the Manager in respect of the Acquisition.

## **REGULATORY IMPLICATIONS**

### *Connected party transaction*

Cheung Kong is an associate of a significant holder (each within the meaning given in the REIT Code) of Hui Xian REIT and Yick Ho is an indirect subsidiary of Cheung Kong. Therefore, Yick Ho is regarded as a connected person of Hui Xian REIT under the REIT Code.

The Acquisition constitutes a connected party transaction for Hui Xian REIT under the REIT Code. Pursuant to paragraph 8.9 of the REIT Code, unitholders' prior approval is not required for connected party transactions of a REIT where the total consideration or value of the transaction is less than 5% of the latest net asset value of the REIT, as disclosed in the latest published audited accounts of the REIT. Since the Consideration is less than 5% of the latest net asset value of Hui Xian REIT (as disclosed in the 2011 Interim Results Announcement and the 2011 Interim Report), the Manager is therefore of the view that the Acquisition is not required to be approved by the Unitholders but is only subject to the reporting and announcement requirements under Chapters 8 and 10 of the REIT Code. Based on the information and confirmation provided by the Manager to the Trustee, the Trustee also confirms that the Acquisition is not required to be approved by Unitholders. All applicable reporting and disclosure requirements under the REIT Code in respect of the Acquisition are or will be complied with, including the requirement for this Announcement to be issued pursuant to 8.14 and (where applicable) 8.16 of the REIT Code, and the requirement for a summary disclosure of particulars of the Acquisition to be made in the next published annual report or semi-annual report of Hui Xian REIT pursuant to 8.15 and (where applicable) 8.16 of the REIT Code.

In the event of any material variation of, or waiver or release by or on behalf of Hui Xian REIT of, any of its rights and any obligations of the connected persons under the terms and conditions of the transaction documents mentioned in this Announcement (including but not limited to the JV Documents and the Preferred Distribution Agreement) in a material respect, all applicable reporting, disclosure and Unitholders' approval requirements under Chapters 8 and 10 of the REIT Code will be fully complied with in respect of Hui Xian REIT.

As far as the Manager is aware after having made reasonable enquiries, there are no ongoing connected party transactions of Hui Xian REIT arising from the Acquisition.

### *Waivers from certain requirements under the REIT Code*

In connection with the Acquisition, the Manager has applied to the SFC in relation to the modifications of, and waivers from, strict compliance with certain requirements of the REIT Code. A summary of such modifications and waivers is set out below.

**(I) Waiver in respect of employment of employees of Shenyang Lido and/or its branch**

Under 7.5(c)(i) of the REIT Code, in the case of real estate being held by a scheme through SPVs, a SPV at the bottom layer (i.e. the one holding the real estate) is required to be established for the sole purpose of directly holding real estate for the scheme and/or arranging financing for the scheme.

According to information provided by Yick Ho, as at 31 August 2011, Shenyang Lido, by itself and/or through its branch employed a total of approximately 615 employees in the PRC, comprising: (a) approximately 610 employees performing hotel operation functions and services, and (b) approximately 5 employees handling legal, regulatory and other administrative matters and carrying out and providing commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services. Currently, part of the functions and services of Shenyang Lido (e.g. some property cleaning and security services) are outsourced and provided by outside service providers and their employees.

After Completion, it is expected that both the existing hotel related employees who remain to work for the Hotel and the non-hotel related employees will continue to be employed by Shenyang Lido and/or its branch, and that new hotel related and non-hotel related employees subsequently engaged will be employed in a similar manner. The Manager has confirmed that a substantial increase in the total number of directly employed hotel related and non-hotel related employees is not expected after Completion. The Manager intends to explore the possibility for more of the functions now performed by employees of Shenyang Lido to be, for commercial considerations, outsourced or otherwise replaced by services provided by external service providers or agents in the future, if appropriate.

The Manager has applied to the SFC for a waiver from strict compliance with the requirements of 7.5(c)(i) of the REIT Code to allow the above employee arrangement of Hui Xian REIT after Completion, based on the following grounds:

- (A) The management of the Property and the management and operation of Shenyang Lido are regulated by the relevant PRC laws and regulations and the JV Documents. In particular, the employment of the hotel-related employees and the non hotel-related employees is regulated by the relevant PRC labour laws and regulations and certain obligations and functions of Shenyang Lido are required to be discharged and performed by Shenyang Lido itself pursuant to the relevant PRC laws and regulations and the JV Documents.
- (B) Under the above arrangement, most of the direct employees of Shenyang Lido will be the hotel related employees. For each of the three years ended 31 December 2010 and the eight months ended 31 August 2011, the total staff costs in respect of the employees of the Hotel and the employees of Grand Hyatt Beijing at Oriental Plaza, Beijing represented only approximately 4.89%, 4.10%, 4.22% and 3.25% respectively of the aggregate revenue of BOP and Shenyang Lido for the corresponding period. Such percentage figures are relatively low.
- (C) Pursuant to the existing contractual arrangement between Shenyang Lido and Sheraton, the hotel related employees are expected to be employed by Shenyang Lido. That arrangement has been in place with the Sheraton since the commencement of the hotel operation in 2002. Variation of the current employment arrangement in respect of the hotel related employees will be inconsistent with the spirit of such contractual arrangement and difficulty may be expected to be encountered in obtaining Sheraton's agreement to the change. In addition, as the Manager understands, it is

a common practice for an international hotel management group to provide expertise in hotel management to a local hotel owner, by way of a structure involving the hotel owner company (instead of the international hotel management company) bearing the operating expenses and employing the hotel employees. Members of the management team seconded by the international hotel management company are often also employed by the hotel owner company. The Manager anticipates that a deviation from the above practice would be difficult to achieve.

- (D) The above employee arrangement of Hui Xian REIT will not be materially prejudicial to Hui Xian REIT because:
- (i) Under the proposed arrangement of Hui Xian REIT, after Completion, the number of non-hotel related employees directly employed by Shenyang Lido will be maintained at a reasonable number, not more than approximately 5. The Manager has confirmed that the total number of the hotel related employees directly employed by Shenyang Lido is not expected to increase substantially after Completion and the vast majority of the hotel related employees of Shenyang Lido will mainly be engaged to perform day-to-day functions and services for the hotel operation. Based on the historical figures as mentioned in paragraph (B) above, the total staff costs in respect of the direct employees of Shenyang Lido and/or its branch upon Completion are expected to be relatively low as compared to the total aggregate revenue of BOP and Shenyang Lido. Therefore, the Manager believes that the risks of the direct employees causing significant liabilities or losses to Hui Xian REIT are low.
  - (ii) Even if an employer outside Hui Xian REIT and its SPVs were to be engaged to employ the relevant employees, costs and liabilities in relation to their employment would be expected to be passed to Hui Xian REIT indirectly. Additional costs and other potential liability may also arise as a result of the involvement of an outside employer. Thus, the proposed employee arrangement of Hui Xian REIT would not result in any material adverse financial liability to Hui Xian REIT as compared with other arrangements involving (or relying more heavily on) outside employer companies.

***(II) Waiver in respect of the nomination right for directors in Shenyang Lido***

7.5(f) of the REIT Code requires that the board of directors of each of the SPVs of a REIT shall be appointed by the trustee of the REIT. In the case of Shenyang Lido, the Amendments to JV Documents are expected to result in that, out of a total of 12 directors, Shenyang Investment HK as a new foreign joint venture party of Shenyang Lido will be entitled to nominate 9 directors, Yick Ho as the existing foreign joint venture party will be entitled to nominate 2 directors, and Beijing Wondergrow, the PRC domestic joint venture party of Shenyang Lido, will be entitled to nominate the remaining 1 director.

The Manager has applied to the SFC a waiver from strict compliance with 7.5(f) of the REIT Code so as to allow certain directors of Shenyang Lido not to be appointed by the Trustee, based on the following grounds:

- (a) Shenyang Lido is a Sino-foreign co-operative joint venture established in the PRC, and the relevant PRC legal provisions contemplate that each joint venture party to a co-operative joint venture nominates some director(s) to the joint venture;

- (b) the Trustee will directly or indirectly through Shenyang Investment BVI and Shenyang Investment HK be entitled to nominate 75% of the directors of Shenyang Lido; and
- (c) under the JV Documents of Shenyang Lido (to be amended by the Amendments to JV Documents), except for a number of specified important matters (see below) which require unanimous approval of the directors (which may include those directors nominated by Yick Ho and Beijing Wondergrow), the board of directors of Shenyang Lido will make its decisions by simple majority of directors. The important matters requiring unanimous approval of the directors comprise the following:
  - (i) amending the articles of association of Shenyang Lido;
  - (ii) increase, reduction or transfer of the registered capital of Shenyang Lido;
  - (iii) mortgage of assets of Shenyang Lido;
  - (iv) termination or dissolution of Shenyang Lido; and
  - (v) merger, demerger or change in organization structure of Shenyang Lido.

***(III) Waiver in relation to the number of layers of special purpose vehicles***

Under 7.5(d) of the REIT Code, a REIT may hold real estate through SPVs only if a REIT has no more than two layers of SPVs. Under the note to that paragraph, the SFC may allow a REIT to have additional layer(s) of SPVs in special situations with valid justifications.

It is expected that, after Completion, Hui Xian REIT's indirect interest in the Property will be held through three layers of SPVs. The Property is currently held by Shenyang Lido, which was established in the PRC in September 1996. Yick Ho and Beijing Wondergrow entered into the joint venture documents of Shenyang Lido in September 2005. In connection with the Acquisition, it is proposed that Yick Ho will transfer part of its interest in Shenyang Lido to Shenyang Investment HK as a new foreign joint venture partner so that Shenyang Investment HK will be entitled to 70% of the distributions of Shenyang Lido. As detailed in the section headed "Key Terms of the SP Agreement" above, the Acquisition is proposed to be effected by way of an acquisition by Hui Xian REIT of the entire issued share capital of Shenyang Investment BVI (of which Shenyang Investment HK is a wholly-owned subsidiary) and the shareholder's loan owing by Shenyang Investment BVI at Completion.

Considering that such group structure is able to facilitate any future group reorganization and disposal of interests in Shenyang Investment HK through intermediate holding companies, the Manager has submitted to the SFC that Hui Xian REIT should be allowed to hold its investment in the Property through three layers of SPVs subject to the condition that there will be no change to the maximum number of layers of SPVs used by Hui Xian REIT without further approval of the SFC.

A further announcement in relation to the Acquisition will be made upon Completion.

## **GENERAL**

### *About Hui Xian REIT, the Trustee and the Manager*

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and the Units are listed on the Main Board of the Stock Exchange (Stock code: 87001).

Currently, Hui Xian REIT's principal asset is its investment in Hui Xian BVI, which in turn holds Hui Xian Investment, the foreign joint venture party of BOP. BOP holds the land use rights and building ownership rights of Oriental Plaza in Beijing, PRC.

DB Trustees (Hong Kong) Limited is the trustee of Hui Xian REIT, and the Manager is the management company of Hui Xian REIT.

### *About Yick Ho*

Yick Ho is an indirect wholly-owned subsidiary of Cheung Kong. Yick Ho is the existing foreign joint venture party of Shenyang Lido and the registered and beneficial owner of, among other things, the entire issued share capital of Shenyang Investment BVI. Yick Ho has substantial investments in hotel projects in Beijing and Chengdu, the PRC, in addition to the investment in the Property in Shenyang through Shenyang Lido.

### *About Cheung Kong*

Cheung Kong is an experienced property developer having numerous property development and investment projects in Hong Kong and in the PRC.

## **DEFINITIONS**

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“2011 Interim Report”	the 2011 interim report of Hui Xian REIT, issued in August 2011
“2011 Interim Results Announcement”	the announcement of the audited consolidated interim results of Hui Xian REIT for the period from 29 April 2011 to 30 June 2011, published on 2 August 2011
“Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan by the Trustee (as trustee of Hui Xian REIT) from Yick Ho pursuant to the terms of the SP Agreement
“Amendments to JV Documents”	amendments to be made to the joint venture documents of Shenyang Lido under the SP Agreement, as further described under “Undertaking relating to Transfer Agreement” in the section headed “Key Terms of the SP Agreement” above



“Appraised Value”	the appraised value of the Property as at 31 August 2011 as appraised by the Independent Property Valuer
“Audit Committee”	the audit committee of the Manager
“Beijing Wondergrow”	北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co. Ltd. (for identification purposes only)), a company incorporated in the PRC with limited liability
“Board”	the board of directors of the Manager
“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 PRC, which holds the land use rights and building ownership rights of Oriental Plaza (東方廣場) located in Beijing, PRC
“Business Day”	a day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks are generally open for business in Hong Kong
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00001)
“Completion”	completion of the Acquisition pursuant to the terms of the SP Agreement, which is to take place on or before two Business Days after the fulfilment or waiver of all the Conditions Precedent and item (a) of the Completion Conditions (or such later date as may be agreed between the Manager and Yick Ho), whereupon Yick Ho shall transfer the Sale Share and assign the Sale Loan to the Trustee (as trustee of Hui Xian REIT)
“Completion Conditions”	the conditions to which Completion is subject, as set out in the SP Agreement and which are summarized under “Completion Conditions” in the section headed “Key Terms of the SP Agreement” above
“Conditions Precedent”	the conditions precedent to which the Acquisition is subject, as set out in the SP Agreement and which are summarized under “Conditions Precedent” in the section headed “Key Terms of the SP Agreement” above
“connected person”	has the meaning ascribed to it under Chapter 8 of the REIT Code
“Consideration”	the total purchase price for the Sale Share and the Sale Loan payable by the Trustee (as trustee of Hui Xian REIT) to Yick Ho in cash in accordance with the terms of the SP Agreement

“Directors”	the directors of the Manager
“Distributable Cash”	the profit after tax and adjustment of exchange gain plus depreciation before all expenses including withholding tax (and for the avoidance of doubt, before taking into account any fees and expenses at the level of Hui Xian REIT, such as fees payable to the Manager)
“EBITDA”	earnings before interest expense and finance costs, taxation, depreciation and amortisation, and includes profit on disposal of investments and other earnings of a cash nature but excludes changes in the fair value of investment properties
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO (Cap. 571 of the Laws of Hong Kong), registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Hui Xian BVI”	Hui Xian (B.V.I.) Limited, a company incorporated in the British Virgin Islands, being a special purpose vehicle wholly-owned by Hui Xian REIT and the direct holding company of Hui Xian Investment
“Hui Xian Investment”	Hui Xian Investment Limited, a company incorporated in Hong Kong, being a special purpose vehicle indirectly wholly-owned by Hui Xian REIT and the foreign joint venture party of BOP
“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme authorised by the SFC under section 104 of the SFO, the Units of which are listed on the Main Board of the Stock Exchange (Stock Code: 87001)
“Independent Property Valuer”	American Appraisal China Limited, the Principal Valuer (as defined in the REIT Code) of Hui Xian REIT
“JV Documents”	the joint venture documents of Shenyang Lido (as amended and supplemented)
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 June 2012, or such other date as the Manager and Yick Ho may agree in writing

“Manager”	Hui Xian Asset Management Limited, a company incorporated in Hong Kong, as the manager of Hui Xian REIT
“Offering Circular”	the offering circular of Hui Xian REIT dated 11 April 2011 issued in connection with the initial public offering of the Units
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preferred Distribution Agreement”	the agreement to be entered into between Yick Ho and Shenyang Investment HK upon Completion, pursuant to which the parties thereto will agree upon the sequence of payment of dividend and other cash distributions (including repatriation of capital) to be actually distributed by Shenyang Lido to its two foreign joint venture parties for so long as Yick Ho remains a foreign joint venture party of Shenyang Lido during a period of 10 financial years of Shenyang Lido after the date of Completion
“Property”	the building located at 瀋陽市和平區青年大街386號 (No. 386, Qingnian Street, He Ping District, Shenyang), with a total gross floor area of approximately 79,000 sq. m.
“REIT”	a real estate investment trust authorised under the REIT Code
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC, as amended, supplemented or otherwise modified for the time being
“Restaurants and Other F & B Outlets”	the three restaurants and the other food and beverage outlets which are located at the podium of the Property
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 share of no par value in Shenyang Investment BVI, representing the entire issued share capital of Shenyang Investment BVI
“Sale Loan”	the shareholder’s loan owing by Shenyang Investment BVI to Yick Ho at Completion
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shenyang Investment BVI”	Shenyang Investment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability

“Shenyang Investment HK”	Shenyang Investment (Hong Kong) Limited (瀋陽投資(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Shenyang Lido”	瀋陽麗都商務有限公司 (Shenyang Lido Business Co., Ltd. (for identification purposes only)), a Sino-foreign cooperative joint venture established in the PRC
“Sheraton”	Sheraton Overseas Management Corporation, a hotel management company
“SP Agreement”	the sale and purchase agreement dated 10 November 2011 and entered into between Yick Ho and the Trustee (as the trustee of Hui Xian REIT) in respect of the Acquisition
“SPV(s)”	the special purpose vehicle(s) that is (are) owned and controlled by a REIT in accordance with the REIT Code
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Agreement”	the transfer agreement proposed to be entered into between Yick Ho, Shenyang Investment HK and Beijing Wondergrow, pursuant to which interest in the entitlement to 70% of the distributions in Shenyang Lido will be transferred from Yick Ho to Shenyang Investment HK
“Trust Deed”	the trust deed dated 1 April 2011 entered into between, among others, the Trustee and the Manager constituting Hui Xian REIT
“Trustee”	DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT
“Unit(s)”	unit(s) of Hui Xian REIT
“Unitholder(s)”	holder(s) of the Unit(s)
“US\$”	United States dollars, the lawful currency of the United States of America
“Withholding Tax”	withholding tax on dividends distributed by Shenyang Lido to its foreign joint venture parties, which is currently charged at 5% of dividends distributed by Shenyang Lido to the foreign joint venture party incorporated in Hong Kong (such level being subject to change from time to time)

“Yick Ho”

Yick Ho Limited (益和有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of Cheung Kong and the existing foreign joint venture party of Shenyang Lido and registered and beneficial owner of, among other things, the entire issued share capital of Shenyang Investment BVI

By order of the Board  
**Hui Xian Asset Management Limited**  
*as manager of Hui Xian Real Estate Investment Trust*  
**Kam Hing Lam**  
*Chairman of the Manager*

Hong Kong, 10 November 2011

*As at the date of this announcement, the Directors of the Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Chu Stephen Henry and Mr. Pang Shuen Wai, Nichols (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).*