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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
匯賢房託管理有限公司

PROPOSED MODIFICATION OF MANAGER'S VARIABLE FEE STRUCTURE AND CLOSURE OF REGISTER OF UNITHOLDERS

The Manager proposes to seek Independent Unitholders' approval at the AGM of the proposed modification of the variable fee structure under the Trust Deed. The proposed Variable Fee Amendments will allow the Manager to elect at any time and from time to time to allocate, within the 3% per annum variable fee, such proportion of fees to be split between the Manager and the Property Manager, provided that such Property Manager is a wholly-owned subsidiary of the Manager. There will not be any change in the total fees payable by Hui Xian REIT to the Manager and the Property Manager which is a wholly-owned subsidiary of the Manager, pursuant to Clause 14.1.2(i) of the Trust Deed as a result of the proposed Variable Fee Amendments as such fees will remain at 3% per annum of the NPI. The Manager considers that the proposed Variable Fee Amendments are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Details of the amendment are set out in the Circular which is expected to be despatched together with the AGM Notice and the form of proxy for the AGM to the Unitholders on Thursday, 6 April 2017. The AGM will be held at 12:00 noon on Friday, 12 May 2017 at Grand Ballroom, 1/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong. In order to determine the entitlement of Unitholders to attend and vote at the AGM, the register of Unitholders will be closed from Tuesday, 9 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of Units will be effected.

PROPOSED MODIFICATION OF THE VARIABLE FEE STRUCTURE UNDER THE TRUST DEED

A. Background

The current provisions under clause 14.1.2(i) of the Trust Deed relating to the rate of the variable fee payable by Hui Xian REIT are briefly summarised below:

- (a) in respect of each real estate of Hui Xian REIT, the Manager is entitled to receive a variable fee of an annual amount equal to 3% per annum of the Net Property Income (before deduction of the variable fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's Fee) ("**NPI**") of that real estate for each financial year;

However:

- (b) in respect of Beijing Oriental Plaza, the 3% per annum rate of the variable fee mentioned in (a) above will be split into 2 portions: a variable fee payable to the Manager which is equal to 2% per annum, and a Property Manager's Fee payable to the Property Manager which is equal to 1% per annum, of the NPI (the "**2+1 Fee Structure**"); and
- (c) if the Manager so elects, in respect of any other real estate(s) of Hui Xian REIT, and so long as the Property Manager is a wholly-owned subsidiary of the Manager and with effect from the date on which the Property Manager is appointed or the date of such election by the Manager, whichever is later, the "2+1 Fee Structure" can also be applied to such other real estate(s) of Hui Xian REIT; and
- (d) in the event that the Manager makes an election as stated above, it shall disclose the same by way of an announcement to the Unitholders.

Based on the existing variable fee structure as provided under clause 14.1.2(i) of the Trust Deed, (i) if the Manager does not make the election mentioned in paragraph (c) above, the "2+1 Fee Structure" will not apply to such other real estate(s) of Hui Xian REIT and the variable fee payable to the Manager will remain as 3% per annum; and (ii) once the election is made, the Manager cannot revert back to the 3% NPI variable fee structure since no subsequent re-election rights are provided for under the Trust Deed.

Currently, only the variable fee in respect of Beijing Oriental Plaza adopts the 2+1 Fee Structure, where a variable fee of 2% per annum of NPI is payable to the Manager, and a Property Manager's Fee of 1% per annum of NPI is payable to the Property Manager of Beijing Oriental Plaza, which is a wholly-owned subsidiary of the Manager. As at the date of this announcement, the Manager has not made any election to adopt the 2+1 Fee Structure in respect of the other real estates of Hui Xian REIT, including Chongqing Metropolitan Oriental Plaza, the property manager of which is a branch of the Property Manager of Beijing Oriental Plaza, which as mentioned above is a wholly-owned subsidiary of the Manager.

B. Reasons for the proposed Variable Fee Amendments

The provisions of the Trust Deed currently only allows the Manager to elect to adopt the “2+1 Fee Structure” to split the variable fee in one way which will result in 2% as a variable fee payable to the Manager and 1% as a Property Manager’s Fee payable to the Property Manager which is a wholly-owned subsidiary of the Manager, but does not provide for subsequent re-election rights. In view of the foregoing, the Manager considers it desirable to provide the Manager with more flexibility to cater for changes in operational circumstances. Where the Property Manager (being a wholly-owned subsidiary of the Manager) is situated in the PRC, apportioning the variable fee payable to the Manager directly to such Property Manager will facilitate the administration of payment procedures (including facilitating payment of normal day to day operating expenses in the PRC) and reduces cross-border payment complications, thus improving operational efficiency.

To effectively achieve this purpose, and for practical operational reasons, the Manager should be allowed, within the 3% per annum rate, at its discretion, to apportion from time to time, such proportion of the variable fees payable to the Manager to the Property Manager, which is a wholly-owned subsidiary of the Manager and to whom the Manager delegates property management functions. The Manager therefore proposes the Variable Fee Amendments to modify the variable fee structure, details of which are set out in section C titled “Proposed Variable Fee Amendments” below.

C. Proposed Variable Fee Amendments

The proposed Variable Fee Amendments will allow the Manager to elect at any time and from time to time to allocate, within the 3% per annum variable fee, such proportion of fees to be split between the Manager and the Property Manager, provided that such Property Manager is a wholly-owned subsidiary of the Manager.

The Manager proposes amendments to clause 14.1.2(i) of the Trust Deed, the full text of which are reproduced below, with the proposed insertions and deletions indicated by, respectively, the underlined text and the strikethrough text below:

“14.1.2 Variable Fee

- (i) (a) With effect from and including the date immediately after the date of completion of the Reorganisation Agreement, the Manager shall be entitled to receive for its own account out of the Deposited Property a Variable Fee for each Financial Year in respect of each Real Estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle. Subject to Clause 14.1.2(i)(b), ~~The~~ Variable Fee payable to the Manager in respect of each Real Estate (whether held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle) shall be an annual amount equal to 3% per annum of the Net Property Income of that Real Estate (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager’s Fee) (the “Variable Fee Structure”);

- ~~(b) provided however that in respect of each Real Estate the Initial Property, and if the Manager so elects, any other Real Estate(s) of the Trust subsequently acquired after the Initial Property, and for so long as the Property Manager is a wholly-owned subsidiary of the Manager, the Manager may elect at any time and from time to time, and with effect from the date on which the Property Manager is appointed or the date of such election by the Manager, whichever is later, such that the 3% rate in Clause 14.1.2(i) (a) shall be split between the Manager and the Property Manager, in such proportion as the Manager in its sole discretion deems fit, into 2 portions comprising a Variable Fee payable to the Manager which is equal to 2% per annum, and a Property Manager's Fee payable to the Property Manager which is equal to 1% per annum, of the Net Property Income of the relevant Real Estate (before deduction therefrom of the Variable Fee and such Property Manager's Fee); and~~
- (c) In the event that the Manager makes any election as stated above provided in Clause 14.1.2(i)(b), it shall disclose the same by way of an announcement to the Holders. Any increase in the Variable Fee payable to the Manager above the rate aforesaid or any change in the structure of the Variable Fee Structure shall be subject to the approval of the Holders by a Special Resolution at a meeting of Holders, duly convened and held in accordance with the provisions of Schedule I. For the avoidance of doubt, any election by the Manager relating to the apportionment or split of the Variable Fee is not a change in the Variable Fee Structure."

There will not be any change in the total fees payable by Hui Xian REIT to the Manager and the Property Manager which is a wholly-owned subsidiary of the Manager, pursuant to Clause 14.1.2(i) of the Trust Deed as a result of the proposed Variable Fee Amendments as such fees will remain at 3% per annum of the NPI. The Manager considers that the proposed Variable Fee Amendments are in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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

D. Independent Unitholders' approval required

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

Paragraph 9.9(f) of the REIT Code provides that where a unitholder has a material interest in the resolution tabled for approval at a general meeting and that interest is different from that of all other unitholders, such unitholder shall be prohibited from voting his own units at, or counted in the quorum for, such meeting. Also, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

The Manager, being the receiver of the variable fee, is regarded as having a material interest in the proposed amendment to the Trust Deed regarding the Variable Fee Amendments. Pursuant to the REIT Code and the Trust Deed, the Manager will, and will procure its associates to, abstain from voting on the Special Resolution to be proposed at the AGM approving the Variable Fee Amendments. As at the date of this announcement, the Manager does not hold any Units in Hui Xian REIT. So far as the Manager is aware, as at the date of this announcement, the aggregate unitholding of certain directors and employees of the Manager who hold Units in Hui Xian REIT is approximately 0.03%.

Cheung Kong Property Holdings Limited, ARA Asset Management Limited and CITIC Securities International Company Limited, which have interest in shares of the Manager, will and will procure their respective subsidiaries to abstain from voting on the Special Resolution to be proposed at the AGM to approve the Variable Fee Amendments. So far as the Manager is aware, as at the date of this announcement, the holding of Units of the relevant entities were as follows:

Entities	Number of Units held	Approximate percentage of unitholding
Subsidiaries of Cheung Kong Property Holdings Limited ^(Note 1)	2,135,189,797	39.09%
Subsidiary of CITIC Securities International Company Limited ^(Note 2)	24,412,412	0.45%
Subsidiary of ARA Asset Management Limited ^(Note 3)	23,614,198	0.43%

Notes:

1. The subsidiaries being Hui Xian (Cayman Islands) Limited, Noblecrown Investment Limited, Wealth Finder Limited, Heathcliff Developments Limited and Wisdom Ally Limited.
2. The subsidiary being CSI REITs Investment Management Company Limited.
3. The subsidiary being ARA Hui Xian (Holdings) Limited.

As at the date of this announcement, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Special Resolution to be proposed at the AGM to approve the Variable Fee Amendments.

E. Board and Trustee's Views

The Board considers that the proposed Variable Fee Amendments provide more administrative and operation convenience to the Manager but at the same time neither increase any cost nor have any adverse financial impact on Hui Xian REIT and as such are in the interests of Hui Xian REIT and the Independent Unitholders as a whole. Accordingly, the Board recommends all Independent Unitholders to vote in favour of the Special Resolution to be proposed at the AGM to approve the Variable Fee Amendments. Having considered the Board's views and recommendations above and having regard to its duties under the Trust Deed and the REIT

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

CIRCULAR AND AGM NOTICE

The Circular containing, among other things: (1) a letter from the Board to the Unitholders containing, among other things, details of the Variable Fee Amendments and (2) the notice of AGM containing, among other things, the Special Resolution for approving the Variable Fee Amendments, is expected to be despatched to Unitholders on the date of this announcement.

The Circular is expected to be despatched together with the AGM Notice and the form of proxy for the AGM to Unitholders on Thursday, 6 April 2017. The AGM will be held at 12:00 noon on Friday, 12 May 2017 at Grand Ballroom, 1/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong. Unitholders' attention is drawn to the "Notice of Annual General Meeting" set out in the Circular, which contains the full text of the proposed Special Resolution regarding the Variable Fee Amendments.

CLOSURE OF REGISTER OF UNITHOLDERS

For the purposes of determining the entitlements of Unitholders to attend and vote at the AGM, the register of Unitholders will be closed from Tuesday, 9 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of Units will be effected. For those Unitholders who are not already on the register of Unitholders, in order to qualify to attend and vote at the AGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, being the unit registrar of Hui Xian REIT, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 May 2017.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Trust Deed and the draft fourth supplemental deed proposed to be entered into by the Manager and the Trustee for effecting the proposed Variable Fee Amendments to the Trust Deed as described in this announcement are available for inspection at the registered office of the Manager at Unit 303, Cheung Kong Center, 2 Queen's Road Central, Hong Kong at all times during 9:00 a.m. to 5:00 p.m. (Hong Kong time) ("**Business Hours**") on any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no.8 or above or a "black" rainstorm warning signal is in effect in Hong Kong at any time during Business Hours) on which licensed banks are open for general business in Hong Kong.

DEFINITIONS

"AGM" or "Annual General Meeting"	the annual general meeting of Unitholders to be convened on Friday, 12 May 2017 to approve, among other things, the Variable Fee Amendments
"AGM Notice"	the notice of the AGM set out in the Circular

“Beijing Oriental Plaza”	the composite development known as Oriental Plaza (東方廣場) situated at No.1 East Chang An Ave., Dong Cheng District, Beijing, the PRC
“Board”	the board of Directors
“Circular”	the circular which is expected to be issued and despatched to the Unitholders on 6 April 2017, containing, among other things, details of the proposed modification to the Manager’s variable fee structure and the AGM Notice
“Director(s)”	the director(s) of the Manager
“Gross Revenue”	<p>in relation to any financial year or part thereof, all income accruing or resulting from the operation of a real estate for that financial year or part thereof, but shall exclude the following:</p> <ul style="list-style-type: none"> (i) proceeds derived or arising from the sale and/or disposal of the real estate and/or the operating equipment of the real estate, or any part thereof; (ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of Gross Revenue); (iii) all rental deposits and other refundable security deposits; and (iv) all goods and services or value added taxes (whether in force at present or in the future), charged to tenants, licensees and users of the real estate for the sale or supply of services or goods, which taxes are accountable by the Trustee or the relevant special purpose vehicle (as the case may be) to the tax authorities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“Independent Unitholders”	Unitholders other than those who have a material interest in the Variable Fee Amendments and that interest is different from the interests of all other Unitholders
“Manager”	Hui Xian Asset Management Limited 滙賢房託管理有限公司, as manager of Hui Xian REIT

“Net Property Income”	in relation to any financial year or a part thereof, Gross Revenue less Property Operating Expenses for a real estate for a financial year or part thereof
“PRC”	the People’s Republic of China
“Property Manager”	the property manager to which the Manager has delegated the property management functions in respect of any real estate of Hui Xian REIT held directly by the Trustee or indirectly held by the Trustee through a special purpose vehicle
“Property Manager’s Fee”	the fee periodically charged by the Property Manager from time to time in accordance with the relevant management agreement pursuant to which the Property Manager is delegated with the property management functions in respect of any real estate of Hui Xian REIT held directly by the Trustee or indirectly held by the Trustee through a special purpose vehicle
“Property Operating Expenses”	<p>in relation to any financial year or part thereof, all costs and expenses incurred by the Trust or the relevant special purpose vehicle directly in the course of the operation, maintenance, management and marketing of such real estate, but shall not include the following:</p> <ul style="list-style-type: none"> (a) expenditure on alterations, additions or improvements in or to such real estate, expenditures of a capital nature which are not regarded as operating costs and expenses in accordance with generally accepted accounting principles in Hong Kong; (b) all depreciation or amortisation costs of the real estate; and (c) interest on loans taken up by the Trustee or the relevant special purpose vehicle
“REIT(s)”	real estate investment trust(s)
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended, supplemented and/or otherwise modified from time to time)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time

“Special Resolution”	a resolution proposed and passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding not less than 25% of the Units in issue
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT (as amended by the supplemental deeds dated 24 May 2013, 16 May 2014 and 28 May 2015 respectively), and as may be further amended, modified or supplemented from time to time
“Trustee”	DB Trustees (Hong Kong) Limited 德意志信託 (香港) 有限公司 , as the trustee of Hui Xian REIT, or such other person as may from time to time be appointed as the trustee of Hui Xian REIT
“Unit(s)”	the unit(s) of Hui Xian REIT
“Unitholder(s)”	any person(s) registered as holding a Unit
“Variable Fee Amendments”	the proposed modification of the variable fee structure as summarised in the section headed “ <i>Proposed modification of the variable fee structure Under The Trust Deed</i> ” in this announcement, and the proposed amendments to the Trust Deed in connection therewith (the details of which are set out in the Circular), which are to be considered, and if thought fit, approved by Independent Unitholders at the AGM

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

Hong Kong, 5 April 2017

As at the date of this announcement, the Directors of the Manager are Mr. KAM Hing Lam (Chairman and non-executive Director); Mr. CHEUNG Ling Fung, Tom and Mr. LEE Chi Kin, Casey (executive Directors); Mr. IP Tak Chuen, Edmond, Mr. LIM Hwee Chiang and Mr. YIN Ke (non-executive Directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive Directors).