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IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

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

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

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Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

**(1) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND**

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 1 to 20 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 23 to 42 of this circular.

A notice convening the EGM of Hui Xian REIT to be held at Grand Ballroom, 1/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Friday, 12 May 2017 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) is set out on pages N-1 to N-2 of this circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event no later than 12:00 noon on Wednesday, 10 May 2017, or not less than 48 hours before the time appointed for the holding of any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

21 April 2017

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DEFINITIONS

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

“2012 Relevant Connected Party Transactions”	continuing connected party transactions in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, involving (A) as between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group, (i) leasing and licensing arrangements, (ii) property management and club facilities arrangements, and (iii) use of internet and telecommunication services; and (B) as between the Hui Xian REIT Group and the Manager Group, (i) leasing and licensing arrangements, and (ii) property management and club facilities arrangements
“2017 CK Property/ Manager Waivers”	collectively, the 2017 CK Property Waiver and the 2017 Manager Waiver
“2017 CK Property Waiver”	the proposed modified and extended waiver for the Existing CK Property Waiver as described in this circular
“2017 Manager Waiver”	the proposed extended waiver for the Existing Manager Waiver as described in this circular
“Announcement”	the announcement of Hui Xian REIT dated 20 April 2017 in relation to, among other things, the 2017 CK Property/Manager Waivers
“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 People’s Republic of China
“Board”	the board of Directors
“Cheung Kong”	Cheung Kong (Holdings) Limited, which (i) is now a wholly-owned subsidiary of CKH Holdings, and (ii) prior to completion of the CK Reorganisation, was an associate (within the meaning of the REIT Code) of Hui Xian Cayman, a significant holder of Hui Xian REIT
“Cheung Kong Connected Persons Group”	Cheung Kong and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with Cheung Kong, including certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL
“Cheung Kong Group”	Cheung Kong and its subsidiaries
“CK Connected Persons Group”	the group of connected persons covered under the Existing CK Property Waiver, being “CK Property and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of (i) their connection with CK Property, including certain members of the CK Property Group, or (ii) their being a member of the Cheung Kong Group or the HWL Group”

DEFINITIONS

“CK Property”	Cheung Kong Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1113)
“CK Property Connected Party Transactions”	continuing connected party transactions between the Hui Xian REIT Group and the CK Connected Persons Group in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, involving (i) leasing and licensing transactions, (ii) property management and club facilities transactions, (iii) use of internet and telecommunication and information technology support services; and (iv) purchase of consumer goods and services
“CK Property Group”	CK Property and its subsidiaries
“CK Reorganisation”	the reorganisation of the Cheung Kong Group involving reorganisation, merger and spin-off, which was completed on 3 June 2015
“CKH Holdings”	CK Hutchison Holdings Limited, which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“CKH Group”	CKH Holdings and its subsidiaries
“connected person”	has the meaning ascribed to it under the REIT Code
“Director(s)”	the director(s) of the Manager
“EGM”	an extraordinary general meeting of the Unitholders convened by the notice of extraordinary general meeting set out in this circular (or any adjournment thereof)
“Existing CK Property/Manager Waivers”	collectively, the Existing CK Property Waiver and the Existing Manager Waiver
“Existing CK Property Waiver”	has the meaning ascribed to it in the section headed “1.2.2 Existing CK Property/Manager Waivers” of the letter from the Board in this circular
“Existing Manager Waiver”	has the meaning ascribed to it in the section headed “1.2.2 Existing CK Property/Manager Waivers” of the letter from the Board in this circular
“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“Hui Xian REIT Group”	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
“HWL”	Hutchison Whampoa Limited, which (i) is now a wholly-owned subsidiary of CKH Holdings, and (ii) prior to the CK Reorganisation, was held as to 49.97% by Cheung Kong

DEFINITIONS

“HWL Group”	HWL and its subsidiaries
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the 2017 CK Property/Manager Waivers, comprising all the INEDs, namely, Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan, and Dr. CHOI Koon Shum, Jonathan
“Independent Financial Adviser”	Hercules Capital Limited, which is licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Unitholders”	Unitholders other than those Unitholders who have a material interest in the relevant waiver within the meaning of 8.11 of the REIT Code
“INEDs”	the independent non-executive Directors
“Latest Practicable Date”	10 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Manager”	Hui Xian Asset Management Limited 滙賢房託管理有限公司, as the manager of Hui Xian REIT
“Manager Connected Party Transactions”	continuing connected party transactions between the Hui Xian REIT Group and the Manager Group in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, involving (i) leasing and licensing transactions and (ii) property management and club facilities transactions
“Manager Group”	(i) prior to the Existing Manager Waiver became effective, means the Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the Manager, but excluding the Cheung Kong Connected Persons Group, and (ii) since the Existing Manager Waiver became effective, means the Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the Manager, but excluding the CK Connected Persons Group
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 10% of Units in issue
“Property Manager”	北京滙賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*), a wholly owned subsidiary of the Manager
“Proposed Annual Caps”	collectively, the Proposed Annual Caps for the CK Property Connected Party Transactions and the Proposed Annual Caps for the Manager Connected Party Transactions

DEFINITIONS

“Proposed Annual Caps for the CK Property Connected Party Transactions”	the proposed annual caps for the CK Property Connected Party Transactions for the years ending 31 December 2018, 2019 and 2020, as set out in the section headed “ <i>1.4.2 Proposed Annual Caps for the CK Property Connected Party Transactions</i> ” of the letter from the Board in this circular
“Proposed Annual Caps for the Manager Connected Party Transactions”	the proposed annual caps for the Manager Connected Party Transactions for the years ending 31 December 2018, 2019 and 2020, as set out in the section headed “ <i>1.5.2 Proposed Annual Caps for the Manager Connected Party Transactions</i> ” of the letter from the Board in this circular
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended from time to time)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT (as amended by a first supplemental deed dated 24 May 2013, a second supplemental deed dated 16 May 2014 and a third supplemental deed dated 28 May 2015), as may be modified or supplemented from time to time
“Trustee”	DB Trustees (Hong Kong) Limited 德意志信託(香港)有限公司, as the trustee of Hui Xian REIT, or such other person as may from time to time be appointed as the trustee of Hui Xian REIT
“Unit”	a unit of Hui Xian REIT, and “Units” will be construed accordingly
“Unitholder(s)”	holder(s) of Units
“Unit Registrar”	Computershare Hong Kong Investor Services Limited, as unit registrar of Hui Xian REIT

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

* *English name for identification purpose only.*

LETTER FROM THE BOARD



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

Directors of the Manager:

Non-executive Directors

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

Executive Directors

Mr. CHEUNG Ling Fung, Tom
Mr. LEE Chi Kin, Casey

Independent Non-executive Directors

Mr. CHENG Hoi Chuen, Vincent
Professor LEE Chack Fan
Dr. CHOI Koon Shum, Jonathan

Registered office of the Manager:

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

21 April 2017

To: Unitholders of Hui Xian REIT

Dear Sir/Madam,

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

Reference is made to the Announcement. The purpose of this circular is to (a) provide you with further information regarding the 2017 CK Property/Manager Waivers and the ordinary resolutions to be proposed at the EGM approving each of the 2017 CK Property/Manager Waivers; (b) set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the 2017 CK Property/Manager Waivers; (c) set out the advice of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2017 CK Property/Manager Waivers; and (d) provide you with the notice of the EGM.

LETTER FROM THE BOARD

1. 2017 MODIFIED AND EXTENDED CK PROPERTY/MANAGER WAIVERS

The Manager has applied to the SFC for modifications and extension (as the case may be, and details of which are set out in sub-section 1.3 below) of the following waivers from strict compliance with the requirements under Chapter 8 of the REIT Code (and to set new annual caps relating thereto), in respect of certain connected party transactions to be conducted by the Hui Xian REIT Group, for a further period up to and including 31 December 2020:

- (i) the Existing CK Property Waiver (including the annual caps relating thereto); and
 - (ii) the Existing Manager Waiver (including the annual caps relating thereto);
- (collectively, the “**Existing CK Property/Manager Waivers**”)

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

1.1 Connected persons of Hui Xian REIT

CK Property, being the ultimate holding company of Hui Xian (Cayman Islands) Limited, a significant holder (within the meaning of the REIT Code) of Hui Xian REIT, is a connected person of Hui Xian REIT.

The Manager is a connected person of Hui Xian REIT under 8.1(a) of the REIT Code.

In view of the above, the connected persons of Hui Xian REIT include, among others:

- (i) CK Property and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with CK Property, including members of the CK Property Group and members of the CKH Group; and
- (ii) the Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the Manager.

1.2 Background of the Existing CK Property/Manager Waivers

1.2.1 Initial Waivers and their subsequent modification and extensions

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, waivers were granted by the SFC in relation to certain connected party transactions between Hui Xian REIT Group on the one hand, and (i) the Cheung Kong Connected Persons Group or (ii) the Manager Group (as the case may be) on the other hand (the waivers hereinafter collectively referred to as the “**Initial Waivers**” and each an “**Initial Waiver**”).

The Manager applied for, and the SFC granted, the Initial Waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, for a period up to and including 31 December 2013, in respect of (a) certain leasing and licensing arrangements with the Cheung Kong Connected Persons Group in respect of Beijing Oriental Plaza; (b) certain property management and club facilities arrangements in respect of Beijing Oriental Plaza provided by the Cheung Kong Connected Persons Group; and (c) certain transactions in respect of the use of internet and telecommunication services provided by the Cheung Kong Connected Persons Group.

LETTER FROM THE BOARD

The Manager also applied for, and the SFC granted, another Initial Waiver from strict compliance with Chapter 8 of the REIT Code, for a period up to and including 31 December 2013, in respect of (a) certain leasing and licensing arrangements with the Manager Group in respect of Beijing Oriental Plaza; and (b) certain services provided by the Property Manager relating to the operation, management and marketing of Beijing Oriental Plaza (other than Grand Hyatt Beijing).

In 2012, Manager applied for, and the SFC granted, the modification and extension of the Initial Waivers (including the revision of, and setting new annual caps relating thereto) for a period up to and including 31 December 2014, to cover the 2012 Relevant Connected Party Transactions which may from time to time be entered into between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested (the Initial Waivers so modified and extended collectively referred to as the **“2012 Modified and Extended Waivers”**).

1.2.2 Existing CK Property/Manager Waivers

In May 2014, the SFC granted the extension of the 2012 Modified and Extended Waivers (with new annual caps relating thereto) for a further period of three years up to and including 31 December 2017 (the **“2014 Extended Waivers”**). The 2014 Extended Waivers were further modified in November 2014 to revise the annual cap amounts of certain transactions under such waivers (respectively, the **“Modified 2014 Extended Cheung Kong Waiver”** and the **“Modified 2014 Extended Manager Waiver”**, and together the **“Modified 2014 Extended Waivers”**). Details of the 2014 Extended Waivers and the Modified 2014 Extended Waivers, the relevant annual cap amounts and the relevant conditions to such waivers were disclosed in the announcements of Hui Xian REIT dated 5 May 2014 and 28 November 2014 respectively and the circulars of Hui Xian REIT dated 31 March 2014 and 10 November 2014 respectively.

On 3 June 2015, the Manager had applied for, and the SFC granted, the following technical modifications to the Modified 2014 Waivers, which took effect from the time of completion of the CK Reorganisation on 3 June 2015:

- (a) replaced the references to “Cheung Kong Connected Persons Group” in the Modified 2014 Extended Cheung Kong Waiver with references to “CK Connected Persons Group”, with the term “CK Connected Persons Group” to mean “CK Property and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of (i) their connection with CK Property, including certain members of the CK Property Group, or (ii) their being a member of the Cheung Kong Group or the HWL Group”; and
- (b) the connected persons covered under the Modified 2014 Extended Manager Waiver was modified to cover persons who are connected persons of Hui Xian REIT as a result of their connection with the Manager, but excluding the CK Connected Persons Group

(the Modified 2014 Waivers so modified referred to as the **“Existing CK Property Waiver”** and the **“Existing Manager Waiver”** respectively, and together, the **“Existing CK Property/Manager Waiver”**).

LETTER FROM THE BOARD

1.3 Proposed modification and extension of the Existing CK Property/Manager Waivers

Each of the Existing CK Property/Manager Waivers will expire on 31 December 2017. In accordance with the waiver conditions of each of the Existing CK Property/Manager Waivers, each of them may be extended beyond 31 December 2017 provided that:

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

1.3.1 Reasons for the proposed modification of the Existing CK Property Waiver

Members of the Hui Xian REIT Group have been purchasing from members of the CK Connected Persons Group, certain consumer goods and services (such as cleaning supplies, beverages and hotel services (such as hotel room accommodation, food and beverage services, renting of banquet halls, car pickup, laundry services and use of hotel recreational facilities)). It is expected that members of the Hui Xian REIT Group may from time to time continue to purchase from members of the CK Connected Persons Group consumer goods and services, including but not limited to cleaning and maintenance supplies, food and beverages, groceries, personal care products, gift coupons and hotel services (“**Consumer Goods/Services Purchase Transactions**”). In the past, the expenses incurred for the Consumer Goods/Services Purchase Transactions have not been substantial, and the transaction amounts for every twelve-month period in respect of each type of transaction within the proposed category of the Consumer Goods/Services Purchase Transactions have not exceeded HK\$1 million. Accordingly, under the Note to 8.14 of the REIT Code, no announcement were required in the past for the Consumer Goods/Services Purchase Transactions, and a brief summary of the transactions have been included in the relevant semi-annual and annual report of Hui Xian REIT pursuant to 8.14 of the REIT Code. As the property portfolio of Hui Xian REIT expands, taking into consideration the acquisition of Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel in early 2017, it is envisaged that the Consumer Goods/Services Purchase Transactions will increase, and hence the Manager proposes to modify the scope of the Existing CK Property Waiver by adding a new category of transactions covering the Consumer Goods/Services Purchase Transactions to be entered into between members of the Hui Xian REIT Group and members of the CK Connected Persons Group.

Moreover, it is contemplated that member(s) of the Hui Xian REIT Group may from time to time engage member(s) of the CK Connected Persons Group to provide information technology technical support and consultancy services (“I.T. Services”). However, since the Initial Waiver with respect to the Cheung Kong Connected Persons Group, the scope of the transactions with respect to the use of internet and telecommunication services has not covered the I.T. Services, the Manager proposes to modify the scope of the Existing CK Property Waiver by expanding the scope of the category of transactions with respect to the use of internet and telecommunication services to include the I.T. Services.

LETTER FROM THE BOARD

1.3.2 Proposed modification and extension sought

In view of the expiry of the Existing CK Property/Manager Waivers on 31 December 2017, the reasons set out in the section headed “1.3.1 Reasons for modification of the Existing CK Property Waivers” above, the Manager proposes to seek Independent Unitholders’ approval, by way of Ordinary Resolutions at the EGM:

- (i) to modify the Existing CK Property Waiver by including an additional category of transactions in respect of the purchases of consumer goods and services from the CK Connected Persons Group;
- (ii) to modify the Existing CK Property Waiver by expanding the existing scope of the use of internet and telecommunication services to include information technology technical support and consultancy services which may from time to time be provided by member(s) of the CK Connected Persons Group;
- (iii) to extend each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (i) and (ii) above) for a further period up to and including 31 December 2020; and
- (iv) to set the new annual caps for the three years ending 31 December 2020 for the transactions under each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (i) and (ii) above).

(the Existing CK Property/Manager Waivers so modified and extended (as the case may be) will hereinafter be referred to as the “**2017 CK Property Waiver**” and “**2017 Manager Waiver**” respectively.)

LETTER FROM THE BOARD

1.4 2017 CK Property Waiver

1.4.1 Historical transaction amounts

The approximate aggregate sums (a) paid to the Hui Xian REIT Group by the CK Connected Persons Group in respect of the leasing and licensing transactions (exclusive of refundable deposits); (b) paid by the Hui Xian REIT Group to the CK Connected Persons Group in respect of the property management and club facilities transactions; (c) paid by the Hui Xian REIT Group to the CK Connected Persons Group in respect of the use of internet and telecommunication services and information technology support services provided by the CK Connected Persons Group; and (d) paid by the Hui Xian REIT Group to the CK Connected Persons Group with respect to the purchase of consumer goods and services, for the two financial years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 were as follows:

Transactions	Financial year ended 31 December 2015 RMB'000	Financial year ended 31 December 2016 RMB'000	Two months ended 28 February 2017 RMB'000
(a) Leasing and licensing transactions	35,504	32,132	5,224
<i>Annual caps</i>	113,300	113,300	113,300 ^(Note 1)
(b) Property management and club facilities transactions ^(Note 2)	55,433	60,556	10,343
<i>Annual caps</i>	66,507	72,407	78,648 ^(Note 1)
(c) Usage of internet and telecommunication services	15	16	—
<i>Annual caps</i> ^(Note 3)	7,500	7,500	7,500 ^(Note 1)
Information technology support services ^(Note 4)	—	—	—
(d) Purchase of consumer goods and services ^(Note 4)	1,352	1,314	219

Notes:

- The figure represents the annual cap for the year ending 31 December 2017.
- There was no club facilities transaction under the category "(b) property management and club facilities transactions" of the Existing CK Property Waiver between the Hui Xian REIT Group and the CK Connected Persons Group in respect of the two financial years ended 31 December 2015 and 2016 and the two months ended 28 February 2017.
- The annual caps were in respect of the usage of internet and telecommunication services only, and do not include information technology support services.
- These transactions were not covered under the Existing CK Property Waiver, and the historical amount in respect thereof for the two financial years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 are disclosed here for information and reference only.

LETTER FROM THE BOARD

1.4.2 Proposed Annual Caps for the CK Property Connected Party Transactions

The Manager proposes that the aggregate annual sums (a) to be paid to the Hui Xian REIT Group by the CK Connected Persons Group in respect of the leasing and licensing transactions (exclusive of refundable deposits); (b) to be paid by the Hui Xian REIT Group to the CK Connected Persons Group in respect of the property management and club facilities transactions; (c) to be paid by the Hui Xian REIT Group to the CK Connected Persons Group in respect of the use of internet and telecommunication services and information technology support services to be provided by the CK Connected Persons Group; and (d) to be paid by the Hui Xian REIT Group to the CK Connected Persons Group with respect to the purchase of consumer goods and services, for the three years ending 31 December 2018, 2019 and 2020, are not to exceed the respective annual cap amounts as follows:

Transactions under the 2017 CK Property Waiver	Financial year ending 31 December 2018 RMB'000	Financial year ending 31 December 2019 RMB'000	Financial year ending 31 December 2020 RMB'000
(a) Leasing and licensing transactions	113,300	113,300	113,300
(b) Property management and club facilities transactions	85,400	93,900	103,300
(c) Usage of internet and telecommunication services and information technology support services	4,000	4,300	4,800
(d) Purchase of consumer goods and services	2,600	2,900	3,200

1.4.3 Basis for the Proposed Annual Caps for the CK Property Connected Party Transactions

The above Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the leasing and licensing transactions between the Hui Xian REIT Group and the CK Connected Persons Group mainly comprise the rental and building management fee receivable from the CK Connected Persons Group. Such Proposed Annual Caps for the CK Property Connected Party Transactions are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and possible new leasing and licensing of the properties of Hui Xian REIT which the Hui Xian REIT Group may enter into with the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The above Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the property management and club facilities transactions between the Hui Xian REIT Group and the CK Connected Persons Group are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the fees payable under the transitional hotel management agreement in respect of Harbour Plaza Chongqing and the possible new property management and club facilities transactions which the Hui Xian REIT

LETTER FROM THE BOARD

Group may enter into with the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The above Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the internet and telecommunication services and information technology support services transactions between the Hui Xian REIT Group and the CK Connected Persons Group are determined with general reference to the historical transaction amounts in respect of the internet and telecommunication services and taking into account the possible growth in costs and expenses and possible new internet and telecommunication services and information technology support services which may be entered into between the Hui Xian REIT Group and the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The above Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the purchase of consumer goods and services to be paid by the Hui Xian REIT Group to the CK Connected Persons Group are determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses and possible new purchase of consumer goods and services which may be entered into between Hui Xian REIT Group and the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

1.4.4 Waiver conditions for the 2017 CK Property Waiver

(i) Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2017 CK Property Waiver and the Proposed Annual Caps for CK Property Connected Party Transactions as set out in the notice of EGM dated 21 April 2017, without any material amendment thereto.

(ii) Extensions or modifications

The 2017 CK Property Waiver will be granted for a period of three financial years ending 31 December 2020. The 2017 CK Property Waiver may be extended beyond 31 December 2020, and/or the terms and conditions of the 2017 CK Property Waiver may be modified from time to time, provided that:

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

LETTER FROM THE BOARD

- (c) any extension of the period of the 2017 CK Property Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2017 CK Property Waiver (including without limitation the scope or nature of such transactions) as set out in this circular must be approved by Independent Unitholders pursuant to (a) above, and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(iii) Annual caps

The annual value of the connected party transactions under the 2017 CK Property Waiver shall not exceed the respective annual cap amounts set out in the following table:

Categories of connected party transactions	For the year ending 31 December 2018 RMB'000	For the year ending 31 December 2019 RMB'000	For the year ending 31 December 2020 RMB'000
(a) Leasing and licensing transactions	113,300	113,300	113,300
(b) Property management and club facilities transactions	85,400	93,900	103,300
(c) Usage of internet and telecommunication services and information technology support services	4,000	4,300	4,800
(d) Purchase of consumer goods and services	2,600	2,900	3,200

In respect of the leasing and licensing transactions first entered into or renewed on or after the date that the 2017 CK Property Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

(iv) Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

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(v) Auditors' review procedures

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

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

(vi) Review by the independent non-executive Directors

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

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

(vii) Auditors' access to books and records

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

(viii) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

LETTER FROM THE BOARD

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

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

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

(x) *8.14 of the REIT Code*

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

1.5 2017 Manager Waiver

1.5.1 Historical transaction amounts with respect to transactions under the Existing Manager Waiver

The approximate aggregate sums (a) paid to the Hui Xian REIT Group by the Manager Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) and (b) paid by Hui Xian REIT Group to the Manager Group in respect of the property management and club facilities transactions under the Existing Manager Waiver for the two financial years ended 31 December 2015 and 2016, and the two months ended 28 February 2017 were as follows:

Transactions under the Existing Manager Waiver	Financial year ended 31 December 2015 RMB'000	Financial year ended 31 December 2016 RMB'000	Two months ended 28 February 2017 RMB'000
(a) Leasing and licensing transactions	437	439	74
<i>Annual cap</i>	667	734	802 ^(Note 1)
(b) Property management and club facilities transactions ^(Note 2)	46,921	52,123	8,325
<i>Annual cap</i>	76,813 ^(Note 3)	84,394 ^(Note 3)	92,234 ^(Notes 1 & 3)

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Notes:

1. The figure represents the annual cap for the year ending 31 December 2017.
2. There was no club facilities transaction under the category "(b) property management and club facilities transactions" of the Existing Manager Waiver between the Hui Xian REIT Group and the Manager Group in respect of the two financial years ended 31 December 2015 and 2016 and the two months ended 28 February 2017.
3. including 1% per annum of the net property income in respect of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

1.5.2 Proposed Annual Caps for Manager Connected Party Transactions

The Manager proposes that for the aggregate annual sums (a) to be paid to the Hui Xian REIT Group by the Manager Group in respect of the leasing and licensing transactions (exclusive of refundable deposits) and (b) to be paid by the Hui Xian REIT Group to the Manager Group in respect of the property management and club facilities transactions, for the three years ending 31 December 2018, 2019 and 2020, are not to exceed the respective annual cap amounts as follows:

Transactions under the 2017 Manager Waiver	Financial year ending 31 December 2018 RMB'000	Financial year ending 31 December 2019 RMB'000	Financial year ending 31 December 2020 RMB'000
(a) Leasing and licensing transactions	600	700	700
(b) Property management and club facilities transactions	130,100 ^(Note)	143,000 ^(Note)	157,400 ^(Note)

Note: Including the portion of the Variable Fee (as defined in the Trust Deed) (before deduction therefrom of the Variable Fee and such property manager's fee) in respect of the properties which Hui Xian REIT may directly or indirectly be interested, where the property manager, which is a member of the Manager Group, may be entitled to receive under the Trust Deed.

1.5.3 Basis for the Proposed Annual Caps for Manager Connected Party Transactions

The above Proposed Annual Caps for Manager Connected Party Transactions in respect of the leasing and licensing transactions between the Hui Xian REIT Group and the Manager Group mainly comprise the rental and building management fee receivable from the Manager Group. Such Proposed Annual Caps for the Manager Connected Party Transactions are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and possible new leasing and licensing transaction which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The above Proposed Annual Caps for the Manager Connected Party Transactions for the property management and club facilities transactions between the Hui Xian REIT Group and the Manager Group are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account possible occasional increase in expenses and possible new property

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management and club facilities transactions which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

1.5.4 Waiver conditions for the 2017 Manager Waiver

(i) Due approval by Unitholders

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2017 Manager Waiver and the Proposed Annual Caps for Manager Connected Party Transactions as set out in the notice of EGM dated 21 April 2017, without any material amendment thereto.

(ii) Extensions or modifications

The 2017 Manager Waiver will be granted for a period of three financial years ending 31 December 2020 and may be extended beyond 31 December 2020, and/or the terms and conditions of the 2017 Manager Waiver may be modified from time to time, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2017 Manager Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered by the 2017 Manager Waiver (including without limitation the scope or nature of the transactions) as set out in this circular must be approved by Independent Unitholders pursuant to (a) above, and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

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(iii) Annual caps

The annual value of the connected party transactions shall not exceed the respective annual cap amounts set out in the following table:

Categories of connected party transactions	For the year ending 31 December 2018 <i>RMB'000</i>	For the year ending 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>
(a) Leasing and licensing transactions	600	700	700
(b) Property management and club facilities transactions	130,100	143,000	157,400

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2017 Manager Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

(iv) Disclosure in semi-annual and annual reports

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

(v) Auditors' review procedures

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

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

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(vi) Review by the independent non-executive Directors

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

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

(vii) Auditors' access to books and records

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

(viii) Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

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

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

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

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(x) 8.14 of the REIT Code

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

1.6 Approvals Required

As mentioned in the section headed "1.3 Proposed modification and extension of the Existing CK Property/Manager Waivers" above, pursuant to the conditions of each of the Existing CK Property/Manager Waivers, each of the Existing CK Property/Manager Waivers may be extended beyond 31 December 2017, provided, among other things, the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders. Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for (a) the 2017 CK Property Waiver (including the Proposed Annual Caps for the CK Property Connected Party Transactions) and (b) the 2017 Manager Waiver (including the Proposed Annual Caps for the Manager Connected Party Transactions), each by way of a separate Ordinary Resolution at the EGM.

1.6.1 Restrictions on Voting

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

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

Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the relevant 2017 CK Property/Manager Waiver(s), (i) the CK Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2017 CK Property Waiver; and (ii) the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2017 Manager Waiver.

LETTER FROM THE BOARD

So far as the Manager is aware, as at the Latest Practicable Date, holdings of Units of the CK Connected Persons Group and the Manager Group were as follows:

Entities	Number of Units held	Approximate Percentage of Unitholding
Hui Xian (Cayman Islands) Limited ^(Notes 1,3)	750,000,000	13.73%
Other subsidiaries of CK Property ^(Notes 2,3)	1,385,189,797	25.36%
CHEUNG Ling Fung, Tom ^(Note 4)	69,762	0.00%
IP Tak Chuen, Edmond ^(Notes 3, 4)	400,000	0.01%
KAM Hing Lam ^(Notes 3, 4)	831,073	0.02%
TONG BARNES Wai Che, Wendy ^(Notes 3, 4)	142,856	0.00%
Other individual(s) within the Manager Group ^(Note 4)	45,000	0.00%

Notes:

- Hui Xian (Cayman Islands) Limited is a subsidiary of CK Property.
- These other subsidiaries of CK Property are Noblecrown Investment Limited (held 807,205,364 Units), Wisdom Ally Limited (held 119,152,041 Units), Wealth Finder Limited (held 24,385,272 Units) and Heathcliff Developments Limited (held 434,447,120 Units).
- Member of the CK Connected Persons Group
- Member of the Manager Group
- As disclosed in the announcement of Hui Xian REIT dated 11 April 2017, the Manager received an aggregate of 18,591,696 Units as a part of the payment of the Manager's base fee and variable fee under the Trust Deed for the period from 1 July 2016 to 31 December 2016.

Further, Hui Xian (Cayman Islands) Limited and other subsidiaries of CK Property which are Unitholders will abstain from voting on the Ordinary Resolution to approve the 2017 Manager Waiver.

As at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Ordinary Resolutions to approve the 2017 CK Property/Manager Waiver(s).

1.7 Opinion of the Independent Financial Adviser

Hercules Capital Limited has been appointed as the independent financial adviser to provide its opinion on the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps) to the Independent Board Committee, the Independent Unitholders and the Trustee. Your attention is drawn to the "Letter from the Independent Financial Adviser" set out in this circular.

The Independent Financial Adviser confirms that it is of the view that having considered the principal factors and reasons stated in its above letter, (i) the connected party transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms; and (ii) the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

LETTER FROM THE BOARD

1.8 Opinion of the Independent Board Committee

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps). Your attention is drawn to the “Letter from the Independent Board Committee” set out in this circular.

Having taken into account the opinion of, and the principal factors and reasons considered by, the Independent Financial Adviser, the Independent Board Committee considers that (i) the connected party transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Independent Board Committee therefore recommends that the Independent Unitholders to vote at the EGM in favour of all Ordinary Resolutions to approve the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps).

1.9 Opinion and Recommendation of the Board

Having regard to the reasons for, the scope of and the waiver terms and conditions for the 2017 CK Property/Manager Waivers and the Proposed Annual Caps, the Board considers that:

- (a) the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of Hui Xian REIT and the Independent Unitholders as a whole;
- (b) for those relevant connected party transactions subsisting as at the Latest Practicable Date, each such transaction has been entered into: (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm’s length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole; and
- (c) for those relevant connected party transactions to be entered into after the Latest Practicable Date, each such transaction will be: (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm’s length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Board therefore recommends that the Independent Unitholders to vote at the EGM in favour of all the Ordinary Resolutions to approve the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps).

1.10 Opinion of the Trustee

Based on (i) the information and assurances provided by the Manager; (ii) the opinion of the Independent Financial Adviser; and (iii) the “Letter from the Independent Board Committee” set out in this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

LETTER FROM THE BOARD

The Trustee's view is not to be taken as a recommendation or representation by the Trustee of the merits of the 2017 CK Property/Manager Waivers and the Proposed Annual Caps. The Trustee has not made any assessment of the merits or impact of the 2017 CK Property/Manager Waivers and the Proposed Annual Caps, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

Unitholders who are in any doubt as to the merits or impact of the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps) should seek their own financial or other professional advice.

2. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Grand Ballroom, 1/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Friday, 12 May 2017 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolutions set out in the notice of the EGM, which is set out on pages N-1 to N-2 of this circular.

For the purpose of determining which Unitholders are entitled to attend and vote at the EGM, the Unit Register will be closed from Tuesday, 9 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfers of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 May 2017.

If you are a Unitholder on the Unit Register on Friday, 12 May 2017 (being the date fixed for the purposes of determining Unitholders' entitlement to vote at the EGM), you can vote at the EGM. You will find enclosed with this circular the notice of the EGM and a form of proxy for use for the purpose of the EGM.

Please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed thereon, and return it to the Unit Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event no later than 12:00 noon on Wednesday, 10 May 2017, or not less than 48 hours before the time appointed for holding of any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

3. GENERAL

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

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

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



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

21 April 2017

To the Independent Unitholders of Hui Xian REIT

Dear Sir/Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in respect of the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps), details of which are set out in the “Letter from the Board” in the circular dated 21 April 2017 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Hercules Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps), in particular as to (i) whether the transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and whether the terms of which are at arm’s length and on normal commercial terms, and (ii) whether the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

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

Having taken into account the opinion of, and the principal factors and reasons considered by, the Independent Financial Adviser, the Independent Board Committee considers that (i) the connected party transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions to approve the 2017 CK Property/Manager Waivers and the Proposed Annual Caps.

Yours faithfully,

Independent Board Committee

Hui Xian Asset Management Limited

滙賢房託管理有限公司

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

CHENG Hoi Chuen, Vincent

LEE Chack Fan

CHOI Koon Shum, Jonathan

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2017 CK Property/Manager Waivers.

Hercules Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

21 April 2017

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

Dear Sirs,

MODIFIED AND EXTENDED WAIVERS IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee with respect to the 2017 CK Property/Manager Waivers (including the Proposed Annual Caps thereunder), details of which are set out in the Letter from the Board contained in the circular dated 21 April 2017 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions between Hui Xian REIT Group on the one hand, and (i) the Cheung Kong Connected Persons Group or (ii) the Manager Group (as the case may be) on the other hand, for a period up to and including 31 December 2013. Such initial waivers were subsequently modified and/or extended in May 2012, May 2014, November 2014 and June 2015 and each of the Existing CK Property/Manager Waivers was granted for a period up to and including 31 December 2017. The Manager expects that the continuing connected party transactions under each of the Existing CK Property/Manager Waivers may be conducted from time to time in the future and thus proposes to seek the approval from the Independent Unitholders for the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps thereunder), including (a) modifying the Existing CK Property Waiver by including an additional category of transactions in respect of the purchases of consumer goods and services from the CK Connected Persons Group; (b) modifying the Existing CK Property Waiver by expanding the existing scope of the use of internet and telecommunication services to include information technology technical support and consultancy services which may from time to time be provided by member(s) of the CK Connected Persons Group; (c) extending each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (a) and (b) above) for a further period up to and including 31 December 2020; and (d) setting the new annual caps for the three years ending 31 December 2020 for the transactions under each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (a) and (b) above).

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CK Property, being the ultimate holding company of Hui Xian (Cayman Islands) Limited, a significant holder (within the meaning of the REIT Code) of Hui Xian REIT, is a connected person of Hui Xian REIT. As at the Latest Practicable Date, CK Property indirectly held a total of 2,135,189,797 Units (representing approximately 39.09% of the Units in issue), amongst which 750,000,000 Units (representing approximately 13.73% of the Units in issue) were directly held by Hui Xian (Cayman Islands) Limited. The Manager is also a connected person of Hui Xian REIT under 8.1(a) of the REIT Code.

By virtue of their material interests in the relevant 2017 CK Property/Manager Waivers, the CK Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2017 CK Property Waiver and the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2017 Manager Waiver in accordance with the REIT Code and the Trust Deed. Further, Hui Xian (Cayman Islands) Limited and other subsidiaries of CK Property which are Unitholders will abstain from voting on the Ordinary Resolution to approve the 2017 Manager Waiver.

The Independent Board Committee, comprising all INEDs, namely Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders in respect of the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps). We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps), in particular as to whether the transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of the Hui Xian REIT Group and whether the terms of which are at arm's length and on normal commercial terms, and whether the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

We are independent of (i) the Hui Xian REIT Group; (ii) the Trustee; (iii) the Manager Group; (iv) the CK Connected Persons Group; and (v) Hui Xian (Cayman Islands) Limited, the significant Unitholder, and their respective associates and do not have any shareholding in any member of the Hui Xian REIT Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Hui Xian REIT Group. Save for acting as an independent financial adviser in this appointment and occasion as detailed in the circular of Hui Xian REIT dated 19 April 2016, we have not acted as a financial adviser or an independent financial adviser to Hui Xian REIT in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Hui Xian REIT Group and its associates. We were not aware of any relationship or interest between us and Hui Xian REIT or any other parties that could be reasonably regarded as a hindrance to our independence under the REIT Code to act as the independent financial adviser to the Independent Board Committee and the Independent Unitholders.

BASIS OF OUR OPINION

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

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We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we have reviewed include, among others, the Circular, the latest interim and annual reports of Hui Xian REIT, agreements entered into between the Hui Xian REIT Group and the CK Connected Persons Group and the Manager Group (as the case may be) in relation to the connected party transactions, quotations provided by, and agreements entered into with, independent third parties in respect of transactions similar to the transactions under the 2017 CK Property/Manager Waivers, the internal control and compliance procedures contained in the compliance manual of the Manager for governing the continuing connected party transactions, the published documents of other listed real estate investment trusts and other market information. We have no reasons to suspect that any material information has been withheld by the Manager, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Hui Xian REIT Group, the Manager and the related subjects of, and parties to, the transactions under the 2017 CK Property/Manager Waivers. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the 2017 CK Property/Manager Waivers and the Proposed Annual Caps, we have considered the following principal factors and reasons:

1. Background of the 2017 CK Property/Manager Waivers and transactions thereunder

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions between Hui Xian REIT Group on the one hand, and (i) the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, for a period up to and including 31 December 2013.

In 2012, the Manager applied for, and the SFC granted, the modification and extension of the initial waivers (including the revision of, and setting new annual caps relating thereto) for a period up to and including 31 December 2014, to cover 2012 Relevant Connected Party Transactions which might from time to time be entered into between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Hui Xian REIT might directly or indirectly be interested. In May 2014, the SFC granted the extension of the above waivers (with new annual caps relating thereto) for a further period of three years up to and including 31 December 2017. Such waivers were further modified in November 2014 to revise the annual cap amounts of certain transactions thereunder.

On 3 June 2015, the Manager applied for, and the SFC granted, certain technical modifications to the above-mentioned waivers so as to: (a) replace the references to “Cheung Kong Connected Persons Group” in the waiver relating to connected party transactions with the Cheung Kong Connected Persons Group with references to “CK Connected Persons Group”, with the term “CK Connected Persons Group” to mean “CK Property and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of (i) their connection with CK Property, including certain members of the CK Property Group, or (ii) their being a member of the Cheung Kong Group or the HWL Group”; and (b) modify the connected persons covered under the waiver relating to connected party transactions with the Manager Group to cover persons who are connected persons of Hui Xian REIT as a result of their connection with the Manager, but excluding the CK Connected Persons Group. The modifications took effect from the time of completion of the CK Reorganisation on 3 June 2015.

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Each of the Existing CK Property/Manager Waivers will expire on 31 December 2017 and the Manager expects that the continuing connected party transactions under the Existing CK Property/Manager Waivers may be conducted from time to time in the future with modifications to the scope of the Existing CK Property Waiver. Furthermore, members of the Hui Xian REIT Group have been purchasing certain consumer goods and services (such as cleaning supplies, beverages and hotel services (such as hotel room accommodation, food and beverage services, renting of banquet halls, car pickup, laundry services and use of hotel recreational facilities)) from members of the CK Connected Persons Group but the current transaction amount for purchasing such goods and services is not substantial. However, the Manager expects that members of the Hui Xian REIT Group may from time to time continue to purchase from members of the CK Connected Persons Group consumer goods and services, including but not limited to cleaning and maintenance supplies, food and beverages, groceries, personal care products, gift coupons and hotel services and such transaction shall increase as the property portfolio of Hui Xian REIT expands, taking into consideration the acquisition of Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel in early 2017. Hence the Manager proposes to modify the scope of the Existing CK Property Waiver by adding a new category of transactions covering the purchases of consumer goods and services to be entered into between members of the Hui Xian REIT Group and members of the CK Connected Persons Group. Moreover, it is contemplated that member(s) of the Hui Xian REIT Group may from time to time engage member(s) of the CK Connected Persons Group to provide information technology technical support and consultancy services. However, since the scope of transactions with respect to the use of internet and telecommunication services under the Existing CK Property Waiver does not cover the information technology technical support and consultancy services, the Manager proposes to modify the scope of the Existing CK Property Waiver by expanding the scope of the category of transactions with respect to the use of internet and telecommunication services to include the information technology technical support and consultancy services.

In view of the expiry of the Existing CK Property/Manager Waivers on 31 December 2017 and the reasons for modifications of the Existing CK Property Waiver, the Manager proposes to seek the approval from the Independent Unitholders for (a) modifying the Existing CK Property Waiver by including an additional category of transactions in respect of the purchases of consumer goods and services from the CK Connected Persons Group; (b) modifying the Existing CK Property Waiver by expanding the existing scope of the use of internet and telecommunication services to include information technology technical support and consultancy services which may from time to time be provided by member(s) of the CK Connected Persons Group; (c) extending each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (a) and (b) above) for a further period up to and including 31 December 2020; and (d) setting the new annual caps for the three years ending 31 December 2020 for the transactions under each of the Existing CK Property/Manager Waivers (as modified, where applicable, as described in (a) and (b) above).

The transactions under the 2017 CK Property/Manager Waivers include (a) the leasing and licensing transactions in respect of any property of Hui Xian REIT (the “**Properties**”) (the “**Leasing and Licensing Transactions**”); (b) the property management and club facilities transactions in respect of the Properties or companies in which Hui Xian REIT may directly or indirectly be interested (the “**Property Management and Club Facilities Transactions**”); (c) the use of internet and telecommunication and information technology technical support and consultancy services (the “**Internet and IT Service Transactions**”); and (d) the purchases of consumer goods and services, including but not limited to cleaning and maintenance supplies, food and beverages, groceries, personal care products, gift coupons and hotel services (the “**Consumer Goods/Services Purchase Transactions**”), between the Hui Xian REIT Group on the one hand and the CK Connected Persons Group or the Manager Group (as the case may be) on the other hand, details of which are set out in the Circular and summarised as follows:

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(a) Leasing and Licensing Transactions

Leasing and Licensing Transactions include leasing and licensing arrangements in respect of the Properties entered or to be entered into by the Hui Xian REIT Group on the one hand and the members of CK Connected Persons Group or the Manager Group (as the case may be) on the other hand.

(b) Property Management and Club Facilities Transactions

Property Management and Club Facilities Transactions include services provided or to be provided by the CK Connected Persons Group or the Manager Group (as the case may be) to the Hui Xian REIT Group in relation to property management, operation arrangements and marketing in respect of the Properties or companies in which Hui Xian REIT may directly or indirectly be interested and any transaction in relation to the usage of club and other facilities of the CK Connected Persons Group or the Manager Group (as the case may be) by the Hui Xian REIT Group.

(c) Internet and IT Service Transactions

Internet and IT Service Transactions include internet and telecommunication and information technology technical support and consultancy services provided or to be provided by the CK Connected Persons Group to the Hui Xian REIT Group.

(d) Consumer Goods/Services Purchase Transactions

Consumer Goods/Services Purchase Transactions include the purchase of consumer goods and services, including but not limited to cleaning and maintenance supplies, food and beverages, groceries, personal care products, gift coupons and hotel services, from the CK Connected Persons Group by the Hui Xian REIT Group.

2. Reasons for the transactions under the 2017 CK Property/Manager Waivers

Hui Xian REIT is a real estate investment trust formed to own and invest in high quality commercial properties with the objectives of producing stable and sustainable distributions to the Unitholders and achieving long term growth in its NAV per Unit. Currently, Hui Xian REIT's portfolio comprises five properties, namely Beijing Oriental Plaza in Beijing, Sofitel Shenyang Lido in Shenyang, Chongqing Metropolitan Oriental Plaza and Harbour Plaza Chongqing in Chongqing and Sheraton Chengdu Lido Hotel in Chengdu. Beijing Oriental Plaza is a commercial complex comprising shopping malls, office towers, serviced apartments, a five-star hotel, car-parking spaces and other ancillary facilities. Chongqing Metropolitan Oriental Plaza consists of a shopping mall (with car-parking spaces) and an office tower while Sofitel Shenyang Lido, Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel are five-star hotels.

Given that the businesses of the CK Connected Persons Group cover a wide range of industries, including retail, property management, hotel operation, telecommunications, information technology, consumer goods and services, food and beverage etc. and the Manager Group is principally engaged in asset and property management business, it is not unusual for Hui Xian REIT to conduct certain connected party transactions with the CK Connected Persons Group and the Manager Group in its ordinary and usual course of business such as leasing or licensing of the Properties to, and using the property management services of, the CK Connected Persons Group and the Manager Group and using the internet, telecommunication, information technology or other services/products provided by the CK Connected Persons Group.

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As at the Latest Practicable Date, certain properties, including office units, retail units and serviced apartment units, of the Hui Xian REIT Group were leased to the members of the CK Connected Persons Group and the Manager Group. 北京東方廣場有限公司 (Beijing Oriental Plaza Company Limited*) (“BOP”), an indirect owned special purpose vehicle of Hui Xian REIT holding the land use rights and building ownership rights of Beijing Oriental Plaza, and 重慶大都會東方廣場有限公司 (Chongqing Metropolitan Oriental Plaza Co., Ltd*) (“COP”), an indirect wholly-owned subsidiary of Hui Xian REIT and the registered legal owner of the land use rights and building ownership rights of Chongqing Metropolitan Oriental Plaza, have also engaged members of the CK Connected Persons Group to provide certain property management services such as cleaning, security, patrolling, maintenance and other building management services in respect of Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza respectively. Furthermore, the Property Manager, being a wholly-owned subsidiary of the Manager, is engaged by the Hui Xian REIT Group to provide certain services relating to the operation, management and marketing of Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza respectively. We were also advised by the Manager that BOP had used the internet and telecommunication services of a member of the CK Connected Persons Group in the ordinary and usual course of management and operation of Beijing Oriental Plaza until 2014. In addition, Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza have been purchasing the consumer goods/services such as cleaning supplies and food and beverage, and the Hui Xian REIT Group has been using the hotel services, from members of the CK Connected Persons Group in the ordinary and usual course of their operation. The Manager expected that the abovementioned Leasing and Licensing Transactions, Property Management and Club Facilities Transactions, Internet and IT Service Transactions and Consumer Goods/Services Purchase Transactions between the Hui Xian REIT Group on the one hand and the CK Connected Persons Group or the Manager Group (as the case may be) on the other hand would continue in the future so as to facilitate the daily operation and management of the Properties of the Hui Xian REIT Group.

Having considered that (i) the businesses of the CK Connected Persons Group and the Manager Group cover a great variety of industries and the entering into of the CK Property Connected Party Transactions and the Manager Connected Party Transactions can facilitate the management and operation of the Hui Xian REIT Group; (ii) leasing of properties is one of the core businesses and major source of income of the Hui Xian REIT Group and the leasing and licensing of properties to the CK Connected Persons Group and the Manager Group shall contribute a stable and reliable income to the Hui Xian REIT Group; (iii) the relevant members of the CK Connected Persons Group and the Manager Group have solid experiences and expertise in providing property management, operation and marketing services and the Property Management and Club Facilities Transactions can facilitate effective management of the Properties; and (iv) the Hui Xian REIT Group has the practical need to use internet and telecommunication and information technology technical support and consultancy services and purchase consumer goods and services from time to time in its ordinary and usual course of business and the Internet and IT Service Transactions and the Consumer Goods/Services Purchase Transactions offer a greater flexibility for the Hui Xian REIT Group in the selection of such services/products by allowing the Hui Xian REIT Group to use the services/products of the CK Connected Persons Group as and when appropriate, we consider that the proposed connected party transactions under the 2017 CK Property/Manager Waivers are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group and it is fair and reasonable, and in the interests of Hui Xian REIT and Unitholders as a whole to conduct such transactions.

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3. Major terms of the connected party transactions under the 2017 CK Property/Manager Waivers

According to the 2017 CK Property/Manager Waivers being sought from the SFC, the waiver terms and conditions of which are the same as the conditions for the Existing CK Property/Manager Waivers (save as disclosed in the letter from the Board). The transactions under the 2017 CK Property/Manager Waivers should be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions should be on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms available to or from, as appropriate, independent third parties. Moreover, an independent valuation shall be conducted for each of the Leasing and Licensing Transactions first entered into or renewed on or after the date on which the 2017 CK Property Waiver and/or the 2017 Manager Waiver becomes effective except where they are conducted on standard or published rates.

(a) Leasing and Licensing Transactions

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

We have reviewed selected samples of the tenancy agreements entered into between the Hui Xian REIT Group and the CK Connected Persons Group or the Manager Group (as the case may be) in respect of office, retail and apartment units and compared their terms with those of the tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of similar properties and noted that the major terms such as rentals, building management fees and rental deposit offered to the CK Connected Persons Group and the Manager Group were in general similar and comparable to those for the independent third parties.

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

(b) Property Management and Club Facilities Transactions

(i) Transactions with the CK Connected Persons Group

As at the Latest Practicable Date, two members of the CK Connected Persons Group were engaged by BOP to provide property management services in respect of Beijing Oriental Plaza (other than Grand Hyatt Beijing at Beijing Oriental Plaza) and a member of the CK Connected Persons Group was engaged by COP to provide property management services including cleaning, security, patrolling, maintenance and other building management services in respect of Chongqing Metropolitan Oriental Plaza. The Manager confirmed that the Property Management and Club Facilities Transactions in respect of the services provided by the CK Connected Persons Group were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms.

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We understand from the Manager that no agreements have been entered into by the Hui Xian REIT Group with independent third parties regarding property management services and/or club facilities arrangement up to the Latest Practicable Date. However, quotations were obtained from independent third parties and different members of the CK Connected Persons Group in respect of property management services for Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza. We have reviewed the property management agreements entered into between the Hui Xian REIT Group and the CK Connected Persons Group and compared the property management fee to that of other quotations. We noted that the contract for property management services was awarded to the lowest bid with similar terms. In light of the above, we are of the opinion that the terms of the Property Management and Club Facilities Transactions carried out with the CK Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned.

(ii) Transactions with the Manager Group

We have reviewed the operation management agreement entered into between BOP and the Property Manager and noted that pursuant to the operation management agreement, the Property Manager was engaged by BOP to provide certain services relating to the operation, management and marketing of Beijing Oriental Plaza (other than Grand Hyatt Beijing in Beijing Oriental Plaza). Currently, the Property Manager receives a fee of 1% per annum of net property income (before deduction therefrom of the variable fee and the property manager's fee) (the "NPI") and the Property Manager is reimbursed by BOP for certain expenses incurred in relation to its provision of services to BOP, including certain costs in respect of the employees of the Property Manager engaged solely and exclusively for the provision of its services relating to Beijing Oriental Plaza to BOP.

We have reviewed the property manager agreement entered into between COP and the Property Manager and noted that pursuant to the property manager agreement, the Property Manager is responsible to provide business advisory and management services, marketing and lease management services and property management coordination services in respect of Chongqing Metropolitan Oriental Plaza. Currently, no property manager's fees are receivable by the Property Manager while the Property Manager is fully reimbursed by the Hui Xian REIT Group for (i) the employment costs and remuneration of the personnel provided or procured by the Property Manager engaged solely and exclusively for the provision of its services relating to Chongqing Metropolitan Oriental Plaza; and (ii) management expenses incurred by the Property Manager on Chongqing Metropolitan Oriental Plaza, including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Property Manager (as agent for the Hui Xian REIT Group) at the request of the Hui Xian REIT Group for the provision of cleaning, maintenance, security, car park management and other services for Chongqing Metropolitan Oriental Plaza.

The Manager confirmed that the Property Management and Club Facilities Transactions in respect of property manager services provided by the Manager Group were and would be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions would be on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms available from/to independent third parties.

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We have reviewed the terms of similar transactions regarding the property manager services of other listed real estate investment trusts and noted that the terms vary among the listed real estate investment trusts with a typical adopted rate of 2% to 3% per annum of gross property revenue. Given the rate of a maximum of 3% per annum of NPI charged by the Manager Group, detailed arrangement on the property manager's fees under the Trust Deed are set out on page 38 of the Circular, is no less favourable to the Hui Xian REIT Group than those adopted by other listed real estate investment trusts, we are of the opinion that the terms of Property Management and Club Facilities Transactions carried out with the Manager Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Property Management and Club Facilities Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

(c) Internet and IT Service Transactions

We understand that the Hui Xian REIT Group has been using the web-hosting services provided by a member of the CK Connected Persons Group in its ordinary and usual course of business.

We have reviewed the fee confirmation issued by a member of the CK Connected Persons Group and compared with the quotation provided by independent third party in respect of web-hosting services and noted that the fee offered by the CK Connected Persons Group was comparable to that of the independent third party. Given the above, we are of the opinion that the terms of the Internet and IT Service Transactions carried out with the CK Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Internet and IT Service Transactions to be carried out in the future would be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

(d) Consumer Goods/Services Purchase Transactions

We were advised by the Manager that the Hui Xian REIT Group has been purchasing consumer goods and services such as cleaning supplies, beverage and hotel services from members of the CK Connected Persons Group in its ordinary and usual course of business. The Manager confirmed that the Consumer Goods/Services Purchase Transactions were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms.

We have reviewed samples of the agreements entered into between the Hui Xian REIT Group and the CK Connected Persons Group and compared with the quotations provided by independent third parties in respect of the supply of consumer goods and noted that the fee offered by the CK Connected Persons Group was comparable to those of the independent third parties. In view of the above, we are of the opinion that the terms of the Consumer Goods/Services Purchase Transactions carried out with the CK Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We also believe that the terms of the Consumer Goods/Services Purchase Transactions to be carried out in the future would be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by management of Hui Xian REIT in determination of the terms of such transactions.

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We have also reviewed the internal control and compliance procedures contained in the compliance manual of the Manager for governing the continuing connected party transactions and we are of the view that adequate and appropriate procedures were set to govern the continuing connected party transactions. We also noted that the internal control and compliance procedures were properly implemented by the Manager in carrying out the CK Property Connected Party Transactions and the Manager Connected Party Transactions and there were no material deviations from the compliance manual of the Manager. Given all the factors mentioned above, we consider that the terms of the CK Property Connected Party Transactions and the Manager Connected Party Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interest of Hui Xian REIT and the Unitholders as a whole.

4. Bases of the Proposed Annual Caps

The historical transaction amounts and the Proposed Annual Caps for each of the CK Property Connected Party Transactions and the Manager Connected Party Transactions are summarised as follows:

Table 1 — Historical transaction amounts and Proposed Annual Caps for the continuing connected party transactions

	Historical transaction amounts			Proposed Annual Caps		
	For the year ended		For the two months ended	For the year ending		
	31 December	31 December	28 February	31 December	31 December	31 December
	2015	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Leasing and Licensing Transactions						
— the CK Connected Persons Group	35,504	32,132	5,224	113,300	113,300	113,300
— the Manager Group	437	439	74	600	700	700
Property Management and Club Facilities Transactions						
— the CK Connected Persons Group	55,433	60,556	10,343	85,400	93,900	103,300
— the Manager Group	46,921	52,123	8,325	130,100	143,000	157,400
Internet and IT Service Transactions						
— the CK Connected Persons Group ^(Note 1)	15	16	—	4,000	4,300	4,800
Consumer Goods/Services Purchase Transactions ^(Note 2)						
— the CK Connected Persons Group	1,352	1,314	219	2,600	2,900	3,200

Notes:

1. The historical transaction amounts for the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 represent the use of internet and telecommunication services only and do not include the information technology technical support and consultancy services. As the CK Connected Persons Group charges the internet and telecommunication service transaction on an annual basis, no historical transaction amounts were recorded for the two months ended 28 February 2017.
2. These transactions were not covered by the Existing CK Property Waiver, and the historical amounts for the two years ended 31 December 2015 and 2016 and the two months ended 28 February 2017 are disclosed for information and reference only.

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(a) Leasing and Licensing Transactions

(i) Transactions with the CK Connected Persons Group

The Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the Leasing and Licensing Transactions between the Hui Xian REIT Group and the CK Connected Persons Group mainly cover the rental and building management fee receivable from the CK Connected Persons Group. Such Proposed Annual Caps for the CK Property Connected Party Transactions in respect of the Leasing and Licensing Transactions were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals and possible new leasing and licensing of the Properties which the Hui Xian REIT Group may enter into with the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

We noted that the Proposed Annual Cap for the CK Property Connected Party Transactions with respect to the Leasing and Licensing Transactions for each of the three years ending 31 December 2020 was the same as the approved annual caps of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group for the year ended 31 December 2016 and the year ending 31 December 2017 under the Existing CK Property Waiver while it represents approximately 353% of the historical transaction amount for the year ended 31 December 2016 and approximately 361% of the annualised historical transaction amount for the year ending 31 December 2017. We were advised by the Manager that the transaction amount of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group for the three years ending 31 December 2020 might be much higher than the historical transaction amount for the year ended 31 December 2016 and the annualised historical transaction amount for the year ending 31 December 2017 as certain leases or licenses of premises in Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza with independent third parties would expire in 2017 and 2018, and there was a possibility that the CK Connected Persons Group would lease or license such premises upon the expiry of the tenancy agreements with the independent third parties. It is expected that the transaction amount to be derived from new leases with the CK Connected Persons Group might boost the total transaction amount of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group by approximately RMB47.0 million, RMB44.7 million and RMB42.2 million for the year ending 31 December 2018, 2019 and 2020 respectively. We have reviewed the tenancy expiry profile of Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza and the tenancy information provided by the Manager and noted that the leases or licenses with independent third parties for premises with total area of over 200,000 square meters would expire in 2017 and 2018 and the leasing and licensing income receivable from such premises under the current leases and licenses amounted to over RMB1 billion per annum. Given the abovementioned, we consider that the inclusion of the possible new leases with the CK Connected Persons Group in the Proposed Annual Caps for the Leasing and Licensing Transactions in respect of the CK Connected Persons Group is reasonable.

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Furthermore, given the extensive jurisdictions and industries that the CK Connected Persons Group are involved in, the Manager has taken into account the fact that some of the existing third party tenants may be acquired or merged by/with member(s) of the CK Connected Persons Group and some of the leasing and licensing transactions with those parties may become connected party transactions at any time. Therefore, a contingency for possible leases with the CK Connected Persons Group arising from potential expansion of the CK Connected Persons Group of approximately RMB10.0 million for each of the three years ending 31 December 2020 is included. The Manager has also taken into account the possible increase in rental during the relevant period. The Manager assumed that the rental, management fee and miscellaneous fees charged to the tenants would increase by 7% annually, which was determined with reference to the gross domestic product (“GDP”) of the PRC.

Based on the latest statistics released by the National Bureau of Statistics of the PRC, the GDP of the PRC for 2016 was approximately RMB74,412.7 billion, representing an increase of approximately 6.7% as compared to the previous year. The national per capita disposable income was approximately RMB23,821 for the year ended 31 December 2016, representing a growth of approximately 8.4% over the last year while the national per capita residence expenditure was approximately RMB3,746 for the year ended 31 December 2016, representing an increase of approximately 9.6% as compared to the previous year. The statistics also show that the national consumer price index had increased from 100 in December 2015 to 102.1 in December 2016 while the consumer price index of Beijing and Chongqing had increased to 102.1 and 101.7 in December 2016 respectively. The OECD Interim Economic Outlook released in March 2017 by the Organization for Economic Cooperation and Development, an international organization with 34 country members, revealed that the economic growth in the PRC is expected to edge down in the coming years as economy of the PRC is undergoing a number of necessary transitions, including shifting towards consumption and services, adjustment in several heavy industries, working off excess housing supply and ensuring credit developments are sustainable. Domestic demand is being supported by the expansionary fiscal policy, which in turn is boosting private investment and trade. The producer price inflation has picked up strongly, but consumer price inflation remains low. It is expected that the GDP growth rate of the PRC for 2017 and 2018 would be 6.5% and 6.3% respectively.

As all the existing transactions under the Leasing and Licensing Transactions are located in Beijing and Chongqing, we focus our analysis on property rental market in Beijing and Chongqing. We have reviewed various reports issued by Savills, an independent global real estate service provider listed on the London Stock Exchange, in February 2017 in relation to the office, retail and residential leasing sectors in Beijing (namely “**Briefing Beijing Office Sector**”, “**Briefing Beijing Retail Sector**” and “**Briefing Beijing Residential Leasing**”, collectively “**Beijing Reports**”) and office and retail sectors in Chongqing (namely “**Briefing Chongqing Office Sector**” and “**Briefing Chongqing Retail Sector**”, collectively “**Chongqing Reports**”).

According to the Beijing Reports, new projects entered the Beijing Grade A office market in the fourth quarter of 2016 (“**Q4/2016**”) and raised the overall supply. As a result, the overall Grade A office market vacancy rate increased by 0.7 of a percentage point (“**ppt**”) to 5.6% during the fourth quarter of 2016. Grade A office rents declined by 0.1% quarter-on-quarter (“**QoQ**”) to RMB336.9 per square meter per month by Q4/2016 while some high-quality projects with good occupancy rates were able to maintain relatively high rental levels. It is expected that the Grade A office market will continue to have intensive supply in 2017, with approximately 85% of new projects located in non-core business districts, while average rental growth to be more constrained and the rental gap between traditional and emerging business districts will further narrow.

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The Beijing Reports also stated that the retail property market received a significant level of new supply, all of which are located in non-prime and suburban submarkets, in Q4/2016. The leasing demand remained strong in Q4/2016 and the city-wide average shopping mall occupancy rates increased by 0.1 of a percentage point to 95% by the end of Q4/2016. Owing to the strong demand driven by fashion retailers, first-floor shopping mall rents continued to edge up by 1.3% QoQ to an average of RMB926.9 per square meter per month. The average prime rents also increased by 0.6% QoQ to RMB1,197 per square meter per month. Although the growth in retail sales is expected to slow down in line with economic growth, it is likely that retailers will continue to maintain a strong level of demand in the coming year.

With reference to the Beijing Reports, a new serviced apartment project launched onto the leasing market in Q4/2016. Being a traditionally quiet period, the leasing demand for Q4/2016 was expectedly down from previous quarters. Combined with the effect of new supply, the occupancy rates decreased by 1.1 of a ppt QoQ to 84.9%, but still up by 0.8 of a ppt year-on-year. Certain landlords raised their asking rent for specific sought-after units as a result of increased demand from domestic tenants, leading average serviced apartment rents to climb 0.9% QoQ to RMB212.4 per square meter per month in Q4/2016. Fueled by domestic demand, landlords of high-end apartments continued to hold the bargaining power, the average high-end apartment rents rose 0.4% QoQ to RMB154.2 per square meter per month. Three new projects are expected to launch onto the serviced apartment market in 2017, which contribute 600 new units in total and is expected to increase the average quality of stock on the market and satisfy growing demand from the domestic market. In view of the growing number of domestic business trips, increasing inbound tourism numbers over the coming years as well as growing trend of multinational companies looking to boost local hiring numbers, it is expected that the increase in demand from domestic tenants would subsequently lead to marginal rental appreciation.

Given that Beijing Oriental Plaza owned by the Hui Xian REIT Group is located at a prime location in the core business district in Beijing and it has successfully maintained a good occupancy rate for its office and retail premises as well as serviced apartments, the Manager is confident that Beijing Oriental Plaza can demand for a steady growth in its rentals in the coming years although there is an increasing supply in non-core business districts in Beijing.

We have also reviewed the Chongqing Reports and noted that Chongqing was announced as the site of the new China (Chongqing) Pilot Free Trade Zone, which aims to transform it into a new financial centre and innovation hub with the objective of improving the inland economy. The plan of Chongqing to further develop into an international business centre has generated new demand for the office market. Although a total of seven Grade A office projects were launched onto the leasing market in 2016, the city-wide vacancy rates fell by 1.3 ppts QoQ and 7.5 ppts YoY to 46%. However, the city-wide Grade A office average rents fell by 4.6 ppts QoQ and 11.8 ppts YoY to an average of RMB90.03 per square meter per month as landlords have adopted new strategies, such as lowering rents and management fees, in response to intensifying competition. More supplies are to be handed over in 2017. Accordingly, it is expected that the intense competition brought by new supply will lead to a further decline in rent. The Chongqing Reports also revealed that the city-wide retail sales reached RMB467.63 billion in the first eight months of 2016, representing a YoY growth of 13%, which indicated strong consumer demand. Two projects opened in the third quarter of 2016 and added a total retail gross floor area of 22,000 square meter to the market. The city-wide prime shopping mall vacancy rates increased by 2.3 ppts QoQ to 6.5% while the city-wide prime shopping mall rents increased 0.4% QoQ in the third quarter of 2016 to RMB23.7 per square meter per day.

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In an attempt to attract higher footfall and stand out from the competition, Chongqing Metropolitan Oriental Plaza has launched various marketing and entertainment programs in its shopping centre. The Manager anticipates that Chongqing Metropolitan Oriental Plaza can keep a steady growth in its rentals in the coming years.

In addition, we have reviewed the list of renewed tenancy agreements entered into between the Hui Xian REIT Group and the CK Connected Persons Group in 2016 relating to the leasing of office units, retail units and serviced apartment in Beijing Oriental Plaza, and office unit in Chongqing Metropolitan Oriental Plaza and noted that the growth rate in the renewed rentals of these office units, retails units and serviced apartment were in the range of approximately 1% to 38%.

Based on the above, we consider that it is reasonable for the Manager to take into account the possible increase in rental of 7% per annum in determination of the Proposed Annual Caps in respect of the Leasing and Licensing Transactions with the CK Connected Persons Group.

Moreover, a buffer of 25% for contingencies such as unforeseeable market fluctuations is budgeted for the Proposed Annual Caps for the three years ending 31 December 2020. We have reviewed the range of buffer of some other listed real estate investment trusts and noted that a buffer range of approximately 4% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 25% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer adopted by Hui Xian REIT is reasonable.

Having taken into account all the above-mentioned factors, we consider that the basis for the Proposed Annual Caps of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group is fair and reasonable and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

(ii) Transactions with the Manager Group

The Proposed Annual Caps for the Manager Connected Party Transactions with respect to the Leasing and Licensing Transactions between the Hui Xian REIT Group and the Manager Group mainly cover the rental and building management fee receivable from the Manager Group. The Proposed Annual Caps for the Manager Connected Party Transactions were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in rentals of 7% per annum and possible new leasing and licensing transaction which the Hui Xian REIT Group may enter into with the Manager Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

Based on the aforementioned market analysis and reasons explained by the Manager for the increases in the proposed annual caps, we consider that the incorporation of an annual growth rate of approximately 7% and the inclusion of a contingency buffer of 25% in the Proposed Annual Caps in respect of the Leasing and Licensing Transactions with the Manager Group for the three years ending 31 December 2020 are justifiable and the Proposed Annual Caps for the Leasing and Licensing Transactions with the Manager Group are fair and reasonable so far as the Independent Unitholders are concerned.

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(b) *Property Management and Club Facilities Transactions*

(i) *Transactions with the CK Connected Persons Group*

The Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the Property Management and Club Facilities Transactions between the Hui Xian REIT Group and the CK Connected Persons Group were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the fees payable under the transitional hotel management agreement in respect of Harbour Plaza Chongqing and the possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group might enter into with the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

We noted that the Proposed Annual Cap for the CK Property Connected Party Transactions with respect to the Property Management and Club Facilities Transactions for the year ending 31 December 2018 is approximately 38% higher than the annualised historical transaction amount for the year ending 31 December 2017. The Manager expected that the transaction amount for the existing Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group would increase with an annual growth rate of approximately 10% for the three years ending 31 December 2020 after taking into account the general inflation in the PRC and the historical growth rate of the Property Management and Club Facilities Transactions for the year ended 31 December 2016. Furthermore, a buffer of 25% for contingencies such as unforeseeable market fluctuations is budgeted in the Proposed Annual Cap of the Property Management and Club Facilities Transactions for each of the three years ending 31 December 2020.

We noted that there was an increase of approximately 9.2% in the historical transaction amount of the Property Management and Club Facilities Transactions with the CK Connected Persons Group for the year ended 31 December 2016 as compared to the previous year. We understand from the Manager that such increase was mainly attributable to the increase in expenses reimbursed such as staff costs. Furthermore, according to the information published by National Bureau of Statistics of the PRC, the inflation rate of the PRC was in the range of approximately 1.4% to 5.4% for the period from 2010 to 2015. Having taken into account the effect of general inflation in the PRC and the actual growth rate in the historical transaction amount of the Property Management and Club Facilities Transactions with the CK Connected Persons Group for the year ending 31 December 2016, we are of the view that it is reasonable to include a growth factor of approximately 10% for the existing contracts in relation to the Property Management and Club Facilities Transactions with the CK Connected Persons Group for the three years ending 31 December 2020.

We have also reviewed the range of contingency buffer of some other listed real estate investment trusts and noted that a buffer in the range of 4% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 25% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer adopted by Hui Xian REIT is reasonable.

In view of the above, we consider the Proposed Annual Caps for Property Management and Club Facilities Transactions with the CK Connected Persons Group are fair and reasonable so far as the Independent Unitholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Transactions with the Manager Group

The Proposed Annual Caps for the Manager Connected Party Transactions with respect to the Property Management and Club Facilities Transactions between the Hui Xian REIT Group and the Manager Group were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible occasional increase in expenses and possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group might enter into with the Manager Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The Proposed Annual Caps for the Manager Connected Party Transactions with respect to the Property Management and Club Facilities Transactions mainly cover the fee of 3% per annum of the NPI in respect of the Properties payable to the Property Manager. Under the Trust Deed, the Manager is entitled to receive a variable fee of an annual amount equal to 3% per annum of the net property income (before deduction of the variable fee and, where the Property Manager is a subsidiary of the Manager, the property manager's fee) of the Properties for each financial year. Currently, the 3% per annum rate of the variable fee is split into 2 portions: (i) a variable fee payable to the Manager which is equal to 2% per annum; and (ii) a property manager's fee payable to the Property Manager which is equal to 1% per annum of the NPI in respect of Beijing Oriental Plaza. For Chongqing Metropolitan Oriental Plaza, there were no property manager's fees payable to the Property Manager currently. Instead, a variable fee equal to 3% per annum of the NPI is payable to the Manager. According to the circular of Hui Xian REIT dated 6 April 2017, Hui Xian REIT proposed to seek the independent Unitholders' approval to adopt the variable fee amendments, which 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. In the event that the proposed variable fee amendments are approved by the independent Unitholders, the property manager's fee to be received by the Property Manager in respect of Beijing Oriental Plaza, Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido might increase from 1%, 0% and 0% of the NPI respectively to a maximum of 3% of the NPI.

We noted that the Proposed Annual Caps for the Property Management and Club Facilities Transactions with the Manager Group for the year ending 31 December 2018 is approximately 160% higher than the actual annualised transaction amount for the two months ended 28 February 2017. We were advised that the historical transaction amounts mainly included the property manager's fee of Beijing Oriental Plaza and the expenses reimbursed to the Property Manager for Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza only. No property manager's fees of Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido were recorded for the three years ended 31 December 2016 since the variable fees of 3% of the NPI of Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido were allocated solely to the Manager and such amount was excluded from the historical transaction amount. On the other hand, in the event that the proposed variable fee amendments are approved by the independent Unitholders, the property manager's fee to be received by the Property Manager in respect of Beijing Oriental Plaza, Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido might increase from 1%, 0% and 0% of the NPI respectively to a maximum of 3% of the NPI. Therefore, the Manager proposed to adopt the rate of 3% in calculating the property manager's fee for the Beijing Oriental Plaza, Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido when budgeting for the Proposed Annual Caps.

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Meanwhile, the Manager expected that the transaction amounts for the existing Property Management and Club Facilities Transactions in respect of the Manager Group would increase with an annual growth rate of approximately 10% for each of the three years ending 31 December 2020 after taking into account the general inflation in the PRC and the anticipated increase in NPI of the Properties. We noted that the historical transaction amount of Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2016 increased by approximately 11.1% as compared to the previous year. We were advised by the Manager that such increase was mainly attributable to the increases in property manager's fee and the reimbursement to the Manager Group of certain expenses incurred in relation to the provision of property management services to Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza during 2016. Furthermore, we have reviewed the annual reports of Hui Xian REIT and noted that the NPI of the Hui Xian Group increased by approximately 5.0%, 9.9% and 1.9% for the years ended 31 December 2014, 2015 and 2016 respectively. With effect from 1 July 2016, there was a change in real estate tax regulations in Beijing. Had the impact of the additional real estate tax provision for Beijing Oriental Plaza been excluded, the NPI would have increased by approximately 5.9% in 2016. Having taken into account the effect of general inflation in the PRC as mentioned in the above section, the continuous increase in NPI of the Hui Xian REIT Group for the past few years and the actual growth rate in the historical transaction amount of the Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2016, we are of the view that it is reasonable to include a growth factor of 10% for the existing transactions in relation to the Property Management and Club Facilities Transactions with the Manager Group for the three years ending 31 December 2020.

With the adoptions of 3% of the NPI for the property manager's fee and an annual growth rate of 10%, the transaction amounts regarding property manager's fee of Beijing Oriental Plaza, Chongqing Metropolitan Oriental Plaza and Sofitel Shenyang Lido amounting to approximately RMB70.1 million, RMB77.1 million and RMB84.8 million for the years ending 31 December 2018, 2019 and 2020 respectively while the transaction amounts regarding the expenses reimbursed to the Property Manager in respect of the Properties amounting to approximately RMB32.9 million, RMB36.1 million and RMB39.7 million for the years ending 31 December 2018, 2019 and 2020 respectively.

According to the Manager, no property manager agreements have been entered into for Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel yet. It is expected that the Hui Xian REIT Group might enter into property manager agreements with the Manager Group for Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel in the future. Therefore, the Manager has included approximately RMB0.8 million, RMB0.9 million and RMB1.0 million in the Proposed Annual Caps for the Property Management and Club Facilities Transactions with the Manager Group for the years ending 31 December 2018, 2019 and 2020 respectively to cater for the possible new property manager agreements to be signed with the Manager Group. Such amounts were determined with reference to the budgets of Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel for 2017 prepared by the Manager with reference to their respective performance for the year ended 31 December 2016 and taking into account the possible growth at an annual growth rate of 10%. Having taken into account the effect of general inflation in the PRC and the anticipated increase in net property income of the Properties, we are of the view that it is reasonable to include a growth factor of 10% in the Proposed Annual Caps for Property Management and Club Facilities Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed the range of contingency buffer of some other listed real estate investment trusts and noted that a buffer in the range of 4% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 25% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer adopted by Hui Xian REIT is reasonable.

Based on the above, we consider the Proposed Annual Caps for Property Management and Club Facilities Transactions with the Manager Group are fair and reasonable so far as the Independent Unitholders are concerned.

(c) *Internet and IT Service Transactions*

The Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the Internet and IT Service Transactions between the Hui Xian REIT Group and the CK Connected Persons Group were determined with general reference to the historical transaction amounts in respect of the internet and telecommunication services and taking into account the possible growth in costs and expenses at an annual growth rate of approximately 10%, and possible new internet and telecommunication services and information technology technical support and consultancy services which might be entered into between the Hui Xian REIT Group and the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

We noted that the amounts of Proposed Annual Caps for the Internet and IT Service Transactions for the three years ending 31 December 2020 are substantially higher than the historical transaction amounts of the Internet and IT Service Transactions for the two years ended 31 December 2015 and 2016, which mainly represented the web hosting fee. According to the Manager, the internet and telecommunication services in respect of the Properties are provided by certain independent service providers currently and would be subject to tender after expiration of their current term of services. We have reviewed the existing internet service agreements in respect of BOP and noted that such agreements would expire in mid-2017. The Manager expected that the CK Connected Persons Group might participate in the tenders and there were possibilities that the CK Connected Persons Group might be successful in bidding the tender(s). Therefore, the Manager has included approximately RMB2.8 million, RMB3.1 million and RMB3.4 million in the Proposed Annual Caps for the Internet and IT Service Transactions for the years ending 31 December 2018, 2019 and 2020 respectively to cater for the possible new agreements to be signed with the CK Connected Persons Group in relation to the internet and telecommunication services in BOP upon the expiry of the existing agreements. Such amounts were determined with reference to the actual transaction amount regarding the internet and telecommunication service for BOP provided by independent service providers for the year ended 31 December 2016, which amounted to approximately RMB2.3 million, and taking into account the possible growth in costs and expenses at an annual growth rate of 10%. Having taken into account the effect of general inflation in the PRC and there were no price adjustments for the internet and telecommunication services in BOP for at least two years, we concur with the view of the Manager that it is reasonable to include a growth factor of 10% for the existing agreements in relation to the Internet and IT Service Transactions for the three years ending 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Manager expected that the Hui Xian REIT Group might need information technology technical support and consultancy services in the future in its ordinary course of business and is now in the process of obtaining quotations from different service providers including both the CK Connected Persons Group and independent third parties in relation to such services. As the CK Connected Persons Group might provide the information technology technical support and consultancy services to the Hui Xian REIT Group in the coming years, the Manager has included approximately RMB0.3 million, RMB0.4 million and RMB0.4 million in the Proposed Annual Caps for the Internet and IT Service Transactions for the years ending 31 December 2018, 2019 and 2020 respectively to cater for the possible new agreements to be signed with the CK Connected Persons Group in relation to the information technology technical support and consultancy services. Such amounts were determined with reference to the quotation provided by the CK Connected Persons Group regarding the information technology technical support and consultancy services to be provided, and taking into account the possible growth in costs and expenses at an annual growth rate of 10%. We have reviewed the quotation from the CK Connected Persons Group and noted that the budgeted amount is in line with the quotation. Having taken into account the effect of general inflation in the PRC, we concur with the view of the Manager that it is reasonable to include a growth factor of 10% in relation to the Internet and IT Service Transactions for the three years ending 31 December 2020.

Furthermore, a buffer of 25% for contingencies such as unforeseeable market fluctuations is budgeted for the Proposed Annual Caps of the Internet and IT Service Transactions for each of the three years ending 31 December 2020. We have reviewed the range of contingency buffer of other listed real estate investment trusts and noted that a buffer in the range of 4% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 25% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the buffer adopted by Hui Xian REIT is reasonable.

In view of the possibility that new Internet and IT Service Transactions might be entered into between the Hui Xian REIT Group and the CK Connected Persons Group and the effect of general inflation in the PRC, we consider the Proposed Annual Caps for Internet and IT Service Transactions are fair and reasonable so far as the Independent Unitholders are concerned.

(d) Consumer Goods/Services Purchase Transactions

The Proposed Annual Caps for the CK Property Connected Party Transactions with respect to the Consumer Goods/Services Purchase Transactions between the Hui Xian REIT Group and the CK Connected Persons Group were determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses at an annual growth rate of approximately 10%, and possible new Consumer Goods/Services Purchase Transactions which might be entered into between the Hui Xian REIT Group and the CK Connected Persons Group, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2020.

The Manager expected that the transaction amount for the existing Consumer Goods/Services Purchase Transactions would increase with an annual growth rate of approximately 10% for the three years ending 31 December 2020 after taking into account the general inflation in the PRC. Meanwhile, an increase of approximately RMB0.5 million, RMB0.5 million and RMB0.6 million in transaction amount for each of the three years ending 31 December 2018, 2019 and 2020 respectively is budgeted for Harbour Plaza Chongqing and Sheraton Chengdu Lido Hotel, which were newly acquired in 2017. Such amounts were determined with reference to the annualized transaction amount for the two months ended 28 February 2017, and taking into account the possible growth in costs and expenses at an annual growth rate of 10%. In addition, a buffer of 25% for contingencies such as unforeseeable market fluctuations is budgeted in the Proposed Annual Cap of the Consumer Goods/Services Purchase Transactions for each of the three years ending 31 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account the effect of general inflation in the PRC, we are of the view that it is reasonable to include a growth factor of approximately 10% for the Consumer Goods/Services Purchase Transactions for the three years ending 31 December 2020.

We have also reviewed the range of contingency buffer of other listed real estate investment trusts and noted that a buffer in the range of 4% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps. Given that the buffer rate of 25% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the contingency buffer adopted by Hui Xian REIT is reasonable.

In view of the above, we consider the Proposed Annual Caps for Consumer Goods/Services Purchase Transactions are fair and reasonable so far as the Independent Unitholders are concerned.

5. Waiver conditions

According to the waivers being sought by Hui Xian REIT, the transactions under the 2017 CK Property/Manager Waivers are subject to certain review requirements, the details of which are set out in the Letter from the Board contained in the Circular. We are of the view that those review requirements can provide appropriate measures to govern the Manager in carrying out the relevant transactions and safeguard the interests of the Independent Unitholders.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the connected party transactions under the 2017 CK Property/Manager Waivers are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms; and (ii) the 2017 CK Property/Manager Waivers and the Proposed Annual Caps (and their basis) are fair and reasonable so far as the Independent Unitholders are concerned, and in the interests of Hui Xian REIT and Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we ourselves also recommend the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2017 CK Property/Manager Waivers (and the Proposed Annual Caps) at the upcoming EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

Notes:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “Unitholders”) of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) will be held at Grand Ballroom, 1/F, Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Friday, 12 May 2017 at 12:10 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for considering and, if thought fit, passing, with or without modification, the following ordinary resolutions:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the 2017 CK Property Waiver and the Proposed Annual Caps for CK Property Connected Party Transactions be and are hereby approved; and
- (b) the Manager, any director of the Manager, and the Trustee, each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

(2) “**THAT:**

- (a) the 2017 Manager Waiver and the Proposed Annual Caps for Manager Connected Party Transactions be and are hereby approved; and
- (b) the Manager, any director of the Manager, and the Trustee, each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

By order of the Board
Hui Xian Asset Management Limited
匯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, 21 April 2017

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Notes:

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Hui Xian REIT dated 21 April 2017 to the Unitholders (the “**Circular**”) shall have the same meanings when used in this notice.
2. A Unitholder entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised in accordance with its constitutional documents. The person appointed to act as proxy or corporate representative needs not be a Unitholder.
3. In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 12:00 noon on Wednesday, 10 May 2017, or not less than 48 hours before the time appointed for the holding of any adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude the Unitholders from attending and voting at the meeting or any adjourned meeting (as the case may be) and, in such event, the instrument appointing the proxy shall be deemed to be revoked.
4. Where there are joint registered Unitholders of a Unit, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint registered Unitholders and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Unitholders in respect of such Unit.
5. For the purpose of determining which Unitholders are entitled to attend and vote at the EGM and the annual general meeting of Hui Xian REIT to be held on Friday, 12 May 2017, the Register of Unitholders of Hui Xian REIT 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. In order to qualify for attending and voting at the EGM, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 8 May 2017.
6. The voting of the above Ordinary Resolutions at the EGM will be taken by way of poll. On a poll, votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or proxy shall have one vote for every Unit of which he is the Unitholder.

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