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

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

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

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**HUI XIAN** REIT  
匯賢產業信託

**Hui Xian Real Estate Investment Trust**

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

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

**CIRCULAR TO UNITHOLDERS IN RELATION TO  
(1) GENERAL MANDATE TO BUY BACK UNITS  
(2) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF CERTAIN  
CONTINUING CONNECTED PARTY TRANSACTIONS  
AND  
(3) NOTICE OF ANNUAL GENERAL MEETING**

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



**Crescendo Capital Limited**

**PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING**

Due to the outbreak of coronavirus (COVID-19) in Hong Kong, the following measures will be taken for the Annual General Meeting ("AGM"):

- **Lunch will not be served.**
- **Temperature checks will be taken prior to entry into the AGM venue.**
- **Surgical masks are to be worn at all times inside the premises of the hotel where the AGM is held including but not limited to the AGM venue. Each attendee shall provide his/her own surgical mask. No surgical mask will be provided.**

Any person who does not comply with the above precautionary measures may be denied entry into the hotel where the AGM is to be held. **The Manager reminds Unitholders that they may appoint proxies to vote on the relevant resolutions at the AGM as an alternative to attending the AGM in person.** To the extent permitted under laws, rules and regulations, the Manager reserves the right to deny any person entry into the AGM venue or require any person to leave the AGM venue in order to safeguard the health of attendees of the AGM.

A letter from the Board is set out on pages 1 to 20 of this circular.

A notice convening the Annual General Meeting of Hui Xian REIT to be held at Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 12 May 2020 at 12:00 noon is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend and vote at the Annual General Meeting in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or 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 Annual General Meeting or any adjournment thereof should you so wish.

3 April 2020

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## CORPORATE INFORMATION

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**Hui Xian Real Estate  
Investment Trust**

A collective investment scheme constituted as a unit trust  
and authorised under section 104 of the SFO

**Manager**

Hui Xian Asset Management Limited  
Unit 303, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

**Directors of the Manager**

*Non-executive Directors*

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

*Executive Directors*

Mr. CHEUNG Ling Fung, Tom (*Chief Executive Officer*)  
Mr. LEE Chi Kin, Casey (*Chief Operating Officer*)  
Ms. LAI Wai Yin, Agnes (*Chief Financial Officer*)

*Independent Non-executive  
Directors*

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

**Trustee**

DB Trustees (Hong Kong) Limited  
Level 52  
International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

**Unit Registrar**

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

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## DEFINITIONS

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

<b>“2020 CK/Manager Waivers”</b>	collectively, the 2020 CK Waiver and the 2020 Manager Waiver
<b>“2020 CK Waiver”</b>	the proposed modified and extended waiver for the Existing CK Waiver as described in this circular
<b>“2020 Manager Waiver”</b>	the proposed extended waiver for the Existing Manager Waiver as described in this circular
<b>“AGM or Annual General Meeting”</b>	the annual general meeting of Unitholders convened by and referred to in the notice of AGM as set out on pages N-1 to N-3 of this circular
<b>“Announcement”</b>	the announcement of Hui Xian REIT dated 2 April 2020 in relation to, among other things, the 2020 CK/Manager Waivers
<b>“Board”</b>	the board of Directors
<b>“Buy-back Mandate”</b>	the general mandate proposed to be granted to the Manager to allow the Manager to buy back on behalf of Hui Xian REIT up to 10% of the total number of Units in issue as at the date of the passing of the resolution approving such mandate in accordance with the terms and conditions as set out in the notice of AGM
<b>“Cheung Kong Group”</b>	Cheung Kong (Holdings) Limited (a wholly-owned subsidiary of CKH Holdings) and its subsidiaries
<b>“CK Asset”</b>	CK Asset Holdings Limited (formerly known as CK 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)
<b>“CK Asset Group”</b>	CK Asset and its subsidiaries
<b>“CK Connected Party Transactions”</b>	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; (iv) purchase of consumer goods and services; and (v) sale of consumer goods and services
<b>“CK Connected Persons Group”</b>	the group of connected persons covered under the Existing CK Waiver, being “CK Asset 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 Asset, including certain members of the CK Asset Group, or (ii) their being a member of the Cheung Kong Group or the HWL Group”

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## DEFINITIONS

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<b>“CKH Group”</b>	CKH Holdings and its subsidiaries
<b>“CKH Holdings”</b>	CK Hutchison Holdings Limited, which shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
<b>“connected person”</b>	has the meaning ascribed to it under the REIT Code
<b>“Director(s)”</b>	the director(s) of the Manager
<b>“Existing CK/Manager Waivers”</b>	collectively, the Existing CK Waiver and the Existing Manager Waiver
<b>“Existing CK Waiver”</b>	has the meaning ascribed to it in the section headed “2.2 The Existing CK/Manager Waivers” of the letter from the Board in this circular
<b>“Existing Manager Waiver”</b>	has the meaning ascribed to it in the section headed “2.2 The Existing CK/Manager Waivers” of the letter from the Board in this circular
<b>“Explanatory Statement”</b>	the explanatory statement set out in the appendix to this circular
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Hui Xian REIT”</b>	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
<b>“Hui Xian REIT Group”</b>	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
<b>“HWL Group”</b>	Hutchison Whampoa Limited (a wholly-owned subsidiary of CKH Holdings) and its subsidiaries
<b>“Independent Board Committee”</b>	the independent committee of the Board established to advise the Independent Unitholders on the 2020 CK/Manager Waivers, comprising all the INEDs, namely, Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan, and Dr. CHOI Koon Shum, Jonathan
<b>“Independent Financial Adviser”</b>	Crescendo Capital Limited, which is licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO
<b>“Independent Unitholders”</b>	Unitholders other than those Unitholders who have a material interest in the relevant waiver within the meaning of 8.11 of the REIT Code
<b>“INEDs”</b>	the independent non-executive Directors
<b>“Latest Practicable Date”</b>	20 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

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## DEFINITIONS

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<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented and/or otherwise modified from time to time
<b>“Manager”</b>	Hui Xian Asset Management Limited 滙賢房託管理有限公司, as the manager of Hui Xian REIT
<b>“Manager Connected Party Transactions”</b>	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
<b>“Manager Group”</b>	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
<b>“Offering Circular”</b>	the offering circular of Hui Xian REIT dated 11 April 2011 issued in connection with the initial public offering and listing of the Units on the Main Board of the Stock Exchange
<b>“Ordinary Resolution”</b>	a resolution proposed and passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy
<b>“Proposed Annual Caps”</b>	collectively, the Proposed Annual Caps for the CK Connected Party Transactions and the Proposed Annual Caps for the Manager Connected Party Transactions
<b>“Proposed Annual Caps for the CK Connected Party Transactions”</b>	the proposed annual caps for the CK Connected Party Transactions for the years ending 31 December 2021, 2022 and 2023, as set out in the section headed “2.4.2 Proposed Annual Caps for the CK Connected Party Transactions” of the letter from the Board in this circular
<b>“Proposed Annual Caps for the Manager Connected Party Transactions”</b>	the proposed annual caps for the Manager Connected Party Transactions for the years ending 31 December 2021, 2022 and 2023, as set out in the section headed “2.5.2 Proposed Annual Caps for the Manager Connected Party Transactions” of the letter from the Board in this circular
<b>“REIT Code”</b>	Code on Real Estate Investment Trusts issued by the SFC (as amended, supplemented and/or otherwise modified from time to time)
<b>“SFC”</b>	Securities and Futures Commission of Hong Kong
<b>“SFC Repurchase Circular”</b>	the “Circular to Management Companies of SFC-authorised Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorised REITs”, issued by the SFC on 31 January 2008

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## DEFINITIONS

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<b>“SFO”</b>	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Takeovers Code”</b>	the Codes on Takeovers and Mergers and Share Buy-Backs issued by the SFC as amended, supplemented and/or otherwise modified from time to time
<b>“Trust Deed”</b>	the trust deed dated 1 April 2011 constituting Hui Xian REIT as amended, modified or supplemented from time to time
<b>“Trustee”</b>	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
<b>“Unit(s)”</b>	the unit(s) of Hui Xian REIT
<b>“Unit Registrar”</b>	Computershare Hong Kong Investor Services Limited, as unit registrar of Hui Xian REIT
<b>“Unitholder(s)”</b>	holder(s) of Units

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

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

*\* English name for identification purpose only*

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## LETTER FROM THE BOARD

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**HUI XIAN** REIT  
匯賢產業信託

### Hui Xian Real Estate Investment Trust

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

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

***Directors of the Manager:***

*Non-executive Directors*

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

***Registered Office:***

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

*Executive Directors*

Mr. CHEUNG Ling Fung, Tom (*Chief Executive Officer*)  
Mr. LEE Chi Kin, Casey (*Chief Operating Officer*)  
Ms. LAI Wai Yin, Agnes (*Chief Financial Officer*)

*Independent Non-executive Directors*

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

3 April 2020

*To: Unitholders*

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO  
(1) GENERAL MANDATE TO BUY BACK UNITS  
(2) MODIFIED AND EXTENDED WAIVERS IN RESPECT OF CERTAIN  
CONTINUING CONNECTED PARTY TRANSACTIONS  
AND  
(3) NOTICE OF ANNUAL GENERAL MEETING**

Reference is made to (i) the SFC Repurchase Circular pursuant to which the Manager proposes to seek Unitholders' approval at the AGM to grant a general mandate to the Manager to effect on-market buyback(s) of Units on behalf of Hui Xian REIT and (ii) the Announcement disclosing, *inter alia*, that the Manager has applied to the SFC for the modification and extension (as the case may be) of the Existing CK/Manager Waivers from strict compliance with the requirements under the REIT Code.



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## LETTER FROM THE BOARD

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The purposes of this circular are to:

- (1) provide you with the AGM notice and further information on the Ordinary Resolutions to be proposed at the AGM to approve (i) the grant of the Buy-back Mandate; and (ii) the 2020 CK/Manager Waivers;
- (2) set out the recommendations of the Independent Board Committee to the Independent Unitholders, and the advice of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee, in relation to the 2020 CK/Manager Waivers; and
- (3) set out the particulars of the 2020 CK/Manager Waivers.

### **1. GENERAL MANDATE TO BUY BACK UNITS**

#### **1.1 Buy-back Mandate**

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

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

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

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

#### **1.2 Explanatory Statement**

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

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## LETTER FROM THE BOARD

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### **1.3 Maximum number of Units that may be bought back**

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

### **1.4 Approval required**

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

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

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

### **1.5 Restrictions on voting**

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

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

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

### **1.6 Opinion of the Board and Directors' recommendation**

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

### **1.7 Trustee's opinion and consent**

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

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## LETTER FROM THE BOARD

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The Trustee's confirmation is being furnished for the sole purpose of complying with the requirements of the SFC Repurchase Circular and is not to be taken as a recommendation or representation by the Trustee of the merits of the Buy-back Mandate or any statements or information made or disclosed in this circular. The Trustee has not made any assessment of the merits or impact of the Buy-back Mandate other than the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

### 2. 2020 MODIFIED AND EXTENDED CK/MANAGER WAIVERS

The Manager has applied to the SFC for the modification and extension (as the case may be, and details of which are set out in section 2.3 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 2023:

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

The Manager will seek Independent Unitholders' approval of such extensions, the details of which are set out in this section 2 below.

#### 2.1 Connected persons of Hui Xian REIT

CK Asset, being the ultimate holding company of Noblecrown Investment Limited (“**Noblecrown**”), 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 Asset and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with CK Asset, including members of the CK Asset 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.

#### 2.2 The Existing CK/Manager Waivers

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 (as defined in the Offering Circular) or (ii) the Manager Group (as the case may be) on the other hand (the waivers hereinafter collectively referred to as the “**Initial Waivers**”).

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## LETTER FROM THE BOARD

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The Manager applied for, and the SFC granted, subsequent modifications and/or extensions (as the case may be) of the Initial Waivers in 2012, 2014, 2015 and 2017 and the current relevant waivers set out below were granted on 12 May 2017 for a period up to and including 31 December 2020:

- (i) the “**Existing CK Waiver**”, which is a waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, in respect of (a) leasing and licensing transactions; (b) property management and club facilities transactions; (c) the use of internet and telecommunication services and information technology support services; and (d) the purchase of consumer goods and services, each conducted between (1) the Hui Xian REIT Group and (2) the CK Connected Persons Group; and
- (ii) the “**Existing Manager Waiver**”, which is a waiver from strict compliance with Chapter 8 of the REIT Code, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, in respect of (a) leasing and licensing transactions and (b) property management and club facilities transactions, each conducted between (1) the Hui Xian REIT Group and (2) the Manager Group.

Details of the Existing CK/Manager Waivers, the relevant annual cap amounts and the relevant conditions to such waivers were disclosed in the announcement of Hui Xian REIT dated 20 April 2017 and the circular of Hui Xian REIT dated 21 April 2017 respectively.

### **2.3 Proposed modification and extension of the Existing CK/Manager Waivers**

Each of the Existing CK/Manager Waivers will expire on 31 December 2020. In accordance with the waiver conditions of each of the Existing CK/Manager Waivers, each of them may be extended beyond 31 December 2020 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.

#### ***2.3.1 Reasons for the proposed modification of the Existing CK Waiver***

The CK Connected Persons Group had in the past purchased from the Hui Xian REIT Group certain consumer goods and services (such as banquets, food and beverages and laundry services etc.) and it is expected that the CK Connected Persons Group may from time to time continue to purchase, and the Hui Xian REIT Group may from time to time in the ordinary course of business continue to provide, consumer goods and services, including the aforesaid consumer goods and services (“**Consumer Goods/Services Sales Transactions**”) to the

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## LETTER FROM THE BOARD

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CK Connected Persons Group on terms no more favourable than those made available to independent third parties. In the past, the income derived from the Consumer Goods/Services Sales Transactions for every twelve-month period had not exceeded HK\$1 million. Taking into account the steady growth of income derived from the Consumer Goods/Services Sales Transactions, the re-opening of certain food and beverage facilities in late 2019 since their closure for refurbishment in May 2019 and the completion of the refurbishment of Hyatt Regency Liberation Square Chongqing in 2020, it is envisaged that the revenue receivable by the Hui Xian REIT Group from the CK Connected Persons Group under the Consumer Goods/Services Sales Transactions will increase, and hence the Manager proposes to modify the scope of the Existing CK Waiver by adding a new category of transaction covering the Consumer Goods/Services Sales Transactions to be provided by members of the Hui Xian REIT Group to members of the CK Connected Persons Group.

### ***2.3.2 Proposed modification and extension sought***

In view of the expiry of the Existing CK/Manager Waivers on 31 December 2020 and the reasons set out in section 2.3.1 above, the Manager proposes to seek Independent Unitholders' approval, by way of Ordinary Resolutions at the AGM:

- (i) to modify the Existing CK Waiver by including an additional category of transactions in respect of the sale of consumer goods and services to the CK Connected Persons Group;
- (ii) to extend each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (i) above) for a further period up to and including 31 December 2023; and
- (iii) to set the new annual caps for the three years ending 31 December 2023 for the transactions under each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (i) above).

(the Existing CK/Manager Waivers so modified and extended will hereinafter be referred to as the “**2020 CK Waiver**” and the “**2020 Manager Waiver**” respectively.)

## **2.4 2020 CK Waiver**

### ***2.4.1 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; (d) paid by the Hui Xian REIT Group to the CK Connected Persons

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Group with respect to the purchase of consumer goods and services; and (e) paid to the Hui Xian REIT Group by the CK Connected Persons Group in respect of the sale of consumer goods and services, for the two financial years ended 31 December 2018 and 2019 were as follows:

Transactions	Financial year ended 31 December 2018 <i>RMB'000</i>	Financial year ended 31 December 2019 <i>RMB'000</i>
(a) Leasing and licensing transactions	14,975	18,266
<i>Annual caps</i>	113,300	113,300
(b) Property management and club facilities transactions	57,373	52,817
<i>Annual caps</i>	85,400	93,900
(c) Usage of internet and telecommunication services and information technology support services	983	1,280
<i>Annual caps</i>	4,000	4,300
(d) Purchase of consumer goods and services	1,761	1,819
<i>Annual caps</i>	2,600	2,900
(e) Sale of consumer goods and services <sup>(Note)</sup>	639	499

*Note:* These transactions were not covered under the Existing CK Waiver, and the historical amount in respect thereof for the two financial years ended 31 December 2018 and 2019 are disclosed for information and reference only.

### ***2.4.2 Proposed Annual Caps for the CK 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; (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;

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and (e) to be paid to the Hui Xian REIT Group by the CK Connected Persons Group in respect of the sale of consumer goods and services, for the three years ending 31 December 2021, 2022 and 2023, are not to exceed the respective annual cap amounts as follows:

Transactions under the 2020 CK Waiver	Financial year ending 31 December 2021 <i>RMB'000</i>	Financial year ending 31 December 2022 <i>RMB'000</i>	Financial year ending 31 December 2023 <i>RMB'000</i>
(a) Leasing and licensing transactions	113,300	113,300	113,300
(b) Property management and club facilities transactions	79,900	87,900	96,700
(c) Usage of internet and telecommunication services and information technology support services	3,500	3,800	4,200
(d) Purchase of consumer goods and services	3,500	3,900	4,300
(e) Sale of consumer goods and services	1,600	1,700	1,900

### ***2.4.3 Basis for the Proposed Annual Caps for the CK Connected Party Transactions***

The above Proposed Annual Caps for the CK Connected Party Transactions are determined with general reference to the historical transaction amounts and:

- (a) with respect to the leasing and licensing transactions, based on the anticipated aggregate value of such transactions during the relevant financial years after taking into account the possible growth in, among others, rentals and building management fee receivable from the CK Connected Persons Group and possible new leasing and licensing transactions which may be entered into between the Hui Xian REIT Group and the CK Connected Persons Group;
- (b) with respect to the property management and club facilities transactions, based on the anticipated aggregate value of such transactions during the relevant financial years and the possible new property management and club facilities transactions which may be entered into between the Hui Xian REIT Group and the CK Connected Persons Group;
- (c) with respect to the internet and telecommunication services and information technology support services transactions, 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;

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- (d) 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, taking into account the possible growth in costs and expenses and possible new purchase of consumer goods and services<sup>1</sup> by the Hui Xian REIT Group from the CK Connected Persons Group; and
- (e) with respect to the sale of consumer goods and services to be paid to the Hui Xian REIT Group by the CK Connected Persons Group, taking into account the possible growth in the sale of consumer goods and services<sup>2</sup> by the Hui Xian REIT Group to the CK Connected Persons Group in light of the possible increase in customers of Hui Xian REIT's hotels after the completion of the refurbishment of Hyatt Regency Liberation Square Chongqing in 2020,

and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2023.

### ***2.4.4 Waiver conditions for the 2020 CK Waiver***

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

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2020 CK Waiver and the Proposed Annual Caps for CK Connected Party Transactions as set out in the notice of AGM dated 3 April 2020, without any material amendment thereto.

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

The 2020 CK Waiver will be granted for a period of three financial years ending 31 December 2023. The 2020 CK Waiver may be extended beyond 31 December 2023, and/or the terms and conditions of the 2020 CK 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 2020 CK 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 2020 CK 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.

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<sup>1</sup> Such consumer goods and services include, inter alia, cleaning and maintenance supplies, food and beverages and personal care products etc. For details, please refer to the circular of Hui Xian REIT dated 21 April 2017.

<sup>2</sup> Details of such consumer goods and services have been disclosed under section 2.3.1 of the Letter from the Board in this circular.



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*(iii) Annual caps*

The annual value of the connected party transactions under the 2020 CK 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 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
(a) Leasing and licensing transactions	113,300	113,300	113,300
(b) Property management and club facilities transactions	79,900	87,900	96,700
(c) Usage of internet and telecommunication services and information technology support services	3,500	3,800	4,200
(d) Purchase of consumer goods and services	3,500	3,900	4,300
(e) Sale of consumer goods and services	1,600	1,700	1,900

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2020 CK 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;

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- (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.

*(ix) Subsequent increase 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

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- (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.

### 2.5 2020 Manager Waiver

#### 2.5.1 *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 2018 and 2019 were as follows:

Transactions under the Existing Manager Waiver	Financial year ended 31 December 2018 RMB'000	Financial year ended 31 December 2019 RMB'000
(a) Leasing and licensing transactions	480	494
<i>Annual cap</i>	600	700
(b) Property management and club facilities transactions	77,572	86,304
<i>Annual cap</i>	130,100 <sup>(Note)</sup>	143,000 <sup>(Note)</sup>

*Note:* Including the portion of the Variable Fee (as defined in the Trust Deed) 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.

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### 2.5.2 Proposed Annual Caps for the 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 2021, 2022 and 2023, are not to exceed the respective annual cap amounts as follows:

Transactions under the 2020 Manager Waiver	Financial year ending 31 December 2021 RMB'000	Financial year ending 31 December 2022 RMB'000	Financial year ending 31 December 2023 RMB'000
(a) Leasing and licensing transactions	1,300	1,300	1,400
(b) Property management and club facilities transactions	162,600 <sup>(Note)</sup>	178,800 <sup>(Note)</sup>	196,700 <sup>(Note)</sup>

*Note:* Including the portion of the Variable Fee (as defined in the Trust Deed) 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.

### 2.5.3 Basis for the Proposed Annual Caps for the Manager Connected Party Transactions

The above 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:

- (a) with respect to the leasing and licensing transactions, the possible growth in, among others, rentals and building management fee receivable from the Manager Group and possible new leasing and licensing transactions which may be entered into between the Hui Xian REIT Group and the Manager Group; and
- (b) with respect to the property management and club facilities transactions, the possible increase in expenses and possible new property management and club facilities transactions which may be entered into between the Hui Xian REIT Group and 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 2023.

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### 2.5.4 Waiver conditions for the 2020 Manager Waiver

(i) *Due approval by Unitholders*

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the 2020 Manager Waiver and the Proposed Annual Caps for Manager Connected Party Transactions as set out in the notice of AGM dated 3 April 2020, without any material amendment thereto.

(ii) *Extensions or modifications*

The 2020 Manager Waiver will be granted for a period of three financial years ending 31 December 2023 and may be extended beyond 31 December 2023, and/or the terms and conditions of the 2020 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 2020 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 2020 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.

(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:

<b>Categories of connected party transactions</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>	<b>For the year ending 31 December 2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(a) Leasing and licensing transactions	1,300	1,300	1,400
(b) Property management and club facilities transactions	162,600	178,800	196,700

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In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2020 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).

*(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.

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*(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 increase 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.

*(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.

## **2.6 Approvals required**

As mentioned in the section headed "2.3 Proposed modification and extension of the Existing CK/Manager Waivers" above, pursuant to the conditions of each of the Existing CK/Manager Waivers, each of the Existing CK/Manager Waivers may be extended beyond 31 December 2020, 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 2020 CK Waiver (including the Proposed Annual Caps for the CK Connected Party Transactions) and (b) the 2020 Manager Waiver (including the Proposed Annual Caps for the Manager Connected Party Transactions), each by way of a separate Ordinary Resolution at the AGM.

### ***2.6.1 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.

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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 2020 CK/Manager Waiver(s), (i) the CK Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2020 CK Waiver; and (ii) the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2020 Manager Waiver. Further, subsidiaries of CK Asset which are Unitholders as referred to in note 1 to the first table in this section 2.6.1 will abstain from voting on the Ordinary Resolution to approve the 2020 Manager Waiver.

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

Entities/individuals	Number of Units held	Approximate percentage of unitholding
Certain subsidiaries of CK Asset <sup>(Note 1)</sup>	1,891,751,080	32.17%
Li Ka Shing Foundation Limited <sup>(Note 2)</sup>	600,000	0.01%
KAM Hing Lam	831,073	0.01%
IP Tak Chuen, Edmond	1,100,000	0.02%
TONG BARNES Wai Che, Wendy	142,856	0.00%

Notes:

- These subsidiaries of CK Asset are Noblecrown (held 1,077,798,832 Units), Wisdom Ally Limited (held 172,588,661 Units), Wealth Finder Limited (held 40,440,442 Units), Heathcliff Developments Limited (held 579,738,788 Units) and the Manager (held 21,184,357 Units).
- Associate of Mr. LI Tzar Kuoi, Victor, who is a director of a significant holder of Hui Xian REIT.

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

Individuals	Number of Units held	Approximate percentage of unitholding
KAM Hing Lam	831,073	0.01%
IP Tak Chuen, Edmond	1,100,000	0.02%
CHEUNG Ling Fung, Tom	89,574	0.00%
TONG BARNES Wai Che, Wendy	142,856	0.00%

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 2020 CK/Manager Waiver(s).



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## LETTER FROM THE BOARD

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

Crescendo Capital Limited has been appointed as the independent financial adviser to provide its opinion on the 2020 CK/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 2020 CK/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 2020 CK/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 interests of Hui Xian REIT and the Independent Unitholders as a whole. The Independent Financial Adviser recommends the Independent Board Committee to advise the Independent Unitholders, and Independent Financial Adviser also recommends the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2020 CK/Manager Waivers (and the Proposed Annual Caps) at the upcoming AGM.

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

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the 2020 CK/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 2020 CK/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 2020 CK/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 interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Independent Board Committee therefore recommends that the Independent Unitholders to vote in favour of all the Ordinary Resolutions to approve the 2020 CK/Manager Waivers (including the Proposed Annual Caps) at the AGM.

### **2.9 Opinion and recommendation of the Board**

Having regard to the reasons for, the scope of and the waiver terms and conditions for the 2020 CK/Manager Waivers and the Proposed Annual Caps, the Board considers that:

- (a) the 2020 CK/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 interests 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

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- (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 in favour of all the Ordinary Resolutions to approve the 2020 CK/Manager Waivers (including the Proposed Annual Caps) at the AGM.

### **2.10 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 2020 CK/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 Trustee's view is not to be taken as a recommendation or representation by the Trustee of the merits of the 2020 CK/Manager Waivers and the Proposed Annual Caps. The Trustee has not made any assessment of the merits or impact of the 2020 CK/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 2020 CK/Manager Waivers (including the Proposed Annual Caps) should seek their own financial or other professional advice.

## **3. ANNUAL GENERAL MEETING**

The AGM will be held at Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 12 May 2020 at 12:00 noon, for the purpose of, among others, considering and, if thought fit, passing, with or without modifications, the Ordinary Resolutions set out in the notice of AGM, which is set out on pages N-1 to N-3 of this circular.

For the purposes of determining the entitlements of Unitholders to attend and vote at the AGM, the Register will be closed from Thursday, 7 May 2020 to Tuesday, 12 May 2020, both days inclusive, during which period no transfer of Units will be effected. For those Unitholders who are not already on the Register, in order to qualify to attend and vote at the AGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 6 May 2020.

You can vote at the AGM if you are a Unitholder on Tuesday, 12 May 2020. You will find enclosed with this circular the notice of AGM (see pages N-1 to N-3 of this circular) and a form of proxy for use for the AGM.

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## LETTER FROM THE BOARD

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Please complete, sign and date the enclosed form of proxy, whether or not you are able to attend the AGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or 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 AGM or any adjournment thereof should you wish.

#### 4. 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.

Save as disclosed in Hui Xian REIT's annual results announcement dated 16 March 2020, as at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of Hui Xian REIT since 31 December 2019 (being the date to which the latest published audited financial statements of Hui Xian REIT have been made up).

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.

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

Yours faithfully,  
**By Order of the Board**  
**Hui Xian Asset Management Limited**  
**滙賢房託管理有限公司**  
**(as Manager of Hui Xian Real Estate Investment Trust)**  
**H L KAM**  
*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**

3 April 2020

*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 2020 CK/Manager Waivers (and the Proposed Annual Caps), details of which are set out in the “Letter from the Board” in the circular dated 3 April 2020 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.

Crescendo Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the 2020 CK/Manager Waivers (and the Proposed Annual Caps), in particular as to (i) whether the transactions under the 2020 CK/Manager Waivers are conducted in the ordinary and usual course of business and whether the terms of which are at arm’s length and on normal commercial terms, and (ii) whether the 2020 CK/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 Crescendo Capital Limited, we consider that (i) the connected party transactions under the 2020 CK/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 2020 CK/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 interests of Hui Xian REIT and the Independent Unitholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolutions to approve the 2020 CK/Manager Waivers and the Proposed Annual Caps at the AGM.

Yours faithfully,

*Independent Board Committee*

**Hui Xian Asset Management Limited**

**滙賢房託管理有限公司**

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

**CHENG Hoi Chuen, Vincent**

**LEE Chack Fan**

**CHOI Koon Shum, Jonathan**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the 2020 CK/Manager Waivers and the Proposed Annual Caps.*



1506 Tai Tung Building  
8 Fleming Road  
Wanchai, Hong Kong

3 April 2020

Hui Xian Real Estate Investment Trust  
Unit 303, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Dear Sirs,

### **2020 CK/MANAGER 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 2020 CK/Manager Waivers (and the Proposed Annual Caps), details of which are set out in the Letter from the Board contained in the circular dated 3 April 2020 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined elsewhere in the Circular unless the context requires otherwise.

At the time of authorization of Hui Xian REIT under section 104 of the SFO in April 2011 before the first listing of the Units on the Stock Exchange, waivers were granted by the SFC in relation to certain connected party transactions between the Hui Xian REIT Group on the one hand, and (i) the Cheung Kong Connected Persons Group (as defined in the Offering Circular) or (ii) the Manager Group (as the case maybe) on the other hand, for a period up to and including 31 December 2013. The Manager applied for, and the SFC granted, subsequent modifications and/or extensions (as the case may be) of such initial waivers and each of the Existing CK/Manager Waivers was granted for a period up to and including 31 December 2020. The Manager expects such connected party transactions shall continue from time to time in the future and thus proposes to seek the approval from the Independent Unitholders for the 2020 CK/Manager Waivers (and the Proposed Annual Caps thereunder), including (a) modifying the Existing CK

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Waiver by including an additional category of transactions in respect of the sale of consumer goods and services to the CK Connected Persons Group; (b) extending each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (a) above) for a further period up to and including 31 December 2023; and (c) setting the new annual caps for the three years ending 31 December 2023 for the transactions under each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (a) above).

CK Asset, being the ultimate holding company of Noblecrown Investment 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 Asset indirectly held a total of 1,891,751,080 Units (representing approximately 32.17% of the Units in issue). The Manager is also a connected person of Hui Xian REIT under 8.1(a) of the REIT Code.

By virtue of their material interest in the relevant 2020 CK/Manager Waiver(s), (i) the CK Connected Persons Group shall abstain from voting on the Ordinary Resolution to approve the 2020 CK Waiver; and (ii) the Manager Group shall abstain from voting on the Ordinary Resolution to approve the 2020 Manager Waiver, in accordance with the REIT Code and the Trust Deed. Further, subsidiaries of CK Asset which are Unitholders shall also abstain from voting on the Ordinary Resolution to approve the 2020 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 2020 CK/Manager Waivers (and the Proposed Annual Caps). We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the 2020 CK/Manager Waivers (and the Proposed Annual Caps), in particular as to whether the transactions under the 2020 CK/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 whether the 2020 CK/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.

Crescendo Capital Limited is independent of (i) the Hui Xian REIT Group; (ii) the Trustee; (iii) the Manager Group; (iv) the CK Connected Persons Group; and (v) each of the significant holders of Hui Xian REIT and their respective associates and does 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 the occasion as detailed in the circular of Hui Xian REIT dated 3 April 2019, we have not acted as a financial adviser or an independent financial adviser to Hui Xian REIT and its associates 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 each of the abovementioned entities or persons. We were not aware of any relationship or interest between us and Hui Xian REIT or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee, the Independent Unitholders and the Trustee.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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 Directors and management of 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 AGM. 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, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we have reviewed include, among others, the 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 connected party transactions, the internal control and compliance procedures contained in the compliance manual of the Manager for governing the 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 purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Hui Xian REIT Group, the Manager and the related subjects of, and parties to, the transactions under the 2020 CK/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 2020 CK/Manager Waivers (and the Proposed Annual Caps), we have considered the following principal factors and reasons:

#### **1. Background of the transactions under the 2020 CK/Manager Waivers**

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

The Manager applied for, and the SFC granted, subsequent modifications and/or extensions (as the case may be) of such initial waivers in 2012, 2014, 2015 and 2017. The current relevant waivers were granted on 12 May 2017 for a period of three years up to and including 31 December 2020, namely (i) the Existing CK Waiver, which is a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, in respect of (a) leasing and licensing transactions; (b) property management and club facilities transactions; (c) the use of internet and telecommunication services and information technology support services; and (d) the purchase of consumer goods and services, each conducted between the Hui Xian REIT Group and the CK Connected Persons



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Group; and (ii) the Existing Manager Waiver, which is a waiver from strict compliance with Chapter 8 of the REIT Code, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, in respect of (a) leasing and licensing transactions; and (b) property management and club facilities transactions, each conducted between the Hui Xian REIT Group and the Manager Group.

Each of the Existing CK/Manager Waivers will expire on 31 December 2020 and the Manager expects that the connected party transactions under the Existing CK/Manager Waivers may be conducted from time to time in the future with modification to the scope of the Existing CK Waiver by including an additional category of transactions in respect of the sale of consumer goods and services to the CK Connected Persons Group. The CK Connected Persons Group had in the past purchased from the Hui Xian REIT Group certain consumer goods and services (such as banquets, food and beverages and laundry services etc.) but the income derived from such transactions for every twelve-month period had not exceeded HK\$1 million. However, it is expected that the CK Connected Persons Group may from time to time continue to purchase, and the Hui Xian REIT Group may from time to time in the ordinary course of business continue to provide, consumer goods and services (the “**Consumer Goods/Services Sales Transactions**”) to the CK Connected Persons Group on terms no more favourable than those made available to independent third parties and the revenue receivable by the Hui Xian REIT Group from the CK Connected Persons Group under the Consumer Goods/Services Sales Transactions will increase. Therefore, the Manager proposes to modify the scope of the Existing CK Waiver by adding a new category of transactions covering the Consumer Goods/Services Sales Transactions to be provided by the Hui Xian REIT Group to the CK Connected Persons Group.

In view of the expiry of the Existing CK/Manager Waivers on 31 December 2020 and the reasons for modification of the Existing CK Waiver, the Manager proposes to seek the approval from the Independent Unitholders for (a) modifying the Existing CK Waiver by including an additional category of transactions in respect of the sale of consumer goods and services to the CK Connected Persons Group; (b) extending each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (a) above) for a further period up to and including 31 December 2023; and (c) setting the new annual caps for the three years ending 31 December 2023 for the transactions under each of the Existing CK/Manager Waivers (as modified, where applicable, as described in (a) above).

The transactions under the 2020 CK/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 services and information technology support services (the “**Internet and IT Service Transactions**”); (d) 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 (the “**Consumer Goods/Services Purchase Transactions**”); and (e) the Consumer Goods/Services Sales Transactions, being the sale of consumer goods and services, including but not limited to banquets, food and beverages and laundry services, 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:

*(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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(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 services and information technology support 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.

**(e) *Consumer Goods/Services Sales Transactions***

Consumer Goods/Services Sales Transactions include the sale of consumer goods and services, including but not limited to banquets, food and beverages and laundry services to the CK Connected Persons Group by the Hui Xian REIT Group.

## **2. Reasons for the transactions under the 2020 CK/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, Chongqing Metropolitan Oriental Plaza and Hyatt Regency Liberation Square Chongqing in Chongqing, Sofitel Shenyang Lido in Shenyang and Sheraton Chengdu Lido Hotel in Chengdu. Beijing Oriental Plaza is a commercial complex comprising a shopping mall, 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. Sofitel Shenyang Lido is a five-star hotel with serviced apartments while Hyatt Regency Liberation Square Chongqing and Sheraton Chengdu Lido Hotel are international hotels.

As at the Latest Practicable Date, certain properties, including, *inter alia*, office units and retail 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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. Moreover, BOP has been using the internet and telecommunication services and information technology support services of the CK Connected Persons Group in the ordinary and usual course of management and operation in certain areas of Beijing Oriental Plaza. In addition, Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza have been purchasing consumer goods/services such as cleaning supplies and food and beverages, and the Hui Xian REIT Group has been using the hotel services, from the CK Connected Persons Group in the ordinary and usual course of their operation. The Hui Xian REIT Group has also been selling consumer goods/services such as banquets, food and beverages and laundry services to the CK Connected Persons Group in the ordinary and usual course of business. The Manager expected that the abovementioned Leasing and Licensing Transactions, Property Management and Club Facilities Transactions, Internet and IT Service Transactions, Consumer Goods/Services Purchase Transactions and Consumer Goods/Services Sales 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 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; (iv) the Hui Xian REIT Group has the practical need to use internet and telecommunication and information technology support 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/purchase the services/products of the CK Connected Persons Group as and when appropriate; and (v) the sale of consumer goods and services is one of the core businesses and sources of income of the Hui Xian REIT Group and the Consumer Goods/Services Sales Transactions shall contribute additional income to the Hui Xian REIT Group, we consider that the proposed connected party transactions under the 2020 CK/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.

### **3. Major terms of the transactions under the 2020 CK/Manager Waivers**

According to the 2020 CK/Manager Waivers being sought from the SFC, the waiver terms and conditions are substantially the same as the conditions for the Existing CK/Manager Waivers (save for the modification in respect of the Existing CK Waiver and the extension of the term and setting the new annual caps relating to the Existing CK/Manager Waivers as disclosed in the letter from the Board). The transactions under the 2020 CK/Manager Waivers should be conducted in the ordinary and usual course of business of Hui Xian REIT 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 Hui Xian REIT than terms available to or from, as appropriate, independent third parties. Moreover, an

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 2020 CK/Manager Waivers become 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 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 determined 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 and retail units and compared their terms with those of the tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of similar properties and noted that the major terms such as rentals, building management fees and rental deposit offered to the CK Connected Persons Group and the Manager Group were no more favourable than those offered to 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 at arm's length and on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned. We were confirmed by the Manager that the same principles and internal control procedures would be consistently applied in the future in determination of the terms of the Leasing and Licensing Transactions. Therefore, we believe that the terms of the Leasing and Licensing Transactions to be carried out in the future would also be at arm's length and on normal commercial terms and fair and reasonable to the Independent Unitholders.

***(b) Property Management and Club Facilities Transactions***

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

As at the Latest Practicable Date, the CK Connected Persons Group were engaged by BOP and COP to provide property management services including cleaning, security, patrolling, maintenance and other building management services in respect of Beijing Oriental Plaza (other than Grand Hyatt Beijing at Beijing Oriental Plaza) and Chongqing Metropolitan Oriental Plaza respectively. 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.

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 and noted that the price offered by the relevant members of the CK Connected Person Group under the contract for property management

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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services was the lowest among other quotations. 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 2% 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.

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 for providing 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.

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 3% per annum of gross property revenue. Given the rate of a maximum of 3% per annum of NPI charged by the Manager Group 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 were confirmed by the Manager that the same principles would be consistently applied



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in the future in determination of the terms of the Property Management and Club Facilities Transactions. Therefore, we 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.

**(c) *Internet and IT Service Transactions***

We understand that the Hui Xian REIT Group has been using the internet and telecommunication and information technology support services provided by the CK Connected Persons Group in its ordinary and usual course of business. The Manager confirmed that the Internet and IT Service Transactions were and would be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions were and would be determined on normal commercial terms.

We have reviewed the service agreement entered into with the CK Connected Persons Group and compared with the quotations provided by independent third parties in respect of similar services and noted that the terms offered by the CK Connected Persons Group were comparable to that of the independent third parties. 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 were confirmed by the Manager that the same principles would be consistently applied in the future in determination of the terms of the Internet and IT Service Transactions. Therefore, we believe that the terms of the Internet and IT Service Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders.

**(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, food and beverages and hotel services from 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/invoices provided by the CK Connected Persons Group in respect of supply of consumer goods/services and compared with the quotations provided by independent third parties for the same goods/services and noted that the prices offered by the CK Connected Persons Group were 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 were confirmed by the Manager that the same principles would be consistently applied in the future in determination of the terms of the Consumer Goods/Services Purchase Transactions. Therefore, we believe that the terms of the Consumer Goods/Services Purchase Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders.

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*(e) Consumer Goods/Services Sales Transactions*

We were advised by the Manager that the Hui Xian REIT Group has been selling consumer goods and services such as banquets, food and beverages and laundry services to the CK Connected Persons Group in its ordinary and usual course of business. The Manager confirmed that the Consumer Goods/Services Sales 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 invoices issued by the Hui Xian REIT Group to the CK Connected Persons Group in respect of the sale of consumer goods/services and compared the prices set out in the invoices with the price list/menu of the same consumer goods/services and noted that the prices offered to the CK Connected Persons Group were no more favourable than those offered to the independent third parties. In view of the above, we are of the opinion that the terms of the Consumer Goods/Services Sales 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 were confirmed by the Manager that the same principles would be consistently applied in the future in determination of the terms of the Consumer Goods/Services Sales Transactions. Therefore, we believe that the terms of the Consumer Goods/Services Sales Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders.

We have also reviewed the internal control and compliance procedures contained in the compliance manual of the Manager for governing the connected party transactions and we are of the view that adequate and appropriate procedures were set to govern the connected party transactions. We also noted that the internal control and compliance procedures were properly implemented by the Manager in carrying out the CK 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 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 interests of Hui Xian REIT and the Unitholders as a whole.

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### 4. Bases of the Proposed Annual Caps

The historical transaction amounts and the Proposed Annual Caps for the CK Connected Party Transactions and the Manager Connected Party Transactions are summarized as follows:

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

	Historical Transaction		Proposed Annual Caps		
	Amount				
	For the year ended		For the year ending		
	31 December	31 December	31 December	31 December	31 December
	2018	2019	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Leasing and Licensing Transactions</b>					
— the CK Connected Persons Group					
Historical transaction amount	14,975	18,266	N/A	N/A	N/A
Annual caps	113,300	113,300	113,300	113,300	113,300
Utilization rate (approximately)	13%	16%	N/A	N/A	N/A
— the Manager Group					
Historical transaction amount	480	494	N/A	N/A	N/A
Annual caps	600	700	1,300	1,300	1,400
Utilization rate (approximately)	80%	71%	N/A	N/A	N/A
<b>Property Management and Club Facilities Transactions</b>					
— the CK Connected Persons Group					
Historical transaction amount	57,373	52,817	N/A	N/A	N/A
Annual caps	85,400	93,900	79,900	87,900	96,700
Utilization rate (approximately)	67%	56%	N/A	N/A	N/A
— the Manager Group					
Historical transaction amount	77,572	86,304	N/A	N/A	N/A
Annual caps <sup>Note 1</sup>	130,100	143,000	162,600	178,800	196,700
Utilization rate (approximately)	60%	60%	N/A	N/A	N/A



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	Historical Transaction		Proposed Annual Caps		
	Amount				
	For the year ended		For the year ending		
	31 December		31 December		
	2018	2019	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Internet and IT Service Transactions</b>					
— the CK Connected Persons Group					
Historical transaction amount	983	1,280	N/A	N/A	N/A
Annual caps	4,000	4,300	3,500	3,800	4,200
Utilization rate (approximately)	25%	30%	N/A	N/A	N/A
<b>Consumer Goods/Services Purchase Transactions</b>					
— the CK Connected Persons Group					
Historical transaction amount	1,761	1,819	N/A	N/A	N/A
Annual caps	2,600	2,900	3,500	3,900	4,300
Utilization rate (approximately)	68%	63%	N/A	N/A	N/A
<b>Consumer Goods/Services Sales Transactions</b>					
— the CK Connected Persons Group					
Historical transaction amount <sup>Note 2</sup>	639	499	N/A	N/A	N/A
Annual caps	N/A	N/A	1,600	1,700	1,900
Utilization rate (approximately)	N/A	N/A	N/A	N/A	N/A

*Notes:*

1. Including the portion of the Variable Fee (as defined in the Trust Deed) 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.
2. These transactions were not covered by the Existing CK Waiver, and the historical amounts in respect thereof for the two years ended 31 December 2018 and 2019 are disclosed for information and reference only.

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We were given to understand that in determining the Proposed Annual Caps, the Manager has not considered the transaction amounts for the two months ended 29 February 2020 as those figures are unavailable as at the Latest Practicable Date owing to the recent outbreak of the novel coronavirus disease (COVID-19). In order to curb the spread of the disease, the operations of hotels and malls in mainland China have been halted and accordingly had caused disruptions to the Hui Xian REIT Group's operations in mainland China. As such, the transactions conducted under the Existing CK/Manager Waivers for the two months ended 29 February 2020 had also been adversely affected. Given the transaction amounts for the two months ended 29 February 2020 were unavailable as at the Latest Practicable Date and, even if such figures were available, the figures recorded at a time under such exceptional circumstances might not be a meaningful reference for projecting the transaction amounts of the Hui Xian REIT Group for a financial year under normal operations or assessing the Proposed Annual Caps, we consider that it is justifiable to determine the Proposed Annual Caps based on, among others, the transaction amounts for the two years ended 31 December 2018 and 2019.

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

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

The Proposed Annual Caps for the CK 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 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, among others, rentals and building management fee receivable from the CK Connected Persons Group at a rate of 7% per annum for the existing tenancy with the CK Connected Persons Group and possible new leasing and licensing 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 2023.

We noted that the Proposed Annual Cap for the CK Connected Party Transactions with respect to the Leasing and Licensing Transactions for each of the three years ending 31 December 2023 was the same as the approved annual caps of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group for the years ended 31 December 2018 and 2019 and the year ending 31 December 2020 under the Existing CK Waiver while it was significantly higher than the historical transaction amount for the years ended 31 December 2018 and 2019 respectively. We were advised by the Manager that, in addition to the effect on the assumed annual growth in rentals and building management fee of 7% for the existing tenancy with the CK Connected Persons Group, the transaction amount of the Leasing and Licensing Transactions in respect of the CK Connected Persons Group for the three years ending 31 December 2023 might be much higher than the historical transaction amount for the year ended 31 December 2019 as certain leases or licenses of premises in Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza with independent third parties would expire in 2020 and 2021, 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 RMB59.7 million, RMB58.3 million and RMB56.7 million for the years ending 31 December 2021, 2022 and

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2023 respectively although the increment in transaction amount derived from new leases with the CK Connected Persons Group is expected to decrease steadily from 2021 to 2023. 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 2020 and 2021 and the leasing and licensing income receivable from such premises under the current leases and licenses amounted to over RMB1.2 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.

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 2023 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 growth rate of the gross domestic product (“GDP”) of the PRC.

With reference to the latest statistics released by the National Bureau of Statistics of the PRC, the GDP of the PRC for the year ended 31 December 2019 was approximately RMB99,086.5 billion, representing a growth rate of approximately 6.1% over last year, and the national per capita disposable income was approximately RMB30,733 for the year ended 31 December 2019, representing a real growth of approximately 5.8% over the previous year. The statistics also showed that the national consumer price index for 2019 had increased by 2.9% as compared to 2018 with the national consumer price index for December 2019 increased by 4.5% as compared to December 2018. The OECD Economic Outlook, Volume 2019 Issue 2 released in November 2019 by the Organization for Economic Cooperation and Development, an international organization with 34 country members, revealed that in 2019, frontloading of exports had helped to support economic activities in the PRC but increased tariffs would constrain growth going forward. Imports were expected to slow further as demand for imported inputs eased, resulting in an increase in the current account surplus. Benefited from the government infrastructure projects and robust real estate investment, the overall investment growth in the PRC was no longer slowing although manufacturing investment growth was weak. Private consumption was anticipated to grow steadily on the back of relatively strong disposable income gains. Inflation was easing, notwithstanding soaring prices of some consumption goods. Overall speaking, the economic growth was projected to decline in the coming years as the economy continues to rebalance and trade tensions remain high. It was expected that the GDP growth rates in the PRC for 2020 and 2021 would be 5.7% and 5.5% respectively.

According to “Real Estate Market Outlook 2020 Greater China” issued in February 2020 by CBRE, an independent global commercial real estate service provider listed on the New York Stock Exchange, the new supply and rising vacancy would continue to exert pressure on key office markets in 2020 with average office rents expected to fall by 1.5% nationwide. In Beijing, the recent decline in rents has lost momentum due to the easing of the US-China trade dispute, recovering demand from the financial and technology sectors and the maturing

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development of professional services companies although the supply in Beijing would continue to be abundant. It is forecasted that the office rents in Beijing would continue to decline in 2020 but at a slower pace of 1.1% while the decline rate for offices located at central business district of Beijing would be 0.3%. However, the office rental market of the second tier cities would continue to struggle with rents projected to drop by over 1.8%. It is expected that the office rents in Chongqing would continue to decline at a rate of 2.6% in 2020. For the retail rental market, CBRE considered that the coronavirus outbreak would inevitably lead to a short-term decline in shopper footfall and sales. However, retail rents are expected to rebound gradually in the second half of 2020 along with consumption, provided the outbreak is contained. However, some new malls and existing projects with higher vacancy might be forced to offer more incentives to attract tenants when market conditions return to normal. The outlook for retail rents in Beijing remains upbeat due to the huge consumption base and preferred destination for new brands. The rents in core areas and in landmark projects would further push up. It is expected that the retail rents in Beijing would continue to grow at a rate of 0.5% in 2020. However, the retail rents in Chongqing would decrease by 0.4% in 2020 as compared to 2019.

The Manager considered that the recent outbreak of coronavirus affects substantially the Hui Xian REIT Group's business in 2020. However, 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, the Manager anticipated that Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza can keep a steady growth in its rentals in the coming years.

We have reviewed the list of renewed tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in the second half of 2019 relating to the leasing of office and retail units in Beijing Oriental Plaza and office units in Chongqing Metropolitan Oriental Plaza and noted that the growth rate in the renewed rentals of these office and retail units were in the range of approximately -33% to 12% and only less than 8% of the total renewed contracts recorded negative growth rate in rentals. We were advised by the Manager that the reduction of renewed rentals of 33% was an exceptional case as it was originally a short-term rent, which normally charges for a higher rental and was renewed for a longer term, which normally charges for a lower rental. Had this case be excluded, the lower range of the growth rate would be approximately -6%.

Based on the above and the fact that the Proposed Annual Caps last for three years and the office and retail rental market may fluctuate during the three years ending 31 December 2023, 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 despite a short-term negative outlook of the office and retail rental market in the PRC.

We were advised by the Manager that a contingency buffer of 25% was adopted for the Proposed Annual Caps for the three years ending 31 December 2023 so as to cope with unforeseeable fluctuations resulting from any change in rental or other market conditions, possible additional leases of properties by the CK Connected Persons Group and possible acquisitions of properties where the CK Connected Persons Group was the lessee of the properties to be acquired by the Hui Xian REIT Group in the future. We have conducted a research on the buffer for annual caps of transactions in similar nature of other listed real estate investment trusts and noted that a buffer in a range of 1% to 25% was normally adopted by other

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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 and the probability of having an unexpected additional lease of properties by the CK Connected Persons Group and a market fluctuation is not low, we are of the opinion that the contingency buffer of 25% proposed 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, among others, rentals and building management fee receivable from the Manager Group at a rate of 7% per annum for the existing tenancy with the Manager Group and possible new leasing and licensing transaction which might be entered into between the Hui Xian REIT Group and 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 2023.

We were advised by the Manager that in determination of the transaction amount of the Leasing and Licensing Transactions in respect of the Manager Group for the three years ending 31 December 2023, it is anticipated that the rental, management fee and miscellaneous fees charged to the tenants would grow at a rate of 7% per annum based on the historical transaction amount. Meanwhile, as certain leases or licenses of premises in Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza with independent third parties would expire in 2020 and 2021, and there was a possibility that the Manager 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 Manager Group might boost the total transaction amount of the Leasing and Licensing Transactions in respect of the Manager Group by approximately RMB0.4 million, RMB0.4 million and RMB0.5 million for the years ending 31 December 2021, 2022 and 2023 respectively. In addition, a contingency buffer of 25% was adopted for the Proposed Annual Caps for the three years ending 31 December 2023 so as to cope with unforeseeable fluctuations resulting from any change in rental or other market conditions in the future.

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% in rental 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 2023 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 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 and the possible new Property Management and Club Facilities 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 2023.

We noted that the transaction amount of the Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group for the year ended 31 December 2019 had decreased by approximately 7.9% as compared to the previous year. We understand from the Manager that some of the staff providing property management services to the Hui Xian REIT Group who were originally employed by the CK Connected Persons Group had been transferred to the Manager Group during 2019. Therefore, the relevant staff costs were reimbursed to the Manager Group, instead of the CK Connected Persons Group. Had the transaction amount of the Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group and the expense reimbursed to the Manager Group been aggregated, the total transaction amount of the Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group and the expenses reimbursed to the Manager Group for the year ended 31 December 2019 would have been larger than that of the year ended 31 December 2018 by approximately 5%.

We also noted that the Proposed Annual Cap for the CK Connected Party Transactions with respect to the Property Management and Club Facilities Transactions for the year ending 31 December 2021 is approximately 51% higher than the historical transaction amount for the year ended 31 December 2019. 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 2023 after taking into account the general inflation in the PRC and the historical growth rate of 5% mentioned in the above paragraph. 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 2023.

Having taken into account the effect of general inflation in the PRC as mentioned in the above section and the actual growth rate of 5% in the aggregated transaction amount of the Property Management and Club Facilities Transactions with the CK Connected Persons Group and the expense reimbursed to the Manager Group for the year ended 31 December 2019, we consider that it is reasonable to adopt a growth rate of 10% for the existing transactions in relation to the Property Management and Club Facilities Transactions with the CK Connected Persons Group for the three years ending 31 December 2023.

We have conducted a research on the buffer for annual caps of transactions of similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% to 25% was normally adopted by other listed real estate investment trusts for the budget of annual caps.



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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 of 25% proposed 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.

*(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 increase in expenses and possible new Property Management and Club Facilities Transactions which might be entered into between the Hui Xian REIT Group and 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 2023.

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 and the costs/expenses to be reimbursed to the Manager Group. 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. The Manager may 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. Currently, the 3% per annum rate in respect of Beijing Oriental Plaza is split into (i) a variable fee equal to 1% per annum of NPI payable to the Manager; and (ii) a property manager's fee equal to 2% per annum of NPI payable to the property manager. For other Properties, 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.

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 2021 is approximately 88% higher than the actual transaction amount for the year ended 31 December 2019. 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. No property manager's fees of Chongqing Metropolitan Oriental Plaza, Sofitel Shenyang Lido, Hyatt Regency Liberation Square Chongqing and Sheraton Chengdu Lido Hotel were recorded for the years ended 31 December 2018 and 2019 since the variable fees of 3% of the NPI of those Properties were allocated solely to the Manager and such amount was excluded from the historical transaction amount. Given the Manager might elect to allocate the 3% per annum variable fee among the Manager and the property manager, the property manager's fee to be received by the property manager in respect of Beijing Oriental Plaza might increase from 2% of the NPI 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 Beijing Oriental Plaza when budgeting for the Proposed Annual Caps. The Manager

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expected that the variable fees of 3% of the NPI of Chongqing Metropolitan Oriental Plaza, Sofitel Shenyang Lido, Hyatt Regency Liberation Square Chongqing and Sheraton Chengdu Lido Hotel would allocate solely to the Manager for the three years ending 31 December 2023. Therefore, no property manager's fees of those Properties were included in the Proposed Annual Caps.

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 2023 after taking into account the general inflation in the PRC and the anticipated increase in reimbursement of expenses. We noted that the historical transaction amount of Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2019 increased by approximately 11.3% as compared to the previous year. We were advised by the Manager that such increase was mainly attributable to the increases in 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 as a result of the transfer of staff from the CK Connected Persons Group to the Manager Group during 2019, which increased the staff costs reimbursed to the Manager Group by approximately 26.6%. Had the transaction amount of the Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group and the expense reimbursed to the Manager Group been aggregated, the total transaction amount of the Property Management and Club Facilities Transactions in respect of the CK Connected Persons Group and the expenses reimbursed to the Manager Group for the year ended 31 December 2019 would have been larger than that of the year ended 31 December 2018 by approximately 5%. Having taken into account the effect of general inflation in the PRC as mentioned in the above section and the actual growth rate in the transaction amount of the Property Management and Club Facilities Transactions with the Manager Group for the year ended 31 December 2019, 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 2023.

With the adoption of 3% of the NPI for the property manager's fee and an annual growth rate of 10%, the property manager's fee of Beijing Oriental Plaza amounting to approximately RMB76.9 million, RMB84.6 million and RMB93.1 million for the years ending 31 December 2021, 2022 and 2023 respectively while the expenses to be reimbursed to the property manager in respect of the Properties amounting to approximately RMB53.2 million, RMB58.4 million and RMB64.2 million for the years ending 31 December 2021, 2022 and 2023 respectively.

We have conducted a research on the buffer for annual caps of transactions of similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% 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 of 25% proposed 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.



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### *(c) Internet and IT Service Transactions*

The Proposed Annual Caps for the CK 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 and taking into account the possible growth in costs and expenses and possible new internet and telecommunication services and information technology support 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 2023.

We noted that the transaction amount of the Internet and IT Service Transactions for the year ended 31 December 2019 increased by approximately 30.1% as compared to the previous year. The increase was mainly attributable to a new internet service contract entered into with the CK Connected Persons Group for the serviced apartment of Beijing Oriental Plaza newly launched for lease in 2019. Currently, the internet services in respect of certain areas of Beijing Oriental Plaza are provided by the CK Connected Persons Group while the internet services in respect of other Properties are provided by independent service providers. Such contracts would be subject to tender after expiration of their current term of services. We have reviewed the existing internet service agreements entered into with independent service providers and noted that such agreements would expire in 2020 and 2021. 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 RMB1.2 million, RMB1.3 million and RMB1.4 million in the Proposed Annual Caps for the Internet and IT Service Transactions for the years ending 31 December 2021, 2022 and 2023 respectively to cater for the possible new agreements to be signed with the CK Connected Persons Group in relation to the services under the Internet and IT Service Transactions upon the expiry of the existing agreements. Such amounts were determined with reference to the actual transaction amount regarding the internet services provided by independent service providers for the year ended 31 December 2019, which amounted to approximately RMB1.0 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 existing internet services provided by the CK Connected Persons Group 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 2023.

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 2023. We have conducted a research on the buffer for annual caps of transactions in similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% to 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 of 25% proposed 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 service fee might increase commensurate with the 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(d) Consumer Goods/Services Purchase Transactions*

The Proposed Annual Caps for the CK 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 were 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 by the Hui Xian REIT Group from 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 2023.

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 2023 after taking into account the general inflation in the PRC and the actual growth rate for the year ended 31 December 2019 of around 3.3%. Meanwhile, an addition of approximately RMB0.6 million, RMB0.6 million and RMB0.7 million in transaction amount for each of the three years ending 31 December 2021, 2022 and 2023 respectively is newly budgeted for Sofitel Shenyang Lido, the serviced apartments of which were launched for lease in 2019 and the refurbishment of which was in progress in 2019, and Hyatt Regency Liberation Square Chongqing, the refurbishment of which was in progress in 2019. Such amounts were determined with reference to the amount budgeted for Sheraton Chengdu Lido Hotel as the Manager considered that the operation scales of these hotels are similar, 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 2023.

Having taken into account the effect of general inflation in the PRC and the actual growth rate recorded for the year ended 31 December 2019, 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 2023.

We have conducted a research on the buffer for annual caps of transactions in similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% to 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 of 25% proposed 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.

### *(e) Consumer Goods/Services Sales Transactions*

The Proposed Annual Caps for the CK Connected Party Transactions with respect to the sale of consumer goods and services to be paid to the Hui Xian REIT Group by the CK Connected Persons Group were determined with general reference to the historical transaction amounts and taking into account the possible growth in the sale of consumer goods and services by the Hui Xian REIT Group to the CK Connected Persons Group in light of the possible increase in customers of Hui Xian REIT's hotels after the completion of the refurbishment of Hyatt Regency Liberation Square Chongqing in 2020, and the inclusion of a buffer of approximately 25% for contingencies such as unforeseeable market fluctuations for the three years ending 31 December 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the transaction amount of the Consumer Goods/Services Sales Transactions for the year ended 31 December 2019 reduced by approximately 21.9% as compared to the previous year. We were informed by the Manager that the decrease was mainly attributable to the closure of certain banquets and food and beverage facilities in Hyatt Regency Liberation Square Chongqing for refurbishment in 2019 after rebranding the hotel from “Harbour Plaza” to “Hyatt Regency Liberation Square”. The Manager expected that following the completion of the refurbishment of Hyatt Regency Liberation Square Chongqing in 2020 and the re-opening of food and beverage facilities in late 2019, Hyatt Regency Liberation Square Chongqing would attract more customers and the transaction amount of the Consumer Goods/Services Sales Transactions for the year ending 31 December 2020 would increase at rate of 50% based on the transaction amount for the year ended 31 December 2018 and would further increase with an annual growth rate of 10% for the three years ending 31 December 2023 after taking into account the general inflation in the PRC. 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 Sales Transactions for each of the three years ending 31 December 2023.

We were given to understand from the Manager that a growth rate of 50% in transaction amount of the Consumer Goods/Services Sales Transactions was assumed for the year ending 31 December 2020 as it is expected that the income of food and beverages and other hotel services would be boosted with the upgraded hotel facilities following the rebranding of the hotel, the re-opening of certain food and beverage facilities in late 2019 since their closure for refurbishment in May 2019 and the completion of the refurbishment of Hyatt Regency Liberation Square Chongqing in 2020 as well as the marketing and promotion programs to be launched in the coming years. Based on the above, we are of the view that a growth rate of 50% adopted for Hyatt Regency Liberation Square Chongqing for the year ending 31 December 2020 is reasonable. 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 Sales Transactions for the three years ending 31 December 2023.

We have conducted a research on the buffer for annual caps of transactions in similar nature of other listed real estate investment trusts and noted that a buffer in a range of 5% to 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 of 25% proposed by Hui Xian REIT is reasonable.

In view of the above, we consider the Proposed Annual Caps for Consumer Goods/Services Sales 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 2020 CK/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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the connected party transactions under the 2020 CK/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 2020 CK/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 interests of Hui Xian REIT and the Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we ourselves also recommend the Independent Unitholders, to vote in favour of the Ordinary Resolutions to approve the 2020 CK/Manager Waivers (and the Proposed Annual Caps) at the upcoming AGM.

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

**Amilia Tsang**  
*Managing Director*

**Helen Fan**  
*Director*

*Notes:*

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 15 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 11 years of experience in corporate finance.

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

**(A) ISSUED UNITS**

As at the Latest Practicable Date, 5,880,262,459 Units were in issue. Subject to the passing of the Ordinary Resolution as referred to in the Letter from the Board in this circular and as set out in the notice of AGM in respect of the Buy-back Mandate, the Manager will be allowed under the Buy-back Mandate to buy back up to 10% of the total number of Units in issue as at the date of the resolution approving the Buy-back Mandate, which, if no additional Units will be issued prior to the AGM, would be equivalent to a maximum of 588,026,245 Units. The number of Units in issue as at the date of the passing of the resolution approving the Buy-back Mandate is expected to be larger than the number of Units in issue as at the Latest Practicable Date, as a result of the Units expected to be issued to the Manager as payment of part of the base fee and the variable fee for the period from 1 July 2019 to 31 December 2019 to the Manager by way of Units; details of such issue of new Units will be made by way of an announcement on the date of issuance. As at the Latest Practicable Date, the Manager had no present intention to buy back Units pursuant to the Buy-back Mandate.

**(B) REASONS FOR THE BUY-BACK**

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

**(C) FUNDING OF BUY-BACKS**

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

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

**(D) UNIT PRICES**

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

	<b>Highest</b> <i>RMB</i>	<b>Lowest</b> <i>RMB</i>
March 2019	3.40	3.25
April 2019	3.36	3.29
May 2019	3.35	3.25
June 2019	3.40	3.19
July 2019	3.45	3.37
August 2019	3.43	3.18
September 2019	3.26	3.16
October 2019	3.28	3.20
November 2019	3.30	3.26
December 2019	3.29	3.25
January 2020	3.30	3.19
February 2020	3.22	3.14
From 1 March 2020 up to the Latest Practicable Date	3.18	1.97

**(E) UNITS BOUGHT-BACK**

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

**(F) STATUS OF BOUGHT-BACK UNITS**

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

**(G) DIRECTORS' UNDERTAKING**

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

**(H) DISCLOSURE OF INTERESTS**

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

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

**(I) TRUSTEE'S OPINION AND CONSENT**

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

The Trustee's confirmation is being furnished for the sole purpose of complying with the requirements of the SFC Repurchase Circular and is not to be taken as a recommendation or representation by the Trustee of the merits of the Buy-back Mandate or any statements or information made or disclosed in this circular. The Trustee has not made any assessment of the merits or impact of the Buy-back Mandate other than the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

**(J) RULE 10.06 OF THE LISTING RULES**

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

**(K) DIRECTORS' RECOMMENDATION**

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

**(L) EFFECT OF TAKEOVERS CODE**

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

As at the Latest Practicable Date and so far as the Manager is aware, Noblecrown, directly held 1,077,798,832 Units (representing approximately 18.33% of the Units in issue). As at the same date and so far as the Manager is aware, Noblecrown together with certain parties which are acting in concert with it (including the Manager) held a total of approximately 46.93% of the Units then in issue.

Further, as at the Latest Practicable Date, the Manager (in its own capacity) held 21,184,357 Units (representing approximately 0.36% of the Units in issue).

Should the Buy-back Mandate be exercised in full, assuming that the number of Units currently held by Noblecrown and those parties which are acting in concert with it (including the Manager) remain unchanged, based on 5,880,262,459 Units in issue as at the Latest Practicable Date, the aggregate percentage unitholding of such group would be increased to approximately 52.15% and such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. In any event, the Manager does not intend to exercise the Buy-back Mandate to such extent as to give rise to an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.



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## NOTICE OF ANNUAL GENERAL MEETING

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**HUI XIAN** REIT  
匯賢產業信託

### Hui Xian Real Estate Investment Trust

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

**(Stock Code: 87001)**

**Managed by Hui Xian Asset Management Limited**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of the unitholders (the “**Unitholders**”) of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) will be held at Harbour Grand Hong Kong, 23 Oil Street, North Point, Hong Kong on Tuesday, 12 May 2020 at 12:00 noon for the following purposes:

- (A) To note the audited consolidated financial statements of Hui Xian REIT together with the Independent Auditor’s Report for the year ended 31 December 2019;
- (B) To note the appointment of the Auditor of Hui Xian REIT and the fixing of its remuneration;
- (C) To consider and, if thought fit, pass, with or without modification, the following resolutions as ordinary resolutions:

### ORDINARY RESOLUTIONS

- (1) “**THAT** a mandate to purchase units in Hui Xian REIT (the “**Units**”) be given to Hui Xian Asset Management Limited, as the manager of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (the “**Manager**”):
  - (a) subject to the “Circular to Management Companies of SFC-authorised Real Estate Investment Trusts — On-market Unit Repurchases by SFC-authorised REITs” issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) on 31 January 2008 and paragraph (b) below, the exercise by the Manager during the Relevant Period (as defined in paragraph (c) below) of all powers of the Manager to purchase Units on The Stock Exchange of Hong Kong Limited in accordance with the trust deed constituting Hui Xian REIT dated 1 April 2011 (as amended, modified or supplemented from time to time) (the “**Trust Deed**”), the Code on Real Estate Investment Trusts (the “**REIT Code**”), the applicable provisions of The Codes on Takeovers and Mergers and Share Buy-backs, the guidelines issued by the SFC from time to time, applicable rules and regulations and the laws of Hong Kong, be and is hereby generally and unconditionally approved;
  - (b) the aggregate number of Units which may be purchased or agreed to be purchased by the Manager pursuant to the approval in paragraph (a) above during the Relevant Period (as defined below) shall not exceed 10% of the aggregate number of Units in issue as at the date of the passing of this resolution and the authority pursuant to paragraph (a) above shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (c) for the purposes of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the unitholders of Hui Xian REIT following the passing of this resolution;
  - (ii) the expiration of the period within which the next annual general meeting as referred to in (i) above is required to be held under the Trust Deed, the REIT Code or any applicable laws; and
  - (iii) the revocation or variation of the authority given to the Manager under this resolution by an ordinary resolution passed at a general meeting of the unitholders of Hui Xian REIT.”
- (2) “**THAT:**
  - (a) the 2020 CK Waiver and the Proposed Annual Caps for the CK 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.”
- (3) “**THAT:**
  - (a) the 2020 Manager Waiver and the Proposed Annual Caps for the 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**  
**滙賢房託管理有限公司**  
**(as Manager of Hui Xian Real Estate Investment Trust)**  
**H L KAM**  
*Chairman of the Manager*

Hong Kong, 3 April 2020

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. Unless otherwise defined in this notice or the context requires otherwise, terms defined in the circular of Hui Xian REIT dated 3 April 2020 to the Unitholders (the “**Circular**”) shall have the same meanings when used in this notice.
2. A Unitholder entitled to attend and vote at the Annual General Meeting (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand 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 not less than 48 hours before the time appointed for the holding of the meeting or 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. The Register of Unitholders of Hui Xian REIT will be closed from Thursday, 7 May 2020 to Tuesday, 12 May 2020, both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the Annual General Meeting, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 6 May 2020.
6. The voting of the above ordinary resolutions at the Annual General Meeting will be taken by way of poll. On a poll, votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or proxy shall have one vote for every Unit of which he is the Unitholder.

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