



**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



**ANNUAL REPORT 2020**

## HUI XIAN REIT

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) (Stock Code: 87001) is a real estate investment trust constituted by a deed of trust entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited\*, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited (as manager of Hui Xian REIT), and DB Trustees (Hong Kong) Limited (“Trustee”) (as amended, modified or supplemented from time to time) (“Trust Deed”). Units of Hui Xian REIT were first listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 April 2011.

## REIT MANAGER

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “Manager”), a company incorporated in Hong Kong for the sole purpose of managing Hui Xian REIT. The Manager is a direct wholly-owned subsidiary of World Deluxe Enterprises Limited, which in turn is indirectly owned as to 70% by CK Asset Holdings Limited and 30% by ARA Asset Management Limited.

\* Dissolved on 9 April 2020





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# FINANCIAL HIGHLIGHTS

For the financial year from 1 January 2020 to 31 December 2020  
("Reporting Period")

	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019	Percentage Change
Total Revenue ( <i>RMB million</i> )	2,499	3,169	-21.1%
Net Property Income ( <i>RMB million</i> )	1,491	2,012	-25.9%
Amount Available for Distribution ( <i>RMB million</i> )	577	1,334	-56.7%
Distributions to Unitholders ( <i>RMB million</i> )	520	1,273	-59.2%
Distribution per Unit ( <i>RMB</i> )	0.0866	0.2177	-60.2%
H1 DPU ( <i>RMB</i> )	0.0212	0.1245	-83.0%
H2 DPU ( <i>RMB</i> )	0.0654	0.0932	-29.8%

# CHAIRMAN'S STATEMENT

While the near term global economic outlook remains unpredictable, we remain firm believers in the fundamentals of China and we have confidence in China's ability and commitment to combat the COVID-19 pandemic. China's economy is also on track for recovery. We look forward to the long-term development of Hui Xian REIT.

**H L KAM** Chairman



## CHAIRMAN'S STATEMENT

### CHINA BECAME THE ONLY MAJOR ECONOMY RECORDING GDP GROWTH IN 2020

The COVID-19 pandemic and the ensuing lockdown measures have plunged the world economy into a severe contraction in 2020. According to the International Monetary Fund ("IMF") forecast, the global economy shrank by 3.5% in 2020.

China's economy was adversely affected by the COVID-19 pandemic during the first half of ("H1") 2020. The country's gross domestic product ("GDP") during the first quarter of 2020 contracted by 6.8% year-on-year.

As the COVID-19 situation eased off within the border in the second half of ("H2") 2020, and a series of stimulus policies having been rolled out by the Chinese Government, China's economy has shown noticeable improvement in H2 2020.

China's GDP during the last quarter of 2020 rose by 6.5% year-on-year, bringing the full-year growth to 2.3%. It was the only major economy to have recorded expansion in 2020. China was also the largest recipient of foreign direct investment ("FDI") in 2020, bringing in US\$163 billion in inflow.

### ACCORDINGLY, HUI XIAN REIT'S BUSINESS SHOWED SIGNS OF RECOVERY IN H2

As the entire property portfolio of Hui Xian REIT is located in China, the business of all sectors was significantly affected by the COVID-19 pandemic during H1 2020.

After a tough H1 2020, our assets' business started to improve gradually in H2 2020 as the pandemic became largely under control within China.

### H2 DPU WAS THREE TIMES OF H1 DPU

Amount Available for Distribution for H2 2020 increased to RMB437 million from RMB140 million in H1 2020.

The Board has decided to set the payout ratio as 90% and declared a final DPU of RMB0.0654 for H2 2020, three times that of the interim DPU.

### 2020 FULL YEAR RESULTS DOWN YOY DESPITE IMPROVEMENT IN H2

During the year, Hui Xian REIT's revenue amounted to RMB2,499 million (2019: RMB3,169 million). Net property income ("NPI") was RMB1,491 million (2019: RMB2,012 million).

Amount Available for Distribution was RMB577 million (2019: RMB1,334 million). Distributions to Unitholders was RMB520 million (2019: RMB1,273 million).

Final DPU for 2020 was RMB0.0654. Together with the interim DPU of RMB0.0212, Hui Xian REIT's total DPU for the financial year was RMB0.0866 (2019: RMB0.2177). Based on the closing unit price of RMB1.81 on 31 December 2020, the distribution yield was 4.8%.

### **BUSINESS PERFORMANCE VARIED BY SECTOR AND LOCATION**

Hui Xian REIT's portfolio spans retail, office, serviced apartment and hotel sectors in four key cities in China, covering an aggregate area of over 1.1 million square metres.

The hotel portfolio was the worst performing sector. It has been hit particularly hard due to the travel restrictions. The lockdown measures prohibiting both international and domestic travel had led to a drastic drop in the number of tourists and the demand for hotel rooms. Occupancy rates in H1 2020 have fallen to dramatically low numbers. Following the easing of restrictions in H2 2020, with pent-up travel demand driving the resumption of domestic-led travel, there was a rebound in our hotel business.

Although the COVID-19 impact on the leasing business of retail, office and serviced apartment was relatively less pronounced given that the revenue is protected by medium and long-term lease agreements, each sector was still affected to varying degrees.

During the lockdown in H1 2020, consumers shopped online as they could not leave homes and visit the stores in person. Footfall and turnover at our shopping centres have declined to an unprecedented level. Consumer sentiment has improved since H2 2020, partly due to the government's stimulus measures. Accordingly, our retail portfolio had seen signs of improvement.

During the lockdown, stringent restrictions halted most economic activities. As COVID-19 continued to menace the world economy, corporations were shying away from signing new leases. Office leasing demand in China was weak and rents were under tremendous pressure. With the gradual resumption of economic activities in H2 2020, our office portfolio's occupancy stabilized.

The serviced apartment leasing business was affected by the travel restrictions and lockdown as it became harder to recruit new tenants, especially with the expatriate workers as travel to China had been restricted for most of 2020.

As a whole, Hui Xian REIT's four sectors had shown improvement in H2 2020. The pace of recovery varied across different cities.

#### **(1) Hotel Portfolio – A Roller Coaster Year**

Hui Xian REIT's hotel portfolio comprises four international chain hotels in four key cities in China. Affected by COVID-19, their business during 2020 has been a roller coaster ride, with ups and downs. The NPI of the hotel portfolio reported a loss of RMB51 million as compared to a profit of RMB89 million in 2019.

The four hotels reported record lows in occupancy as well as revenue per available room ("RevPAR") in H1 2020. Revenue from hotel restaurants, banquets and corporate events also saw a steep decline.

There was a visible rebound in H2 2020 following the relaxation of COVID-19 containment measures in China. Occupancy rates at four hotels picked up on the back of domestic travel and consumption, especially during the summer months and October's Golden Week. The hotel portfolio's revenue in H2 was almost three times of that in H1.

## CHAIRMAN'S STATEMENT

### ***Grand Hyatt Beijing Hit by Strict COVID-19 Preventive Measures and Absence of Foreign Tourists***

As the capital city and political centre of China, Beijing imposed very strict COVID-19 preventive measures. Tourists and returning residents were subject to stringent quarantine requirements either before or after entering the city.

Beijing's pace of economic recovery seems to be slower than other cities as suggested by its 2020 GDP growth of 1.2%, which was below the national growth rate of 2.3%.

While many Chinese cities started to recover from the pandemic, the sudden spike of COVID-19 infections in June and December in Beijing caused further dents. In January 2021, there was another wave in Shijiazhuang, capital of Hebei province, immediately raised concern because of its proximity to Beijing. Tighter preventive measures were re-imposed and mass testing was conducted.

Over the years, international tourists have been an important source of revenue for Grand Hyatt Beijing. In 2020, international travel has already been sharply curbed by the pandemic. According to the Beijing Municipal Bureau of Statistics, Beijing's foreign tourist arrival in 2020 dropped 97% year-on-year. The absence of foreign tourists had an adverse impact on the hotel's business, and Grand Hyatt Beijing reported an operating loss in H1 2020.

Following the easing of domestic travel restrictions and resumption of inter-provincial group tours in H2 2020, Grand Hyatt Beijing's occupancy rate started to pick up and improved to 54.4% from 15.5% in H1 while room rate was down by 15.9% compared to H1.

As for 2020, average occupancy rate was 34.9% (2019: 80.8%), and average room rate was RMB936 (2019: RMB1,271).

Grand Hyatt Beijing's NPI in H2 returned to positive. However, it was not sufficient to cover the loss from previous months, resulting in a loss being recorded for full-year NPI.

### ***Asset Enhancement Initiatives Continued at Hyatt Regency Liberation Square Chongqing***

Hyatt Regency Liberation Square Chongqing was temporarily closed for business in February and March 2020 in accordance to government's guidelines. During H1 2020, an operating loss was recorded.

Whilst the pandemic continued to impact the hotel business, the asset enhancement programme progressed during the year and more renovated hotel rooms were made available. Room inventory increased to 320 as at 31 December 2020 from 231 a year ago. The increase in room inventory took place just in time to meet the recovering domestic travel demand in H2 2020. The total number of rooms sold in 2020 rose 31.6% over 2019. Occupancy rate was 46.1% based on an enlarged inventory (2019: 43.0%). Average room rate per night was RMB534, a drop of only 5.2% from 2019.

Revenue generated by Hyatt Regency Liberation Square Chongqing in H2 2020 was over four times that in H1. Despite significant improvement of business in H2 2020, a full-year operating loss was incurred owing to the loss of two months' income in H1.

### ***Sofitel Shenyang Lido Business – Northeast Region Particularly Affected by COVID-19***

Shenyang is located in the northeast of China. Various cities in the northeast region had been affected by the on-and-off COVID infections in 2020. Whenever there was a new surge in cases, strict preventive measures were implemented.

Occupancy at Sofitel Shenyang Lido started to pick up in the last quarter of 2020, driven by the gradual recovery of domestic travel. Its business showed a marked improvement in H2 2020, more than doubling its revenue over H1. Occupancy rate in H2 2020 was 42.6% as compared to 13.3% in H1 2020.

During the Reporting Period, Sofitel Shenyang Lido's average occupancy rate was 28.0% (2019: 36.6%). Average room rate per night was RMB442 (2019: RMB467). An operating loss was incurred in 2020.

### ***Sheraton Chengdu Lido Hotel Recovered to Nearly Pre-pandemic Level***

Among the four cities, Chengdu's economy and tourism have recovered at a relatively faster pace. In June 2020, Sheraton Chengdu Lido Hotel returned to a cash positive position.

Driven by the recovery of domestic tourism, the hotel's occupancy increased to 78.3% in H2 2020 from 34.7% in H1 2020. Its NPI in H2 2020 recovered to nearly the same level as compared to H2 2019.

Unfortunately, Chengdu was on high alert again after new COVID-19 cases were reported in December 2020. The hotel's occupancy dropped to 31.7% that month.

On a full-year basis, the hotel managed to achieve positive NPI despite a disappointing H1 2020. Average occupancy rate of 2020 was 56.6% (2019: 74.3%). Average room rate per night was RMB446 (2019: RMB507).

## **(2) Retail Portfolio – Rental Relief Measures to Support Occupancy**

2020 has been difficult for many retailers and landlords in China. According to the National Bureau of Statistics, China's retail sales of consumer goods fell by 3.9% year-on-year in 2020.

At the height of the pandemic, cinemas, gyms and entertainment venues had to be closed for business temporarily according to government measures. Only take-away and delivery services were allowed for restaurants. Some retailers struggled to pay rent. At the same time, many landlords faced various challenges, such as rental collection problems, tenant bankruptcies and substantial reduction in rental income and occupancy.

COVID-19 has brought structural changes to the retail industry and consumer behaviour. Consumers stayed at home during the lockdown and shopped online, accelerating the shift from physical to online purchasing. Shopper footfall and retail sales in the majority of brick-and-mortar stores recorded decrease in figures. In China, online retail sales of physical goods increased 14.8% year-on-year in 2020, accounting for 24.9% of the total retail sales of consumer goods.

Hui Xian REIT's retail portfolio consists of two shopping centres: (i) The Malls at Beijing Oriental Plaza, and (ii) The Mall at Chongqing Metropolitan Oriental Plaza. NPI was RMB667 million (2019: RMB893 million).

In 2020, Beijing's total retail sales of consumer goods declined 8.9% year-on-year, steeper than the national average of 3.9% decrease.

At The Malls at Beijing Oriental Plaza, a number of tenants suffered from a decline in business during 2020. Some faced cash flow and supply chain problems; and some sought rental relief and deferment plan, or lease renegotiation.

## CHAIRMAN'S STATEMENT

The Malls' occupancy rate in the beginning of 2020 was approximately 99%; subsequently it dropped to 86% in the middle of the year.

In a weak retail environment, The Malls had to consider offering rent relief programme. At the same time, The Malls worked hard on lease renewals, even at a lower rental rate.

Due to its excellent location and tenant mix, The Malls remained popular among retailers and shoppers. Occupancy rate as at December 2020 was improved to 91.5%.

Average occupancy rate for 2020 was 92.4% (2019: 98.4%). Average monthly passing rent was RMB972 (2019: RMB1,151) per square metre. Average spot rent was down by 9.7% year-on-year. Negative rental reversion rate was 34.4%.

Various online and offline marketing campaigns were launched by The Malls to drive shopper traffic and spending. Beijing Government also issued electronic coupons to stimulate domestic consumption. Both footfall and retail sales recovered visibly towards the end of 2020.

The Mall at Chongqing Metropolitan Oriental Plaza was closed in February 2020 following the local government measures, and was reopened in phases in March. The business of the tenants was badly affected. Rental relief schemes were offered to tenants. Foot traffic and retail sales had been gradually recovering since H2 2020. Average occupancy rate was 81.0% (2019: 87.6%) and average monthly passing rent was RMB131 (2019: RMB155) per square metre.

### **(3) Office Portfolio – Focus on Retaining Quality Tenants**

Over the past several years, China's office leasing market has been facing the challenge of weakening demand and excess supply. Hui Xian REIT's office portfolio has been negatively impacted by the ongoing China-US trade war since 2019. The COVID-19 pandemic posed a new threat to the office leasing market.

COVID-19 weighed heavily on the global economy. Many corporations have become extremely cost-conscious. There were also many cases of tenants scaling back or even renegeing on leases. Leasing momentum was weak. Landlords had to take a much more accommodative stance in lease negotiations.

The pandemic has also ushered in a "work-from-home" concept. As "work-from-home" becomes the new normal, the demand for office space in the long run is likely to be affected.

Hui Xian REIT's office portfolio consists of: (i) The Tower Offices at Beijing Oriental Plaza, and (ii) The Tower at Chongqing Metropolitan Oriental Plaza. NPI was RMB790 million (2019: RMB935 million).

Beijing's office vacancy rate was 19.4% as at the last quarter of 2020, hitting its ten-year high according to Colliers' report<sup>1</sup>. High availability of vacant space put further pressure on rental.

Amid a volatile market environment, many tenants of The Tower Offices at Beijing Oriental Plaza had suspended or delayed their expansion plans. Occupancy rate declined from 90.5% in 2019 to 85.2% in 2020. Average monthly passing rent was RMB281 (2019: RMB298) per square metre.

To maintain stable income stream and occupancy, retaining existing tenants became the top priority during 2020. The Tower Offices offered attractive and flexible rental renewal packages to quality tenants. Newly committed rents were unavoidably lower resulting in negative reversion. Average monthly spot rent was RMB273 (2019: RMB303) per square metre.

Chongqing's office market faced similar challenges. The city's office vacancy rate was 27.5%<sup>2</sup> as at the end of 2020. At The Tower at Chongqing Metropolitan Oriental Plaza, occupancy rate was slightly down to 87.4% (2019: 89.7%) and average monthly passing rent was RMB103 (2019: RMB113) per square metre.

Sources:

- 1) Colliers, "Beijing, Q4 2020, Office: Beijing Office Vacancy Rate Hits 10-Year High", 14 January 2021
- 2) Savills Research, "Market in Minutes – Chongqing", 21 January 2021

#### **(4) Serviced Apartment Portfolio – Shifting from International to Domestic Market**

The leasing business of serviced apartment was not immune to the impact caused by the COVID-19 pandemic, but it showed a relative degree of resilience compared to the hotel sector due to their leases being of longer duration.

With travel restrictions and strict preventive measures in place, it became more difficult to recruit new tenants as fewer site inspections for prospective tenants could be arranged. Expatriates, who were a target market, could not travel to China most of the time in 2020.

Hui Xian REIT's serviced apartment portfolio comprises two projects. NPI declined to RMB85 million (2019: RMB95 million).

The Tower Apartments at Beijing Oriental Plaza, one of Beijing's largest serviced apartment developments, has a total inventory of 836 units, spreading across four towers. Occupancy rate was 82.1% (2019: 87.0%). Riding on its excellent location and services, The Tower Apartments focused on the growing affluent domestic market residents from both Beijing and other Chinese provinces who have become the major target tenants.

In Shenyang, "The Residences at Sofitel Shenyang Lido" offers 134 units for leasing. The newly-launched serviced apartment project has been building up its brand awareness and occupancy rate, which was up from 51.1% in H1 2020 to 60.0% in H2 2020. Average occupancy rate for the year was 55.5% (2019: 45.4%).

#### **FINANCIAL POSITION REMAINED SOUND**

Hui Xian REIT continues to adopt a prudent financial strategy. During the Reporting Period, bank loans totaled approximately RMB1,375 million were repaid, and total debts were reduced to RMB8,876 million from RMB10,871 million a year earlier. Debts to gross asset value ratio was improved to 20.8% (2019: 23.4%) while bank balances and cash on hand amounted to RMB5,725 million (as at 31 December 2019: RMB6,807 million).

#### **2021 OUTLOOK REMAINS CHALLENGING**

Looking ahead to 2021, vaccines have offered hope for world economic recovery. According to the latest issue of "The World Economic Outlook" published by IMF, the global economic growth is expected to be 5.5% in 2021. China sets 2021 GDP growth target of over 6%.

Nevertheless, the shadow of the pandemic is expected to continue to linger over the world in 2021. Renewed waves and new variants of the virus posed concerns for the outlook, threatening the pace of economic recovery.

There was a resurgence of COVID-19 cases in several Chinese cities in late 2020 and early 2021. The authorities had taken a swift response to contain the spread by re-imposing tight restrictive measures on travel and large-scale gatherings. Residents were encouraged to stay where they were instead of travel during the Chinese New Year holiday (February 2021), normally the busiest travel time of the year in China. The overall traffic volume by rail, road, air and water during the first six days of Chinese New Year was down by 76.4% and 43.1% compared to 2019 and 2020 respectively according to the Ministry of Transport of the People's Republic of China. Our hotels' business was also negatively affected.

## CHAIRMAN'S STATEMENT

Since international travel may not be feasible in the near term, Chinese consumers are opting for destinations within the country. Our hotels will continue to put greater emphasis on the domestic market by creating enticing staycation packages and food and beverage offerings.

The recovery of Hui Xian REIT's hotel portfolio would depend largely on whether there would be any resurgence of COVID-19 cases. It is also crucial for us to capture the rising domestic market for both our hotels and serviced apartments.

Global economy and international trade are unlikely to recover to pre-pandemic level within a short period of time. The new normal of "work-from-home" has reshaped the office property market outlook. As a result, the office leasing market remains tenant-favourable and rents will continue to be under pressure. For our office portfolio, we will focus on building occupancy and maximizing the retention rates. To attract new tenants, competitive and flexible leasing strategies will be adopted. It is expected that the leasing business of the office portfolio will be stable.

Supported by Chinese Government's stimulus measures, domestic consumption has shown signs of improvement since H2 2020. Retail sales and traffic flow of our shopping centres are gradually recovering. Due to the rental concessions offered earlier and negative reversions, the financial impact will continue to affect the retail portfolio in 2021 and throughout the entire lease terms.

The consumer market saw a strong rebound during the Chinese New Year holiday in 2021, with sales volume generated by key retail and catering companies reaching RMB821 billion, an increase of 28.7% from 2020 and 4.9% from 2019 according to the figures from the Ministry of Commerce of the People's Republic of China.

Leveraging on their prime locations and long-established reputation, we are committed to find the right balance among tenant mix, occupancy and rental for our shopping centres.

While the near term global economic outlook remains unpredictable, we remain firm believers in the fundamentals of China and we have confidence in China's ability and commitment to combat the COVID-19 pandemic. China's economy is also on track for recovery. We look forward to the long-term development of Hui Xian REIT.

On behalf of the Manager, I would like to take this opportunity to express my gratitude to all of our colleagues, especially the front line staff, for their dedication and hard work during this difficult period. I would also like to thank all the Unitholders and the Trustee for their continued support and commitment to Hui Xian REIT.

**H L KAM**

*Chairman*

**Hui Xian Asset Management Limited**

*(as manager of Hui Xian Real Estate Investment Trust)*

Hong Kong, 12 March 2021

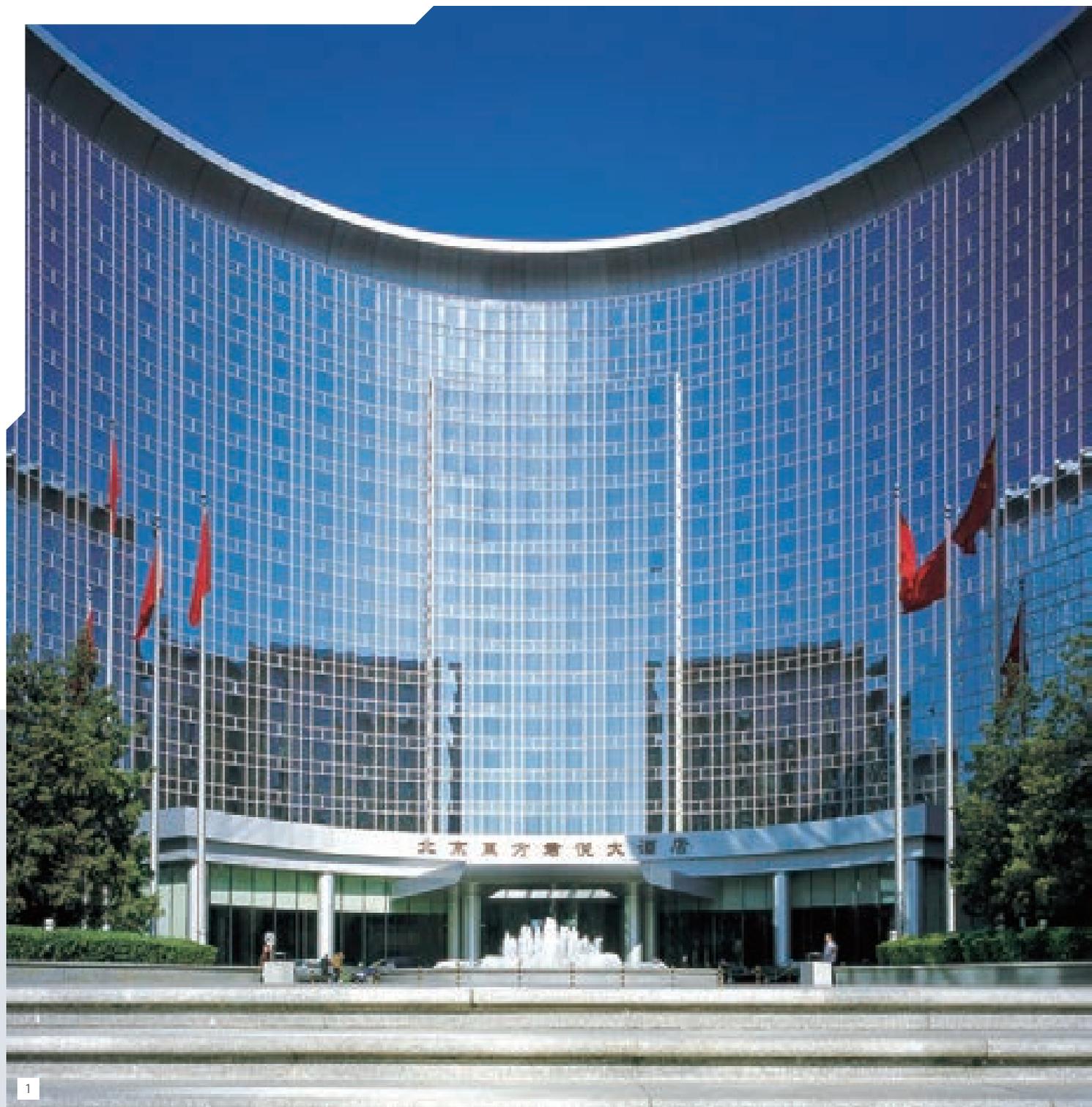
# MANAGEMENT DISCUSSION AND ANALYSIS

## PORTFOLIO HIGHLIGHTS

As at 31 December 2020, Hui Xian REIT's portfolio included:

- (1) investment in Hui Xian (B.V.I.) Limited, which in turn holds Hui Xian Investment Limited ("Hui Xian Investment"), the foreign joint venture partner of 北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd.#) ("BOP"), which is a Sino-foreign cooperative joint venture established in the People's Republic of China ("PRC"). BOP holds the land use rights and building ownership rights of Beijing Oriental Plaza;
- (2) investment in Chongqing Overseas Investment Limited, which in turn holds Chongqing Investment Limited. Chongqing Investment Limited owns the entire interest in 重慶大都會東方廣場有限公司 (Chongqing Metropolitan Oriental Plaza Co., Ltd.#), which holds the land use rights and building ownership rights of Chongqing Metropolitan Oriental Plaza;
- (3) investment in Shenyang Investment (BVI) Limited, which in turn holds Shenyang Investment (Hong Kong) Limited ("Shenyang Investment HK"), the foreign joint venture partner of 瀋陽麗都商務有限公司 (Shenyang Lido Business Co. Ltd.#) ("Shenyang Lido"). Shenyang Investment HK is entitled to 70% of the distributions of Shenyang Lido, which is a Sino-foreign cooperative joint venture established in the PRC. Shenyang Lido holds the land use rights and building ownership rights of Sofitel Shenyang Lido;
- (4) investment in Chongqing Hotel Investment Limited, which in turn holds Highsmith (HK) Limited. Highsmith (HK) Limited owns the entire interest in 重慶東廣飯店有限公司 (Chongqing Oriental Plaza Hotel Co., Ltd.#), which holds the land use rights and building ownership rights of Hyatt Regency Liberation Square Chongqing (formerly known as Harbour Plaza Chongqing); and
- (5) investment in New Sense Resources Limited, which in turn holds Chengdu Investment Limited, the foreign joint venture partner of 成都長天有限公司 (Chengdu Changtian Co., Ltd.#) ("Chengdu Changtian"). Chengdu Investment Limited is entitled to 69% interest in Chengdu Changtian, which is a Sino-foreign cooperative joint venture established in the PRC. Chengdu Changtian holds the land use rights and building ownership rights in Sheraton Chengdu Lido Hotel.

# The English name is shown for identification purpose only





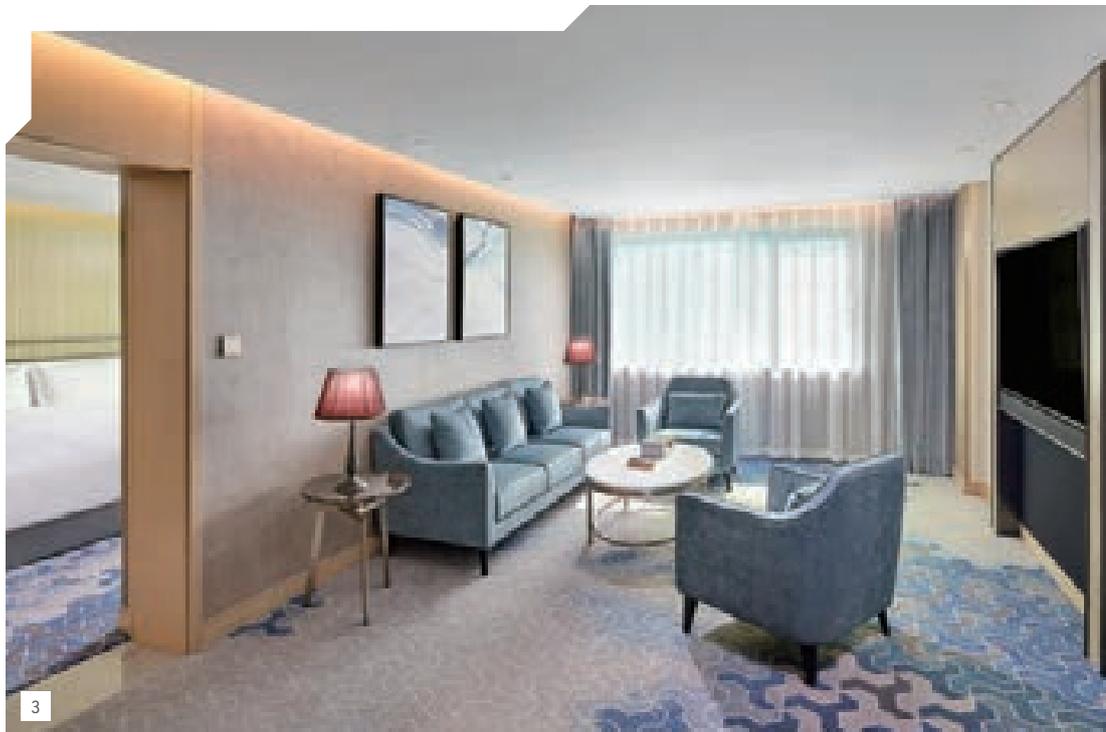
GRAND HYATT BEIJING  
1  
HYATT REGENCY  
LIBERATION SQUARE  
CHONGQING  
2

# HOTEL PORTFOLIO

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**Grand Hyatt Beijing, Beijing**  
**Hyatt Regency Liberation Square Chongqing, Chongqing**  
**Sofitel Shenyang Lido, Shenyang**  
**Sheraton Chengdu Lido Hotel, Chengdu**

Hui Xian REIT's hotel portfolio comprises four international chain hotels in four key cities in China: Beijing, Chongqing, Shenyang and Chengdu.



SOFITEL SHENYANG LIDO  
3

## OPERATIONS REVIEW

### (1) Hotel Portfolio

Hui Xian REIT's hotel portfolio consists of four international chain hotels: Grand Hyatt Beijing at Beijing Oriental Plaza, Hyatt Regency Liberation Square Chongqing, Sofitel Shenyang Lido (70% interest) and Sheraton Chengdu Lido Hotel (69% interest).

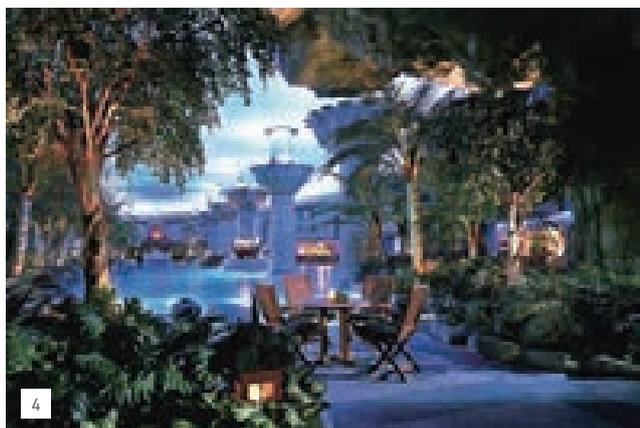
Revenue of the hotel portfolio was RMB237 million (2019: RMB490 million) in 2020. The aggregate NPI recorded a loss of RMB51 million compared to the profit of RMB89 million in 2019.

The COVID-19 pandemic has led to travel restrictions and quarantine measures around the world, bringing international travel to a standstill and creating unprecedented challenges for the hotel industry.

In March 2020, China temporarily suspended the entry of foreign nationals, and the ban was subsequently lifted in September. There was a dramatic drop in international tourist arrivals in China during 2020. At the height of the pandemic in H1 2020, there were also restrictions on domestic travel within China.

In H1 2020, occupancy rates and room revenues at our four hotels plummeted. Many corporate functions, banquets and weddings were also cancelled or postponed according to government guidelines. All these impacted the income of our hotels.

Following the easing of COVID-19 preventive measures and resumption of trans-provincial travel in H2 2020, there was a notable improvement in our hotels' business. The pace of recovery varied across the cities.



INDOOR SWIMMING POOL AT  
GRAND HYATT BEIJING

4

GRAND HYATT BEIJING

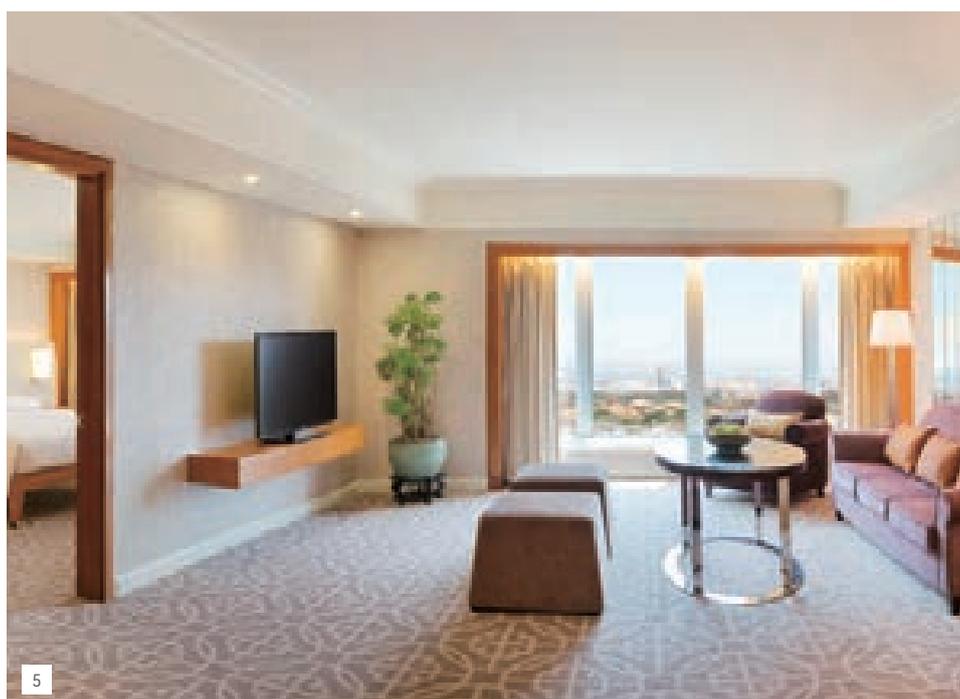
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**(i) Grand Hyatt Beijing**

The pandemic containment measures in Beijing, the capital city, were extremely stringent. Tourists and returning residents were subject to strict entry and quarantine requirements.

In June and December 2020, Beijing saw a resurgence of COVID-19 cases. In January 2021, there were also new cases in Shijiazhaung, the capital of Hebei province, which surrounds Beijing. Strict preventive restrictions were re-implemented.

International tourists have been a vital source of revenue for Grand Hyatt Beijing. International travel came to a near complete halt in 2020 due to the COVID-19 pandemic. Beijing's foreign tourist arrivals in 2020 plunged 97% year-on-year according to the Beijing Municipal Bureau of Statistics. The absence of foreign tourists had negatively impacted Grand Hyatt Beijing. In H1 2020, it recorded an occupancy rate of 15.5% and an operating loss.



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**MANAGEMENT DISCUSSION AND ANALYSIS**

Following the relaxation of domestic travel restrictions in H2 2020, Grand Hyatt Beijing's occupancy rate picked up and recorded an occupancy rate of 54.4%. Its NPI in H2 2020 returned to positive. However, it was not enough to offset the disappointing performance in H1. The full-year NPI recorded an operating loss.

In 2020, Grand Hyatt Beijing's average occupancy rate was 34.9% (2019: 80.8%). Average room rate was RMB936 (2019: RMB1,271).

**(ii) Hyatt Regency Liberation Square Chongqing**

Hyatt Regency Liberation Square Chongqing was closed for business during February and March 2020, in line with local government guidelines. It reopened in April.

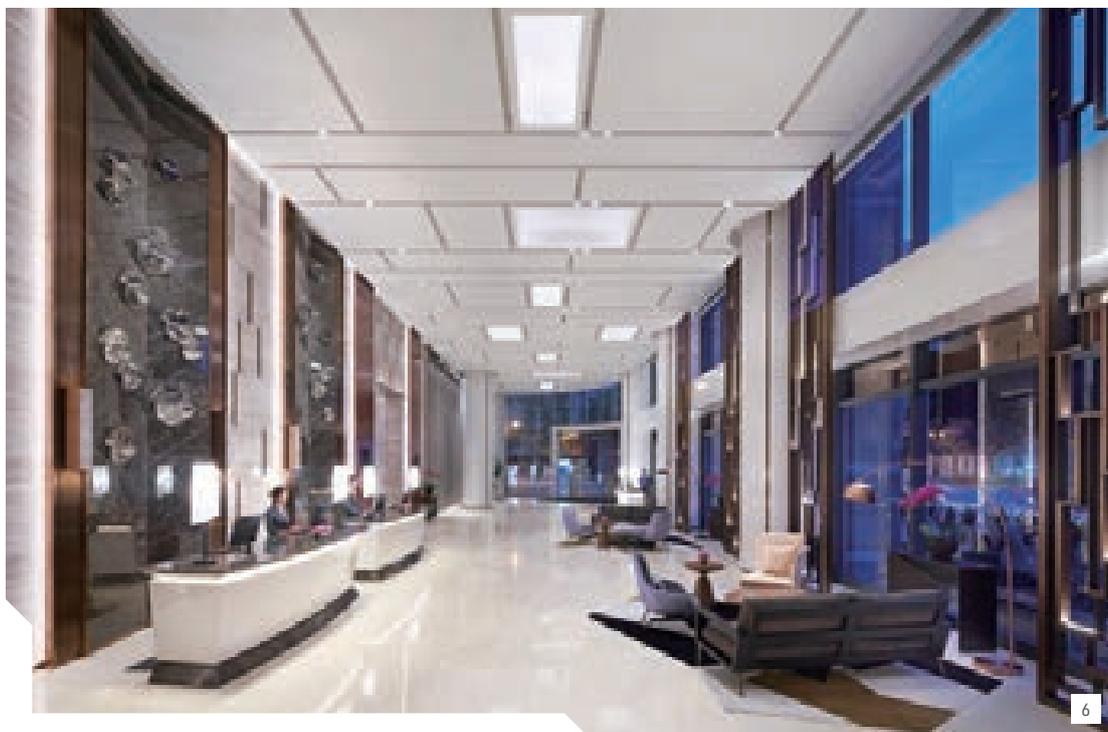
The hotel's asset enhancement works continued during the Reporting Period and more renovated

hotel rooms were made available. As at the end of 2020, its room inventory was increased to 320 from 231 a year earlier. The expanded room inventory allowed the hotel to capture the recovering domestic travel demand in a timely manner. The total number of rooms sold in 2020 rose 31.6% over 2019. Occupancy rate was 46.1% based on an enlarged inventory (2019: 43.0%). Average room rate per night was RMB534, a drop of only 5.2% from 2019.

Despite the marked improvement in H2 2020, the hotel recorded a full-year operating loss due to the loss of revenue for two months during the year.

**(iii) Sofitel Shenyang Lido (70% interest)**

Shenyang is an important industrial centre in northeast China. Several cities in the region had been affected by on-and-off COVID-19 cases in 2020. Strict preventive measures and travel restrictions were implemented whenever there was



HYATT REGENCY  
LIBERATION SQUARE  
CHONGQING



SOFITEL SHENYANG LIDO  
 7  
 SHERATON CHENGDU  
 LIDO HOTEL  
 8

a new surge in infection cases. Shenyang's GDP in 2020 grew only by 0.8% year-on-year, below the national average growth of 2.3%.

In the last quarter of 2020, occupancy at Sofitel Shenyang Lido started to improve on the back of the steady recovery of domestic travel.

In 2020, Sofitel Shenyang Lido's average occupancy rate was 28.0% (2019: 36.6%). Average room rate per night was RMB442 (2019: RMB467). An operating loss was recorded.

**(iv) Sheraton Chengdu Lido Hotel (69% interest)**

Chengdu's economy and tourism have recovered relatively faster than the other three cities. Its GDP in 2020 grew by 4% year-on-year, above the national growth rate.

Occupancy of Sheraton Chengdu Lido Hotel increased to 78.3% in H2 2020 from 34.7% in H1 2020, driven by the recovery of domestic travel. Its NPI in H2 2020 returned almost to the same level as compared with the same period in 2019.



8

In December 2020, there were new COVID-19 cases reported in Chengdu. Strict preventive measures were implemented again. Occupancy rate was down to 31.7% for December 2020.

The hotel managed to achieve full-year positive NPI. Average occupancy rate of 2020 was 56.6% (2019: 74.3%). Average room rate per night was RMB446 (2019: RMB507).



1



THE MALLS AT BEIJING  
ORIENTAL PLAZA  
1 2

# RETAIL PORTFOLIO

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## The Malls at **Beijing Oriental Plaza**

## The Mall at **Chongqing Metropolitan Oriental Plaza**

Hui Xian REIT's retail portfolio consists of two large-scale shopping centres: The Malls at Beijing Oriental Plaza and The Mall at Chongqing Metropolitan Oriental Plaza, collectively offering about 222,000 square metres of retail space. The Malls at Beijing Oriental Plaza is home to a variety of top international and domestic fashion, accessory and lifestyle brands. It also boasts a cinema and over 50 food and beverage outlets, making it Beijing's leading one stop shopping, dining and leisure destination for locals and tourists alike.

**(2) Retail Portfolio**

The COVID-19 pandemic hit China’s retail sector hard, particularly H1 2020. During the lockdown, residents had to stay at home. Many brick-and-mortar stores saw a fall in foot traffic and sales. Sit-down restaurants also suffered as only take-away and delivery services were allowed at the height of the pandemic. Per government guidelines, cinemas, gyms and entertainment venues across the country were temporarily closed for business.

During 2020, China’s total retail sales of consumer goods fell by 3.9% year-on-year as compared to 8.0% growth for 2019 according to the National Bureau of Statistics of China.

Hui Xian REIT’s retail portfolio comprises two large-scale shopping centres: The Malls at Beijing Oriental Plaza and The Mall at Chongqing Metropolitan Oriental Plaza, providing about 222,000 square metres of retail space. Many of our retail tenants saw a sharp drop in business during the Reporting Period. Rent relief was offered to the tenants. During the Reporting Period, revenue was RMB973 million (2019: RMB1,223 million) and NPI was RMB667 million (2019: RMB893 million).

**(i) The Malls at Beijing Oriental Plaza**

According to the Beijing Municipal Bureau of Statistics, Beijing’s 2020 GDP grew by 1.2%, below the national GDP growth of 2.3%. Total retail sales of consumer goods declined by 8.9% year-on-year, compared to the national average of 3.9% decrease. Beijing’s per capita consumption expenditure dropped 9.6% year-on-year while the national figure was only down by 1.6% year-on-year.

Revenue of The Malls at Beijing Oriental Plaza was RMB896 million (2019: RMB1,127 million). NPI amounted to RMB649 million (2019: RMB854 million). Average monthly passing rent to RMB972 (2019: RMB1,151) per square metre. Occupancy rate was 92.4% (2019: 98.4%).

Amid a challenging retail backdrop, The Malls offered rent relief to tenants on a case-by-case basis and focused on the lease renewals, even at a lower rental rate.

Leveraging on the excellent location and long-established reputation, The Malls welcomed a number of new tenants in 2020, including Cole Hann, Juicy Couture, S.T. Dupont, MARYLING, Ted Baker, THE COLORIST, Tim Hortons, A Twosome Place, Peet’s Coffee, vivo and Sennheiser.

To boost traffic flow and sales, various online and offline marketing campaigns were launched by The Malls, such as electronic coupons, KOL live-streams, gift redemption and promotional events.



THE MALLS AT BEIJING ORIENTAL PLAZA  
 3 4



THE MALL AT  
 CHONGQING  
 METROPOLITAN  
 ORIENTAL PLAZA  
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Beijing Municipal Government also issued electronic coupons to stimulate domestic consumption. Footfall and retail sales of The Malls recovered notably towards the end of 2020.

**(ii) The Mall at Chongqing Metropolitan Oriental Plaza**

During 2020, Chongqing's GDP was up by 3.9% year-on-year to RMB2.5 trillion, and retail sales grew by 1.3% to RMB1.8 trillion according to the Chongqing Municipal Bureau of Statistics.

The Mall at Chongqing Metropolitan Oriental Plaza was closed for business during February 2020 according to local government guidelines, and it was reopened in phases in March. Rent relief was offered to tenants. Average monthly passing rent was RMB131 (2019: RMB155) per square metre and average occupancy rate was 81.0% (2019: 87.6%).







THE TOWER OFFICES  
AT BEIJING ORIENTAL  
PLAZA  
1 2

# OFFICE PORTFOLIO

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## The Tower Offices at **Beijing Oriental Plaza** The Tower at **Chongqing Metropolitan Oriental Plaza**

The Tower Offices at Beijing Oriental Plaza consists of eight towers, offering over 300,000 square metres of Grade A office space. It has a strong and diversified tenant base, which includes some of the leading multinational and domestic corporations, as well as government related bodies.

Located in the heart of Jiefangbei Central Business District, The Tower at Chongqing Metropolitan Oriental Plaza is home to a number of consulates and multinational corporations from a wide range of sectors.



THE TOWER OFFICES  
AT BEIJING ORIENTAL  
PLAZA

3

3 4

### (3) Office Portfolio

With increased market uncertainty due to the pandemic and ongoing China-US trade tensions, many corporations continued to be cost cautious and put their expansion plans on hold. Some struggling tenants even reneged on leases. The office leasing momentum in China was generally weak in 2020.

Hui Xian REIT's office portfolio consists of The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue was RMB1,111 million (2019: RMB1,264 million) and NPI was RMB790 million (2019: RMB935 million).

#### (i) *The Tower Offices at Beijing Oriental Plaza*

Beijing's office vacancy rate as at the last quarter of 2020 hit 10-year high of 19.4%<sup>1</sup>.

The Tower Offices at Beijing Oriental Plaza comprises eight towers, offering over 300,000 square metres of Grade A office space. It has a diversified tenant base across different industries, including finance and banking, insurance, accounting, technology, legal, pharmaceutical, media and advertising, and consumer products. There are also educational and professional institutions, and government-related organisations.

Revenue of The Tower Offices was RMB1,054 million (2019: RMB1,199 million). NPI amounted to RMB756 million (2019: RMB895 million). Amid a tough economic climate, a number of tenants did not renew or put their expansion plans on hold. At the same time, leasing activity was slow due to weak demand from corporations. Occupancy rate dropped to 85.2% (2019: 90.5%). Average monthly passing rent was RMB281 (2019: RMB298) per square metre. Given the challenging business environment, it was unavoidable that the newly committed rents were lower than 2019. Average monthly spot rent was RMB273 (2019: RMB303) per square metre.



**(ii) The Tower at Chongqing Metropolitan Oriental Plaza**

As at the end of 2020, Chongqing's office vacancy rate was 27.5%<sup>2</sup>.

Located in the heart of Jiefangbei Central Business District, The Tower at Chongqing Metropolitan Oriental Plaza is home to a number of consulates and corporations from a wide range of industries, including insurance and financial services, electronics, logistics and healthcare.

Revenue was RMB57 million (2019: RMB65 million) and NPI was RMB34 million (2019: RMB40 million). Average occupancy rate was 87.4% (2019: 89.7%); and average monthly passing rent was RMB103 (2019: RMB113) per square metre. Average monthly spot rent being RMB121 (2019: RMB107) per square metre.

Sources:

- 1) Colliers, "Beijing, Q4 2020, Office: Beijing Office Vacancy Rate Hits 10-Year High", 14 January 2021
- 2) Savills Research, "Market in Minutes – Chongqing", 21 January 2021



THE TOWER AT CHONGQING  
 METROPOLITAN ORIENTAL PLAZA  
 5

SERVICED APARTMENT PORTFOLIO  
**MANAGEMENT DISCUSSION AND ANALYSIS**



1



THE TOWER  
APARTMENTS AT BEIJING  
ORIENTAL PLAZA  
1

THE RESIDENCES AT  
SOFITEL SHENYANG LIDO  
2

# SERVICED APARTMENT PORTFOLIO

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## The Tower Apartments at **Beijing Oriental Plaza** The Residences at **Sofitel Shenyang Lido**

The Tower Apartments at Beijing Oriental Plaza features 836 units of varying sizes, all fully furnished and elegantly appointed to offer luxury living in the city. Tenants can enjoy a wide array of amenities as well as access to nearby Grand Hyatt Beijing's Club Oasis. The lobby entrances are located at the raised podium level of the Beijing Oriental Plaza complex, which offers tenants the utmost convenience of city living in a tranquil environment.

The newly-launched The Residences at Sofitel Shenyang Lido offers 134 serviced apartment units. With a dedicated entrance, lobby and exclusive guest lifts, tenants can enjoy a new level of privacy, comfort and convenience.



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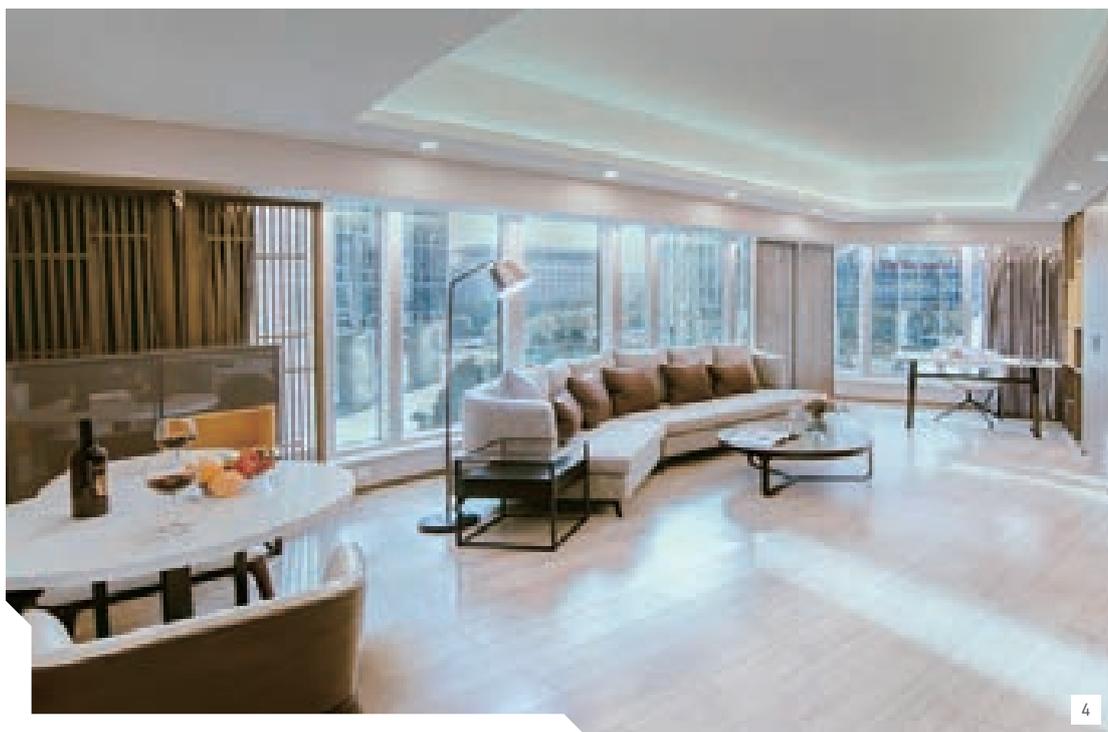
#### **(4) Serviced Apartment Portfolio**

Hui Xian REIT's serviced apartment portfolio encompasses The Tower Apartments at Beijing Oriental Plaza and The Residences at Sofitel Shenyang Lido. During the Reporting Period, revenue amounted to RMB178 million (2019: RMB192 million). NPI was RMB85 million (2019: RMB95 million).

Travel restrictions and social distancing measures made it more difficult to recruit new tenants as fewer on-site viewings could be arranged for prospective serviced apartment tenants.

The Tower Apartments at Beijing Oriental Plaza offers 836 units for leasing and is one of the largest serviced apartment developments in downtown Beijing. The lobby entrances are located at the raised podium level of the Beijing Oriental Plaza complex, which offers tenants the utmost convenience of city living in a tranquil environment.

THE TOWER  
APARTMENTS AT BEIJING  
ORIENTAL PLAZA  
3 4



4



THE RESIDENCES AT  
SOFITEL SHENYANG LIDO  
5 6

The expatriate market was important for The Tower Apartments. However, the number of foreigners entering Beijing dropped sharply in 2020, and occupancy was inevitably affected. Occupancy rate was 82.1% (2019: 87.0%). The Tower Apartments focused on the rapidly-growing affluent domestic market.

The newly-launched “The Residences at Sofitel Shenyang Lido” features 134 fully-furnished units for leasing. Occupancy rate was 55.5% (2019: 45.4%). With a dedicated entrance, lobby and exclusive guest lifts, serviced apartment guests can enjoy a new level of privacy, comfort and convenience.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Net Property Income

The net property income was RMB1,491 million for the year ended 31 December 2020.

### Distributions

#### *Distribution Amount*

Hui Xian REIT will distribute a total of RMB394 million (“2020 Final Distribution”) to Unitholders for the period from 1 July 2020 to 31 December 2020. The 2020 Final Distribution represents 90% of Hui Xian REIT’s total amount available for distribution during the period from 1 July 2020 to 31 December 2020 and will be paid in RMB. A total of RMB126 million was distributed to Unitholders of Hui Xian REIT on 25 September 2020 for the period from 1 January 2020 to 30 June 2020. In total, Hui Xian REIT will distribute a total of RMB520 million to Unitholders for the year ended 31 December 2020. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB304 million (2019: RMB583 million).

The year-on-year decrease in distribution amount was primarily caused by a drop in NPI mainly due to the COVID-19 pandemic, exchange loss realised from the repayment of bank loans, and discontinuation of the early repayment of investment capital through repatriation of depreciation (“Distributable Depreciation”) under the new PRC foreign investment law which came into effect on 1 January 2020.

In prior years, Distributable Depreciation was distributed to Unitholders as part of the distribution amount. Under the PRC foreign investment law that took effect on 1 January 2020, there is no provision for early repayment of investment capital of foreign investors through repatriation of depreciation to outside Mainland China. The amount was retained in the asset companies in the PRC, and could not be repatriated to Hong Kong for distribution.

#### *Distribution per Unit*

The final DPU for the period from 1 July 2020 to 31 December 2020 is RMB0.0654 based on the number of outstanding Units on 31 December 2020. Together with the interim DPU of RMB0.0212, Hui Xian REIT provides a total DPU for the year ended 31 December 2020 of RMB0.0866. This represents a distribution yield of 4.8% based on the closing unit price of RMB1.81 on 31 December 2020.

### Closure of Register of Unitholders

The record date for the 2020 Final Distribution will be 31 March 2021, Wednesday (“Record Date”). The Register of Unitholders will be closed from 29 March 2021, Monday to 31 March 2021, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 14 May 2021, Friday to Unitholders whose names appear on the Register of Unitholders on the Record Date.

Subject to obtaining authorisation from the Securities and Futures Commission of Hong Kong (“SFC”), a distribution reinvestment arrangement will be made available to Unitholders under which eligible Unitholders will be entitled to have a scrip distribution in lieu of a cash distribution. Eligible Unitholders can elect to receive their distribution in the form of cash, in the form of new Units of Hui Xian REIT (subject to any fractional entitlement being disregarded), or a combination of both.

In order to qualify for the 2020 Final Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration 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 26 March 2021, Friday.

### Debt Positions

In May 2020, Hui Xian Investment Limited (“Hui Xian Investment”) drew down an unsecured 3-year revolving loan of HK\$800 million offered by Hang Seng Bank Limited and China Construction Bank (Asia) Corporation Limited. The purpose of the facility was to refinance the existing credit facility granted in April 2017.

In the same month, Hui Xian Investment also drew down an unsecured 3-year term loan of HK\$600 million offered by Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch. The purpose of the facility was to refinance the existing credit facility granted in June 2015.

In October 2020, Hui Xian Investment fully repaid an unsecured 5-year term loan of HK\$850 million which was granted by China Construction Bank (Asia) Corporation Limited in October 2015. In the same month, Hui Xian Investment fully prepaid an unsecured 3-year term loan of HK\$525 million which was granted by Hang Seng Bank Limited and drawn down in August 2019. During the month, Hui Xian Investment also fully prepaid an unsecured term loan of HK\$200 million which was granted by The Bank of East Asia, Limited and drawn down in December 2013. The exchange loss realised from the repayment of bank loans was approximately RMB103 million.

All facilities under Hui Xian REIT are unsecured and unsubordinated and rank pari passu with all other unsecured and unsubordinated obligations of Hui Xian Investment.

As at 31 December 2020, Hui Xian REIT’s total debts amounted to RMB8,876 million (31 December 2019: RMB10,871 million). Based on Hui Xian REIT’s net assets attributable to Unitholders of RMB25,052 million as at 31 December 2020 (31 December 2019: RMB25,983 million), Hui Xian REIT’s debts to net asset value ratio decreased to 35.4% (31 December 2019: 41.8%). Meanwhile, the debts to gross asset value ratio was 20.8% as at 31 December 2020 (31 December 2019: 23.4%).

### Bank Balances and Asset Positions

As at 31 December 2020, Hui Xian REIT’s bank balances and cash amounted to RMB5,725 million (31 December 2019: RMB6,807 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Pursuant to the requirements of the Code on Real Estate Investment Trusts (“REIT Code”), D&P China (HK) Limited was retired as principal valuer after it had conducted valuations of the real estate of Hui Xian REIT for three consecutive years. Knight Frank Petty Limited (“Knight Frank”) was appointed as the principal valuer of Hui Xian REIT and valued its properties portfolio as at 31 December 2020.

Hui Xian REIT is indirectly interested in a 132,584 square metre shopping centre, eight blocks of Grade A office, four serviced apartment towers and a five-star hotel in a 787,059 square metre building complex at 1 East Chang’an Avenue, Beijing, PRC which are collectively named as Beijing Oriental Plaza. Hui Xian REIT’s interests in Beijing Oriental Plaza are held through its special purpose vehicle, Hui Xian Investment, which is the foreign joint venture partner of BOP. BOP holds the land use rights and building ownership rights of Beijing Oriental Plaza.

Knight Frank valued the eight blocks of office towers, the shopping centre and car parking spaces at RMB27,491 million as at 31 December 2020 (31 December 2019: RMB29,442 million), translating into a decrease of 6.6% over the valuation as of 31 December 2019. The hotel and serviced apartment premises were valued at RMB4,860 million as at 31 December 2020 (31 December 2019: RMB5,610 million). The total valuation of Beijing Oriental Plaza was RMB32,351 million (31 December 2019: RMB35,052 million), while the total gross property value of the properties was RMB31,924 million as at 31 December 2020, as compared to RMB34,075 million as at 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

Hui Xian REIT indirectly owns the entire interest of Chongqing Metropolitan Oriental Plaza, a 164,360 square metre integrated commercial property development comprising a shopping centre and a Grade A office building. Chongqing Metropolitan Oriental Plaza is located at the Jiefangbei Central Business District, Yuzhong District, Chongqing.

As at 31 December 2020, the shopping centre, office building and car parking spaces were valued by Knight Frank at RMB3,314 million (31 December 2019: RMB3,675 million). Gross property value of the properties as at 31 December 2020 was RMB3,261 million (31 December 2019: RMB3,627 million).

Hui Xian REIT indirectly owns the entire interest of Highsmith (HK) Limited, which in turn indirectly owns the entire interest of Hyatt Regency Liberation Square Chongqing (formerly known as Harbour Plaza Chongqing), a 38-storey hotel tower of 52,238 square metre. It is adjacent to Chongqing Metropolitan Oriental Plaza.

Knight Frank valued the hotel premises of Hyatt Regency Liberation Square Chongqing at RMB404 million as at 31 December 2020 (31 December 2019: RMB427 million). Gross property value of hotel premises as at 31 December 2020 was RMB384 million (31 December 2019: RMB399 million).

Hui Xian REIT also indirectly owns 69% interest of Sheraton Chengdu Lido Hotel through Chengdu Investment Limited. It is a 37-storey hotel tower of 56,350 square metre located to the north of the landmark Tianfu Plaza, Chengdu city centre.

Knight Frank valued the hotel premises of Sheraton Chengdu Lido Hotel at RMB603 million as at 31 December 2020 (31 December 2019: RMB713 million). Gross property value of hotel premises as at 31 December 2020 was RMB572 million (31 December 2019: RMB640 million).

Hui Xian REIT indirectly owns 70% of the entitlement in the distributions of Shenyang Lido, owner of Sofitel Shenyang Lido. Standing on Qingnian Street, the 78,451 square metre, 30-storey Sofitel Shenyang Lido is located in the heart of the newly established central business district in southern Shenyang.

Knight Frank valued the hotel and serviced apartment premises of Shenyang Lido at RMB729 million as at 31 December 2020 (31 December 2019: RMB824 million). Gross property value of the hotel and serviced apartment premises as at 31 December 2020 was RMB609 million (31 December 2019: RMB662 million).

### Net Assets Attributable to Unitholders

As at 31 December 2020, net assets attributable to Unitholders amounted to RMB25,052 million (31 December 2019: RMB25,983 million) or RMB4.1651 per Unit, representing a 130.1% premium to the closing unit price of RMB1.81 on 31 December 2020 (31 December 2019: RMB4.4187 per Unit, representing a 34.7% premium to the closing unit price of RMB3.28 on 31 December 2019).

### Pledge of Assets

Hui Xian REIT does not pledge its properties to any financial institutions or banks. The Trustee (as trustee of Hui Xian REIT) and certain special purpose vehicles of Hui Xian REIT provide guarantees for the credit facilities of the Group.

### Commitments

As at 31 December 2020, except for capital commitment in respect of the asset enhancement programmes for Grand Hyatt Beijing, Beijing Oriental Plaza, Sheraton Chengdu Lido Hotel, Chongqing Metropolitan Oriental Plaza, Hyatt Regency Liberation Square Chongqing and Sofitel Shenyang Lido, Hui Xian REIT did not have any significant commitments.

### **Employees**

As at 31 December 2020, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,001 employees in Hong Kong and the PRC, of which 961 employees performed hotel operation functions and services, and 40 employees handled legal, regulatory and other administrative matters and carried out and provided commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

Save as disclosed above, Hui Xian REIT is managed by the Manager and did not directly employ any staff as at 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TOP 5 CONTRACTORS

Contractors	Nature of services	Value of contract (RMB'000)	Percentage
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Property management	70,474	13.6%
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Property management	21,462	4.1%
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Property management	18,645	3.6%
北京老兵安衛保安服務有限公司	Property management	17,933	3.5%
北京雙富麗建築工程有限公司	Renovation and maintenance	17,364	3.3%
		145,878	28.1%

### TOP 5 REAL ESTATE AGENTS

Real estate agents	Nature of services	Commission paid (RMB'000)	Percentage
北京遠行房地產經紀有限公司	Leasing	5,992	16.1%
北京高力國際物業服務有限公司	Leasing	5,970	16.1%
北京世邦魏理仕物業管理服務有限公司	Leasing	2,322	6.2%
北京戴德梁行諮詢有限公司	Leasing	1,984	5.3%
北京鼎盛德行房地產經紀有限公司	Leasing	1,971	5.3%
		18,239	49.0%

\* The English name is shown for identification purpose only.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THE REPORT

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (“HKEx ESG Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (“the Listing Rules”) and the rules and regulations issued by HKEx from time to time. It describes the performance and management of Hui Xian REIT in material areas of sustainable development for the financial year ended 31 December 2020 (“the Reporting Period”).

During the Reporting Period, there are five assets under Hui Xian REIT including malls, offices, serviced apartments and hotels:

- Beijing Oriental Plaza and Grand Hyatt Beijing
- Chongqing Metropolitan Oriental Plaza
- Sofitel Shenyang Lido (“Shenyang Lido”)
- Hyatt Regency Liberation Square Chongqing
- Sheraton Chengdu Lido Hotel (“Sheraton Chengdu”)

(collectively refer to as “Asset Companies”)

Day-to-day operation and management of the Asset Companies are delegated to property and hotel management companies.

Throughout the Reporting Period, we complied in all material aspects with the relevant provisions of the HKEX ESG Guide and the Listing Rules.

## SUSTAINABILITY STRATEGY

A four-pillar sustainability strategy is embedded in all aspects of our asset management. This creates long-term shared value for our stakeholders and our community.

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<b><i>Business ethics and integrity</i></b> <ul style="list-style-type: none"><li>— Anti-bribery and anti-corruption</li><li>— Service quality</li><li>— Customer data privacy and security</li><li>— Sustainable procurement</li></ul>	<b><i>Environmental impact</i></b> <ul style="list-style-type: none"><li>— Energy efficiency and greenhouse gas emissions reduction</li><li>— Water efficiency</li><li>— Waste reduction</li><li>— Environmental impact mitigation</li></ul>
<b><i>Community support</i></b> <ul style="list-style-type: none"><li>— Care for the underprivileged</li><li>— Community Support</li></ul>	<b><i>A safe and inclusive workplace</i></b> <ul style="list-style-type: none"><li>— Employee rights and working environments</li><li>— Occupational health and safety</li><li>— Ongoing training and development</li></ul>

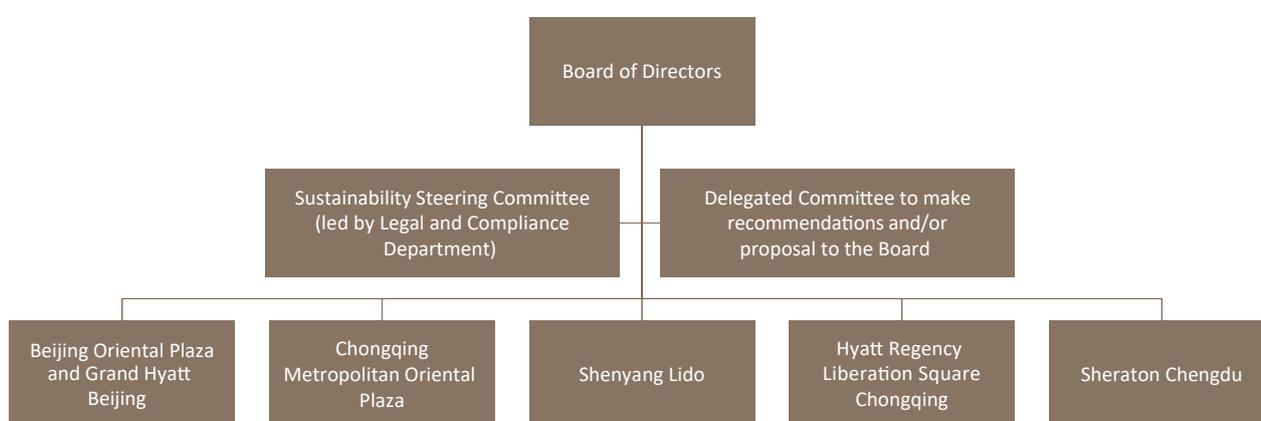
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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Sustainability Structure

Board of the Manager oversees Hui Xian REIT’s environmental, social and governance (ESG) strategy and reporting. It evaluates and prioritises ESG-related issues, directs the Sustainability Steering Committee and Delegated Committee to implement and manage the ESG-related issues, and drives the Asset Companies to stay abreast of ESG disclosure and management-related regulations.

Led by the Legal and Compliance Department, our Sustainability Steering Committee and the Delegated Committee oversee the sustainability of Hui Xian REIT and the Asset companies, regularly update the board of the Manager (“Board”), and advise on any actions required for any ESG matters.



## Stakeholders Engagement

We regularly engage our stakeholders on sustainability issues, to assess risk areas and to gauge and address their concerns. The principal engagement methods are:

Key stakeholder	Engagement methods
Unitholders	<ul style="list-style-type: none"> <li>• Investor meetings</li> <li>• Annual general meeting and other general meetings</li> <li>• Annual and interim reports</li> <li>• Investor relations website page and hotline</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Online surveys</li> <li>• Meetings/trainings</li> <li>• Employee activities</li> <li>• Interviews</li> </ul>
Tenants	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Interviews</li> <li>• Helpdesk</li> <li>• Online surveys</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Satisfaction surveys</li> <li>• Hotline</li> <li>• Website and social media</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Assessments and audits</li> <li>• Supplier selection</li> </ul>
Charity partners	<ul style="list-style-type: none"> <li>• Philanthropic activities</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We reconcile our stakeholders' opinions on sustainability strategy with those of the Board. The following are top ten aspects being identified and regarded as the highest priorities.

<b>Sustainability aspect</b>	<b>Prioritized topic</b>
Environmental practices	<b>Energy conservation</b> <b>Water conservation</b> <b>Environmental impact mitigation</b> <b>Waste management</b>
Employment and labour practices	<b>Employee career development</b> <b>Occupational health and safety</b>
Operating practices	<b>Anti-corruption and anti-bribery</b> <b>Service quality</b> <b>Intellectual property rights</b> <b>Customer privacy</b>

## MAINTAINING OUR ETHICS AND INTEGRITY

A responsible and ethical approach is important to us. High professional and ethical standards are integrated throughout our business practices and partnerships.

### Anti-bribery and Anti-corruption Enforcement

Our operations in the People's Republic of China strictly adhere to the Prevention of Bribery Ordinance, the Provisional Regulations on Prohibition of Bribery, the Law of the People's Republic of China on Anti-money Laundering, and the Laws of the People's Republic of China on Tenders and Bids.

We do not tolerate misconduct (including bribery) conflict of interest, anti-competition, money laundering, fraud or corruption. Guidelines on business integrity and gifts are provided to staff. We also clearly spell out requirements for ethical behaviour in our Employee Handbook. Anti-corruption and anti-bribery training or relevant materials are provided to staff across our portfolio.

No legal disputes regarding corruption were brought against Hui Xian REIT during the Reporting Period (2019: no legal case).

We encourage reporting of any suspected wrongdoing within the organisation on an anonymous and confidential basis. In Sheraton Chengdu and Hyatt Regency Liberation Square Chongqing, 24-hour Ethic Point hotlines can be accessed online or via a toll-free number. Whistle-blowers are protected from retaliation.

### Customer Service Enhancement

Our high-quality service caters to customers' needs and abides by applicable regulations such as Protecting Consumers' Rights and Interests and the Advertising Law of the People's Republic of China.

Two-way communication with customers enables us to understand and respond to their needs to improve our service quality. For example, Chongqing Metropolitan Oriental Plaza sends emails to guests three days before their arrival to advise them on the weather and traffic conditions during their stay. During the COVID-19 pandemic, our Asset Companies strictly follow the rules and regulations by the government and keeps the guests updated with precautionary and control measures.

Meanwhile, guests are invited to share their experience, feedback and suggestions. Customer relations training is provided to our hotel staff to ensure enquiries are handled with care in an efficient and timely manner.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Resolving Complaints

Customers can raise concerns or requests regarding any aspect of our service in person or via phone, mail or email. Negative comments are handled within 48 hours.

Hyatt Regency Liberation Square Chongqing is particularly proactive: its sales and marketing department regularly collects comments from travel websites, and shares them to relevant departments for further development.

During the Reporting Period, 1,103 complaints (2019: 1,448) were received by our 5 Asset Companies. The percentage drop is 24% compared with last year.

## Customer Health and Safety

We prioritise the health and safety of our customers.

During COVID-19, we initiated compulsory registration, temperature checks and health declarations for all in-room guests and visitors upon arrival. Elevated cleaning protocols including but not limited to disinfecting all high-touch surfaces, providing guests with gloves, surgical masks, hand sanitiser and disinfecting wet wipes.

Beijing Oriental Plaza and Chongqing Metropolitan Oriental Plaza required tenants at particular risk of exposure such as hairdressers, caterers and beauty providers to undergo COVID-19 nucleic acid tests in accordance with government disease prevention guidelines.

We also apply health and safety measures in daily operations. For example, indoor air quality at Beijing Oriental Plaza is regularly tested and benchmarked against national standards. Every morning, catering staff are checked for personal hygiene and health. Suppliers are required to produce food circulation permits on their deliveries. Third-party food safety audits are undertaken at our hotels whenever necessary.

## Customer Data Privacy and Security

A business like ours inevitably requires the collection of sensitive personal data. However, we strictly protect customer privacy. Internal guidelines and standard industry procedures are adopted to ensure data is properly handled by authorised personnel. Confidential data, such as credit card numbers, is partially concealed in hotel records. Training is also provided to staff to detect hidden cameras in guest rooms.

Staff are trained not to engage in activities against the Tort Law of the People's Republic of China. For example, Chongqing Metropolitan Oriental Plaza provides guidance on trademark application and registration, and how to use authorised promotional images to prevent infringement. Our hotels respect intellectual property rights by using only photos, with usage rights, from picture libraries.

## Sustainable Procurement Practice

Our contracts require suppliers and service providers to comply with local government policies, legal regulations and our Supplier Code of Conduct. The latter governs business conduct, employment practice, anti-corruption, workplace health and safety, and environmental performance.

Our sustainable procurement strategies reinforce our commitment to the environment across the supply chain. Suppliers who hold ISO 14001 Environmental Management System and ISO 9001 Quality Management System certifications are prioritised in our selection and assessment process, owing to their ability to demonstrate environmentally-friendly operations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We prioritise suppliers with good sustainability records and guidelines. For instance, Hyatt Regency Liberation Square Chongqing and Sheraton Chengdu ban shark fin procurement while Sheraton Chengdu favours local ingredients over imports to reduce its carbon footprint. Moreover, Sheraton Chengdu conducts audits to assess and monitor the risk management performance, including sustainability performance, of its suppliers and service providers.

During the Reporting Period, our Asset Companies procured most of the products and services from local suppliers.

Suppliers by region	2020	2019
Mainland China	2,428	2,440
Hong Kong	1	0
Overseas	0	3

## PROTECTING THE ENVIRONMENT

Our investment portfolio consumes energy and water, emits greenhouse gases and waste. We implement an integrated environmental management approach to effectively improve each asset's environmental performance. The environmental policy embodies our dedication to managing the environmental impacts of our business activities. It reflects our commitment to energy and resources conservation, emission control and waste management. Each asset sets up corresponding environmental taskforces to roll out programmes and measures to alleviate negative impacts on surrounding areas. The taskforces also make sure that we are in compliance with the Environmental Protection Law of the People's Republic of China.

### Energy Efficiency and Greenhouse Gas Emissions

We endorse the Plan for Greenhouse Gas Control under the 13th Five-year Plan in compliance with the Law of the People's Republic of China on Conserving Energy. We are also committed to reducing our energy consumption and greenhouse gas emissions by spreading environmental awareness and implementing efficiency measures. For example:

- Abnormal energy consumption is identified by regular checking.
- Traditional lighting is replaced across all our Assets Companies with energy-saving alternatives, such as LED luminaires and motion sensors.
- A third-party carbon audit is conducted by Sheraton Chengdu on an annual basis.
- New elevators are installed to consume less electricity at Sheraton Chengdu.

		2020	2019
<b>Total energy consumption by all our Asset Companies</b>			
Total energy consumption	gigajoules (GJ)	422,676	508,849
Electricity	kilowatt hour (kWh)	65,639,416	72,388,772
Heat	GJ	68,131	100,736
Natural gas	kubic metre (m <sup>3</sup> )	3,007,975	3,761,296
Diesel	litre (L)	21,424 <sup>1</sup>	11,526
Petrol	L	11,037	19,958
<b>Energy intensity</b>			
Malls and offices	GJ/square metre (m <sup>2</sup> )	0.23	0.27
Hotels and serviced apartments	GJ/room night	0.84	0.69

1 Hyatt Regency Liberation Square Chongqing experienced multiple times of power outage between October and December due to the fact that diesel was used as a backup energy source, resulting in an increase in diesel consumption.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2020	2019
<b>Total GHG emissions by all assets<sup>2</sup></b>			
Total emissions	Tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e)	72,307	84,362
<b>GHG emissions by scope</b>			
Scope 1 <sup>3</sup>	tCO <sub>2</sub> e	11,088	14,055
Scope 2 <sup>4</sup>	tCO <sub>2</sub> e	61,219	70,307
<b>GHG intensity</b>			
Malls and offices	tCO <sub>2</sub> e/m <sup>2</sup>	0.05	0.06
Hotels and serviced apartment	tCO <sub>2</sub> e/room night	0.10	0.09

### Water Efficiency

We observe water conservation at our Assets Companies with the following measures:

- Installation of additional submeters to monitor water consumption and to identify leakages from taps, pipes and valves in a timely manner.
- Upgraded facilities at Beijing Oriental Plaza to prevent leakage from taps, pipes and valves.
- Usage of waterless urinals, and collection of grey water for flushing, irrigation and landscaping at Beijing Oriental Plaza. Therefore 9,000 m<sup>3</sup> of wastewater was treated and reused.
- Guests were encouraged to indicate their preference if fresh bedding is needed at Hyatt Regency to avoid unnecessary use of water for cleaning.

		2020	2019
<b>Total water consumption by all our Asset Companies</b>			
Total water consumption	m <sup>3</sup>	962,284	1,279,890
<b>Water intensity</b>			
Malls and offices	m <sup>3</sup> /m <sup>2</sup>	0.75	0.99
Hotels and serviced apartment	m <sup>3</sup> /room night	1.23	1.11

Wastewater generated by our Assets Companies is treated and reused or discharged to the municipal sewage system, in compliance with the Law of the People's Republic of China on Water Pollution Prevention and Control.

- 2 This report adopts definitions in the Greenhouse Gas Protocol regarding direct and indirect emissions:
- Direct emissions are those from sources owned or controlled by the reporting entity (Scope 1), including use of fuel for stationary and mobile combustion, and refrigerants.
  - Indirect emissions are those derived from the activities of the reporting entity but occur at sources owned or controlled by another entity (Scope 2), including purchased electricity, steam and heat consumption.
- 3 GHG emissions from the use of fuel for stationary and mobile combustion, and refrigerants, were calculated based on factors in the World Resources Institute's Greenhouse Gas Accounting Tool for Chinese Cities (Pilot Version 1.0).
- 4 GHG emissions from purchased electricity and heat in China in this report were calculated based on factors in China's Regional Grid Average CO<sub>2</sub> Emission Factors in 2012, published by the National Center for Climate Change Strategy and International Cooperation (<http://www.cec.org.cn/d/file/huanbao/xingyexinxi/qihoubianhua/2014-10-10/5fbc57bcd163a1059cf224b03b751d8.pdf>) and the World Resources Institute's Greenhouse Gas Accounting Tool for Chinese Cities (Pilot Version 1.0), respectively.

## Reducing Waste

In addition to observing the laws and regulations of the People's Republic of China, we strive to mitigate the environmental impacts associated with waste with the following measures:

- At all assets, reduction, recycling and reuse are prioritised over disposal.
- At Sheraton Chengdu, waste from catering service is separated into dry and wet. Dry waste such as paper, glass and plastic is regularly recycled. Wet waste is put in freezers and handled by third-party providers.
- At Hyatt Regency Liberation Square Chongqing, solid waste, cooking oil and hazardous waste is collected and handled by third-party providers.
- At Beijing Oriental Plaza, hazardous waste such as fluorescent light tubes is collected and properly treated by licensed third-party providers.

Our assets actively explore environmentally friendly alternatives. Hyatt Regency Liberation Square Chongqing uses social media and other electronic means as promotional tools to replace printed material. Restaurant takeaways are in paper bags instead of plastic. Grand Hyatt Beijing uses sustainable straws and laundry bags rather than plastic ones.

		2020	2019
<b>Total waste recycled by all assets</b>			
Paper	tonnes	156	99
Plastic	tonnes	26	19
Fluorescent light tubes	tonnes	2	2
Food	tonnes	572	344
Grease	L	16,944	14,154
<b>Total waste disposed of by all assets</b>			
Non-hazardous waste <sup>5</sup>	tonnes	6,917	20,139
Hazardous waste <sup>6</sup>	tonnes	6	11 <sup>7</sup>

5 Non-hazardous waste includes office and general waste, paper, plastic and food waste.

6 Hazardous waste mainly refers to fluorescent light tubes and grease.

7 The data is restated to improve report readability and comparability. Data disclosure in 2019 has been optimised and improved with standardized data collection methods and data scope.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENSURING A SAFE AND INCLUSIVE WORKPLACE

We offer attractive remuneration packages, career development opportunities and employee engagement activities across all Asset Companies. Our goal is to maintain a safe and healthy working environment for our employees, especially against a backdrop of COVID-19 during the Reporting Period.

As of 31 December 2020, Hui Xian REIT had a total of 1,265 employees (2019: 1,494). We treat our staff with trust and respect. Our employment policy and Employee Handbook safeguard equal opportunities, rights and benefits. To ensure compliance, our policies are regularly reviewed with reference to the Employment Law, Contract Law, Employment Promotion Law and Social Insurance Law of the People's Republic of China, the Regulations on Minimum Wages, the Law on the Protection of Women's Rights, the Regulations on Prohibition of Child Labour and the Law of the People's Republic of China on Minor Protection. We are pleased to confirm that we materially complied with laws and regulations during the Reporting Period.

We protect our employees against workplace discrimination, including but not limited to age, race, gender, religion, sexual orientation, family status and disability. Communication channels are available for voicing concerns. We prohibit child and forced labour in all aspects at our business. Individual assets have their own procedures to address issues such as human trafficking and information security.

We promote a positive working environment and provide staff facilities including gym rooms and audio-visual rooms for after-work cultural programmes. Beijing Oriental Plaza has a lactation room to promote breastfeeding and a Welfare Committee to solicit opinions from staff regarding their expectations on working environment, benefits and allowances etc.

### Occupational Health and Safety

Policies and operating procedures ensure occupational health and safety of our employees. We strictly comply with health and safety legislation and industry standards including the Law of Occupational Disease Prevention, the Fire Law of the People's Republic of China and the Law of the People's Republic of China on Emergency Response.

We arrange health checks and talks from time to time to raise our employees' awareness of their health, both physically and mentally.

During the Reporting Period, 286 days were lost (2019: 612) as a result of 10 injury cases (2019: 19) and no work-related fatality was recorded (2019 and 2018: 0) across all our assets.

During the pandemic, we undertake protective and precautionary measures towards the well-being of our staff such as taking on reporting duty, taking COVID-19 nucleic acid tests, providing regular training on sanitation, constantly sanitising the most-touched surfaces, providing protective gear etc.

Due to our concerted efforts, neither infection nor confirmed cases were detected at any of our assets.

### Continuing Development/Improvement

To sharpen our competitive edge, we train and develop a resilient, future-ready workforce.

Apart from orientation programmes for newcomers, we offer training on different areas such as customer services, contract and dispute handling, vocational skills, communication, collaboration, compliance, and COVID-19 prevention and control. Online learning platforms are also available at Chongqing Metropolitan Oriental Plaza and Grand Hyatt Beijing.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, 61,384 hours of training (2019: 35,544) were undertaken by staff across our assets.

	2020	2019
<b>Average training hours completed per employee</b>		
<b>Gender</b>		
Male	47.4	22.7
Female	49.7	24.9
<b>Category</b>		
Senior management	37.9	12.8
Middle management	84.0	16.4
General staff	36.9	27.7

Our assets support potential employees with tailor-made programmes. Individuals are seconded to different hotels to broaden their experience. And we prioritise applications from existing employees who are interested in internal transfer.

We have an appraisal system to fairly review employees' performance and reward excellence with annual salary adjustments. During the appraisals, staff can comment and make suggestions regarding their working environment and professional development.

## SUPPORTING OUR COMMUNITY

We strive to achieve a positive effect on our community and environment by way of donations and/or volunteer services. During the Reporting Period, a total of RMB185,320 were contributed (2019: RMB20,584).

- RMB2,244 was raised by Grand Hyatt Beijing staff for the Australian Red Cross, who offered essential assistance and psychological care for people suffering amid Australia's bushfires.
- Donation made by Shenyang Lido to a tree-planting programme organised by the China Zigen Association for Rural Education and Development.
- RMB2,000 raised by Shenyang Lido staff at a charity sale for the elderly community.
- A total of RMB101,000 shopping vouchers donated by Beijing Oriental Plaza to 202 medical workers during the pandemic.
- RMB6,520 was raised by Sheraton Chengdu and Hyatt Regency Liberation Square Chongqing in a charity race.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EARNING RECOGNITION

Name of award	Organization	Winning entities
<b>Environmental Award(s)</b>		
Youture City Leader of the Year	LifeStyle	Beijing Oriental Plaza
<b>Social Award(s)</b>		
Advanced Unit of “Double Love and Double Evaluation” Activity 2019	Trade Union of Donghuamen Street, Dongcheng District, Beijing	Hui Xian REIT
<b>Governance Award(s)</b>		
Beijing Business Award 2019	Beijing Evening News	Beijing Oriental Plaza
China Commercial Real Estate TOP100 Commercial Performance Awards — China Commercial Benchmark Shopping Center Annual Performance Award 2020	China Index Academy	Beijing Oriental Plaza
China Commercial Real Estate TOP100 Commercial Performance Awards — China Office Property Annual Performance Award 2020	China Index Academy	Beijing Oriental Plaza
Top 100 Enterprises in Dongcheng District	DongCheng District People's Government	Beijing Oriental Plaza
Shopping Destination of the Year — The Malls at Oriental Plaza	That's Beijing	Beijing Oriental Plaza
Beijing Business Innovation Award 2019	Beijing Chamber of Commerce	Beijing Oriental Plaza
Most Popular Hotel of the Year Award 2020	Ctrip	Grand Hyatt Beijing
Loved by Guests Award	Hotels.com	Grand Hyatt Beijing
Agoda Guest Review Award 2020	Agoda	Grand Hyatt Beijing
Best Business Hotel Award 2020	Business Traveller China	Grand Hyatt Beijing
Travelers' Choice Best of the Best	TripAdvisor	Grand Hyatt Beijing
China Hospitality Award for Excellent Residence Service 2020	That's Beijing	Grand Hyatt Beijing
Advanced Unit of Safety Management in Hospitality Industry 2019	Chengdu Public Security Bureau	Shenyang Lido
Best Global Hotel Chain Operating in Greater China	TTG China	Hyatt Regency Liberation Square Chongqing
Hotel Award	Rotary Club of Chengdu	Sheraton Chengdu
Club Award	Rotary Club of Chengdu	Sheraton Chengdu
Tripadvisor Travellers' Choice 2020	Tripadvisor	Sheraton Chengdu
Loved by Guests Winner 2020	Hotels.com	Sheraton Chengdu
Agoda Customer Review Award 2020	Agoda.com	Sheraton Chengdu

## APPENDIX — HKEX ESG GUIDE CONTENT INDEX

The following table explains how this report tallies with the HKEX ESG Guide:

Indicators	Section
<b>A. Environmental</b>	
<b>Aspect A1: Emissions</b>	
General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Protecting the environment
KPI A1.1 The types of emissions and respective emissions data.	Protecting the environment
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting the environment
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting the environment
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Protecting the environment
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Protecting the environment
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Protecting the environment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators	Section
<b>A. Environmental</b>	
<b>Aspect A2: Use of resources</b>	<p>General disclosure Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p> <p>KPI A2.3 Description of energy use efficiency initiatives and results achieved.</p> <p>KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.</p> <p>KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.</p>
	Protecting the environment
	Not applicable to the core business of Hui Xian REIT
<b>Aspect A3: The environment and natural resources</b>	<p>General disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.</p> <p>KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>
	Protecting the environment
	Protecting the environment
<b>B. Social</b>	
<b>Employment and labour practices</b>	
<b>Aspect B1: Employment</b>	<p>General disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p> <p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p> <p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators	Section
<b>B. Social</b>	
<b>Employment and labour practices</b>	
<b>Aspect B2: Health and safety</b>	<p>General disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p> <p>KPI B2.1 Number and rate of work-related fatalities.</p> <p>KPI B2.2 Days lost due to work injury.</p> <p>KPI B2.3 Occupational health and safety measures.</p>
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace
<b>Aspect B3: Development and training</b>	<p>General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>KPI B3.1 The percentage of employees trained by gender and employee category.</p> <p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>
	Ensuring a safe and inclusive workplace
	Not disclosed
	Ensuring a safe and inclusive workplace
<b>Aspect B4: Labour standards</b>	<p>General disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</p> <p>KPI B4.1 Measures to review employment practices to avoid child and forced labor.</p> <p>KPI B4.2 Steps taken to eliminate such practices when discovered.</p>
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace
	Ensuring a safe and inclusive workplace

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators	Section
<b>B. Social</b>	
<b>Operating practices</b>	
<b>Aspect B5: Supply chain management</b>	<p>General disclosure Policies on managing environmental and social risks of the supply chain.</p> <p>KPI B5.1 Number of suppliers by geographical region.</p> <p>KPI B5.2 Practices relating to engaging suppliers and number of suppliers.</p>
	<p>Maintaining our ethics and integrity</p> <p>Maintaining our ethics and integrity</p> <p>Maintaining our ethics and integrity</p>
<b>Aspect B6: Product responsibility</b>	<p>General disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p> <p>KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p> <p>KPI B6.2 Number of products and service-related complaints received and how they are dealt with.</p> <p>KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.</p> <p>KPI B6.4 Description of quality assurance process and recall procedures.</p> <p>KPI B6.5 Consumer data protection and privacy policies.</p>
	<p>Maintaining our ethics and integrity</p> <p>We do not sell or ship any physical products</p> <p>Maintaining our ethics and integrity</p> <p>Maintaining our ethics and integrity</p> <p>For quality assurance process, please refer to Maintaining our ethics and integrity. We do not have any products that can be subjected to recalls.</p> <p>Maintaining our ethics and integrity</p>
<b>Aspect B7: Anti-corruption</b>	<p>General disclosure Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p> <p>KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.</p> <p>KPI B7.2 Preventive measures and whistle-blowing procedures.</p>
	<p>Maintaining our ethics and integrity</p> <p>Maintaining our ethics and integrity</p> <p>Maintaining our ethics and integrity</p>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators	Section
<b>B. Social</b>	
<b>Community</b>	
<b>Aspect B8: Community investment</b>	General disclosure Supporting our community
	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.
	KPI B8.1 Supporting our community
	Focus areas of contribution.
	KPI B8.2 Supporting our community
	Resources contributed to the focus area.

# CORPORATE GOVERNANCE

The Manager was established for the purpose of managing Hui Xian REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasise a quality board of directors, sound internal control, transparency and accountability to all Unitholders. The Manager has adopted and revised from time to time a compliance manual which sets out the key processes, systems and measures applied by the Manager in order to comply with the Trust Deed, the REIT Code and other applicable legislation, rules and regulations. The compliance manual also contains a corporate governance policy, which regulates, among others, the activities of the board of directors of the Manager.

Throughout the year ended 31 December 2020, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual, the corporate governance policy, the Trust Deed, the REIT Code and applicable provisions of the SFO and the Listing Rules.

## AUTHORISATION STRUCTURE

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this report, Mr. CHEUNG Ling Fung, Tom (chief executive officer and executive director of the Manager), Mr. LEE Chi Kin, Casey (chief operating officer and executive director of the Manager), Ms. LAI Wai Yin, Agnes (chief financial officer and executive director of the Manager), Mr. CHING Sung, Eric (deputy chief investment officer of the Manager) and Ms. TANG Hiu Tung, Daisy (senior corporate finance and corporate development manager of the Manager) are the responsible officers of the Manager as required by section 125 of the SFO and 5.4 of the REIT Code.

The Trustee, DB Trustees (Hong Kong) Limited, is registered as a trust company under Section 77 of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong). It is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

## ROLES OF THE TRUSTEE AND THE MANAGER

The Trustee and the Manager are independent of each other. The Trustee is primarily responsible under the Trust Deed for the safe custody of the assets of Hui Xian REIT and holds the assets in trust for the benefit of the Unitholders.

The Manager's role under the Trust Deed is to manage Hui Xian REIT and its assets in accordance with the Trust Deed in the sole interest of Unitholders and to fulfil the duties imposed on it under general law as manager of Hui Xian REIT and, in particular, to ensure that the financial and economic aspects of Hui Xian REIT are professionally managed in the sole interest of the Unitholders.

## BOARD OF DIRECTORS OF THE MANAGER

The Board is responsible for corporate governance and the overall management of the Manager. It establishes goals for the management and monitors the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of Hui Xian REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Hui Xian REIT, including a system of internal control and a business risk management process.

The Directors of the Manager in the year ended 31 December 2020 were Mr. KAM Hing Lam (chairman and non-executive director); Mr. CHEUNG Ling Fung, Tom (chief executive officer and executive director), Mr. LEE Chi Kin, Casey (chief operating officer and executive director) and Ms. LAI Wai Yin, Agnes (chief financial officer and executive director); 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).

## BOARD COMPOSITION

The Board currently comprises nine members and three of whom are independent non-executive directors (“INEDs”).

There were no changes to the composition of the Board or any of its committees during the year ended 31 December 2020. The composition of the Board is determined using the following principles:

- (1) the chairman of the Board should be a non-executive director;
- (2) the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property industry;
- (3) at least one-third of the Board should comprise INEDs (which, based on the current composition of the Board, will require the Manager to have at least three INEDs); and
- (4) the Board will take into account of the Board diversity policy adopted, as amended from time to time.

INEDs must be individuals who fulfil the independence criteria set out in the compliance manual. The Manager has received annually written confirmation from each of its INEDs confirming his independence.

The positions of chairman and chief executive officer are held by two separate persons in order to maintain an effective segregation of duties. The chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. The chief executive officer is responsible for the day-to-day management of the Manager and Hui Xian REIT. He executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Hui Xian REIT’s business via management reports.

Four Board meetings of the Manager were held in 2020. The attendance of each Director at these Board meetings was as follows:

<b>Members of the Board</b>	<b>Attendance</b>
<b>Chairman and Non-executive Director</b>	
Mr. KAM Hing Lam	4/4
<b>Executive Directors</b>	
Mr. CHEUNG Ling Fung, Tom (chief executive officer)	4/4
Mr. LEE Chi Kin, Casey (chief operating officer)	4/4
Ms. LAI Wai Yin, Agnes (chief financial officer)	4/4
<b>Non-executive Directors</b>	
Mr. IP Tak Chuen, Edmond	4/4
Mr. LIM Hwee Chiang	4/4
<b>Independent Non-executive Directors</b>	
Mr. CHENG Hoi Chuen, Vincent	4/4
Professor LEE Chack Fan	4/4
Dr. CHOI Koon Shum, Jonathan	4/4

## CORPORATE GOVERNANCE

### APPOINTMENTS AND REMOVALS OF DIRECTORS

The appointments and removals of Directors (including responsible officers appointed under the SFO) are matters for the Board and the shareholders of the Manager in accordance with the compliance manual, the articles of association of the Manager and applicable laws. As the Manager is licensed by the SFC under Part V of the SFO, the appointments and removals of any of its directors and responsible officers must be notified to the SFC and the appointment of a responsible officer requires the prior approval of the SFC.

The Manager recognizes the benefits of having diversity in the composition of the Board. All Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service. The ultimate decision will be based on merit and the contribution that the Director will bring to the Board, taking into account the business model and specific needs of the Hui Xian REIT.

### BOARD COMMITTEES

Subject to the provisions contained in the corporate governance policy, the Board has the power to delegate certain of its responsibilities to board committees. Three board committees have been established, each with clear terms of reference, to assist the Board in discharging its responsibilities. Unless the decision making power has been vested in the relevant board committee, the ultimate responsibility of making final decisions rests with the full Board and not the board committee. Where appropriate, each board committee reports back to the Board on key decisions or submits its findings and recommendations to the full Board for consideration and endorsement.

The three board committees are:

### AUDIT COMMITTEE

The Audit Committee of the Manager is appointed by the Board among its members and comprises non-executive directors only. Majority of the members of the Audit Committee are INEDs and at least one INED has appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee is chaired by an INED, namely Mr. CHENG Hoi Chuen, Vincent. During the year ended 31 December 2020, the other members of the Audit Committee were Professor LEE Chack Fan, Dr. CHOI Koon Shum, Jonathan (both INEDs) and Mr. IP Tak Chuen, Edmond (non-executive director).

The Audit Committee is responsible for establishing and maintaining an adequate internal control structure and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of an effective system of internal control and risk management in respect of both the Manager and Hui Xian REIT.

The Audit Committee's responsibilities also include:

- (1) reviewing dealings of the Manager and the Directors on a half-yearly basis;
- (2) making recommendations for Director's appointment and reappointment to, and, where appropriate, proposing Directors for removal from, the full Board;
- (3) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to provide non-audit services;

- (4) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;
- (5) assisting the Board in its monitoring of the Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- (6) periodically reviewing and monitoring all connected party transactions and related party transactions; and
- (7) reviewing the Manager and Hui Xian REIT's compliance with legal and regulatory requirements on a regular basis.

The Audit Committee held two meetings during the year ended 31 December 2020 to, among others, consider and review the annual results for the year ended 31 December 2019, the interim results for the six months ended 30 June 2020, connected party transactions and reports from the external and internal auditors. Attendance at these two meetings of the Audit Committee was as follows:

<b>Members of the Audit Committee</b>	<b>Attendance</b>
Mr. CHENG Hoi Chuen, Vincent (Chairman)	2/2
Professor LEE Chack Fan	2/2
Dr. CHOI Koon Shum, Jonathan	2/2
Mr. IP Tak Chuen, Edmond	2/2

### DISCLOSURES COMMITTEE

The Disclosures Committee comprises the chief executive officer and two non-executive directors of the Manager, one of whom is an INED. Its role is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager, who bears the responsibility in ensuring that such disclosure is accurate, complete and not misleading. During the year ended 31 December 2020, the members of the Disclosures Committee were Mr. CHEUNG Ling Fung, Tom, Mr. IP Tak Chuen, Edmond and Professor LEE Chack Fan. Mr. CHEUNG Ling Fung, Tom was the chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions and potential areas of conflict of interests;
- (2) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Hui Xian REIT to the public and applicable regulatory agencies;
- (3) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Hui Xian REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable;
- (4) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;

## CORPORATE GOVERNANCE

- (5) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- (6) reviewing correspondence containing financial information disseminated to Unitholders.

The Disclosures Committee held two meetings during the year ended 31 December 2020 to consider, among others, the disclosures in the interim and annual results announcements, and the disclosures in the interim and annual reports. Attendance at these two meetings of the Disclosures Committee was as follows:

<b>Members of the Disclosures Committee</b>	<b>Attendance</b>
Mr. CHEUNG Ling Fung, Tom (Chairman)	2/2
Mr. IP Tak Chuen, Edmond	2/2
Professor LEE Chack Fan	2/2

### DESIGNATED (FINANCE) COMMITTEE

The Designated (Finance) Committee comprises the chief executive officer and two non-executive directors, one of whom is an INED. During the year ended 31 December 2020, the members of the Designated (Finance) Committee were Mr. IP Tak Chuen, Edmond, Mr. CHEUNG Ling Fung, Tom and Dr. CHOI Koon Shum, Jonathan. Mr. IP Tak Chuen, Edmond was the chairman of the Designated (Finance) Committee.

The Designated (Finance) Committee's responsibilities include reviewing, considering, and deciding or recommending to the Board, as the case may be, based on recommendation papers prepared by the management, on matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes.

The Designated (Finance) Committee did not hold any physical meeting in 2020.

### MANAGEMENT OF BUSINESS RISK

As part of the risk management process, the Board meets quarterly or more often if necessary to review (among other information) the financial performance of Hui Xian REIT against the approved budget for the corresponding period. The Board also reviews risks to the assets of Hui Xian REIT from time to time and acts upon any comments from the independent external auditor where appropriate. In assessing any business risk, the Board will consider the economic environment and risks relevant to the real estate sector. In order to mitigate against risks, the Manager will hedge against interest rate exposure if necessary, prudently select tenants and review their financial position if necessary and always maintain sufficient liquidity for Hui Xian REIT.

### CONFLICTS OF INTERESTS

During the year ended 31 December 2020, the Manager is indirectly owned as to 70% by CKAH and 30% by ARA Asset Management Limited ("ARA"). To the best of the Manager's knowledge, CKAH had an indirect interest of approximately 8% in the shares of ARA as at 31 December 2020 and indirectly held units in both Fortune Real Estate Investment Trust ("Fortune REIT") and Prosperity Real Estate Investment Trust ("Prosperity REIT") which are managed by wholly-owned subsidiaries of ARA.

As the Manager understands:

- (a) the principal activities of CKAH, its subsidiaries and associated companies (“CKAH Group”) encompass property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation; and
- (b) ARA, its subsidiaries and associated companies (“ARA Group”) are engaged in the management of publicly listed real estate investment trusts (“REITs”) (which includes Prosperity REIT and Fortune REIT), private real estate funds, country desks, and infrastructure and real estate management services.

There may be circumstances where Hui Xian REIT (on the one hand) and the CKAH Group, Prosperity REIT, Fortune REIT, and other publicly listed REITs and private real estate funds managed by ARA Group (on the other hand) may compete with each other for property acquisition and leasing opportunities. Hui Xian REIT (on the one hand), the CKAH Group, Fortune REIT, Prosperity REIT and other publicly listed REITs and private real estate funds managed by ARA (on the other hand) may also acquire properties or other assets from each other or may enter into other transactions with each other in the future. Conflicts of interests may therefore arise in connection with the potential acquisitions, leasing opportunities and transactions mentioned above.

The Manager may also experience conflicts of interests as a result of other roles of its Board members. Mr. KAM Hing Lam and Mr. IP Tak Chuen, Edmond and some of the senior executives of the Manager are also directors and/or senior executives of the CKAH Group and/or its affiliated companies. Mr. IP Tak Chuen, Edmond is also a director of the ultimate holding company of ARA. Mr. LIM Hwee Chiang is a director of ARA and a non-executive director of the respective managers of Prosperity REIT and Fortune REIT. As such, each of Mr. KAM, Mr. IP and Mr. LIM may have conflicting duties between his directorship in Hui Xian REIT and his other directorships.

The Manager has developed the following measures in order to address and manage the potential conflicts of interests described above:

- (1) unless with the approval from the SFC, the Manager does not manage any REIT other than Hui Xian REIT nor does it manage any real estate assets other than those in which Hui Xian REIT has an ownership interest or investment;
- (2) the Manager has established internal control systems to ensure that connected party transactions between Hui Xian REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest situation that may arise are monitored;
- (3) all conflicts of interests are required to be managed by the full Board, including the INEDs; and
- (4) any director of the Manager who has a material interest in a matter which is the subject of a resolution proposed at a board meeting of the Manager is required to abstain from voting on the resolution concerned and not to be counted in the quorum at the board meeting at which such resolution is proposed.

The Manager confirms that it is capable of performing and shall continue to perform its duties for Hui Xian REIT independent of the related business of the CKAH Group, ARA Group, Fortune REIT, Prosperity REIT and other REITs and private real estate funds managed by the ARA Group and in the best interests of Hui Xian REIT and the Unitholders.

## CORPORATE GOVERNANCE

### COMMUNICATION WITH UNITHOLDERS

The Manager considers that effective communication with Unitholders is essential for enhancing investor relations and investors' understanding of Hui Xian REIT's business performance and strategies. The Manager also recognises the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make informed decisions.

General meetings of Unitholders provide a forum for communication between the Board and the Unitholders. An annual general meeting was held in the year ended 31 December 2020 with attendance as follows:

<b>Members of the Board</b>	<b>Attendance</b>
<b>Chairman and Non-executive Director</b>	
Mr. KAM Hing Lam	1/1
<b>Executive Directors</b>	
Mr. CHEUNG Ling Fung, Tom (chief executive officer)	1/1
Mr. LEE Chi Kin, Casey (chief operating officer)	1/1
Ms. LAI Wai Yin, Agnes (chief financial officer)	1/1
<b>Non-executive Directors</b>	
Mr. IP Tak Chuen, Edmond	1/1
Mr. LIM Hwee Chiang	0/1
<b>Independent Non-executive Directors</b>	
Mr. CHENG Hoi Chuen, Vincent	1/1
Professor LEE Chack Fan	1/1
Dr. CHOI Koon Shum, Jonathan	0/1

Hui Xian REIT also maintains a website at [www.huixianreit.com](http://www.huixianreit.com) where updated information on Hui Xian REIT's business operations and developments, financial information and other corporate communication are posted. The Manager has been actively participating in regular press conferences and meetings with investors and analysts in order to update interested parties on the performance of Hui Xian REIT.

### REPORTING AND TRANSPARENCY

Hui Xian REIT prepares its accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants with a financial year-end of 31 December. In accordance with the REIT Code, the annual reports and interim reports for Hui Xian REIT are published and sent to Unitholders within four months from the end of the financial year and within three months from end of the half-yearly period.

As required by the REIT Code, the Manager ensures that public announcements of material information and developments with respect to Hui Xian REIT are made on a timely basis in order to keep Unitholders apprised of the position of Hui Xian REIT. Announcements are made by publishing on the website of Hong Kong Exchanges and Clearing Limited and the website of Hui Xian REIT.

The Manager also issues announcements and circulars to Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Unitholders' approval or in respect of material information in relation to Hui Xian REIT, in accordance with the Trust Deed.

### **DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Directors acknowledge their responsibility for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

The consolidated financial statements of Hui Xian REIT for the year ended 31 December 2020 were audited by Deloitte Touche Tohmatsu and a statement on their responsibility with respect to the financial statements is set out in the Independent Auditor's Report on pages 149 to 154 of this Annual Report.

### **ISSUES OF FURTHER UNITS POST-LISTING**

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject to the above, Units may be issued as consideration for the acquisition of additional real estate.

### **CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS OR MANAGER AND DISCLOSURE OF INTEREST IN UNITS**

The Manager has adopted rules governing dealings in Units by the Directors, Manager and certain senior executives of the Manager, or the special purpose vehicles of Hui Xian REIT who, because of his/her office in the Manager, or the relevant special purpose vehicles of Hui Xian REIT, is likely to be in possession of unpublished inside information in relation to the securities of Hui Xian REIT (collectively the "Management Persons"). These rules are set out in the Code Governing Dealings in Units by Directors or the REIT Manager (the "Units Dealing Code") contained in the compliance manual. It sets out the required standard against which Management Persons must measure their conduct regarding transactions in securities of Hui Xian REIT and are on terms no less than those of the Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules.

Management Persons wishing to deal in any securities of Hui Xian REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions apply to the securities of Hui Xian REIT.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or any connected party transactions under the REIT Code and Chapter 14A of the Listing Rules or any inside information must refrain from dealing in the securities of Hui Xian REIT as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not so privy that there may be unpublished inside information and that they must not deal in Hui Xian REIT's securities for a similar period.

A Management Person must not deal in any securities of Hui Xian REIT at any time when he is in possession of unpublished inside information in relation to those securities, or where clearance to deal is not otherwise conferred upon him in the manner as provided in Units Dealing Code. Further, Management Persons must not deal in the securities of Hui Xian REIT on any day on which Hui Xian REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the annual results; and (b) during the period of 30 days immediately preceding the publication

## CORPORATE GOVERNANCE

date of the half-yearly results or, if shorter, the period from the end of the half-year period up to the publication date of the relevant results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the Units Dealing Code.

The Manager is a Management Person and is subject to the same dealing requirements as the Directors.

Specific enquiry having been made with each of the Management Persons, all of them confirmed that they have complied with the required standard set out in the Units Dealing Code during the year ended 31 December 2020.

The Manager has also adopted procedures for monitoring disclosure of interests by Directors and the chief executive of the Manager and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Directors and chief executive of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Stock Exchange and the Manager of their holdings in Hui Xian REIT. The Manager keeps a register for these purposes and it records in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager.

### **MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION**

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, without limitation: (a) change in the Manager's investment policies or strategies for Hui Xian REIT; (b) disposal of any land or an interest, option or right over any of the land forming part of the assets of Hui Xian REIT or shares in any company holding such land, option or right over any of the land for Hui Xian REIT within two years of the acquisition of such land; (c) any increase in the rate of the base fee above the permitted limit or any change in the structure of the base fee; (d) any increase in the variable fee payable to the Manager above the rate stated in the Trust Deed or any change in the structure of the variable fee; (e) any increase in the acquisition fee above the permitted limit or any change in the structure of the acquisition fee; (f) any increase in the divestment fee above the permitted limit or any change in the structure of the divestment fee; (g) any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee; (h) amendment, variation, modification, alteration or addition to the provisions of the Trust Deed; (i) termination of Hui Xian REIT; and (j) merger of Hui Xian REIT. Unitholders may also, by way of special resolution, (i) remove Hui Xian REIT's auditors and appoint other auditors or (ii) remove the Trustee.

Any decisions to be made by resolution of Unitholders other than the above shall be made by ordinary resolution, unless a special resolution is required by the REIT Code. Such matters requiring approval by way of ordinary resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the listing date which would increase the market capitalisation of Hui Xian REIT by more than 50%; (c) any issue of the Units during any financial year that would increase the total number of Units from the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) an issue of new Units to a connected person (other than as part of an offer made to all Unitholders on a pro rata basis) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed, an issue of Units in respect of reinvestment of distribution to Unitholders, or a rights issue; and (e) the election by the Manager for the acquisition fee or the divestment fee, which is to be paid to the Manager in the form of cash, Units or partly in cash and partly in the form of the Units. The appointment of a new manager of Hui Xian REIT by the Trustee upon the dismissal or retirement of the Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an ordinary resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of ordinary resolution, dismiss the Manager and any principal valuer appointed by the Trustee on behalf of Hui Xian REIT in accordance with the Trust Deed.

### CHANGE OF DIRECTOR'S INFORMATION

Updated information on the Manager's directors is set out in the section on Directors' Biographical Information on pages 72 to 75 of this annual report. There was no change in the information of the Directors since the last published interim report save as the following:

- (i) Mr. LIM Hwee Chiang ("Mr. LIM") has resigned as independent non-executive director of Teckwah Industrial Corporation Limited with effect from 25 November 2020. Mr. LIM is now Chairman of LOGOS Group and holder of Public Service Medal.
- (ii) Mr. KAM King Lam ("Mr. KAM") has been re-designated from the position of "President and Chief Executive Officer" to "President" of CK Life Sciences Int'l., (Holdings) Inc. with effect from 1 September 2020.

### COMPLIANCE WITH THE COMPLIANCE MANUAL

During the year ended 31 December 2020, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual.

### REVIEW OF ANNUAL REPORT

The annual report of Hui Xian REIT for the year ended 31 December 2020 has been reviewed by the Audit Committee and the Disclosures Committee.

### NEW UNITS ISSUED

In the year ended 31 December 2020, (i) an aggregate of 54,200,775 new Units were issued to the Manager as payment of part of the manager's fees; and (ii) an aggregate of 80,188,764 new Units were issued to Unitholders who elected scrip distribution pursuant to the distribution reinvestment arrangement in respect of the final distribution for the period from 1 July 2019 to 31 December 2019 and the interim distribution for the period from 1 January 2020 to 30 June 2020.

### BUY-BACK, SALE OR REDEMPTION OF UNITS

There was no buy-back, sale or redemption of the Units of Hui Xian REIT by the Manager on behalf of Hui Xian REIT or any of the special purpose vehicles that were owned and controlled by Hui Xian REIT in the year ended 31 December 2020.

### PUBLIC FLOAT OF THE UNITS

As far as the Manager is aware, more than 25% of the issued and outstanding Units of Hui Xian REIT were held in public hands as at 31 December 2020.

# INTERNAL CONTROL AND RISK MANAGEMENT

## BACKGROUND

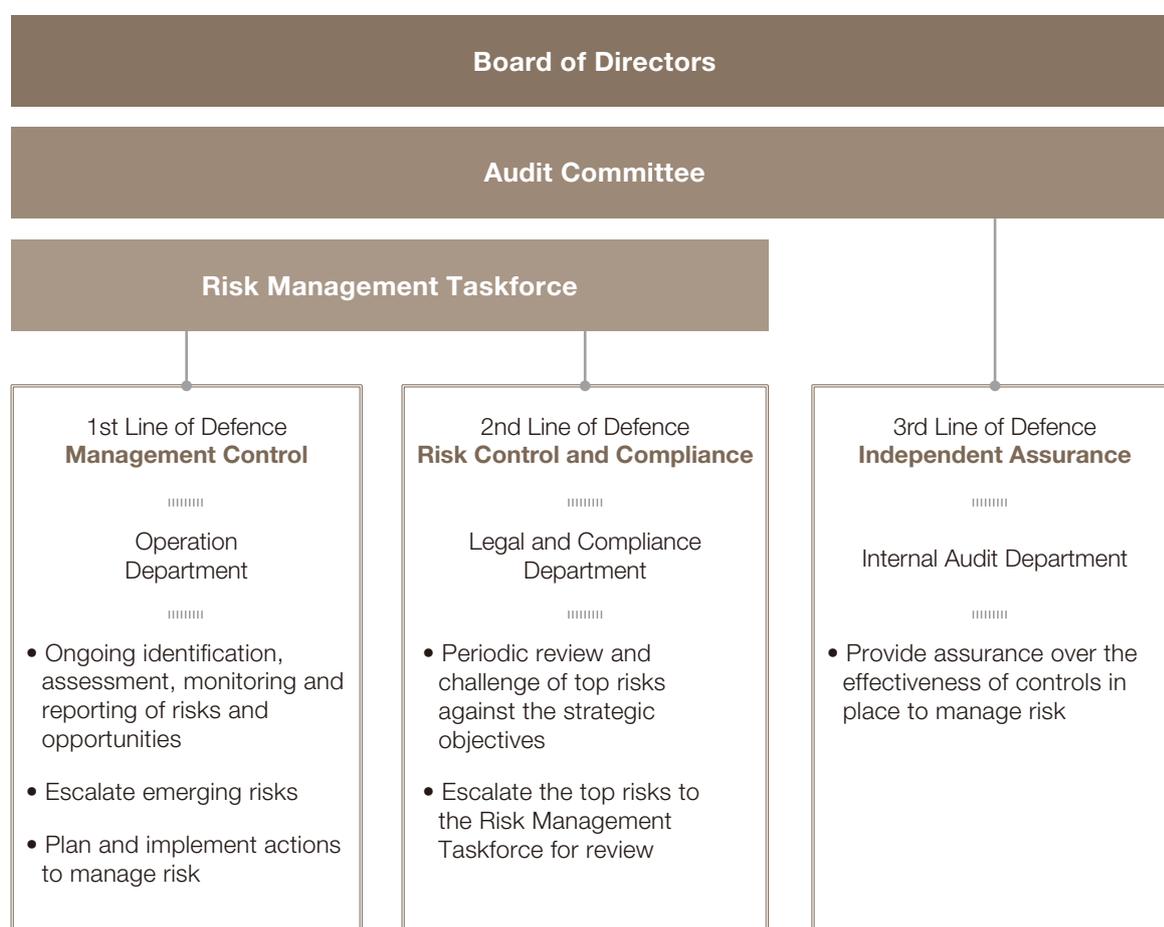
To maintain good corporate governance, Hui Xian REIT implements a structured risk management framework to identify, assess and manage operational risks at an earlier stage. Throughout the Reporting Period, Hui Xian REIT has complied with the relevant provisions of the Corporate Governance Code and the Listing Rules.

Application of the risk management framework ranges from day-to-day business activities to strategic planning processes at management level, which enables a consistent and holistic view of risk. A “Top-Down” approach is adopted for Hui Xian REIT’s risk management system which is monitored and controlled by the Board, the Audit Committee, and the Risk Management Taskforce to identify any high risks that may affect the fulfillment of Hui Xian REIT’s business objectives and financial performance.

## RISK GOVERNANCE STRUCTURE

The risk governance structure is depicted through the accountability framework for managing risks across Hui Xian REIT. It adopts the “Three Lines of Defence” model, which provides a simple and effective way to enhance communications on risk management and control:

- 1st Line of Defence : Management Control by Operation Department
- 2nd Line of Defence : Risk Control and Compliance by Legal and Compliance Department
- 3rd Line of Defence : Independent Assurance by Internal Audit Department



# INTERNAL CONTROL AND RISK MANAGEMENT

## ROLES AND RESPONSIBILITIES

### Board of Directors

Ultimate responsibility for the risk management is assumed by the Board whose role is to ensure that management puts in place appropriate and rigorous systems to manage risk.

### Audit Committee

Audit Committee, delegated by the Board, performs risk governance role on risk management. Internal Audit Department appraises Hui Xian REIT's risk management system and reports the result annually to the Audit Committee.

### Risk Management Taskforce

Risk Management Taskforce comprises (i) the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Legal Manager as standing members and (ii) relevant Department Heads on a rotational/as needed basis. Risk Management Taskforce's responsibilities are overseeing the Enterprise Risk Management system and its implementation, reviewing the results of annual risk assessment and proposing enhancements to the Enterprise Risk Management system.

## ANNUAL REVIEW OF THE ENTERPRISE RISK MANAGEMENT SYSTEM

### Enterprise Risk Assessment Methodology

Hui Xian REIT adopts the Committee of Sponsoring Organizations of Treadway Commission (COSO) Enterprise Risk Management ("ERM") Framework in establishing its ERM system which illustrates the key components of any ERM system. Hui Xian REIT's methodology for its risk assessment comprises four core stages as below. The process is performed as necessary to address changes in Hui Xian REIT's business environment.



## INTERNAL CONTROL

The Board, through the Audit Committee, conducts reviews on the effectiveness of the internal control system of Hui Xian REIT, which covers all material areas, including financial, operational and compliance controls and risk management functions. The Board has appointed an internal audit manager to maintain an independent and objective internal audit function and to report on the adequacy, effectiveness and efficiency of the Manager's operations on ERM.

Audit plan for each year is prepared by the internal audit manager using a risk based methodology in consultation with, but independent of, the management for review by the Audit Committee. The audit review focuses on operational and compliance controls of Hui Xian REIT and the effective implementation of the internal control systems and compliance procedures.

Five audit reviews were conducted in the year ended 31 December 2020. Accomplishments of the audit plan and major findings of the audit reviews were reported to the Audit Committee on a half-yearly basis. Adequate controls were found to be in place and no major irregularities were noted. Recommendations to further improve on the internal control framework were all implemented.

# CONNECTED PARTY TRANSACTIONS

## A. CONNECTED PARTY TRANSACTIONS AND RELATED WAIVERS

### Waivers from Strict Compliance with Certain Requirements under the REIT Code

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 and from time to time thereafter, waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions involving Hui Xian REIT (the "Waivers") were granted by the SFC. Some of the Waivers were subsequently applied, modified and/or extended, with the approval of Unitholders where required. The terms and conditions pursuant to which the Waivers were granted and disclosed in the 2011 Interim Report of Hui Xian REIT and the announcements issued by the Manager from time to time. Throughout the year ended 31 December 2020, Hui Xian REIT has complied with the relevant terms and conditions of the Waivers.

### Connected Party Transactions

Set out below is a summary of the information in respect of the connected party transactions entered into in the year ended 31 December 2020, other than those transactions that are exempted from disclosure and/or excluded pursuant to the waivers granted by the SFC.

### Connected Party Transactions — Income

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income for the year ended 31 December 2020:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2020 RMB'000
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	2,635
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,060
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	102
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	987
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	350
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	452
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	24
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	24

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for
			the year ended 31 December 2020 RMB'000
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	16
森棟乙(北京)科技有限公司 (Ceng Dong Yi (Beijing) Technology Company Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	24
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,382
CK Asset Holdings Limited	Indirect holding company of a significant holder <sup>1</sup>	Leasing and licensing transaction	95
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	1,735
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	2,022
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transaction	70
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Leasing and licensing transaction	485
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	Associated company of the Trustee <sup>2</sup>	Leasing and licensing transaction	1,122
Bank of China Limited	Associated company of a significant holder <sup>3</sup>	Leasing and licensing transaction	34,640
香港貿易發展局北京辦事處 (The Hong Kong Trade Development Council Beijing Office*)	Associate of a director of Manager <sup>4</sup>	Leasing and licensing transaction	421
長江基建集團有限公司 (CK Infrastructure Holdings Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	4
廣州飛機維修工程有限公司 (Guangzhou Aircraft Maintenance Engineering Company Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	1
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	1
廣州屈臣氏個人用品商店有限公司 (Guangzhou Watson's Personal Care Stores Ltd*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	2
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	17

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2020 RMB'000
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	11
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	50
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder <sup>1</sup>	Hotel room revenue	1
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Hotel room revenue	18
Bank of China Limited	Associated company of a significant holder <sup>3</sup>	Hotel room revenue	3
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	Associated company of a significant holder <sup>3</sup>	Hotel room revenue	23
中銀基金管理有限公司 (Bank of China Investment Management Co., Ltd.*)	Associated company of a significant holder <sup>3</sup>	Hotel room revenue	1
復旦大學 (Fudan University)	Associate of a director of Manager <sup>4</sup>	Hotel room revenue	4
南京大學 (Nanjing University*)	Associate of a director of Manager <sup>4</sup>	Hotel room revenue	2
中國人壽財產保險股份有限公司 (China Life Property and Casualty Insurance Company Limited*)	Associated company of a significant holder <sup>5</sup>	Hotel room revenue	1
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	Associated company of a significant holder <sup>5</sup>	Hotel room revenue	1
中國人壽財產保險股份有限公司內江市分公司 (China Life Property and Casualty Insurance Company Limited Neijiang Branch*)	Associated company of a significant holder <sup>5</sup>	Hotel room revenue	2
中國人壽財產保險股份有限公司武威市分公司 (China Life Property and Casualty Insurance Company Limited WuWei Branch*)	Associated company of a significant holder <sup>5</sup>	Hotel room revenue	2
國壽投資控股有限公司 (China Life Investment Holding Company Limited*)	Associated company of a significant holder <sup>5</sup> and associate of a director of a significant holder <sup>6</sup>	Hotel room revenue	2

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2020 RMB'000
萬達信息股份有限公司 (Wonders Information Co., Ltd.*)	Associate of a director of a significant holder <sup>6</sup>	Hotel room revenue	1
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	6
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	14
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	32
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	24
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	3
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Food & beverages and other hotel income	19
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of Manager	Food & beverages and other hotel income	11
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	Associated company of the Trustee <sup>2</sup>	Food & beverages and other hotel income	6
Bank of China Limited	Associated company of a significant holder <sup>3</sup>	Food & beverages and other hotel income	1
中銀保險有限公司北京市分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	Associated company of a significant holder <sup>3</sup>	Food & beverages and other hotel income	1
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	Associated company of a significant holder <sup>3</sup>	Food & beverages and other hotel income	— ^
中國人壽財產保險股份有限公司內江市分公司 (China Life Property and Casualty Insurance Company Limited Neijiang Branch*)	Associated company of a significant holder <sup>5</sup>	Food & beverages and other hotel income	— ^
中國人壽財產保險股份有限公司成都市分公司 (China Life Property and Casualty Insurance Company Limited Chengdu Branch*)	Associated company of a significant holder <sup>5</sup>	Food & beverages and other hotel income	— ^

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2020 RMB'000
中國人壽保險股份有限公司成都市分公司 (China Life Insurance Company Limited Chengdu Branch*)	Associated company of a significant holder <sup>5</sup>	Food & beverages and other hotel income	22
萬達信息股份有限公司 (Wonders Information Co., Ltd.*)	Associate of a director of a significant holder <sup>6</sup>	Food & beverages and other hotel income	— ^
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder <sup>7</sup>	Interest Income	— ^
Bank of China Limited	Associated company of a significant holder <sup>3</sup>	Interest Income	11,052
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>3</sup> and associate of a director of Manager <sup>4</sup>	Interest Income	112
Hui Xian Asset Management Limited	Manager	Reimbursement of staff cost	1,268
<b>Total</b>			<b>60,364</b>

*Notes:*

- 1 Significant holder being Noblecrown Investment Limited ("Noblecrown").
- 2 Trustee being DB Trustees (Hong Kong) Limited.
- 3 These companies are associated companies of Noblecrown which is significant holder of Hui Xian REIT.
- 4 Associates of Dr. CHOI Koon Shum, Jonathan, being the independent non-executive director of the Manager.
- 5 These companies are associated companies of China Life Insurance (Overseas) Company Limited, a significant holder of Hui Xian REIT, and are subsidiaries or associated companies of China Life Insurance (Group) Company.
- 6 These companies are associates of Mr. KUANG Tao who is both a director of China Life Insurance (Overseas) Company Limited and/or Po Lian Enterprises Limited, each of which is a significant holder or deemed to be a significant holder of Hui Xian REIT.
- 7 An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown, a significant holder of Hui Xian REIT.

The terms "associated company", "associate", "controlling entity", "holding company" and "significant holder" have the same meanings as they are defined under SFO and the REIT Code which has been amended and revised in December 2020. The disclosure in this report is based on the REIT Code requirement prior to such amendments.

\* The English name is shown for identification purpose only.

^ Transaction amount is greater than zero and smaller than RMB500.

## CONNECTED PARTY TRANSACTIONS

### Connected Party Transactions — Expenses

The following table sets out information on connected party transactions in which Hui Xian REIT incurred its expenses for the year ended 31 December 2020:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for year ended 31 December 2020 RMB'000
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Associated company of a significant holder <sup>1</sup>	Property management fee	18,645
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Associated company of a significant holder <sup>1</sup>	Property management fee	21,462
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited*)	Associated company of a significant holder <sup>1</sup>	Property management fee	7,696
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	Associated company of a significant holder <sup>1</sup>	Internet services fee	1,220
CK Asset Holdings Limited	Indirect holding company of a significant holder <sup>1</sup>	Internet services fee	18
廣州屈臣氏食品飲料有限公司 北京飲料分公司 (Guangzhou Watson's Food and Beverage Company Limited Beijing Beverages Branch*)	Associated company of a significant holder <sup>1</sup>	Beverages	430
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder <sup>1</sup>	Cleaning supplies	668
Harbour Grand Hong Kong Catering Limited	Associated company of a significant holder <sup>1</sup>	Hotel Services	259
中銀保險有限公司北京市分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	Associated company of a significant holder <sup>2</sup>	Insurance expense	371
中國人壽財產保險股份有限公司 北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	Associated company of a significant holder <sup>3</sup>	Insurance expense	1,297
中國人壽財產保險股份有限公司 重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	Associated company of a significant holder <sup>3</sup>	Insurance expense	180
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder <sup>4</sup>	Interest expense	23,378

## CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for year ended 31 December 2020 RMB'000
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>2</sup> and associate of a director of Manager <sup>5</sup>	Interest expense	55,522
Bank of China Limited	Associated company of a significant holder <sup>2</sup>	Bank charges and agency fee	1,004
Bank of China (Hong Kong) Limited	Associated company of a significant holder <sup>2</sup> and associate of a director of Manager <sup>5</sup>	Bank charges and agency fee	174
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Property Manager's fee	70,474
<b>Total</b>			<b>202,798</b>

Notes:

1. Significant holder being Noblecrown Investment Limited ("Noblecrown").
2. These companies are associated companies of Noblecrown, a significant holder of Hui Xian REIT.
3. These companies are associated companies of China Life Insurance (Overseas) Company Limited, a significant holder of Hui Xian REIT, and are subsidiaries or associated companies of China Life Insurance (Group) Company.
4. An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown, a significant holder of Hui Xian REIT.
5. Associates of Dr. CHOI Koon Sum, Jonathan, being the independent non-executive director of the Manager.

The terms "associated company", "associate", "holding company" and "significant holder" have the same meanings as they are defined under SFO and the REIT Code which has been amended and revised in December 2020. The disclosure in this report is based on the REIT Code requirement prior to such amendments.

\* The English name is shown for identification purpose only.

^ Transaction amount is greater than zero and smaller than RMB500.

### Confirmation by the INEDs and Audit Committee

Audit Committee and the INEDs have confirmed that they have reviewed the terms of all the relevant connected party transactions conducted during the year ended 31 December 2020 and that they are satisfied that these transactions have been entered into: (a) in the ordinary and usual course of business of Hui Xian REIT; (b) at arm's length and 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 agreement and (where applicable) the Manager's internal procedures and controls governing them (if any) on terms that are fair and reasonable and in the interests of the unitholders of Hui Xian REIT as a whole. For those waivers without a fixed renewal period, it is fair and reasonable in the best interest of Unitholders to continue without Unitholders' approval.

### Report from the Auditor of Hui Xian REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Hui Xian REIT, was engaged to report on Hui Xian REIT's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions on leasing and licensing transactions, property management arrangements, third party services, insurance transactions and other operational transactions and transactions involving ordinary banking and financial services disclosed by Hui Xian REIT on pages 62 to 69 of this Annual Report in accordance with the relevant waivers from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of the auditor's letter will be provided to the SFC.

### Terms and Remuneration of Services Provided by the Manager, the Trustee and the Principal Valuer

Pursuant to note 2 to 8.10 of the REIT Code\*, services provided by the Manager, the Trustee and the Principal Valuer to Hui Xian REIT as contemplated under the constitutive documents of Hui Xian REIT shall not be deemed connected party transactions. Such services are therefore not disclosed in the above sections. The aggregate amount of fees (in cash and/or units) payable by Hui Xian REIT to the Trustee and to the Manager under the Trust Deed for the year ended 31 December 2020 were RMB3,689,000 and RMB127,632,000 respectively. Particulars of the services provided by the Trustee and the Manager are set out in notes 1(b) and 1(c) respectively to the Consolidated Financial Statements of Hui Xian REIT for the year ended 31 December 2020 on pages 163 to 164 of this Annual Report. For the year ended 31 December 2020, the valuation fee payable to the principal valuer, Knight Frank Petty Limited, was RMB580,000.

### Revolving Credit Facilities of US\$180 Million Granted by Hui Xian Holdings Limited to Hui Xian Investment Limited Dated 16 November 2017

For the year ended 31 December 2020, no revolving credit facilities granted by Hui Xian Holdings Limited to Hui Xian Investment Limited was utilised by Hui Xian REIT group. The revolving credit facilities was expired on 15 May 2020.

\* REIT Code has subsequently been amended in December 2020 and note 2 to 8.10 of the REIT Code was replaced with 8.7E of the revised REIT Code.

# DISCLOSURE OF INTERESTS

## INTERESTS OF CONNECTED PERSONS

Based on the information available to the Manager as at 31 December 2020, each of the following persons was a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units of Hui Xian REIT as follows:

Name	As at 31 December 2020	
	No. of Units held	Percentage of Units held <sup>1</sup>
Subsidiaries of CK Asset Holdings Limited (“CKAH”) <sup>2</sup>	<b>1,953,929,806</b>	<b>32.49%</b>
Li Ka Shing Foundation Limited <sup>3</sup>	<b>607,395</b>	<b>0.01%</b>
The Hongkong and Shanghai Banking Corporation Limited <sup>3</sup>	<b>29,010,241</b>	<b>0.48%</b>
Subsidiaries of China Life Insurance (Group) Company <sup>4</sup>	<b>865,406,000</b>	<b>14.39%</b>
Subsidiary of ARA Asset Management Limited <sup>5</sup>	<b>4,800,000</b>	<b>0.08%</b>

*Notes:*

The terms associated company, connected person, controlling entity and significant holder are as defined the SFO or the REIT Code which has been amended and revised in December 2020. The disclosure in this report is based on the REIT Code requirement prior to such amendments.

- Based on the total number of 6,014,651,998 Units in issue as at 31 December 2020.
- These subsidiaries of CKAH were Noblecrown Investment Limited (“Noblecrown”) (held 1,091,083,328 Units as at 31 December 2020), Wisdom Ally Limited (“Wisdom Ally”) (held 201,956,411 Units as at 31 December 2020), Wealth Finder Limited (“Wealth Finder”) (held 52,207,917 Units as at 31 December 2020), Heathcliff Developments Limited (“Heathcliff Developments”) (held 586,884,405 Units as at 31 December 2020) and Hui Xian Asset Management Limited (“Manager”) (held 21,797,745 Units as at 31 December 2020). All these companies were significant holders or deemed to be significant holders of Hui Xian REIT.

Separately, by virtue of the deemed application of Part XV of the SFO and based on information available to the Manager:

- as at 31 December 2020, each of CKAH and the intermediate holding companies through which CKAH was interested in the share capital of Noblecrown and Heathcliff Developments (namely, Mighty State Limited, Novel Trend Holdings Limited, Paola Holdings Limited and Burgeon Force Limited) was taken to have an interest in the Units that Noblecrown and Heathcliff Developments were interested in;
  - as at 31 December 2020, Noblecrown, of which Wisdom Ally, Wealth Finder and the Manager were its subsidiaries, was taken to have an interest in the Units held by Wisdom Ally, Wealth Finder and the Manager respectively; and
  - as at 31 December 2020, CKAH, in view of its interest in the above intermediate holding companies through which Noblecrown and Heathcliff Developments were held, was taken to have an interest in the Units held by Wisdom Ally, Wealth Finder and the Manager.
- Associate of Mr. LI Tzar Kuoi, Victor who was a director of Noblecrown, a significant holder of Hui Xian REIT.
  - The subsidiaries were China Life Insurance (Overseas) Co. Ltd and Po Lian Enterprises Limited which were significant holders or deemed to be significant holders of Hui Xian REIT.
  - The subsidiary being ARA Hui Xian (Holdings) Limited, an indirect wholly-owned subsidiary of ARA Asset Management Limited, which owned 30% of the voting power at general meeting of the Manager.

## Interests of the Manager

As at 31 December 2020, the Manager held 21,797,745 Units in Hui Xian REIT.

## Interests of the Directors, Senior Executives and Officers of the Manager

As at 31 December 2020, each of the following persons was a director, senior executive or officer of the Manager and thus a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Hui Xian REIT as follows:

<b>Name</b>	<b>As at 31 December 2020 Number of Units held</b>
KAM Hing Lam	<b>841,316<sup>1</sup></b>
IP Tak Chuen, Edmond	<b>1,100,000<sup>2</sup></b>
CHEUNG Ling Fung, Tom	<b>94,537<sup>3</sup></b>
TONG BARNES Wai Che, Wendy	<b>142,856<sup>4</sup></b>

*Notes:*

1. These Units were held by Mr. KAM Hing Lam, chairman and non-executive director of the Manager, as a bare trustee and this is a voluntary disclosure made by Mr. KAM.
2. These Units were held by Mr. IP Tak Chuen, Edmond, non-executive director of the Manager, as beneficial owner.
3. These Units were held by Mr. CHEUNG Ling Fung, Tom, executive director and chief executive officer of the Manager, as beneficial owner.
4. These Units were held by Mrs. TONG BARNES Wai Che, Wendy, deputy chief executive officer of the Manager, as beneficial owner.

Save as disclosed above, the Manager is not aware of any connected persons of Hui Xian REIT holding any units of Hui Xian REIT as at 31 December 2020.

# DIRECTORS' BIOGRAPHICAL INFORMATION

**KAM Hing Lam**, aged 74, is the founding Chairman and Non-executive Director of Hui Xian Asset Management Limited. He is also the founding Chairman of Beijing Oriental Plaza Co., Ltd.

In addition to the Chairmanship positions at Hui Xian Asset Management Limited and Beijing Oriental Plaza Co., Ltd., Mr. Kam has Board positions in a few listed companies of the CK Group, including Deputy Managing Director of CK Asset Holdings Limited, Deputy Managing Director of CK Hutchison Holdings Limited, founding Group Managing Director of CK Infrastructure Holdings Limited and founding President of CK Life Sciences Int'l., (Holdings) Inc.

Since the early 1990s, Mr. Kam has overseen the development of Beijing Oriental Plaza from its initial planning, design and construction stages to the company's present state of being one of the leading commercial complexes in Asia. Under Mr. Kam's leadership, Beijing Oriental Plaza now boasts an experienced management team strong in tenant mix planning, lease negotiation as well as marketing and promotion.

Mr. Kam possesses extensive experience in the real estate sector in Hong Kong and Mainland China. In Mainland China, beyond Beijing Oriental Plaza, Mr. Kam has considerable involvement with property developments in a number of cities, including Beijing, Shanghai, Chongqing, Chengdu and Shenyang.

Mr. Kam is an Honourable Citizen of Shenyang, Jiangmen, Foshan and Nanhai.

Mr. Kam's major community involvements including Honorary Advisor of the Belt & Road Summit of Hong Kong Trade Development Council and Council Member of Hong Kong Beijing Association, Council Member of The Hong Kong Management Association, Council Member of Hong Kong & Macau AustCham, Appointed Member of the New Zealand Business Advisory Board, a Governor to the Governor's Council of the Hong Kong Canadian Chamber of Commerce.

**CHEUNG Ling Fung, Tom**, aged 54, is an Executive Director and the Chief Executive Officer of Hui Xian Asset Management Limited (the "Manager"), a chairman of the Disclosures Committee and a member of the Designated (Finance) Committee. Mr. CHEUNG is also a Responsible Officer of the Manager.

Mr. CHEUNG is the Director and the General Manager of Beijing Oriental Plaza Co., Ltd. ("BOP"), the Sino-foreign cooperative joint venture company through which Hui Xian REIT's investment in Beijing Oriental Plaza is held.

Prior to joining BOP in 2001, Mr. CHEUNG spent seven years in Shanghai, where, as General Manager, he set up the first Mainland China branch for CBRE. He has over 29 years of experience in real estate, encompassing office, retail and residential properties. Mr. CHEUNG has previously been involved in a number of property developments located throughout Mainland China. He is also a member of Beijing Municipal Dongcheng District Committee of the Chinese People's Political Consultative Conference.

Mr. CHEUNG holds a Bachelor of Business Administration in Finance and a Master's degree in Business Administration.

**LEE Chi Kin, Casey**, aged 58, currently the Executive Director, the Chief Operating Officer and a Responsible Officer of Hui Xian Asset Management Limited (the "Manager"). Mr. LEE had served as the Deputy Chief Operating Officer — Hotel of the Manager since the listing of the units of Hui Xian REIT on The Stock Exchange of Hong Kong Limited in April 2011 prior to his appointment as the Chief Investment Officer of the Manager in August 2011.

Mr. LEE joined the group of CK Asset Holdings Limited ("CK Asset") (previously known as Cheung Kong Property Holdings Limited) in 1998. His duties include assessing new hotel and related properties development opportunities in China, liaising with local PRC authorities, working with banks in respect of financing and overseeing the operation of various hotels in the group. He is also responsible for the investment in Sofitel Shenyang Lido Hotel (formerly known as Sheraton Shenyang Lido Hotel), which forms part of the Hui Xian REIT group since the beginning of 2012.

## DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. LEE has over 30 years of experience in accounting, hotel management and property development. Prior to joining the group of CK Asset, he worked for various hotel management groups, property investment companies, as well as Coopers and Lybrand. Mr. LEE holds a Bachelor's degree in Social Sciences. He is a fellow member of The Institute of Chartered Accountants in England and Wales, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. He is also a member of the 12th, 13th and 14th Liaoning Shenyang Committee of the Chinese People's Political Consultative Conference.

**LAI Wai Yin, Agnes**, aged 53, was appointed an Executive Director of Hui Xian Asset Management Limited on 8 January 2018. She is also the Chief Financial Officer and Responsible Officer of the Manager, and a director of Beijing Oriental Plaza Co., Ltd.. Ms. LAI has worked for Beijing Oriental Plaza Co., Ltd. since she joined the company as Finance Manager in 2000 and has been the Financial Controller of Beijing Oriental Plaza Co., Ltd. since 2008. She has over 30 years of experience in accounting and auditing. Ms. LAI holds a Bachelor's degree in Business Administration. She is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

**IP Tak Chuen, Edmond**, aged 68, is a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT. Mr. IP is Deputy Managing Director of CK Hutchison Holdings Limited, as well as Deputy Managing Director, an Executive Director, Chairman of Sustainability Committee and an Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director, Deputy Chairman and Chairman of Sustainability Committee of CK Infrastructure Holdings Limited, and the Senior Vice President, Chief Investment Officer and Chairman of Sustainability Committee of CK Life Sciences Int'l., (Holdings) Inc.

Except Hui Xian Asset Management Limited, all the companies mentioned above are listed companies.

Mr. IP holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

**LIM Hwee Chiang**, aged 64, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is also the Co-Founder and Deputy Chairman of ARA Asset Management Limited ("ARA" or "ARA Group") (delisted from the Singapore Exchange Securities Trading Limited "SGX-ST" on 19 April 2017). He is also a Non-executive Director of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT listed on The Stock Exchange of Hong Kong Limited), ARA Trust Management (Suntec) Limited (the manager of Singapore-listed Suntec REIT) and ARA Asset Management (Prosperity) Limited (the manager of Hong Kong-listed Prosperity REIT). Mr. LIM is also the Chairman and Non-executive Director of Suntec Singapore International Convention & Exhibition Services Pte. Ltd and LOGOS Group.

Mr. LIM is Chairman of the Asia Pacific Real Estate Association (APREA), the Consultative Committee to the Department of Real Estate, National University of Singapore, Straits Real Estate and Lim Hoon Foundation. He is a Patron of Jurong Spring Citizens' Consultative Committee and the Securities Investors Association of Singapore (SIAS). He is also a Council Member of Singapore Chinese Chamber of Commerce and Industry. He was previously an Independent Director and Chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited (delisted from SGX-ST on 24 November 2020).

Prior to his role as Deputy Chairman of ARA, Mr. LIM was ARA Group CEO for 18 years, since co-founding it. Mr. LIM has 40 years of experience in the real estate industry and has received many notable corporate awards. His accolades include the PERE Global Awards Industry Figure of the Year: Asia in 2020 and 2016, Ernst & Young Entrepreneur of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. LIM, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contribution to the community.

Mr. LIM holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

## DIRECTORS' BIOGRAPHICAL INFORMATION

**CHENG Hoi Chuen, Vincent**, aged 72, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He was the Adviser to the Group Chief Executive of HSBC Holdings plc and is also an Independent Non-executive Director of Great Eagle Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited. He was an Independent Non-executive Director of CLP Holdings Limited up to early May 2020. He was also an Independent Non-executive Director of China Minsheng Banking Corp., Ltd. and MTR Corporation Limited up to in or around mid-June 2018 and mid-May 2019, respectively. Except Hui Xian Asset Management Limited, all the aforementioned companies are listed companies. He has been appointed as Independent Non-executive Director of Airstar Bank Limited with effect from 9 May 2019. He is the former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. CHENG was previously an Executive Director of HSBC Holdings plc, a Non-executive Director of HSBC China Dragon Fund and an Independent Non-executive Director of Swire Properties Limited.

Mr. CHENG was the Chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and the Chairman of the Council of The Chinese University of Hong Kong. He is a member of the Advisory Committee on Post-service Employment of Civil Servants and a Vice-patron of Community Chest of Hong Kong. He was also a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC"), and a Senior Adviser to the 11th Beijing Municipal Committee of the CPPCC. He was the Chairman of the Process Review Panel for the Securities and Futures Commission, Chairman of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government, a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Vice-chairman of the China Banking Association.

He was conferred the Doctoral degree of Social Science, *honoris causa*, by The Chinese University of Hong Kong and the Doctoral degree of Business Administration, *honoris causa*, by The Open University. Mr. CHENG holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland, New Zealand.

**LEE Chack Fan**, aged 75, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is an Academician of Chinese Academy of Engineering and was appointed as the Chancellor of the Chu Hai College of Higher Education on 1 July 2015. Professor LEE has been appointed as a non-executive director of Zhaobangji Properties Holdings Limited with effect from 22 October 2018. He is also an Independent Non-executive Director of South Shore Holdings Limited (formerly known as The 13 Holdings Limited). Professor LEE was an Independent Non-executive Director of AID Life Science Holdings Limited (formerly known as AID Partners Technology Holdings Limited) up to 14 August 2017.

Professor LEE is an internationally renowned expert in geotechnical engineering. He served as a consultant and technical adviser to numerous energy and infrastructure projects in China and overseas, including the construction of the Three Gorges Dam of the Yangtze River. He worked for Ontario Hydro in Canada for more than 20 years. He joined the University of Hong Kong in 1994 as a professor of the Department of Civil Engineering, and successively as chair professor of geotechnical engineering, pro-vice-chancellor (vice-president) and director of the School of Professional and Continuing Education. He has also served as a specialist consultant or an advisor to many international bodies such as the United Nations Development Plan, World Bank and Asian Development Bank on numerous energy and infrastructure projects in many parts of the world.

Professor LEE is currently the Chairman of the Hong Kong Institute for Promotion of Chinese Culture, Chairman of Jao Tsung-I Academy, Director of Jao Tsung-I Petite Ecole, University of Hong Kong, and the President of the Fu Hui Charity Foundation. He is a member of the Commission on Strategic Development. Professor LEE was a Chairman of the Harbourfront Enhancement Committee, the Council of the Lord Wilson Heritage Trust, and the Veterinary Surgeons Board. He previously also served as a member of Board of the West Kowloon Cultural District Authority and the Cultural and Heritage Commission.

## DIRECTORS' BIOGRAPHICAL INFORMATION

Professor LEE's eminent achievement in civil engineering has been highly recognised. He was awarded the K Y Lo Medal in 2001 by the Engineering Institute of Canada and was elected the Academician of the Chinese Academy of Engineering in 2003 in recognition of his contributions to the engineering profession. He was appointed as Justice of the Peace by the Hong Kong Government in 2003 and was awarded the Silver Bauhinia Star and Gold Bauhinia Star in 2005 and 2013 respectively.

Professor LEE graduated from The University of Hong Kong with a Bachelor's degree in Civil Engineering and received his Master's degree from The University of Hong Kong and a Doctor of Philosophy degree from The University of Western Ontario, Canada, in the field of geotechnical engineering.

**CHOI Koon Shum, Jonathan**, aged 63, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is Chairman of the Sun Wah Group, Sunwah International Limited (listed in Toronto), Sunwah Kingsway Capital Holdings Limited (listed in Hong Kong) and Vietnam VinaCapital. He is also Independent Non-executive Director of BOC Hong Kong (Holdings) Limited (listed in Hong Kong) and Bank of China (Hong Kong) Limited. Dr. CHOI has extensive experience in food industry, real estate development, international trade as well as technology and finance related business.

Dr CHOI is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference of the PRC. He also holds a number of public positions including Permanent Honorary President of the Chinese General Chamber of Commerce in Hong Kong, Standing Committee Member of the All-China Federation of Industry and Commerce, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Chairman of Professional Services Advancement Support Scheme Vetting Committee of Hong Kong SAR Government, Chairman of The Advisory Committee on Agriculture and Fisheries of Hong Kong SAR Government, Economic Advisor to the President of the Chinese Academy of Sciences, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, Executive Director of the China Overseas Friendship Association, Council Member of the Hong Kong Trade Development Council, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Honorary Ambassador of Foreign Investment Promotion for the Republic of Korea (2015–2020), Chairman of the China-India Software Association, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center and Chairman of the US-China Center for Research on Educational Excellence of the Michigan State University. Dr CHOI is a Court or Council Member of a number of universities including the Fudan University, the Nanjing University, United College of the Chinese University of Hong Kong and the Hong Kong Polytechnic University.

Dr CHOI was conferred Honorary Doctor of Humanities by the Michigan State University in the United States in 2005. He became University Fellow of the Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by the University of Glamorgan in the United Kingdom in 2009, Honorary Doctor of Social Sciences by the Lingnan University in Hong Kong in 2011, Honorary Doctor by the Vietnam National University, Hanoi in 2013, Honorary Doctor of Business Administration by the De Montfort University in the United Kingdom in 2014, Honorary Doctor of Law by the University of Alberta in Canada in 2015, and Honorary Doctor of Business Administration by the Open University of Hong Kong in 2020.

# KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

**TONG BARNES Wai Che, Wendy** is the Deputy Chief Executive Officer of Hui Xian Asset Management Limited (“the Manager”). She is the Chief Corporate Affairs Officer of CK Asset Holdings Limited, CK Infrastructure Holdings Limited, and CK Life Sciences Int’l., (Holdings) Inc. Mrs. BARNES has been working on the Beijing Oriental Plaza project since the 1990s during the pre-leasing and pre-opening phase. She holds a Bachelor’s degree in Business Administration.

**FONG Chi Lam, Jasmine** is the Chief Compliance Officer of the Manager. Ms. FONG is also the Senior Legal Manager of CK Infrastructure Holdings Limited. She has over 20 years of experience in legal and regulatory compliance, mergers and acquisitions, as well as project structuring and financing areas. Ms. FONG was qualified as a solicitor of the High Court of Hong Kong in 1997.

**CHING Sung, Eric** is the Deputy Chief Investment Officer and Responsible Officer of the Manager. Prior to joining the Manager, Mr. CHING worked in CK Life Sciences Int’l., (Holdings) Inc. and CK Infrastructure Holdings Limited. Mr. CHING has over 36 years of experience in banking, finance and mergers & acquisitions. He holds a Master’s degree in Management.

**TANG Hiu Tung, Daisy** is the Senior Corporate Finance and Corporate Development Manager and Responsible Officer of the Manager. Ms. TANG has over 20 years of experience in investor relations, corporate finance and marketing communications with a career that spans the finance, property, exhibition and convention, and automotive industries. She holds a Master’s Degree in Marketing.

**TSE Chun Wai, Richard** is the Internal Audit Manager of the Manager. He is also the Senior Manager, Internal Audit Department of CK Asset Holdings Limited. He has over 29 years of experience in auditing. Mr. TSE holds a Master’s degree in Business Administration, a Master of Science degree in Information Systems Management, a Master of Science degree in Investment Management, a Master of Laws degree in Common Law and a Juris Doctor Degree. He is a fellow member of The Association of Chartered Certified Accountants, an associate member of The Chartered Institute of Management Accountants, and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

5 March 2021

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Our Ref: CV/CL/GL/JC/sn/14083/55(1)

Dear Sirs,

## **VALUATION OF VARIOUS PORTIONS OF ORIENTAL PLAZA LOCATED AT DONGCHENG DISTRICT, BEIJING, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the above-mentioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2020 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the property interests, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Surveyors.

# VALUATION REPORT

## VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach and cross-checked by the Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

We have valued the properties by capitalization of the net rental income generated in the unexpired land use rights term of the property until 21 April 2049.

For Property no. 4, we have valued the property under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

Market Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable transactions.

## TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with copies of extracts of title documents relating to the properties. According to the specific terms of instruction from you, we have assumed in our valuation that the properties have proper legal titles and are freely transferable to local and overseas purchasers without any onerous payments.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

## SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by you. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have accepted advice given to us on such matters as tenure, ownership, particulars of occupancy, tenancy information, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas of the properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

## INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior of the properties and the inspection was carried out by our Tara Luo in September 2020. No structural survey has been made. We are not, therefore, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. For the purpose of this valuation, we have assumed that the properties have been maintained in satisfactory condition commensurate with their building ages and use.

## ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the properties.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the properties.

Pursuant to Chapter 6.5 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

# VALUATION REPORT

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

We enclose herewith our summary of values and valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

Reviewed (but not undertaken) by:

Gary S K Lau *MSc(RealEst) MHKIS MRICS RPS (GP)*  
RICS Registered Valuer  
Director, China Valuation & Advisory

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*  
RICS Registered Valuer  
Executive Director, Head of China Valuation & Advisory

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## EXECUTIVE SUMMARY

- Properties
- (1) The Retail Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (2) The Office Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (3) The Serviced Apartment Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (4) The Hotel Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC
  - (5) The Basement Portion of Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, The PRC

Description Oriental Plaza is a mixed use commercial complex comprising a shopping mall, 8 blocks of office towers, 4 blocks of serviced apartment towers, a 5-star hotel, car parking spaces and other ancillary facilities.

Site Area 109,924.10 sq.m. *(Note)*

*Note:* The site area of the Oriental Plaza is of 77,594.81 sq.m. under the relevant State-owned Land Use Rights Certificate as stated below and the planned land use area of the property is of 109,924.10 sq.m. under the relevant Appendix of Construction Land Use Planning Permit.

Registered Owner Beijing Oriental Plaza Company Limited (北京東方廣場有限公司) (hereinafter referred to as "BOP")

Gross Floor Area According to the information provided by BOP, the details of approximate gross floor area are listed as follows:

<b>Property</b>	<b>Approximately Gross Floor Area (sq.m.)</b>
Retail Portion	132,584
Office Portion	309,768
Serviced Apartment Portion	111,308
Hotel Portion	91,391
Basement Portion	118,431 <i>(Note 2)</i>
<b>Total:</b>	<b>763,482</b>

*Note 2:* The above Gross Floor Area of the basement does not include the area of civil defense shelter.

## VALUATION REPORT

Lettable Area According to the information provided by BOP, details of the approximate lettable area are listed as follows:

<b>Property</b>	<b>Approximately Lettable Area (sq.m.)</b>
Retail Portion	70,316
Office Portion	309,088
Serviced Apartment Portion	108,690
<b>Total:</b>	<b>488,094</b>

State-owned Land Use Rights Certificate Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳台國用(2006出)第10128號)

Building Ownership Certificate Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳台字第10283號)

Date of Valuation 31 December 2020

Valuation Methodology Income Approach and Market Approach

Market Value in Existing State

<b>Property</b>	<b>Market Value in Existing State as at 31 December 2020</b>
Retail Portion	RMB13,220,000,000
Office Portion	RMB13,995,000,000
Serviced Apartment Portion	RMB2,720,000,000
Hotel Portion	RMB2,140,000,000
Basement Portion	RMB276,000,000
<b>Total:</b>	<b>RMB32,351,000,000</b>

## VALUATION REPORT

Market Value

in Existing State

as at 31 December 2020

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
1. The retail portion of Oriental Plaza  No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	<p>Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 4 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m.. The retail portion was completed in 2000.</p> <p>The property comprises the retail portion of the Development with a total gross floor area and lettable area of approximately 132,584 sq.m. and 70,316 sq.m. respectively.</p> <p>The property is held under land use rights term expiring on 21 April 2049 for composite use.</p>	<p>Portion of the property with a total lettable area of approximately 64,363 sq.m. has been leased under various tenancies with the last term expiring in October 2028 yielding a total monthly rental of approximately RMB59,500,000 exclusive of management fee.</p> <p>Various advertising spaces of the property are let under various agreements yielding an average monthly income of approximately RMB410,000 from January 2020 to December 2020.</p> <p>The occupancy rate of the retail portion of the property as at valuation date was about 91.5%.</p>	RMB13,220,000,000 (RENMINBI THIRTEEN BILLION TWO HUNDRED AND TWENTY MILLION ONLY)

## Notes:

- Pursuant to the Stated-owned Land Use Rights Certificate No. Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di 10128 (國有土地使用證京市東港澳台國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. have been granted to BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- Pursuant to the Building Ownership Certificate No. Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 10283 (房屋所有權證京房權證市東港澳台字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership of the Development with a gross floor area of 763,480.35 sq.m. is vested in BOP.

# VALUATION REPORT

4. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
5. According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account turnover rent, if any. The average monthly turnover rent income is approximately RMB520,000 for the period between January 2020 to December 2020.
6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

## Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	64,363	91.5
Vacant	5,953	8.5
<b>Total:</b>	<b>70,316</b>	<b>100.0</b>

## Tenancy Commencement Profile (excluding rental income from turnover rent)

Year	Approximate Leased Lettable Area (sq.m.)		Net Monthly Rental (RMB)		No. of Tenancies	
		% of total		% of total		% of total
2015	2,640	4.10	120,209	0.20	2	0.70
2016	7,164	11.13	4,399,454	7.40	10	3.47
2017	8,110	12.60	6,894,828	11.59	14	4.86
2018	10,323	16.04	12,792,543	21.50	59	20.49
2019	13,786	21.42	16,530,475	27.78	82	28.47
2020	22,340	34.71	18,760,559	31.53	121	42.01
<b>Total:</b>	<b>64,363</b>	<b>100.00</b>	<b>59,498,068</b>	<b>100.00</b>	<b>288</b>	<b>100.00</b>

## Tenancy Expiry Profile (excluding rental income from turnover rent)

Year	Approximate Leased Lettable Area (sq.m.)		Net Monthly Rental (RMB)		No. of Tenancies	
		% of total		% of total		% of total
2020	583	0.91	899,600	1.51	6	2.08
2021	14,779	22.96	16,714,705	28.09	77	26.74
2022	13,296	20.66	15,367,645	25.83	77	26.74
2023	14,244	22.13	15,743,077	26.46	76	26.39
2024	8,662	13.46	5,394,670	9.07	23	7.98
2025	7,994	12.42	4,641,616	7.80	22	7.64
2026	2,045	3.18	635,821	1.07	4	1.39
2027	679	1.05	-	-	1	0.35
2028	2,081	3.23	100,934	0.17	2	0.69
<b>Total:</b>	<b>64,363</b>	<b>100.00</b>	<b>59,498,068</b>	<b>100.00</b>	<b>288</b>	<b>100.00</b>

## Tenancy Duration Profile (excluding rental income from turnover rent)

Year	Approximate Leased		Net Monthly		No. of	
	Lettable Area (sq.m.)	% of total	Rental (RMB)	% of total	Tenancies	% of total
Up to 1 Year	1,621	2.52	1,729,317	2.91	9	3.12
More than 1 Year and up to 2 Years	3,555	5.52	5,143,591	8.64	18	6.25
More than 2 Years and up to 3 Years	18,077	28.09	24,291,501	40.83	149	51.74
More than 3 Years and up to 4 Years	3,243	5.04	5,287,581	8.89	33	11.46
More than 4 Years and up to 5 Years	16,631	25.84	12,466,838	20.95	50	17.36
More than 5 Years and up to 6 Years	10,071	15.65	8,508,763	14.30	18	6.25
More than 6 Years and up to 7 Years	3,381	5.25	1,311,261	2.20	6	2.08
More than 7 Years and up to 8 Years	7,784	12.09	759,216	1.28	5	1.74
<b>Total:</b>	<b>64,363</b>	<b>100.00</b>	<b>59,498,068</b>	<b>100.00</b>	<b>288</b>	<b>100.00</b>

7. We have prepared our valuation based on the following assumptions:
- (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

# VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
2. The office portion of Oriental Plaza	Oriental Plaza (the "Development") is a large composite development comprises a shopping mall,	Portion of the property with a total lettable area of approximately 268,905 sq.m. has been leased	RMB13,995,000,000 (RENMINBI THIRTEEN BILLION NINE HUNDRED AND NINETY FIVE MILLION ONLY)
No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	8 blocks of office towers, 4 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m.. The office portion was completed in between 2000 and 2001.	under various tenancies with the last term expiring in July 2030, yielding a total monthly rental of approximately RMB72,840,000, exclusive of management fee.	
	The property comprises 5 blocks of 12-storey office towers and 3 blocks of 18-storey office towers of the Development with a total gross floor area and lettable area of approximately 309,768 sq.m. and 309,088 sq.m. respectively.	Portion of the property with a total lettable area of approximately 2,419 sq.m. has been occupied by the owner for self-use.	
	The property is held under land use rights term expiring on 21 April 2049 for composite use.	Various naming rights are let under monthly basis, yielding a total monthly income of approximately RMB270,000.  The occupancy rate of the office portion of the property as at valuation date was about 87.8%.	

## Notes:

- Pursuant to the Stated-owned Land Use Rights Certificate No. Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di 10128 (國有土地使用證京市東港澳台國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. have been granted to BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Building Ownership Certificate No. Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 10283 (房屋所有權證京房權證市東港澳台字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. is vested in BOP.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.

## VALUATION REPORT

5. According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.
6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

### Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	268,905	87.0
Owner-occupied	2,419	0.8
Vacant	37,764	12.2
<b>Total:</b>	<b>309,088</b>	<b>100.0</b>

### Tenancy Commencement Profile

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2013	853	0.32	268,695	0.37	1	0.23
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	3,872	1.44	1,221,563	1.68	4	0.92
2017	5,676	2.11	1,925,360	2.64	11	2.55
2018	52,175	19.40	16,366,832	22.47	89	20.60
2019	61,021	22.69	19,785,810	27.16	146	33.80
2020	139,167	51.75	33,174,688	45.54	173	40.05
2021	6,141	2.29	99,189	0.14	8	1.85
<b>Total:</b>	<b>268,905</b>	<b>100.00</b>	<b>72,842,137</b>	<b>100.00</b>	<b>432</b>	<b>100.00</b>

### Tenancy Expiry Profile

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2020	7,038	2.62	2,190,633	3.01	8	1.85
2021	51,018	18.97	15,238,552	20.92	126	29.17
2022	63,749	23.71	20,120,946	27.62	146	33.80
2023	37,349	13.89	9,543,255	13.10	83	19.21
2024	27,390	10.19	8,140,756	11.18	20	4.63
2025	16,659	6.19	4,038,372	5.54	30	6.95
2026	23,103	8.59	5,427,092	7.45	3	0.69
2027	-	-	-	-	-	-
2028	31,737	11.80	7,593,771	10.43	14	3.24
2029	-	-	-	-	-	-
2030	10,862	4.04	548,760	0.75	2	0.46
<b>Total:</b>	<b>268,905</b>	<b>100.00</b>	<b>72,842,137</b>	<b>100.00</b>	<b>432</b>	<b>100.00</b>

# VALUATION REPORT

## Tenancy Duration Profile

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
Up to 1 Year	6,700	2.49	1,135,716	1.56	5	1.16
More than 1 Year and up to 2 Years	25,621	9.53	7,812,605	10.73	80	18.52
More than 2 Years and up to 3 Years	92,388	34.36	26,983,261	37.04	210	48.61
More than 3 Years and up to 4 Years	26,400	9.82	7,976,396	10.95	40	9.26
More than 4 Years and up to 5 Years	26,705	9.93	7,800,006	10.71	45	10.42
More than 5 Years and up to 6 Years	22,265	8.28	6,491,553	8.91	29	6.71
More than 6 Years and up to 7 Years	25,374	9.44	6,231,374	8.55	6	1.39
More than 7 Years and up to 8 Years	6,605	2.45	1,446,064	1.99	5	1.16
More than 8 Years and up to 9 Years	25,132	9.34	6,147,707	8.44	9	2.08
More than 9 Years and up to 10 Years	11,715	4.36	817,455	1.12	3	0.69
Over 10 Years	–	–	–	–	–	–
<b>Total:</b>	<b>268,905</b>	<b>100.00</b>	<b>72,842,137</b>	<b>100.00</b>	<b>432</b>	<b>100.00</b>

\* As at the date of valuation, the total leased lettable area of approximately 268,905 sq.m. includes an area of approximately 6,141 sq.m. for tenancies with lease term not yet commenced and an area of approximately 262,764 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB72,740,000 per month.

\*\*\* As at the date of valuation, there are 432 tenancies, in which 424 tenancies are with lease terms already commenced and 8 tenancies are with lease term not yet commenced.

7. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
3. The serviced apartment portion of Oriental Plaza	Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 4 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m..	Portion of the property with a total lettable area of approximately 89,237 sq.m. has been leased under various tenancies with the last term expiring in December 2023, yielding a total monthly rental of approximately RMB8,790,000, exclusive of management fee.	RMB2,720,000,000 (RENMINBI TWO BILLION SEVEN HUNDRED AND TWENTY MILLION ONLY)
No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	The serviced apartment portion was completed in between 2002 and 2004.  The property comprises a block of 21-storey apartment towers and 3 blocks of 14-storey apartment towers of the Development with a total gross floor area and lettable area of approximately 111,308 sq.m. and 108,690 sq.m. respectively.  The property is held under land use rights term expiring on 21 April 2049 for composite use.	Portion of the property with a total lettable area of approximately 1,114 sq.m. has been occupied by the owner for self-use.  The occupancy rate of the service apartment portion of the property as at valuation date was about 83.1%.	

*Notes:*

- Pursuant to the Stated-owned Land Use Rights Certificate No. Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di 10128 (國有土地使用證京市東港澳台國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. have been granted to BOP for a land use term expiring on 21 April 2049 for composite use.
- Pursuant to the Building Ownership Certificate No. Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 10283 (房屋所有權證京房權證市東港澳台字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. is vested in BOP.
- Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.

# VALUATION REPORT

4. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
5. According to the information provided by BOP, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.
6. Our analysis of the existing tenancy profile according to the tenancy information provided by BOP is set out below:

## Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	89,237	82.1
Owner-occupied	1,114	1.0
Vacant	18,339	16.9
<b>Total:</b>	<b>108,690</b>	<b>100.0</b>

## Tenancy Commencement Profile

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2018	763	0.85	127,155	1.45	2	0.29
2019	5,916	6.63	632,507	7.19	39	5.62
2020	79,651	89.26	7,759,952	88.26	629	90.63
2021	2,907	3.26	272,396	3.10	24	3.46
<b>Total:</b>	<b>89,237</b>	<b>100.00</b>	<b>8,792,010</b>	<b>100.00</b>	<b>694</b>	<b>100.00</b>

## Tenancy Expiry Profile

Year	Approximate Leased Lettable Area*		Net Monthly Rental**		No. of Tenancies***	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2020	1,006	1.13	122,562	1.39	9	1.30
2021	80,075	89.73	7,891,310	89.76	626	90.20
2022	7,064	7.92	673,484	7.66	52	7.49
2023	1,092	1.22	104,654	1.19	7	1.01
<b>Total:</b>	<b>89,237</b>	<b>100.00</b>	<b>8,792,010</b>	<b>100.00</b>	<b>694</b>	<b>100.00</b>

## Tenancy Duration Profile

Year	Approximate Leased		Net Monthly		No. of	
	Lettable Area* (sq.m.)	% of total	Rental** (RMB)	% of total	Tenancies***	% of total
Up to 1 Year	68,315	76.56	6,688,462	76.08	548	78.96
More than 1 Year and up to 2 Years	13,288	14.89	1,234,348	14.04	96	13.83
More than 2 Years and up to 3 Years	6,979	7.82	804,724	9.15	46	6.63
More than 3 Years and up to 4 Years	655	0.73	64,476	0.73	4	0.58
<b>Total:</b>	<b>89,237</b>	<b>100.00</b>	<b>8,792,010</b>	<b>100.00</b>	<b>694</b>	<b>100.00</b>

\* As at the date of valuation, the total leased lettable area of approximately 89,237 sq.m. includes an area of approximately 2,907 sq.m. for tenancies with lease term not yet commenced and an area of approximately 86,330 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB8,520,000 per month.

\*\*\* As at the date of valuation, there are 694 tenancies, in which 670 tenancies are with lease terms already commenced and 24 tenancies are with lease term not yet commenced.

7. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

# VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
4. The hotel portion of Oriental Plaza	Oriental Plaza (the "Development") is a large composite development comprises a shopping mall,	The hotel portion of the property is currently operated under the brand name of Grand Hyatt Beijing.	RMB2,140,000,000 (RENMINBI TWO BILLION ONE HUNDRED AND FORTY MILLION ONLY)
No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	8 blocks of office towers, 4 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m.. The hotel portion was completed in 2001.  The property is a 5-star hotel comprises a block of 24-storey towers including four basement levels of the Development with a total gross floor area of approximately 91,391 sq.m..  The property is held under land use rights term expiring on 21 April 2049 for composite use.		

## Notes:

1. Pursuant to the Stated-owned Land Use Rights Certificate No. Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di 10128 (國有土地使用證京市東港澳台國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. have been granted to BOP for a land use term expiring on 21 April 2049 for composite use.
2. Pursuant to the Building Ownership Certificate No. Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 10283 (房屋所有權證京房權證市東港澳台字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. is vested in BOP.
3. Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
4. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
5. The basement portion of Oriental Plaza	Oriental Plaza (the "Development") is a large composite development comprises a shopping mall, 8 blocks of office towers, 4 blocks of serviced apartment towers, a hotel and basement car park with a total gross floor area of approximately 763,482 sq.m.. The basement portion was completed in 2000.	Portion of the property is let under various licenses on monthly and/or hourly basis yielding an average monthly income of approximately RMB1,830,000 from January 2020 to December 2020, exclusive of management fee.	RMB276,000,000 (RENMINBI TWO HUNDRED AND SEVENTY SIX MILLION ONLY)
No. 1 East Chang An Avenue Dongcheng District Beijing The PRC	The property comprises the 4-level basement portion of the Development with a total gross floor area of approximately 118,431 sq.m., providing approximately 1,800 car parking spaces, including loading and unloading spaces.  The property is held under land use rights term expiring on 21 April 2049 for composite use.		

*Notes:*

1. Pursuant to the Stated-owned Land Use Rights Certificate No. Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di 10128 (國有土地使用證京市東港澳台國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006. The land use rights of the Development with a total site area of 77,594.81 sq.m. have been granted to BOP for a land use term expiring on 21 April 2049 for composite use.
2. Pursuant to the Building Ownership Certificate No. Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di 10283 (房屋所有權證京房權證市東港澳台字第10283號) issued by Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights of the Development with a gross floor area of 763,480.35 sq.m. is vested in BOP.
3. Pursuant to the Appendix of Construction Land Use Planning Permit No. 2000-Gui Di Zi-0008 (建設用地規劃許可證附件2000-規地字-0008) issued by Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area of 109,924.10 sq.m., of which about 94,624.10 sq.m. of land is for construction land use of Oriental Plaza and about 15,300.00 sq.m. of land is to be resumed for city road use.
4. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

## Conditions & Caveats

(These Conditions & Caveats form part of our valuation report/letter)

### 1. VALUATION STANDARDS

Our valuations are prepared in accordance with the HKIS Valuation Standards (2020) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards (2020) published by the Royal Institution of Chartered Surveyors (“RICS”) and/or International Valuation Standards (2020) published by International Valuation Standards Council (“IVSC”) which entitle us to make assumptions that may upon further investigation, for instance by your legal representative, prove to be inaccurate or untrue. Any exception is clearly stated below and/or in the report.

### 2. PORTFOLIOS

In valuing the portfolio of properties, unless specifically agreed with you otherwise, we have valued the individual properties separately.

### 3. TITLE AND ENCUMBRANCES

We have taken reasonable care to investigate the title of the property by obtaining land search records from the Land Registry, and if not available, with reference to the title document or other document of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the date of valuation.

In cases where sample land searches or land searches at the Land Registries are not required, we have relied on the title information as provided and assumed that the information is correct as at the date of valuation.

### 4. DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

### 5. SOURCES OF INFORMATION

We have relied on the quoted source of information to a very considerable extent and have not verified the correctness of any information including their translation supplied to us concerning this property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property or contained on the register of title. We assume that this information is complete and correct.

### 6. INSPECTION

Where applicable and available, we have carried out external and/or internal inspection of the property. Nevertheless, we have assumed in our valuation that the property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the date of valuation, unless otherwise stated.

### 7. IDENTITY OF PROPERTY TO BE VALUED

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### 8. BOUNDARIES

Plans accompanying this report are for identification purposes only and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with the information given to us and/or our understanding of the boundaries.

### 9. PROPERTY INSURANCE

We have valued the property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

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## 10. AREAS AND AGE

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. The plans in this report are included to assist the reader to visualise the property and we assume no responsibility for their accuracy.

Where the age of the building is estimated, this is for reference only.

## 11. STRUCTURAL AND SERVICES CONDITION

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the property. Our valuation has therefore been undertaken on the basis that the property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

## 12. GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

## 13. ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination,

nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## 14. LEASES

Reliance must not be placed on our interpretation of leases without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

## 15. LOAN SECURITY

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

## 16. BUILD COST INFORMATION

We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at reliance upon the build cost and other relevant information prepared by a suitably qualified construction cost professional supplied to us by you. In their absence, we would have to rely on the published build cost information that might present severe limitations on the accuracy. Henceforth, the reliance that can be placed upon our advice is severely restricted.

## 17. COMPARABLE EVIDENCE

Where comparable evidence information is included in our report, they are only referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected the comparable properties.

## 18. VALUATION BASES

Unless otherwise specifically agreed, the value advised by us shall be the market value as at the date of valuation.

We have assumed that the property valued has been constructed or to be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices, except only where otherwise stated. We have further assumed that, for any use of the property upon which the report is based, any and all required licences, permits, certificates, consents, approvals and authorisations have been obtained, except only where stated otherwise.

### 18.1 Market Value is defined as:

Market Value is defined within “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS as: -

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuations are, however, undertaken for a variety of purposes, including sale, purchase, letting, mortgage, rating, compulsory purchase, insurance, probate and other tax purposes. Sometimes, a basis of valuation other than “market value” will be required as, for example, when assessing for insurance purposes. However, unless agreed otherwise, our valuation figure will represent our opinion of the asset or liability’s market value as defined above.

### 18.2 Market Rent is defined as:

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 18.3 Value for Sale under Repossession

The action of regaining possession especially the seizure of collateral securing a loan that is in default refers to the price that might reasonably be expected to realize within a defined period of time (the period shall be agreed upon between Lender and Valuer) from the sale of a real property in the market under repossession by the lender or receiver, on an “as is” basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise. The increased risk or stigma would include but not limiting to the need for substantial renovation or repair, the need for abortive expenses and the need for completion in a short period of time.

### 18.4 Building Insurance Replacement Cost

The building insurance replacement cost is defined as the estimated cost of erecting the same real property or a modern substitute real property having the same areas as the existing one at the relevant date, which includes fees, finance costs and other associated expenses directly related to the construction of the real property. Coverage for loss of rent and other disturbances are not included.

January 2021

The building insurance replacement cost is to be covered by the insurance policy against losses due to structural damage caused directly by the outbreak of fire and do not include any consequential loss or liabilities to third parties as a result of fire.

In estimating the building insurance cost of the Property, we have made reference to the building cost index published by a reputable quantity surveyor firm. It is recommended that a professional quantity surveyor or a firm of professional quantity surveyors in Hong Kong should be consulted in order to assess an accurate building insurance replacement cost.

## 19. LIMITATIONS ON LIABILITY AND DISCLOSURE

19.1 This report/letter is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report/ letter and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

19.2 In accordance with our standard practice, we must state that this report/letter and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report/letter.

19.3 No claim arising out of or in connection with this agreement may be brought against any member, employee, shareholder or consultant of Knight Frank. Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Knight Frank.

19.4 Knight Frank will not be liable in respect of any of the following:

- (a) for any services outside the scope of the services agreed to be performed by Knight Frank;
- (b) to any third party; or
- (c) any indirect or consequential losses (such as loss of profits).

19.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.

19.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to HKD50 million, unless otherwise stated in the valuation report. This limit applies to each and every transaction and retainer and any subsequent work that Knight Frank undertakes for you.

Conversion factors used in this report are:

- 1 square meter = 10.764 square feet and
- 1 meter = 3.2808 feet

# VALUATION REPORT

5 March 2021

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Our Ref: CV/CL/GL/JC/sn/14083/55(4)

Dear Sirs,

## **VALUATION OF VARIOUS PORTIONS OF METROPOLITAN ORIENTAL PLAZA, NO. 68 ZOURONG ROAD, YUZHONG DISTRICT, CHONGQING, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the above-mentioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2020 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the property interests, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Surveyors.

## VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach and cross-checked by the Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

Market Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable transactions.

## TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with copies of extracts of title documents relating to the properties. According to the specific terms of instruction from you, we have assumed in our valuation that the properties have proper legal titles and are freely transferable to local and overseas purchasers without any onerous payments.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

## SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by you. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have accepted advice given to us on such matters as tenure, ownership, particulars of occupancy, tenancy information, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas of the properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

## INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior of the properties and the inspection was carried out by our Wayne Luo in September 2020. No structural survey has been made. We are not, therefore, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. For the purpose of this valuation, we have assumed that the properties have been maintained in satisfactory condition commensurate with their building ages and use.

# VALUATION REPORT

## ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the properties.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the properties.

Pursuant to Chapter 6.5 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

We enclose herewith our summary of values and valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

Reviewed (but not undertaken) by:

Gary S K Lau *MSc(RealEst) MHKIS MRICS RPS (GP)*  
RICS Registered Valuer  
Director, China Valuation & Advisory

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*  
RICS Registered Valuer  
Executive Director, Head of China Valuation & Advisory

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## EXECUTIVE SUMMARY

- Properties
- (1) The Retail Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC
  - (2) The Office Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC
  - (3) The Basement Portion of Metropolitan Oriental Plaza, No. 68 Zourong Road, Yuzhong District, Chongqing, The PRC

Description Metropolitan Oriental Plaza (the “Development”) is a large-scale commercial development. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and basement level 2 of the Development.

The properties comprise the retail portion, office portion and basement portion of the Development. The retail portion of the Development comprises 8 levels above-ground, a mezzanine level, a lower ground level and portion of basement level 1. The office portion is a 37-storey office tower whilst the basement portion is located at portion of basement Level 1 and whole basement level 2 of the Development.

Site Area 18,072.70 sq.m.

Registered Owner Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) (the “Owner”)

Gross Floor Area According to the information provided, the details of approximate gross floor area are listed as follows:

<b>Portion</b>	<b>Approximate Gross Floor Area (sq.m.)</b>
Retail Portion	88,919.18
Office Portion	54,617.37
Basement Portion	20,823.28
<b>Total:</b>	<b>164,359.83</b>

Lettable Area According to the information provided, the details of approximate lettable area of the retail and office portions are listed as follows:

<b>Portion</b>	<b>Approximate Lettable Area (sq.m.)</b>
Retail Portion	58,137
Office Portion	50,505
<b>Total:</b>	<b>108,642</b>

## VALUATION REPORT

Real Estate Title Certificates 101 Fang Di Zheng 2015 Zi Di 24819 (101 房地証2015字第24819號)

101 Fang Di Zheng 2015 Zi Di 24971 (101 房地証2015字第24971號)

Date of Valuation 31 December 2020

Valuation Methodology Income Approach and Market Approach

Market Value in Existing State

<b>Property</b>	<b>Market value in existing state as at 31 December 2020</b>
Retail Portion	RMB2,452,000,000
Office Portion	RMB818,000,000
Basement Portion	RMB44,000,000
<b>Total:</b>	<b>RMB3,314,000,000</b>

## VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
1. The retail portion of Metropolitan Oriental Plaza  No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Oriental Plaza (the "Development") is a large-scale commercial development erected on a parcel of land with a site area of approximately 18,073 sq.m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.  The property comprises the retail portion of the Development. It includes levels 1 to 8, a mezzanine floor between levels 7 and 8, level LG and portion of basement level 1 with a total gross floor area and a total lettable area of approximately 88,919.18 sq.m. and 58,137 sq.m. respectively.  The property is held under land use rights term expiring on 30 August 2044 for composite use.	Portion of the property with a total lettable area of approximately 44,949 sq.m. has been leased under various tenancies with the last term expiring in December 2035, yielding a total monthly rental of approximately RMB8,350,000, inclusive of management fee.  Portion of the property with a total lettable area of 3,747 sq.m. is occupied by the Company for projects.  The occupancy rate of the retail portion of the property as at valuation date was about 83.7%.	RMB2,452,000,000 (RENMINBI TWO BILLION FOUR HUNDRED FIFTY TWO MILLION ONLY)

## Notes:

- Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24971 (101房地証2015字第24971號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the shopping mall of Metropolitan Oriental Plaza with a total gross floor area of 109,742.46 sq.m. and erected on a plot of land with a site area of 18,072.70 sq.m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.

## VALUATION REPORT

- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- According to the information provided by the Company, the total monthly rental income of the property reported are contractual rentals without taking into account turnover rent and other incomes, if any. According to the information provided, the average monthly turnover rent is approximately RMB340,000 for the period between January 2020 and December 2020 and the average monthly other income is approximately RMB500,000 for the period between January 2020 and December 2020.
- Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

### Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	44,949	77.3
Owner-occupied	3,747	6.4
Vacant	9,441	16.3
<b>Total</b>	<b>58,137</b>	<b>100.0</b>

### Tenancy Commencement Profile (excluding the owner-occupied portion and rental income from turnover rent)

Year	Approximate Leased Lettable Area		Gross Monthly Rental		No. of Tenancies	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2014	123	0.28	–	–	1	1.49
2015	86	0.19	–	–	1	1.49
2016	24,340	54.15	6,124,353	73.34	3	4.48
2017	1,625	3.61	241,878	2.90	10	14.92
2018	7,831	17.42	268,579	3.22	14	20.90
2019	4,248	9.45	374,835	4.49	19	28.36
2020	2,390	5.32	1,144,877	13.71	18	26.87
2021	4,306	9.58	195,820	2.34	1	1.49
<b>Total:</b>	<b>44,949</b>	<b>100.00</b>	<b>8,350,342</b>	<b>100.00</b>	<b>67</b>	<b>100.00</b>

### Tenancy Expiry Profile (excluding the owner-occupied portion and rental income from turnover rent)

Year	Approximate Leased Lettable Area		Gross Monthly Rental		No. of Tenancies	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2020	685	1.53	67,839	0.81	13	19.40
2021	2,045	4.55	164,253	1.97	19	28.36
2022	27,791	61.83	6,369,562	76.28	14	20.90
2023	4,615	10.27	633,077	7.58	10	14.93
2024	2,335	5.19	180,695	2.16	6	8.95
2025	582	1.29	662,905	7.94	3	4.48
2026	2,590	5.76	76,191	0.91	1	1.49
2035	4,306	9.58	195,820	2.35	1	1.49
<b>Total:</b>	<b>44,949</b>	<b>100.00</b>	<b>8,350,342</b>	<b>100.00</b>	<b>67</b>	<b>100.00</b>

**Tenancy Duration Profile (excluding the owner-occupied portion and rental income from turnover rent)**

Year	Approximate Leased		Gross Monthly		No. of	
	Lettable Area* (sq.m.)	% of total	Rental** (RMB)	% of total	Tenancies***	% of total
Up to 1 Year	1,079	2.40	37,716	0.45	11	16.42
More than 1 Year and up to 2 Years	512	1.14	58,272	0.70	7	10.45
More than 2 Years and up to 3 Years	3,064	6.82	625,603	7.49	14	20.90
More than 3 Years and up to 4 Years	1,179	2.62	112,407	1.35	11	16.42
More than 4 Years and up to 5 Years	2,661	5.92	206,377	2.47	9	13.43
More than 5 Years and up to 6 Years	29,559	65.76	7,037,956	84.28	13	19.40
More than 6 Years and up to 7 Years	-	-	-	-	-	-
More than 7 Years	6,895	15.34	272,011	3.26	2	2.98
<b>Total:</b>	<b>44,949</b>	<b>100.00</b>	<b>8,350,342</b>	<b>100.00</b>	<b>67</b>	<b>100.00</b>

\* As at the date of valuation, the total leased lettable area of approximately 44,949 sq.m. includes an area of approximately 4,306 sq.m. for tenancies with lease term not yet commenced and an area of approximately 40,643 sq.m. for tenancies with lease terms already commenced.

\*\* As at the date of valuation, the total net monthly rental only includes the net monthly rental receivable from tenancies with lease terms already commenced and excluded the net monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB8,150,000 per month.

\*\*\* As at the date of valuation, there are 67 tenancies, in which 66 tenancies are with lease terms already commenced and 1 tenancy is with lease term not yet commenced.

5. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

# VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
2. The office portion of Metropolitan Oriental Plaza  No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Oriental Plaza (the “Development”) is a large-scale commercial development erected on a parcel of land with a site area of approximately 18,073 sq.m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.  The property comprises the 37-level office tower of the Development with a total gross floor area and a total lettable gross floor area of approximately 54,617 sq.m. and 50,505 sq.m. respectively.  The property is held under a land use rights term expiring on 30 August 2044 for composite use.	Portion of the property with a total lettable area of approximately 43,701 sq.m. has been leased under various tenancies with the last term expiring in December 2025, yielding a total monthly rental of approximately RMB4,310,000, inclusive of management fee.  Portion of the property with a total lettable area of 1,743 sq.m. is occupied by the Company for projects.  The occupancy rate of the office portion of the property as at valuation date was about 90.0%.	RMB818,000,000 (RENMINBI EIGHT HUNDRED AND EIGHTEEN MILLION ONLY)

*Notes:*

- Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24819 (101房地証2015字第24819號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the office building of Metropolitan Oriental Plaza with a total gross floor area of 54,617.37 sq.m. and erected on a plot of land with a site area of 18,072.70 sq.m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.

- In accordance with standard terms and conditions of the tenancy agreements, the landlord is responsible for the repair of main building structure and the central air-conditioning system and the tenant is responsible for the maintenance of internal decorations and various equipment of the property.
- According to the information provided by the Company, the total monthly rental income of the property reported are contractual rentals without taking into account other incomes, if any. According to the information provided, the average monthly other income is approximately RMB1,020,000 for the period between January 2020 and December 2020.
- Our analysis of the existing tenancy profile according to the tenancy information provided by the Company is set out below:

### Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	43,701	86.5
Owner-occupied	1,743	3.5
Vacant	5,061	10.0
<b>Total:</b>	<b>50,505</b>	<b>100.0</b>

### Tenancy Commencement Profile

Year	Approximate Leased Lettable Area		Gross Monthly Rental		No. of Tenancies	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2016	3,065	7.01	311,345	7.22	8	5.97
2017	6,423	14.70	739,432	17.15	18	13.43
2018	7,885	18.04	918,334	21.30	31	23.14
2019	16,528	37.82	1,615,302	37.46	50	37.31
2020	9,800	22.43	727,094	16.87	27	20.15
<b>Total:</b>	<b>43,701</b>	<b>100.00</b>	<b>4,311,507</b>	<b>100.00</b>	<b>134</b>	<b>100.00</b>

### Tenancy Expiry Profile

Year	Approximate Leased Lettable Area		Gross Monthly Rental		No. of Tenancies	
	(sq.m.)	% of total	(RMB)	% of total		% of total
2020	3,024	6.92	345,284	8.01	8	5.97
2021	12,279	28.10	1,394,319	32.34	41	30.60
2022	18,055	41.31	1,728,635	40.09	60	44.78
2023	5,000	11.44	494,611	11.47	16	11.94
2024	1,188	2.72	105,924	2.46	4	2.98
2025	4,155	9.51	242,734	5.63	5	3.73
<b>Total:</b>	<b>43,701</b>	<b>100.00</b>	<b>4,311,507</b>	<b>100.00</b>	<b>134</b>	<b>100.00</b>

# VALUATION REPORT

## Tenancy Duration Profile

Year	Approximate Leased		Gross Monthly		No. of	
	Lettable Area (sq.m.)	% of total	Rental (RMB)	% of total	Tenancies	% of total
Up to 1 Year	2,971	6.80	360,587	8.36	8	5.97
More than 1 Year and up to 2 Years	2,445	5.60	224,361	5.21	10	7.46
More than 2 Years and up to 3 Years	17,443	39.91	1,633,779	37.89	54	40.30
More than 3 Years and up to 4 Years	8,416	19.26	958,783	22.24	32	23.88
More than 4 Years and up to 5 Years	3,033	6.94	373,819	8.67	11	8.21
More than 5 Years and up to 6 Years	5,800	13.27	437,675	10.15	11	8.21
More than 6 Years and up to 7 Years	2,319	5.31	237,454	5.51	5	3.73
More than 7 Years and up to 8 Years	1,274	2.91	85,049	1.97	3	2.24
<b>Total:</b>	<b>43,701</b>	<b>100.00</b>	<b>4,311,507</b>	<b>100.00</b>	<b>134</b>	<b>100.00</b>

5. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

## VALUATION REPORT

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2020
3. The basement portion of Metropolitan Oriental Plaza  No. 68 Zourong Road Yuzhong District Chongqing The PRC	Metropolitan Oriental Plaza (the "Development") is a large-scale commercial development erected on a parcel of land with a site area of approximately 18,073 sq.m.. It comprises three main portions, namely retail, office and basement portions. The office portion is erected upon the retail portion. The basement portion is located at portion of basement level 1 and whole basement level 2 of the Development. The retail and basement portion of the Development was completed in 1997 while the remaining portions of the Development were completed in 1998.  The property comprises the car park portion on portion of basement level 1 and portion of basement level 2 of the Development with a total of 370 car parking space.  The property is held under a land use rights term expiring on 30 August 2044 for composite use.	Portion of the property is let under various licenses on monthly and/or hourly basis yielding an average monthly income of approximately RMB240,000 from January 2020 to December 2020, exclusive of management fee.	RMB44,000,000 (RENMINBI FORTY FOUR MILLION ONLY)

### Notes:

- Pursuant to the Real Estate Title Certificate No. 101 Fang Di Zheng 2015 Zi Di 24971 (101房地証2015字第24971號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 11 December 2015, the title to the shopping mall of Metropolitan Oriental Plaza with a total gross floor area of 109,742.46 sq.m. and erected on a plot of land with a site area of 18,072.70 sq.m. is vested in Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) for a land use term expiring on 30 August 2044 for commercial use.
- We have prepared our valuation based on the following assumptions:
  - the property has a proper legal title;
  - all land premium and costs of resettlement and public utilities services have been fully settled;
  - the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - the property can be freely disposed of to local or overseas purchasers.

## Conditions & Caveats

(These Conditions & Caveats form part of our valuation report/letter)

### 1. VALUATION STANDARDS

Our valuations are prepared in accordance with the HKIS Valuation Standards (2020) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards (2020) published by the Royal Institution of Chartered Surveyors (“RICS”) and/or International Valuation Standards (2020) published by International Valuation Standards Council (“IVSC”) which entitle us to make assumptions that may upon further investigation, for instance by your legal representative, prove to be inaccurate or untrue. Any exception is clearly stated below and/or in the report.

### 2. PORTFOLIOS

In valuing the portfolio of properties, unless specifically agreed with you otherwise, we have valued the individual properties separately.

### 3. TITLE AND ENCUMBRANCES

We have taken reasonable care to investigate the title of the property by obtaining land search records from the Land Registry, and if not available, with reference to the title document or other document of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the date of valuation.

In cases where sample land searches or land searches at the Land Registries are not required, we have relied on the title information as provided and assumed that the information is correct as at the date of valuation.

### 4. DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

### 5. SOURCES OF INFORMATION

We have relied on the quoted source of information to a very considerable extent and have not verified the correctness of any information including their translation supplied to us concerning this property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property or contained on the register of title. We assume that this information is complete and correct.

### 6. INSPECTION

Where applicable and available, we have carried out external and/or internal inspection of the property. Nevertheless, we have assumed in our valuation that the property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the date of valuation, unless otherwise stated.

### 7. IDENTITY OF PROPERTY TO BE VALUED

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### 8. BOUNDARIES

Plans accompanying this report are for identification purposes only and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with the information given to us and/or our understanding of the boundaries.

### 9. PROPERTY INSURANCE

We have valued the property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

January 2021

## 10. AREAS AND AGE

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. The plans in this report are included to assist the reader to visualise the property and we assume no responsibility for their accuracy.

Where the age of the building is estimated, this is for reference only.

## 11. STRUCTURAL AND SERVICES CONDITION

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the property. Our valuation has therefore been undertaken on the basis that the property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

## 12. GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

## 13. ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination,

nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## 14. LEASES

Reliance must not be placed on our interpretation of leases without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

## 15. LOAN SECURITY

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

## 16. BUILD COST INFORMATION

We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at reliance upon the build cost and other relevant information prepared by a suitably qualified construction cost professional supplied to us by you. In their absence, we would have to rely on the published build cost information that might present severe limitations on the accuracy. Henceforth, the reliance that can be placed upon our advice is severely restricted.

## 17. COMPARABLE EVIDENCE

Where comparable evidence information is included in our report, they are only referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected the comparable properties.

## 18. VALUATION BASES

Unless otherwise specifically agreed, the value advised by us shall be the market value as at the date of valuation.

We have assumed that the property valued has been constructed or to be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices, except only where otherwise stated. We have further assumed that, for any use of the property upon which the report is based, any and all required licences, permits, certificates, consents, approvals and authorisations have been obtained, except only where stated otherwise.

### 18.1 Market Value is defined as:

Market Value is defined within “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS as: -

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuations are, however, undertaken for a variety of purposes, including sale, purchase, letting, mortgage, rating, compulsory purchase, insurance, probate and other tax purposes. Sometimes, a basis of valuation other than “market value” will be required as, for example, when assessing for insurance purposes. However, unless agreed otherwise, our valuation figure will represent our opinion of the asset or liability’s market value as defined above.

### 18.2 Market Rent is defined as:

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 18.3 Value for Sale under Repossession

The action of regaining possession especially the seizure of collateral securing a loan that is in default refers to the price that might reasonably be expected to realize within a defined period of time (the period shall be agreed upon between Lender and Valuer) from the sale of a real property in the market under repossession by the lender or receiver, on an “as is” basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise. The increased risk or stigma would include but not limiting to the need for substantial renovation or repair, the need for abortive expenses and the need for completion in a short period of time.

### 18.4 Building Insurance Replacement Cost

The building insurance replacement cost is defined as the estimated cost of erecting the same real property or a modern substitute real property having the same areas as the existing one at the relevant date, which includes fees, finance costs and other associated expenses directly related to the construction of the real property. Coverage for loss of rent and other disturbances are not included.

January 2021

The building insurance replacement cost is to be covered by the insurance policy against losses due to structural damage caused directly by the outbreak of fire and do not include any consequential loss or liabilities to third parties as a result of fire.

In estimating the building insurance cost of the Property, we have made reference to the building cost index published by a reputable quantity surveyor firm. It is recommended that a professional quantity surveyor or a firm of professional quantity surveyors in Hong Kong should be consulted in order to assess an accurate building insurance replacement cost.

## **19. LIMITATIONS ON LIABILITY AND DISCLOSURE**

19.1 This report/letter is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report/ letter and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

19.2 In accordance with our standard practice, we must state that this report/letter and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report/letter.

19.3 No claim arising out of or in connection with this agreement may be brought against any member, employee, shareholder or consultant of Knight Frank. Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Knight Frank.

19.4 Knight Frank will not be liable in respect of any of the following:

- (a) for any services outside the scope of the services agreed to be performed by Knight Frank;
- (b) to any third party; or
- (c) any indirect or consequential losses (such as loss of profits).

19.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.

19.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to HKD50 million, unless otherwise stated in the valuation report. This limit applies to each and every transaction and retainer and any subsequent work that Knight Frank undertakes for you.

Conversion factors used in this report are:

- 1 square meter = 10.764 square feet and
- 1 meter = 3.2808 feet

# VALUATION REPORT

5 March 2021

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Our Ref: CV/CL/GL/JC/sn/14083/55(5)

Dear Sirs

## **VALUATION OF HYATT REGENCY LIBERATION SQUARE CHONGQING, NO. 68 ZOURONG ROAD, YUZHONG DISTRICT, CHONGQING, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the above-mentioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2020 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the property interests, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Surveyors.

## VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach.

We have valued the property under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

## TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with copies of extracts of title documents relating to the property. According to the specific terms of instruction from you, we have assumed in our valuation that the property has proper legal titles and is freely transferable to local and overseas purchasers without any onerous payments.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

## SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by you. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have accepted advice given to us on such matters as tenure, ownership, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas of the property and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

## INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior of the property and the inspection was carried out by our Wayne Luo in September 2020. No structural survey has been made. We are not, therefore, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. For the purpose of this valuation, we have assumed that the property has been maintained in satisfactory condition commensurate with their building ages and use.

## ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed that the property has been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

# VALUATION REPORT

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the property.

Pursuant to Chapter 6.5 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

We enclose herewith our summary of value and valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

Reviewed (but not undertaken) by:

Gary S K Lau *MSc(RealEst) MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Director, China Valuation & Advisory

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Executive Director, Head of China Valuation & Advisory

Enc

## EXECUTIVE SUMMARY

Property	Hyatt Regency Liberation Square Chongqing, No. 68 Zourong Road, Yuzhong District, Chongqing, the PRC
Description	The property is a 38-storey hotel development including basement levels, which comprising retail shops, hotel rooms, service apartment rooms and other ancillary facilities.
Site Area	4,066.42 sq.m.
Registered Owner	Chongqing Oriental Plaza Hotel Co., Ltd. (重慶東廣飯店有限公司) (the "Owner")
Gross Floor Area	52,238 sq.m.
Real Estate Title Certificates	Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000244748 (渝(2017)渝中區不動產權第00244748號)  Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000467041 (渝(2017)渝中區不動產權第000467041號)
Date of Valuation	31 December 2020
Valuation Methodology	Income Approach

Market Value in Existing State	<b>Market value in existing state as at 31 December 2020</b>
	<b>Property</b>
	<b>Hotel Portion</b>
	<b>Service Apartment Portion</b>
	<b>Total:</b>
	<b>RMB363,000,000</b>
	<b>RMB41,000,000</b>
	<b>RMB404,000,000</b>

# VALUATION REPORT

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
Hyatt Regency Liberation Square Chongqing	The Property is a 38-storey hotel development including basement levels completed in about 1999.	The property is currently operated as a 5-star hotel under the brand name of Hyatt Regency Liberation Square Chongqing and service apartment.	RMB404,000,000 (RENMINBI FOUR HUNDRED AND FOUR MILLION ONLY)
No. 68 Zourong Road Yuzhong District Chongqing the PRC	<p>The property comprises the hotel portion and the service apartment portion with a gross floor area of approximately 41,358 sq.m. and 10,880 sq.m. respectively.</p> <p>As advised by the Company, the hotel portion comprises 339 hotel rooms. The service apartment portion is under renovation and is estimated to be completed in 2021.</p> <p>The property is held under land use rights term expiring on 30 August 2044 for commercial service use and carparking use.</p>		

### Notes:

1. Pursuant to the Real Estate Title Certificate Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000244748 (渝(2017)渝中區不動產權第00244748號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 31 March 2017, the basement levels of the property with a total gross floor area of 501.53 sq.m. is vested in Chongqing Oriental Plaza Hotel Co., Ltd. (重慶東廣飯店有限公司) for a land use term expiring on 30 August 2044 for carparking use.
2. Pursuant to the Real Estate Title Certificate Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000467041 (渝(2017)渝中區不動產權第000467041號) issued by Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated 26 May 2017, the property with a total gross floor area of 51,736.81 sq.m. is vested in Chongqing Oriental Plaza Hotel Co., Ltd. for a land use term expiring on 30 August 2044 for commercial service use.

3. Breakdown of market value as at the date of valuation are listed as follows:

<b>Property</b>	<b>Market value in existing state as at 31 December 2020</b>
Hotel Portion	RMB363,000,000
Service Apartment Portion	RMB41,000,000
<b>Total:</b>	<b>RMB404,000,000</b>

4. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

## Conditions & Caveats

(These Conditions & Caveats form part of our valuation report/letter)

### 1. VALUATION STANDARDS

Our valuations are prepared in accordance with the HKIS Valuation Standards (2020) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards (2020) published by the Royal Institution of Chartered Surveyors (“RICS”) and/or International Valuation Standards (2020) published by International Valuation Standards Council (“IVSC”) which entitle us to make assumptions that may upon further investigation, for instance by your legal representative, prove to be inaccurate or untrue. Any exception is clearly stated below and/or in the report.

### 2. PORTFOLIOS

In valuing the portfolio of properties, unless specifically agreed with you otherwise, we have valued the individual properties separately.

### 3. TITLE AND ENCUMBRANCES

We have taken reasonable care to investigate the title of the property by obtaining land search records from the Land Registry, and if not available, with reference to the title document or other document of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the date of valuation.

In cases where sample land searches or land searches at the Land Registries are not required, we have relied on the title information as provided and assumed that the information is correct as at the date of valuation.

### 4. DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

### 5. SOURCES OF INFORMATION

We have relied on the quoted source of information to a very considerable extent and have not verified the correctness of any information including their translation supplied to us concerning this property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property or contained on the register of title. We assume that this information is complete and correct.

### 6. INSPECTION

Where applicable and available, we have carried out external and/or internal inspection of the property. Nevertheless, we have assumed in our valuation that the property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the date of valuation, unless otherwise stated.

### 7. IDENTITY OF PROPERTY TO BE VALUED

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### 8. BOUNDARIES

Plans accompanying this report are for identification purposes only and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with the information given to us and/or our understanding of the boundaries.

### 9. PROPERTY INSURANCE

We have valued the property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

January 2021

## 10. AREAS AND AGE

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. The plans in this report are included to assist the reader to visualise the property and we assume no responsibility for their accuracy.

Where the age of the building is estimated, this is for reference only.

## 11. STRUCTURAL AND SERVICES CONDITION

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the property. Our valuation has therefore been undertaken on the basis that the property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

## 12. GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

## 13. ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination,

nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## 14. LEASES

Reliance must not be placed on our interpretation of leases without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

## 15. LOAN SECURITY

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

## 16. BUILD COST INFORMATION

We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at reliance upon the build cost and other relevant information prepared by a suitably qualified construction cost professional supplied to us by you. In their absence, we would have to rely on the published build cost information that might present severe limitations on the accuracy. Henceforth, the reliance that can be placed upon our advice is severely restricted.

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## 18. VALUATION BASES

Unless otherwise specifically agreed, the value advised by us shall be the market value as at the date of valuation.

We have assumed that the property valued has been constructed or to be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices, except only where otherwise stated. We have further assumed that, for any use of the property upon which the report is based, any and all required licences, permits, certificates, consents, approvals and authorisations have been obtained, except only where stated otherwise.

### 18.1 Market Value is defined as:

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“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuations are, however, undertaken for a variety of purposes, including sale, purchase, letting, mortgage, rating, compulsory purchase, insurance, probate and other tax purposes. Sometimes, a basis of valuation other than “market value” will be required as, for example, when assessing for insurance purposes. However, unless agreed otherwise, our valuation figure will represent our opinion of the asset or liability’s market value as defined above.

### 18.2 Market Rent is defined as:

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 18.3 Value for Sale under Repossession

The action of regaining possession especially the seizure of collateral securing a loan that is in default refers to the price that might reasonably be expected to realize within a defined period of time (the period shall be agreed upon between Lender and Valuer) from the sale of a real property in the market under repossession by the lender or receiver, on an “as is” basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise. The increased risk or stigma would include but not limiting to the need for substantial renovation or repair, the need for abortive expenses and the need for completion in a short period of time.

### 18.4 Building Insurance Replacement Cost

The building insurance replacement cost is defined as the estimated cost of erecting the same real property or a modern substitute real property having the same areas as the existing one at the relevant date, which includes fees, finance costs and other associated expenses directly related to the construction of the real property. Coverage for loss of rent and other disturbances are not included.

January 2021

The building insurance replacement cost is to be covered by the insurance policy against losses due to structural damage caused directly by the outbreak of fire and do not include any consequential loss or liabilities to third parties as a result of fire.

In estimating the building insurance cost of the Property, we have made reference to the building cost index published by a reputable quantity surveyor firm. It is recommended that a professional quantity surveyor or a firm of professional quantity surveyors in Hong Kong should be consulted in order to assess an accurate building insurance replacement cost.

## **19. LIMITATIONS ON LIABILITY AND DISCLOSURE**

19.1 This report/letter is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report/ letter and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

19.2 In accordance with our standard practice, we must state that this report/letter and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report/letter.

19.3 No claim arising out of or in connection with this agreement may be brought against any member, employee, shareholder or consultant of Knight Frank. Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Knight Frank.

19.4 Knight Frank will not be liable in respect of any of the following:

- (a) for any services outside the scope of the services agreed to be performed by Knight Frank;
- (b) to any third party; or
- (c) any indirect or consequential losses (such as loss of profits).

19.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.

19.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to HKD50 million, unless otherwise stated in the valuation report. This limit applies to each and every transaction and retainer and any subsequent work that Knight Frank undertakes for you.

Conversion factors used in this report are:

- 1 square meter = 10.764 square feet and
- 1 meter = 3.2808 feet

# VALUATION REPORT

5 March 2021

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Our Ref: CV/CL/GL/JC/sn/14083/55(3)

Dear Sirs,

## **VALUATION OF SHERATON CHENGDU LIDO HOTEL, NO. 15 SECTION 1 OF RENMIN ZHONG ROAD, CHENGDU, SICHUAN PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the above-mentioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2020 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the property interests, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Surveyors.

## VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach.

We have valued the property under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

## TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with copies of extracts of title documents relating to the property. According to the specific terms of instruction from you, we have assumed in our valuation that the property has proper legal titles and is freely transferable to local and overseas purchasers without any onerous payments.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

## SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by you. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have accepted advice given to us on such matters as tenure, ownership, particulars of occupancy, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas of the property and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

## INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior of the property and the inspection was carried out by our Wayne Luo in September 2020. No structural survey has been made. We are not, therefore, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services. For the purpose of this valuation, we have assumed that the property has been maintained in satisfactory condition commensurate with their building ages and use.

## ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed that the property has been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the property upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

# VALUATION REPORT

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the property.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the property.

Pursuant to Chapter 6.5 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

We enclose herewith our summary of value and valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

Reviewed (but not undertaken) by:

Gary S K Lau *MSc(RealEst) MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Director, China Valuation & Advisory

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Executive Director, Head of China Valuation & Advisory

Enc

**EXECUTIVE SUMMARY**

Property	Sheraton Chengdu Lido Hotel, No. 15 Section 1 of Renmin Zhong Road, Chengdu, Sichuan Province, the PRC
Description	The property is a 37-storey hotel development including basement levels, which comprising retail shops, hotel rooms and other ancillary facilities.
Site Area	4,614.69 sq.m.
Registered Owner	Chengdu Changtian Co., Ltd. (成都長天有限公司) (the "Owner")
Gross Floor Area	56,350 sq.m.
Title Certificates	Cheng Guo Yong (2007) No. 52 (成國用 (2007) 第52號) Cheng Fang Quan Zheng Jian Zheng Zi No. 1613937 (成房權証監証字第1613937號)
Date of Valuation	31 December 2020
Valuation Methodology	Income Approach
Market Value in Existing State	RMB603,000,000

# VALUATION REPORT

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
Sheraton Chengdu Lido Hotel	The property is a 37-storey hotel development including basement levels completed in about 2000.	The property is currently operated as a hotel under the brand name of Sheraton Chengdu Lido Hotel.	RMB603,000,000 (RENMINBI SIX HUNDRED AND THREE MILLION ONLY)
No. 15 Section 1 of Renmin Zhong Road Chengdu Sichuan Province the PRC	<p>The property has a gross floor area of approximately 56,350 sq.m..</p> <p>As advised by the Company, the hotel portion accommodates 387 hotel rooms.</p> <p>The property is held under land use rights term expiring on 17 January 2049 for composite use.</p>		

### Notes:

1. Pursuant to the State-owned Land Use Rights Certificate Cheng Guo Yong (2007) No. 52 (成國用(2007)第52號) issued by the People's Government of Chengdu Municipality (成都市人民政府) dated 18 January 2007, the property with a site area of 4,614.69 sq.m. is vested in Chengdu Changtian Co., Ltd. (成都長天有限公司) for a land use term expiring on 17 January 2049 for composite use.
2. Pursuant to the Building Ownership Certificate Cheng Fang Quan Zheng Jian Zheng Zi No. 1613937 (成房權証監証字第1613937號) dated 30 November 2007, the property with a gross floor area of 56,350 sq.m. is vested in Chengdu Changtian Co., Ltd..
3. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

## Conditions & Caveats

(These Conditions & Caveats form part of our valuation report/letter)

### 1. VALUATION STANDARDS

Our valuations are prepared in accordance with the HKIS Valuation Standards (2020) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards (2020) published by the Royal Institution of Chartered Surveyors (“RICS”) and/or International Valuation Standards (2020) published by International Valuation Standards Council (“IVSC”) which entitle us to make assumptions that may upon further investigation, for instance by your legal representative, prove to be inaccurate or untrue. Any exception is clearly stated below and/or in the report.

### 2. PORTFOLIOS

In valuing the portfolio of properties, unless specifically agreed with you otherwise, we have valued the individual properties separately.

### 3. TITLE AND ENCUMBRANCES

We have taken reasonable care to investigate the title of the property by obtaining land search records from the Land Registry, and if not available, with reference to the title document or other document of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the date of valuation.

In cases where sample land searches or land searches at the Land Registries are not required, we have relied on the title information as provided and assumed that the information is correct as at the date of valuation.

### 4. DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

### 5. SOURCES OF INFORMATION

We have relied on the quoted source of information to a very considerable extent and have not verified the correctness of any information including their translation supplied to us concerning this property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property or contained on the register of title. We assume that this information is complete and correct.

### 6. INSPECTION

Where applicable and available, we have carried out external and/or internal inspection of the property. Nevertheless, we have assumed in our valuation that the property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the date of valuation, unless otherwise stated.

### 7. IDENTITY OF PROPERTY TO BE VALUED

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### 8. BOUNDARIES

Plans accompanying this report are for identification purposes only and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with the information given to us and/or our understanding of the boundaries.

### 9. PROPERTY INSURANCE

We have valued the property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

January 2021

## 10. AREAS AND AGE

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. The plans in this report are included to assist the reader to visualise the property and we assume no responsibility for their accuracy.

Where the age of the building is estimated, this is for reference only.

## 11. STRUCTURAL AND SERVICES CONDITION

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the property. Our valuation has therefore been undertaken on the basis that the property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

## 12. GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

## 13. ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination,

nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## 14. LEASES

Reliance must not be placed on our interpretation of leases without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

## 15. LOAN SECURITY

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

## 16. BUILD COST INFORMATION

We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at reliance upon the build cost and other relevant information prepared by a suitably qualified construction cost professional supplied to us by you. In their absence, we would have to rely on the published build cost information that might present severe limitations on the accuracy. Henceforth, the reliance that can be placed upon our advice is severely restricted.

## 17. COMPARABLE EVIDENCE

Where comparable evidence information is included in our report, they are only referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected the comparable properties.

January 2021

## 18. VALUATION BASES

Unless otherwise specifically agreed, the value advised by us shall be the market value as at the date of valuation.

We have assumed that the property valued has been constructed or to be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices, except only where otherwise stated. We have further assumed that, for any use of the property upon which the report is based, any and all required licences, permits, certificates, consents, approvals and authorisations have been obtained, except only where stated otherwise.

### 18.1 Market Value is defined as:

Market Value is defined within “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS as: -

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuations are, however, undertaken for a variety of purposes, including sale, purchase, letting, mortgage, rating, compulsory purchase, insurance, probate and other tax purposes. Sometimes, a basis of valuation other than “market value” will be required as, for example, when assessing for insurance purposes. However, unless agreed otherwise, our valuation figure will represent our opinion of the asset or liability’s market value as defined above.

### 18.2 Market Rent is defined as:

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 18.3 Value for Sale under Repossession

The action of regaining possession especially the seizure of collateral securing a loan that is in default refers to the price that might reasonably be expected to realize within a defined period of time (the period shall be agreed upon between Lender and Valuer) from the sale of a real property in the market under repossession by the lender or receiver, on an “as is” basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise. The increased risk or stigma would include but not limiting to the need for substantial renovation or repair, the need for abortive expenses and the need for completion in a short period of time.

### 18.4 Building Insurance Replacement Cost

The building insurance replacement cost is defined as the estimated cost of erecting the same real property or a modern substitute real property having the same areas as the existing one at the relevant date, which includes fees, finance costs and other associated expenses directly related to the construction of the real property. Coverage for loss of rent and other disturbances are not included.

The building insurance replacement cost is to be covered by the insurance policy against losses due to structural damage caused directly by the outbreak of fire and do not include any consequential loss or liabilities to third parties as a result of fire.

In estimating the building insurance cost of the Property, we have made reference to the building cost index published by a reputable quantity surveyor firm. It is recommended that a professional quantity surveyor or a firm of professional quantity surveyors in Hong Kong should be consulted in order to assess an accurate building insurance replacement cost.

## **19. LIMITATIONS ON LIABILITY AND DISCLOSURE**

19.1 This report/letter is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report/ letter and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

19.2 In accordance with our standard practice, we must state that this report/letter and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report/letter.

19.3 No claim arising out of or in connection with this agreement may be brought against any member, employee, shareholder or consultant of Knight Frank. Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Knight Frank.

19.4 Knight Frank will not be liable in respect of any of the following:

- (a) for any services outside the scope of the services agreed to be performed by Knight Frank;
- (b) to any third party; or
- (c) any indirect or consequential losses (such as loss of profits).

19.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.

19.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to HKD50 million, unless otherwise stated in the valuation report. This limit applies to each and every transaction and retainer and any subsequent work that Knight Frank undertakes for you.

Conversion factors used in this report are:

- 1 square meter = 10.764 square feet and
- 1 meter = 3.2808 feet

5 March 2021

The Directors  
Hui Xian Asset Management Limited  
Unit 303, 3/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

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

Our Ref: CV/CL/GL/JC/sn/14083/55(2)

Dear Sirs,

## **VALUATION OF VARIOUS PORTIONS OF SOFITEL SHENYANG LIDO NOS. 370 AND 386 QINGNIAN STREET, HEPING DISTRICT, SHENYANG CITY, LIAONING PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA**

In accordance with your instructions for us to value the captioned property interests held by Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and exhibited to us by Hui Xian Asset Management Limited (the "Company") and DB Trustees (Hong Kong) Limited in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2020 for your accounting purpose.

### **BASIS OF VALUATION**

Our valuation is our opinion of the market value of the property interests, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Market value is understood as the value of an asset or liability estimated without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In preparing our valuation report, we have complied with "The HKIS Valuation Standards 2020" issued by the Hong Kong Institute of Surveyors and "The RICS Valuation — Global Standards 2020" issued by the Royal Institution of Surveyors.

# VALUATION REPORT

## VALUATION METHODOLOGY

In our course of valuation, we have adopted Income Approach and cross-checked by the Market Approach.

Income Approach is a valuation methodology by reference to the capacity of a property to generate benefits (i.e. usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value. It is based on the premise that an investor uses the income capability of an investment as a measure of value. All the things being equal, the basic premise is that the higher the income, the higher the value. The income from a property is usually annual operating income or pre-tax cash flow. The conversion of income into an expression of market value is known as the capitalization process, which is to convert estimated annual income expectancy into an indication of value either by dividing the income estimate by an appropriate yield rate or by multiplying the income estimate by an appropriate factor.

For the hotel portion of the property, we have valued the property under the basis of on-going concern, and we have adopted income approach by making reference to its historical performance of the past years. During the course of the valuation, we have relied on the gross operating profit generated from the hotel operation during corresponding periods and made reference to the require rate of return of similar form of investment.

Market Approach is the most common valuation approach for valuing property by reference to comparable market transactions or listings of similar properties. The rationale of this approach is to directly relate the market comparable transactions with the property to determine the market value. Adjustments will be applied to the said comparable transactions to adjust for differences between the property and the comparable transactions.

## TITLE DOCUMENTS AND ENCUMBRANCES

We have not been provided with copies of extracts of title documents relating to the properties. According to the specific terms of instruction from you, we have assumed in our valuation that the properties have proper legal titles and are freely transferable to local and overseas purchasers without any onerous payments.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

## SOURCE OF INFORMATION

We have relied to a considerable extent on the information given by you. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have accepted advice given to us on such matters as tenure, ownership, particulars of occupancy, tenancy information, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the correctness of the floor areas of the properties and we have assumed that the floor areas shown on the documents handed to us are correct. We were also advised that no material facts have been omitted from the information provided.

## INSPECTION AND STRUCTURAL CONDITION

We have inspected the exterior of the properties and the inspection was carried out by our Tara Luo in September 2020. No structural survey has been made. We are not, therefore, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services. For the purpose of this valuation, we have assumed that the properties have been maintained in satisfactory condition commensurate with their building ages and use.

## ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the properties are unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## COMPLIANCE WITH RELEVANT ORDINANCES AND REGULATIONS

We have assumed that the properties have been constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the properties upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

## CURRENCY

Unless otherwise stated, all money amounts stated are in Renminbi.

## REMARKS

In our valuation, Knight Frank has prepared the valuation based on information and data available to us as at the valuation date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the valuation date may affect the value of the properties.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

In accordance with our standard practice, we must state that this valuation report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

We hereby confirm that we have neither present nor prospective interests in Hui Xian REIT, the Company or the properties.

Pursuant to Chapter 6.5 of the REIT code, we confirm that we are independent of the Company, DB Trustees (Hong Kong) Limited and any of the significant holders of Hui Xian REIT.

We enclose herewith our summary of values and valuation report.

Yours faithfully

For and on behalf of

**Knight Frank Petty Limited**

Reviewed (but not undertaken) by:

Gary S K Lau *MSc(RealEst) MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Director, China Valuation & Advisory

Clement W M Leung *MFin MCIREA MHKIS MRICS RPS (GP)*

RICS Registered Valuer

Executive Director, Head of China Valuation & Advisory

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# VALUATION REPORT

## EXECUTIVE SUMMARY

- Properties
- (1) The Hotel Portion of Sofitel Shenyang Lido, Nos. 370 and 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, The PRC
  - (2) The Service Apartment Portion of Sofitel Shenyang Lido, Nos. 370 and 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, The PRC
  - (3) The Staff Quarters Portion, No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, The PRC

Description Sofitel Shenyang Lido is a 30-storey hotel development including basement levels, which comprising retail shops, hotel rooms, service apartment rooms and other ancillary facilities.

Site Area The Hotel and Service Apartment Portions — 9,370.00 sq.m.  
The Staff Quarters Portion: 375.18 sq.m.

Registered Owner Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) (the “Owner”)

Gross Floor Area According to the information provided by the Company, the details of approximate gross floor area are listed as follows:

<b>Property</b>	<b>Approximately Gross Floor Area (sq.m.)</b>
Hotel Portion	57,226.22
Serviced Apartment Portion	21,225.19
Staff Quarters Portion	2,306.92
<b>Total:</b>	<b>80,758.33</b>

Usage The Hotel and Service Apartment Portions:

<b>Level</b>	<b>Uses</b>
Basement 2	Car park and temporary storage
Basement 1	Back of house
L1	Hotel lobby, service apartment lobby, lounge, retail units and open car park
L2	Restaurants, ballrooms and function rooms
L3	Function rooms
L4	Offices
L5	Health club, swimming pool, SPA and retail shops
L6–L7	Offices
L8–L16	Service apartments
L17–L28	Hotel rooms

The Staff Quarter Portion:

A residential building used as staff quarter.

State-owned Land Use Certificates	<p>The Hotel and Serviced Apartment Portions:</p> <p>Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用 (2007) 第0135號)          Shenyang Guo Yong (2011) Di Nos. HP05041, HP05316 and HP05407 (瀋陽國用 (2011) 第HP05041號、HP05316號及HP05407號)</p> <p>The Staff Quarters Portion:</p> <p>Shenyang Guo Yong (2011) Di No. HP05042 (瀋陽國用 (2011) 第HP05042號)          Shenyang Guo Yong (2011) Di No. HP05043 (瀋陽國用 (2011) 第HP05043號)</p>
Building Ownership Certificates/ Real Estate Certificates	<p>The Hotel and Serviced Apartment Portions:</p> <p>Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 12749 and 12750 (瀋房權證市和平字第 12749及12750號)          Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼 (2018) 瀋陽市不動產權證第0106750號)</p> <p>The Staff Quarters Portion:</p> <p>Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 12747 and 12748 (瀋房權證市和平字第12747及12748號)</p>
Date of Valuation	31 December 2020
Valuation Methodology	Income Approach and Market Approach
Market Value in Existing State	

<b>Property</b>	<b>Market value in existing state as at 31 December 2020</b>
Hotel Portion	RMB544,000,000
Serviced Apartment Portion	RMB185,000,000
Staff Quarters Portion	No commercial value
<b>Total:</b>	<b>RMB729,000,000</b>

# VALUATION REPORT

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
1. The Hotel Portion of Sofitel Shenyang Lido  Nos. 370 and 386 Qingnian Street Heping District Shenyang City Liaoning Province The PRC	<p>The property comprises 21 levels of a 30-storey towers including two basement levels erected on a parcel of land with a total site area of approximately 9,370 sq.m. and completed in about 2002.</p> <p>The property has a total gross floor area of approximately 57,226 sq.m..</p> <p>As advised by the Company, the hotel portion comprises 374 hotel rooms.</p> <p>The property is held under land use rights term expiring on 9 April 2047 for commercial use.</p>	<p>The property is currently operated under the brand name of Sofitel Shenyang Lido.</p>	<p>RMB544,000,000 (RENMINBI FIVE HUNDRED AND FORTY FOUR MILLION ONLY)</p>

### Notes:

- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated 20 April 2007, the land use rights of the property with a site area of 2,966 sq.m. are held by Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) for a term expiring on 9 April 2047 for commercial use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Di No. HP05407 (瀋陽國用(2011)第HP05407號) issued by the People's Government of Shenyang Municipality dated 22 November 2011, the land use rights of the property with a site area of 178.79 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for composite use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Di No. HP05316 (瀋陽國用(2011)第HP05316號) issued by the People's Government of Shenyang Municipality dated 22 November 2011, the land use rights of the property with a site area of 1,763.59 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for composite use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Zi Di Nos. HP05041 (瀋陽國用(2011)字第HP05041號) issued by the People's Government of Shenyang dated 22 November 2011, the land use rights of the property with a site area of 4,461.62 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for commercial use.
- Pursuant to the Real Estate Certificate Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼(2018)瀋陽市不動產權證第0106750號) issued by the Planning and Land Resources Bureau of Shenyang City (瀋陽市規劃和國土資源局), the buildings with gross floor area of 21,390.92 sq.m. are held by Shenyang Lido Business Co., Ltd..

6. Pursuant to the Building Ownership Certificate, Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (瀋房權證市和平字第12749號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 2,198.42 sq.m. are held by Shenyang Lido Business Co., Ltd..
7. Pursuant to the Building Ownership Certificate Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (瀋房權證市和平字第12750號) issued by the Real Estate Bureau of Shenyang City, the buildings with gross floor area of 54,862.07 sq.m. are held by Shenyang Lido Business Co., Ltd..
8. We have prepared our valuation based on the following assumptions:
  - (i) the property has a proper legal title;
  - (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
  - (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
  - (iv) the property can be freely disposed of to local or overseas purchasers.

# VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
2. The Service Apartment Portion of Sofitel Shenyang Lido	The property comprises 9 levels of a 30-storey towers including two basement levels erected on a parcel of land with a total site area of approximately 9,370 sq.m. and completed in about 2002.	Portion of the property with a total lettable area of approximately 12,920 sq.m. has been leased under various tenancies with the last term expiring in July 2026, yielding a total monthly rental of approximately RMB1,270,000, exclusive of management fee.	RMB185,000,000 (RENMINBI ONE HUNDRED AND EIGHTY FIVE MILLION ONLY)
Nos. 370 and 386 Qingnian Street Heping District Shenyang City Liaoning Province The PRC	The property has a total gross floor area and lettable area of approximately 21,225 sq.m. and 20,178 sq.m. respectively.  The property is held under land use rights term expiring on 21 April 2049 for composite use.	The occupancy rate of the office portion of the property as at valuation date was about 64.0%.	

## Notes:

- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated 20 April 2007, the land use rights of the property with a site area of 2,966 sq.m. are held by Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) for a term expiring on 9 April 2047 for commercial use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Di No. HP05407 (瀋陽國用(2011)第HP05407號) issued by the People's Government of Shenyang Municipality dated 22 November 2011, the land use rights of the property with a site area of 178.79 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for composite use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Di No. HP05316 (瀋陽國用(2011)第HP05316號) issued by the People's Government of Shenyang Municipality dated 22 November 2011, the land use rights of the property with a site area of 1,763.59 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for composite use.
- Pursuant to the State-owned Land Use Certificate Shenyang Guo Yong (2011) Zi Di Nos. HP05041 (瀋陽國用(2011)字第HP05041號) issued by the People's Government of Shenyang dated 22 November 2011, the land use rights of the property with a site area of 4,461.62 sq.m. are held by Shenyang Lido Business Co., Ltd. for a term expiring on 1 July 2042 for commercial use.
- Pursuant to the Real Estate Certificate Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼(2018)瀋陽市不動產權證第0106750號) issued by the Planning and Land Resources Bureau of Shenyang City (瀋陽市規劃和國土資源局), the buildings with gross floor area of 21,390.92 sq.m. are held by Shenyang Lido Business Co., Ltd..
- Pursuant to the Building Ownership Certificate, Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (瀋房權證市和平字第12749號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 2,198.42 sq.m. are held by Shenyang Lido Business Co., Ltd..
- Pursuant to the Building Ownership Certificate Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (瀋房權證市和平字第12750號) issued by the Real Estate Bureau of Shenyang City, the buildings with gross floor area of 54,862.07 sq.m. are held by Shenyang Lido Business Co., Ltd..

8. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repair of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
9. According to the information provided by Company, the total monthly rental income of the property reported are contractual rentals without taking into account rent free period, if any.
10. Our analysis of the existing tenancy profile according to the tenancy information provided by Company is set out below:

### Occupancy Profile

Type	Approximate Lettable Area (sq.m.)	% of total
Leased	12,920	64.03
Vacant	7,258	35.97
<b>Total:</b>	<b>20,178</b>	<b>100.00</b>

### Tenancy Commencement Profile

Year	Approximate Leased Lettable Area (sq.m.)		Net Monthly Rental (RMB)		No. of Tenancies	
		% of total		% of total		% of total
2018	822	6.37	83,019	6.52	5	7.57
2019	4,343	33.61	441,509	34.67	21	31.82
2020	7,755	60.02	748,837	58.81	40	60.61
<b>Total:</b>	<b>12,920</b>	<b>100.00</b>	<b>1,273,365</b>	<b>100.00</b>	<b>66</b>	<b>100.00</b>

### Tenancy Expiry Profile

Year	Approximate Leased Lettable Area (sq.m.)		Net Monthly Rental (RMB)		No. of Tenancies	
		% of total		% of total		% of total
2021	5,193	40.19	526,856	41.37	34	51.51
2022	2,224	17.21	238,019	18.69	12	18.18
2023	798	6.18	71,698	5.63	3	4.55
2024	2,471	19.13	230,189	18.08	9	13.64
2025	1,997	15.45	182,075	14.30	7	10.61
2026	237	1.84	24,528	1.93	1	1.51
<b>Total:</b>	<b>12,920</b>	<b>100.00</b>	<b>1,273,365</b>	<b>100.00</b>	<b>66</b>	<b>100.00</b>

### Tenancy Duration Profile

Year	Approximate Leased Lettable Area (sq.m.)		Net Monthly Rental (RMB)		No. of Tenancies	
		% of total		% of total		% of total
Up to 1 Year	3,293	25.49	314,120	24.67	22	33.33
More than 1 Year and up to 2 Years	2,014	15.58	226,226	17.76	12	18.18
More than 2 Years and up to 3 Years	2,262	17.51	227,359	17.85	11	16.67
More than 3 Years and up to 4 Years	918	7.10	96,226	7.56	5	7.58
More than 4 Years and up to 5 Years	3,236	25.05	306,604	24.08	12	18.18
More than 5 Years and up to 6 Years	960	7.43	78,302	6.15	3	4.55
More than 6 Years and up to 7 Years	237	1.84	24,528	1.93	1	1.51
<b>Total:</b>	<b>12,920</b>	<b>100.00</b>	<b>1,273,365</b>	<b>100.00</b>	<b>66</b>	<b>100.00</b>

## VALUATION REPORT

11. We have prepared our valuation based on the following assumptions:

- (i) the property has a proper legal title;
- (ii) all land premium and costs of resettlement and public utilities services have been fully settled;
- (iii) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and
- (iv) the property can be freely disposed of to local or overseas purchasers.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2020
3. The Staff Quarters Portion	The property comprises two 7-storey residential buildings, erected upon two parcels of land with a total site area approximately 375.18 sq.m., completed in 1999.	The property is currently occupied by staffs of Sofitel Senyang Lido as staff quarter.	No commercial value  (Please see Note 3)
No. 14-3 Wen An Road Heping District Shenyang City Liaoning Province The PRC	The property has a total gross floor area of approximately 2,306.92 sq.m..  The land use rights of the property were allocated for an unspecified term for residential use.		

*Notes:*

1. Pursuant to two Stated-owned Land Use Rights Certificates issued by the People's Government of Shenyang Municipality, the land use rights of the property with a total site area of approximately 375.18 sq.m. was allocated to Shenyang Lido Business Co. Ltd for an unspecified term for residential use. Details of Stated-owned Land Use Rights Certificates are as follows:

Certificate No.	Unit No.	Site Area (sq.m.)
Shenyang Guo Yong (2011) Di No. HP05042 (瀋陽國用(2011)第HP05042號)	111-117, 112-172, 113-173, 211-271	292.79
Shenyang Guo Yong (2011) Di No. HP05043 (瀋陽國用(2011)第HP05043號)	212, 222, 232, 242, 252, 262, 272	82.39

2. Pursuant to two Building Ownership Certificates issued by Real Estate Bureau of Shenyang, the building ownership of the property with a total gross floor area of 2,306.92 sq. m. was vested in Shenyang Lido Business Co. Ltd. Details of Building Ownership Certificates are as follows:

Certificate No.	Unit No.	Gross Floor Area (sq.m.)
Shen Fang Quan Zheng She He Ping Zi Di No. 12747 (瀋房權證市和平字第12747號)	111-117, 112-172, 113-173, 211-271	1,800.33
Shen Fang Quan Zheng She He Ping Zi Di No. 12748 (瀋房權證市和平字第12748號)	212, 222, 232, 242, 252, 262, 272	506.59

3. We have assigned no commercial value to the property as the land use rights are allocation in nature and cannot be transferred freely in the market.

## Conditions & Caveats

(These Conditions & Caveats form part of our valuation report/letter)

### 1. VALUATION STANDARDS

Our valuations are prepared in accordance with the HKIS Valuation Standards (2020) published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards (2020) published by the Royal Institution of Chartered Surveyors (“RICS”) and/or International Valuation Standards (2020) published by International Valuation Standards Council (“IVSC”) which entitle us to make assumptions that may upon further investigation, for instance by your legal representative, prove to be inaccurate or untrue. Any exception is clearly stated below and/or in the report.

### 2. PORTFOLIOS

In valuing the portfolio of properties, unless specifically agreed with you otherwise, we have valued the individual properties separately.

### 3. TITLE AND ENCUMBRANCES

We have taken reasonable care to investigate the title of the property by obtaining land search records from the Land Registry, and if not available, with reference to the title document or other document of title as provided. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We however do not accept liability for any interpretation which we have placed on such information that is more properly the sphere of your legal advisers. We have also assumed in our valuation that the property was free from encumbrances, restrictions, title defects and outgoings of an onerous nature that could affect its value, unless stated otherwise as at the date of valuation.

In cases where sample land searches or land searches at the Land Registries are not required, we have relied on the title information as provided and assumed that the information is correct as at the date of valuation.

### 4. DISPOSAL COSTS AND LIABILITIES

No allowance has been made in our report for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale.

### 5. SOURCES OF INFORMATION

We have relied on the quoted source of information to a very considerable extent and have not verified the correctness of any information including their translation supplied to us concerning this property, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the property or contained on the register of title. We assume that this information is complete and correct.

### 6. INSPECTION

Where applicable and available, we have carried out external and/or internal inspection of the property. Nevertheless, we have assumed in our valuation that the property was in satisfactory exterior and interior decorative order without any unauthorised extensions or structural alterations as at the date of valuation, unless otherwise stated.

### 7. IDENTITY OF PROPERTY TO BE VALUED

We have exercised reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

### 8. BOUNDARIES

Plans accompanying this report are for identification purposes only and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with the information given to us and/or our understanding of the boundaries.

### 9. PROPERTY INSURANCE

We have valued the property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

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## 10. AREAS AND AGE

As instructed, we have relied upon areas as available from a quoted source. Otherwise, dimensions and areas would be measured on-site or from plans and calculated in accordance with, where appropriate, the current HKIS Code of Measuring Practice and are quoted to a reasonable approximation, with reference to their source.

We have also assumed that the site areas, floor areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only. The plans in this report are included to assist the reader to visualise the property and we assume no responsibility for their accuracy.

Where the age of the building is estimated, this is for reference only.

## 11. STRUCTURAL AND SERVICES CONDITION

We were not instructed to undertake any structural surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the property. Our valuation has therefore been undertaken on the basis that the property was in satisfactory repair and condition and contains no deleterious materials and that services function satisfactorily.

## 12. GROUND CONDITION

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

## 13. ENVIRONMENTAL ISSUES

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination,

nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the property is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

## 14. LEASES

Reliance must not be placed on our interpretation of leases without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

## 15. LOAN SECURITY

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

## 16. BUILD COST INFORMATION

We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at reliance upon the build cost and other relevant information prepared by a suitably qualified construction cost professional supplied to us by you. In their absence, we would have to rely on the published build cost information that might present severe limitations on the accuracy. Henceforth, the reliance that can be placed upon our advice is severely restricted.

## 17. COMPARABLE EVIDENCE

Where comparable evidence information is included in our report, they are only referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected the comparable properties.

## 18. VALUATION BASES

Unless otherwise specifically agreed, the value advised by us shall be the market value as at the date of valuation.

We have assumed that the property valued has been constructed or to be constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirements and notices, except only where otherwise stated. We have further assumed that, for any use of the property upon which the report is based, any and all required licences, permits, certificates, consents, approvals and authorisations have been obtained, except only where stated otherwise.

### 18.1 Market Value is defined as:

Market Value is defined within “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards 2020” issued by RICS as: -

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

“the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.”

Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Valuations are, however, undertaken for a variety of purposes, including sale, purchase, letting, mortgage, rating, compulsory purchase, insurance, probate and other tax purposes. Sometimes, a basis of valuation other than “market value” will be required as, for example, when assessing for insurance purposes. However, unless agreed otherwise, our valuation figure will represent our opinion of the asset or liability’s market value as defined above.

### 18.2 Market Rent is defined as:

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 18.3 Value for Sale under Repossession

The action of regaining possession especially the seizure of collateral securing a loan that is in default refers to the price that might reasonably be expected to realize within a defined period of time (the period shall be agreed upon between Lender and Valuer) from the sale of a real property in the market under repossession by the lender or receiver, on an “as is” basis, taking into account the unique quality of the real property and the existence of any specific demand as well as factors which might adversely affect the marketability of the real property due to market perception of increased risk or stigma, justified or otherwise. The increased risk or stigma would include but not limiting to the need for substantial renovation or repair, the need for abortive expenses and the need for completion in a short period of time.

### 18.4 Building Insurance Replacement Cost

The building insurance replacement cost is defined as the estimated cost of erecting the same real property or a modern substitute real property having the same areas as the existing one at the relevant date, which includes fees, finance costs and other associated expenses directly related to the construction of the real property. Coverage for loss of rent and other disturbances are not included.

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The building insurance replacement cost is to be covered by the insurance policy against losses due to structural damage caused directly by the outbreak of fire and do not include any consequential loss or liabilities to third parties as a result of fire.

In estimating the building insurance cost of the Property, we have made reference to the building cost index published by a reputable quantity surveyor firm. It is recommended that a professional quantity surveyor or a firm of professional quantity surveyors in Hong Kong should be consulted in order to assess an accurate building insurance replacement cost.

## **19. LIMITATIONS ON LIABILITY AND DISCLOSURE**

19.1 This report/letter is confidential to the addressee for the specific purpose to which it refers. It may be disclosed to other professional advisers assisting the addressee in respect of the purposes, but the addressee shall not disclose the report to any other person. Neither the whole, or any part of this report/ letter and valuation, nor any reference thereto may be included in any documents, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web site) without our written approval of the form and context in which it will appear.

19.2 In accordance with our standard practice, we must state that this report/letter and valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report/letter.

19.3 No claim arising out of or in connection with this agreement may be brought against any member, employee, shareholder or consultant of Knight Frank. Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Knight Frank.

19.4 Knight Frank will not be liable in respect of any of the following:

- (a) for any services outside the scope of the services agreed to be performed by Knight Frank;
- (b) to any third party; or
- (c) any indirect or consequential losses (such as loss of profits).

19.5 Where any loss is suffered by you for which Knight Frank and any other person are jointly and severally liable to you, the loss recoverable by you from Knight Frank shall be limited so as to be in proportion to Knight Frank's relative contribution to the overall fault.

19.6 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to HKD50 million, unless otherwise stated in the valuation report. This limit applies to each and every transaction and retainer and any subsequent work that Knight Frank undertakes for you.

Conversion factors used in this report are:

- 1 square meter = 10.764 square feet and
- 1 meter = 3.2808 feet

# TRUSTEE'S REPORT

**Hui Xian Asset Management Limited**

(in its capacity as the REIT Manager of Hui Xian REIT)

Unit 303, 3rd Floor

Cheung Kong Center

2 Queen's Road Central

Hong Kong

Dear Sir,

We hereby confirm that, in our opinion, the Manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") has, in all material respects, managed Hui Xian REIT in accordance with the provisions of the Trust Deed dated 1 April 2011 (as amended from time to time) for the period from 1 January 2020 to 31 December 2020.

**DB Trustees (Hong Kong) Limited**

*(in its capacity as trustee of Hui Xian Real Estate Investment Trust)*

Hong Kong, 8 March, 2021

# INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

**德勤**

## **TO THE UNITHOLDERS OF 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))*

### **OPINION**

We have audited the consolidated financial statements of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 155 to 224, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and non-controlling interests, consolidated statement of cash flows and distribution statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2020, and of its consolidated financial transactions and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. The carrying value of the Group's investment properties amounted to RMB30,629 million at 31 December 2020, representing 72% of the Group's total assets, with its change in fair value recognised in the consolidated statement of comprehensive income. During the year ended 31 December 2020, a decrease in fair value of investment properties amounted to RMB2,332 million.

An independent professional valuer ("the Valuer") was engaged by Hui Xian Asset Management Limited ("the Manager" of Hui Xian REIT) to determine the fair value of the Group's investment properties. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in Notes 3 and 13 to the consolidated financial statements. The valuations are dependent on certain inputs, together with significant assumptions, that involve judgements, including term yield, reversionary yield and reversionary rent for malls and offices.

The Manager has reviewed and exercised its judgement on the key inputs to the valuations and the results with the Valuer.

Our procedures in relation to assessing the appropriateness of the valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation process and methodology, the performances of the property markets in different cities in the People's Republic of China ("the PRC"), significant assumptions adopted and, key inputs used in the valuations;
- Comparing the valuation methodology and assumptions used to industry norms;
- Evaluating the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the existing tenancy profiles (including existing rental income, occupancy level, tenancy commencement and expiry profiles, and tenancy duration); and (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the same location and condition; and
- Performing analysis on the inputs to evaluate the results on the valuations.

## KEY AUDIT MATTERS (Continued)

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation of buildings and valuation of right-of-use assets

We identified the valuation of buildings, which are included in property, plant and equipment, and the valuation of right-of-use assets (collectively referred to as the "Buildings and Right-of-use assets") as a key audit matter due to the significant judgements involved in the determination of their recoverable amounts.

The Buildings and Right-of-use assets mainly represent hotels and serviced apartments. As at 31 December 2020, for the purpose of the impairment review, the Manager has conducted an assessment to ensure that the Buildings and Right-of-use assets are carried at no more than their recoverable amounts. The recoverable amounts of the Buildings and Right-of-use assets are determined with reference to the valuations carried out by the Valuer and the impairment assessments carried out by the Manager by assessing their value-in-use and fair values less costs of disposal. The assessments of value-in-use are dependent on inputs that involve both the Manager and the Valuer's judgements, including forecasting of future operating cash flows of hotels and serviced apartments and determining the discount rates which are disclosed in Note 3 to the consolidated financial statements. The assessments of fair values less costs of disposal carried out by the Manager are dependent on recent sale and purchase transaction prices of retail, office and serviced apartment units.

The Manager concluded that there is no impairment in respect of the Buildings and Right-of-use assets.

Our procedures in relation to the Manager's assessment on the recoverable amounts of the Buildings and Right-of-use assets included:

- Evaluating the assessment made by management as to whether there were any impairment indicators of the Group's hotels and serviced apartments with reference to the operating profits;
- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation process and approach, significant assumptions adopted and, key inputs used in the valuations;
- Assessing the appropriateness of future operating cash flows with reference to the past performance of hotels and serviced apartments together with the Manager and the Valuer's expectations for the market developments in different cities in the PRC;
- Evaluating the reasonableness of result of the impairment assessment performed by the management, considering the recent sale and purchase transactions of retail, office and serviced apartment units researched by the management and the carrying amounts of the Group's hotels and serviced apartments; and
- Conducting an independent research to verify the validity of the recent sale and purchase transaction prices of retail, office and serviced apartment units adopted in the management assessment.

## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON MATTER UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Chung Yin Lawrence.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

12 March 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB million	2019 RMB million
Revenue	5	<b>2,499</b>	3,169
Other income	6	<b>201</b>	223
Decrease in fair value of investment properties	13	<b>(2,332)</b>	(214)
Inventories consumed		<b>(27)</b>	(44)
Staff costs		<b>(143)</b>	(165)
Depreciation		<b>(395)</b>	(361)
Other operating expenses	7	<b>(858)</b>	(928)
Finance costs, including exchange differences	8	<b>363</b>	(590)
Manager's fees	9	<b>(128)</b>	(144)
Real estate investment trust expenses	10	<b>(13)</b>	(13)
(Loss) profit before taxation and transactions with unitholders		<b>(833)</b>	933
Income tax credit (expense)	11	<b>115</b>	(481)
(Loss) profit for the year, before transactions with unitholders		<b>(718)</b>	452
Distributions to unitholders		<b>(520)</b>	(1,273)
Loss for the year, after transactions with unitholders		<b>(1,238)</b>	(821)
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Gain on revaluation of right-of-use assets upon transfer to investment properties, net of tax		<b>-</b>	3
Total comprehensive expense for the year		<b>(1,238)</b>	(818)
(Loss) profit for the year, before transactions with unitholders attributable to:			
Non-controlling interests		<b>(46)</b>	(32)
Unitholders		<b>(672)</b>	484
		<b>(718)</b>	452
Basic (loss) earnings per unit (RMB)	12	<b>(0.1129)</b>	0.0831

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB million	2019 RMB million
(Loss) profit for the year, before transactions with unitholders	<b>(718)</b>	452
Non-controlling interests	<b>46</b>	32
(Loss) profit for the year attributable to unitholders, before transactions with unitholders	<b>(672)</b>	484
Adjustments ( <i>Note (i)</i> ):		
Manager's fees	<b>96</b>	101
Deferred tax	<b>(520)</b>	(29)
Distributable depreciation	<b>–</b>	197
Decrease in fair value of investment properties	<b>2,332</b>	214
Net unrealised exchange (gain) loss on bank loans and loan front-end fee	<b>(573)</b>	255
Net realised exchange loss on bank loans and loan front-end fee	<b>(138)</b>	–
	<b>1,197</b>	738
Distributable income	<b>525</b>	1,222
Additional items ( <i>Note (ii)</i> ):		
Other cash distributions	<b>52</b>	112
Amount available for distribution	<b>577</b>	1,334
Payout ratio ( <i>Note (iii)</i> )	<b>90.0%</b>	95.5%
Distributions to unitholders ( <i>Note (iv)</i> )		
— Interim distribution paid	<b>126</b>	725
— Final distribution payable	<b>394</b>	548
	<b>520</b>	1,273
Distribution per unit ( <i>RMB</i> ) ( <i>Note (iv)</i> )		
Interim distribution per unit	<b>0.0212</b>	0.1245
Final distribution per unit	<b>0.0654</b>	0.0932
	<b>0.0866</b>	0.2177

# DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

## Notes:

### (i) Adjustments for the year include:

- (a) For the year ended 31 December 2020, Manager's fees paid and payable in units of RMB96 million (31,466,107 units issued and 27,254,933 units estimated to be issued) out of the total Manager's fees of RMB128 million. The difference of RMB32 million is paid or payable in cash.

For the year ended 31 December 2019, Manager's fees paid and payable in units of RMB101 million out of the total Manager's fees of RMB144 million. The difference of RMB43 million is paid or payable in cash.

- (b) Deferred tax credit of RMB31 million (2019: Deferred tax charge of RMB16 million) in relation to accelerated tax depreciation and deferred tax credit of RMB489 million (2019: RMB45 million) in relation to changes in fair value of investment properties.
- (c) For the year ended 31 December 2019, distributable depreciation of Beijing Oriental Plaza attributable to unitholders of RMB197 million represented depreciation of RMB202 million less capital expenditure of RMB5 million. Under the People's Republic of China (the "PRC") foreign investment law which became effective on 1 January 2020, there was no provision for the repatriation of capital in the form of depreciation. As a result, there is no distributable depreciation since 1 January 2020.
- (d) Decrease in fair value of investment properties of RMB2,332 million (2019: RMB214 million).
- (e) Net unrealised exchange gain on bank loans and loan front-end fee of RMB573 million for the year ended 31 December 2020 (2019: Net unrealised exchange loss on bank loans and loan front-end fee of RMB255 million).
- (f) Accumulated net unrealised exchange loss of RMB138 million on bank loans and loan front-end fee previously adjusted out from the distribution statement have been realised and adjusted back upon loan repayment during the year ended 31 December 2020 (2019: Nil).

Pursuant to the Trust Deed, interim/annual distributable income is defined as the amount calculated by the Manager as representing the consolidated profit attributable to unitholders for the relevant financial year, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of comprehensive income for the relevant financial year.

### (ii) Additional items refer to any additional amount (include capital) to be distributed as determined by the Manager pursuant to clause 11.4.2 of the Trust Deed. Additional items for the year include:

- (1) Depreciation attributable to unitholders arising from fair value adjustments upon acquisition of Shenyang Lido Business Co. Ltd, Chongqing Oriental Plaza Hotel Co, Ltd ("Chongqing Hotel Company") and Chengdu Changtian Co., Ltd. totalling RMB52 million (2019: RMB52 million).
- (2) Other cash distributions of RMB60 million for the year ended 31 December 2019.

### (iii) In accordance with the Trust Deed, Hui Xian REIT (as defined in Note 1) is required to distribute to unitholders not less than 90% of its distributable income for each financial year.

Distributions to unitholders for the year ended 31 December 2020 represent a payout ratio of 90.0% (2019: 95.5%) of Hui Xian REIT's distributable income for the year.

### (iv) The interim distribution per unit of RMB0.0212 for the six months ended 30 June 2020 is calculated based on 90% of Hui Xian REIT's amount available for distribution of RMB140,153,855 over 5,953,702,301 units, representing issued units as at 30 June 2020. The final distribution per unit of RMB0.0654 for the six months ended 31 December 2020 is calculated based on 90% of Hui Xian REIT's amount available for distribution for the year of RMB577,323,309, less distribution to unitholders for the six months ended 30 June 2020, over 6,014,651,998 units, representing issued units as at 31 December 2020.

The interim distribution per unit of RMB0.1245 for the six months ended 30 June 2019 is calculated based on 100% of Hui Xian REIT's amount available for distribution of RMB724,960,420 over 5,822,910,494 units, representing issued units as at 30 June 2019. The final distribution per unit of RMB0.0932 for the six months ended 31 December 2019 is calculated based on 95.46% of Hui Xian REIT's amount available for distribution for the year of RMB1,333,575,570, less distribution to unitholders for the six months ended 30 June 2019, over 5,880,262,459 units, representing issued units as at 31 December 2019.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>NOTES</i>	<b>2020</b> RMB million	2019 RMB million
<b>Non-current assets</b>			
Investment properties	13	<b>30,629</b>	32,938
Property, plant and equipment	14	<b>2,132</b>	2,311
Right-of-use assets	15	<b>4,100</b>	4,270
Goodwill		<b>2</b>	2
Total non-current assets		<b>36,863</b>	39,521
<b>Current assets</b>			
Inventories	16	<b>26</b>	27
Trade and other receivables	17	<b>140</b>	120
Bank balances and cash	18	<b>5,725</b>	6,807
Total current assets		<b>5,891</b>	6,954
<b>Total assets</b>		<b>42,754</b>	46,475
<b>Current liabilities</b>			
Trade and other payables	19	<b>512</b>	515
Tenants' deposits		<b>241</b>	314
Tax payable		<b>24</b>	42
Manager's fee payable		<b>60</b>	72
Distribution payable		<b>394</b>	548
Bank loans	20	<b>–</b>	2,191
Total current liabilities		<b>1,231</b>	3,682
<b>Total assets less current liabilities</b>	25	<b>41,523</b>	42,793

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	NOTES	2020 RMB million	2019 RMB million
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Bank loans	20	<b>8,876</b>	8,680
Tenants' deposits		<b>470</b>	457
Deferred tax liabilities	21	<b>6,884</b>	7,386
Total non-current liabilities, excluding net assets attributable to unitholders		<b>16,230</b>	16,523
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>17,461</b>	20,205
Non-controlling interests		<b>241</b>	287
<b>Net assets attributable to unitholders</b>		<b>25,052</b>	25,983
<hr/>			
Units in issue ('000)	22	<b>6,014,652</b>	5,880,262
<hr/>			
Net asset value per unit (RMB) attributable to unitholders	23	<b>4.1651</b>	4.4187

The consolidated financial statements on pages 155 to 224 were approved and authorised for issue by the Board of Directors of the Manager on 12 March 2021 and were signed on its behalf by:

**CHEUNG Ling Fung, Tom**  
DIRECTOR

**LEE Chi Kin, Casey**  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Net assets attributable to unitholders RMB million	Non-controlling interests RMB million	Total RMB million
Net assets as at 1 January 2019	26,373	319	26,692
Units issued for settlement of Manager's fees (Note 22)	101	–	101
Units issued pursuant to the distribution reinvestment arrangement in respect of 2018 final and 2019 interim distributions (Note 22)	295	–	295
	26,769	319	27,088
Profit (loss) for the year, before transactions with unitholders	484	(32)	452
Distributions to unitholders			
— Interim distribution paid	(725)	–	(725)
— Final distribution payable	(548)	–	(548)
Other comprehensive income for the year	3	–	3
Total comprehensive expense for the year	(786)	(32)	(818)
<b>Net assets as at 31 December 2019</b>	<b>25,983</b>	<b>287</b>	<b>26,270</b>
Units issued for settlement of Manager's fees (Note 22)	99	–	99
Units issued pursuant to the distribution reinvestment arrangement in respect of 2019 final and 2020 interim distributions (Note 22)	162	–	162
	26,244	287	26,531
Loss for the year, before transactions with unitholders	(672)	(46)	(718)
Distributions to unitholders			
— Interim distribution paid	(126)	–	(126)
— Final distribution payable	(394)	–	(394)
Total comprehensive expense for the year	(1,192)	(46)	(1,238)
<b>Net assets as at 31 December 2020</b>	<b>25,052</b>	<b>241</b>	<b>25,293</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB million	2019 RMB million
<b>Operating activities</b>			
(Loss) profit before taxation and transactions with unitholders		<b>(833)</b>	933
Adjustments for:			
Loss on disposal of property, plant and equipment		<b>43</b>	11
Depreciation of property, plant and equipment		<b>225</b>	191
Depreciation of right-of-use assets		<b>170</b>	170
Decrease in fair value of investment properties		<b>2,332</b>	214
Interest income		<b>(182)</b>	(213)
Exchange (gain) loss		<b>(608)</b>	255
Interest expenses		<b>245</b>	335
Manager's fees settled by issuing units	22	<b>99</b>	101
Operating cash flows before movements in working capital		<b>1,491</b>	1,997
Decrease in inventories		<b>1</b>	2
Increase in trade and other receivables		<b>(7)</b>	(6)
(Decrease) increase in trade and other payables		<b>(1)</b>	13
Decrease in tenants' deposits		<b>(60)</b>	(32)
Decrease in Manager's fee payable		<b>(12)</b>	(1)
Cash generated from operations		<b>1,412</b>	1,973
Income and withholding tax paid		<b>(405)</b>	(515)
<b>Net cash from operating activities</b>		<b>1,007</b>	1,458
<b>Investing activities</b>			
Placement of deposits in banks		<b>(11,659)</b>	(33,925)
Purchase of property, plant and equipment		<b>(89)</b>	(160)
Additions to investment properties	13	<b>(23)</b>	(34)
Withdrawal of deposits in banks		<b>11,227</b>	35,114
Interest received		<b>169</b>	221
<b>Net cash (used in) from investing activities</b>		<b>(375)</b>	1,216

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>NOTE</i>	2020 RMB million	2019 RMB million
<b>Financing activities</b>			
Net proceed from new bank loan raised		–	680
Repayment of bank loans		<b>(1,375)</b>	–
Payment of loan arrangement fee		<b>(36)</b>	(7)
Distributions paid to unitholders		<b>(512)</b>	(1,143)
Interest paid		<b>(223)</b>	(315)
<b>Net cash used in financing activities</b>		<b>(2,146)</b>	(785)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(1,514)</b>	1,889
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,369</b>	2,480
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>	18	<b>2,855</b>	4,369

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing) and its units were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) since that date. Hui Xian REIT is governed by the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 (the “Trust Deed”) made between Hui Xian Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Securities and Futures Commission (the “SFC”).

The principal activity of Hui Xian REIT and its subsidiaries (the “Group”) is to own and invest in high quality commercial properties with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of Hui Xian REIT.

The Group has entered into various service agreements in relation to the management of Hui Xian REIT and its property operations. The fee structures of these services are as follows:

### (a) Property Manager’s fee

Under the operations management agreement and supplemental agreement entered by Beijing Oriental Plaza Co., Ltd. and Beijing Hui Xian Enterprise Services Limited (the “Beijing Property Manager”) on 29 April 2011 and 22 June 2017, the Beijing Property Manager will receive a property manager’s fee with details as described in Note 1(c) and reimbursements for the employment costs and remuneration of the employees of the Beijing Property Manager for provision of business advisory and management services, marketing and lease management services and property management co-ordination services.

Under the Chongqing property manager agreement and supplemental agreement entered into by Chongqing Metropolitan Oriental Plaza Co., Ltd (“Chongqing Company”) and the Chongqing branch of Beijing Hui Xian Enterprise Services Limited (“Chongqing Property Manager”) on 2 March 2015 and 31 December 2017, the Chongqing Property Manager will be fully reimbursed by Chongqing Company for (i) employment costs and remuneration of the personnel provided or procured by the Chongqing Property Manager engaged solely and exclusively for the provision of its services relating to Metropolitan Plaza and Metropolitan Tower (collectively referred to as “Metropolitan Oriental Plaza”); and (ii) management expenses incurred by the Chongqing Property Manager on Metropolitan Oriental Plaza, including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Chongqing Property Manager (as agent for the Chongqing Company) at the request of the Chongqing Company for the provision of cleaning, maintenance, security, car park management and other services for Metropolitan Oriental Plaza.

### (b) Trustee’s fee

The Trustee is entitled to receive a one-off inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as is agreed between the Manager and the Trustee from time to time of not more than 0.02% of the fair values of the real estate properties (the “Property Values”) as at the end of such financial year (which may be increased without obtaining unitholders’ approval to a maximum of 0.06% per annum of the Property Values by giving at least one month’s prior written notice to the Manager and the unitholders), subject to a minimum amount of RMB56,000 per month.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL (Continued)

### (c) Manager's fees

Under the Trust Deed, the Manager is entitled to receive the following remuneration for the provision of asset management services:

#### **Base Fee**

Under the Trust Deed, the Manager will receive a base fee from Hui Xian REIT at 0.3% per annum of the Property Values as at the end of such financial year.

For the period from the date of listing until 31 December 2011, the base fee, only to the extent that it is referable to Beijing Oriental Plaza, shall be paid to the Manager as to 80% in the form of units and as to 20% in the form of cash. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

On 2 January 2020, the Manager has elected to receive 70% (2019: 70%) base fee in units and 30% (2019: 30%) in cash in respect of the financial year ended 31 December 2020.

#### **Variable Fee**

The Trust Deed has been modified on 19 May 2017 in relation to the variable fee structure. Under the Trust Deed, the Manager will receive a variable fee ("Variable Fee") of 3% per annum of the net property income ("NPI") of that real estate (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee) in respect of each real estate of Hui Xian REIT, for so long as the property manager is a wholly-owned subsidiary of the Manager, the Manager may elect at any time and from time to time, with effect from the date on which the property manager is appointed or the date of such election by the Manager, whichever is later, that the 3% rate in clause 14.1.2(i)(a) of the Trust Deed be split between the Manager and the property manager, in such proportion as the Manager in its sole discretion deems fit, into 2 portions comprising a variable fee payable to the Manager and a property manager's fee payable to the property manager.

NPI means the amount equivalent to the gross revenue less property operating expenses.

The Manager has elected that with effect from 1 July 2017, the 3% rate in respect of Beijing Oriental Plaza be split into 2 portions comprising a variable fee payable to the Manager which is equal to 1% per annum, and a property manager's fee payable to the property manager which is equal to 2% per annum, of NPI of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

The 3% rate in respect of the other real estates of Hui Xian REIT is all payable to the Manager at 3% per annum of NPI of the relevant real estate (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

The Manager may elect whether the variable fee is to be paid in cash or in units in accordance with the provisions in the Trust Deed.

On 2 January 2020, the Manager has elected to receive 70% (2019: 70%) variable fee in units and 30% (2019: 30%) in cash in respect of the financial year ended 31 December 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures requirements set out in Appendix C of the REIT Code issued by the SFC and the Rules Governing the Listing of Securities on the HKSE.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transferred at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Hui Xian REIT and entities controlled by Hui Xian REIT (its subsidiaries). Control is achieved where Hui Xian REIT:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Hui Xian REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Hui Xian REIT obtains control over the subsidiary and ceases when Hui Xian REIT loses control of the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date Hui Xian REIT gains control until the date when Hui Xian REIT ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the unitholders of Hui Xian REIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the unitholders of Hui Xian REIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's net assets attributable to unitholders therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Business combinations or asset acquisitions

#### ***Business combinations***

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Business combinations or asset acquisitions (Continued)

#### *Business combinations (continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

### (d) Revenue recognition

#### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Revenue recognition (Continued)

#### *Revenue from contracts with customers (continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities have been included in trade and other payables.

#### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations (i.e. room rental and food and beverages services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

Output method

The progress towards complete satisfaction of a performance obligation (i.e. room rental and management services (included in ancillary services income)) is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Revenue from food and beverage and other ancillary services (excluding management service) are recognised at a point in time when control of the relevant goods or services are transferred.

### (e) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Investment properties (Continued)

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

#### (f) Property, plant and equipment

Hotel and serviced suite properties, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment loss where appropriate.

In the case of partial lease-out of a property, an area share of less than 25% is considered insignificant, with the result that the entire property is reported in the consolidated statement of financial position as a property at cost less accumulated depreciation and accumulated impairment loss where appropriate.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold lands classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in net assets attributable to unitholders.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated and costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payables (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### *Financial assets (continued)*

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade receivables, other receivables and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for credit-impaired balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

##### (i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

#### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### *Financial liabilities*

Debt instruments are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

In accordance with the Trust Deed, Hui Xian REIT has a limited life of 80 years less 1 day from the date of commencement of Hui Xian REIT. The units contain a contractual obligation to its unitholders, upon the termination of Hui Xian REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Hui Xian REIT less any liabilities, in accordance with their proportionate interests in Hui Xian REIT at the date of its termination.

In accordance with the Trust Deed, Hui Xian REIT's distribution policy provides the unitholders with a right to receive distribution which Hui Xian REIT has a contractual obligation to distribute to unitholders at 100% of Hui Xian REIT's Annual Distributable Income (defined in the Trust Deed) for the period from 29 April 2011 (date of listing) to 31 December 2011 and the financial year ended 31 December 2012 and thereafter at least 90% of Hui Xian REIT's Annual Distributable Income for each financial year. The Manager also has the discretion to direct that Hui Xian REIT makes distributions over and above the minimum required Annual Distributable Income for any financial year if and to the extent that Hui Xian REIT, in the opinion of the Manager, has funds surplus to its business requirements.

Unit issue costs are the transactions costs relating to issue of units in Hui Xian REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Financial liabilities which include trade and other payables, tenants' deposits, manager's fee payable, distribution payable and bank loans are subsequently measured at amortised cost, using the effective interest method.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### *Derecognition/modification*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Financial instruments (Continued)

#### *Derecognition/modification (continued)*

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

#### *Non-substantial modifications of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

### (i) Impairment losses on property, plant and equipment and right-of-use asset

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use asset are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Leases

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

#### *The Group as a lessor*

##### *Classification and measurement of leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Leases (Continued)

#### *The Group as a lessor (continued)*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### (k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (l) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

### (m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

### (n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the '(loss) profit before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where it is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are charged or credited to profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Taxation (Continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

### (o) Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

### (p) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### (q) Impact arising from recently issued accounting standards

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except as described below.

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impact arising from recently issued accounting standards (Continued)

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs as mentioned below, the Manager anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***Amendments to HKFRS 3 Reference to the Conceptual Framework***

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC) — Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC) — Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impact arising from recently issued accounting standards (Continued)

#### ***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2***

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform — Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several Hong Kong Interbank Offered Rate ("HIBOR") bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Impact arising from recently issued accounting standards (Continued)

#### ***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2020, the Group's right to defer settlement for borrowings of RMB8,876 million are subject to compliance with covenants within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such covenants at 31 December 2020. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Investment Properties

As described in Notes 2(e) and 13, as at 31 December 2020, investment properties of RMB30,629 million (2019: RMB32,938 million) are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining term of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties. The key drivers underlying estimation of fair value of investment properties are market rents and capitalisation rates.

In relying on the valuation reports of the independent professional valuer, the Manager has exercised its judgement and is satisfied the key drivers underlying estimation of fair value of investment properties by comparing to actual market yield data, actual transactions of the similar properties in the same location and condition, those reported by the market and taking into consideration the impact of the ongoing development of Covid-19. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value, the Manager has reviewed the Group's investment property portfolios which are all located in the People's Republic of China ("the PRC") and rented out under operating leases and concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use rather than through sale. Any change to the business model will lead to a change in the measurement basis of the deferred tax liabilities of the investment properties of RMB4,385 million as at 31 December 2020 (2019: RMB4,874 million).

### Buildings and Right-of-use Assets

As detailed in Notes 2(f) and (j), the Group's buildings and right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate. The Manager makes significant judgements in determining the recoverable amounts of the buildings and right-of-use assets (collectively referred as "Buildings and Right-of-use assets").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 3. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Buildings and Right-of-use Assets (Continued)

The Buildings and Right-of-use assets mainly represent hotels and serviced apartments. As at 31 December 2020, for the purpose of the impairment review, the Manager has conducted an assessment to ensure that the Buildings and Right-of-use assets are carried at no more than their recoverable amounts. The recoverable amounts of the Buildings and Right-of-use assets are determined with reference to the valuations carried out by an independent professional valuer and impairment assessments carried out by the Manager by assessing their value-in-use and the fair values less costs of disposal. The assessments of value-in-use are dependent on inputs that involve both the Manager and the independent professional valuer's judgements, including forecasting of future operating cash flows of hotels and serviced apartments and determining the discount rates. These require the use of key assumptions and estimations subject to uncertainty, including the growth rates, occupancy rates, room rates and discount rates which reflect the degree of risks associated with the estimated future operating cash flows. The assessments of fair values less costs of disposal are dependent on the recent sale and purchase transaction prices of retail, office and serviced apartment units. In cases where the actual operating cash flows are less than expected, or deteriorate of the market conditions which result in revision of future cash flows estimation and decrease in the transaction prices of retail, office and serviced apartment units, an impairment may arise.

Based on the Manager's assessment, no impairment was recognised on Buildings and Right-of-use assets during the years ended 31 December 2020 and 2019. As at 31 December 2020, the carrying amounts of the Group's buildings and right-of-use assets of hotels and serviced apartments are RMB1,858 million (2019: RMB2,044 million) and RMB4,100 million (2019: RMB4,270 million) respectively.

## 4. SEGMENT REPORTING

Hui Xian REIT determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (i.e. the Manager) for the purpose of allocating resources to segments and assessing their performance.

The following are identified operating and reportable segments:

Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the PRC and Metropolitan Oriental Plaza in Chongqing, the PRC.
Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC and Metropolitan Oriental Plaza in Chongqing, the PRC.
Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC and serviced apartment units in The Residences at Sofitel Shenyang Lido, Shenyang, the PRC.
Hotels:	Operation of Grand Hyatt Beijing in Oriental Plaza, Beijing, the PRC, Sofitel Shenyang Lido, Shenyang, the PRC, Hyatt Regency Liberation Square Chongqing, Chongqing, the PRC and Sheraton Chengdu Lido Hotel, Chengdu, the PRC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SEGMENT REPORTING (Continued)

#### (a) Segment revenue and results

*For the year ended 31 December 2020*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	973	1,111	178	237	2,499
Segment profit (loss)	667	790	85	(51)	1,491
Decrease in fair value of investment properties					(2,332)
Interest expenses					(245)
Depreciation					(372)
Unallocated income					792
Unallocated expense					(167)
Loss before taxation and transactions with unitholders					(833)

*For the year ended 31 December 2019*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	1,223	1,264	192	490	3,169
Segment profit	893	935	95	89	2,012
Decrease in fair value of investment properties					(214)
Interest expenses					(335)
Depreciation					(344)
Unallocated income					217
Unallocated expense and loss					(403)
Profit before taxation and transactions with unitholders					933

The accounting policies of the operating segments are the same as the accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of the changes in fair value of investment properties, certain Manager's fees and real estate investment trust expenses, certain depreciation expenses, certain other operating expenses, exchange gain or loss, certain other income that are not directly related to each segmental activities and finance costs. This is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. SEGMENT REPORTING (Continued)

### (b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	2020 RMB million	2019 RMB million
Malls	15,975	17,286
Offices	14,823	15,822
Apartments	2,458	2,521
Hotels	3,798	4,095
Total segment assets	37,054	39,724
Bank balances and cash	5,618	6,684
Other assets	82	67
Consolidated total assets	42,754	46,475

For the purposes of monitoring segment performances and resources allocation, all investment properties, right-of-use assets, inventories, certain bank balances and cash, certain property, plant and equipment (mainly buildings), trade and certain other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and certain other receivables) are unallocated.

For the measurement of segment assets and results, property, plant and equipment and right-of-use assets are allocated to segments while their corresponding depreciation are not allocated to segment results on the same basis.

Segment liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the Manager for the purpose of resource allocation and performance assessment.

### (c) Geographical information

All of the Group's revenue is derived from activities and customers located in the PRC and the Group's non-current assets are all located in the PRC.

The Group did not have any major customers as no single customer contributed more than 10% of the Group's revenue during both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4. SEGMENT REPORTING (Continued)

#### (d) Other segment information

*For the year ended 31 December 2020*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Total reportable segments RMB million	Others RMB million	Consolidated total RMB million
Depreciation of property, plant and equipment	2	1	3	17	23	-	23
Additions to non-current assets	15	8	4	83	110	2	112

*For the year ended 31 December 2019*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Total reportable segments RMB million	Others RMB million	Consolidated total RMB million
Depreciation of property, plant and equipment	2	1	2	12	17	-	17
Additions to non-current assets	27	7	6	152	192	2	194

### 5. REVENUE

*For the year ended 31 December 2020*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
<b>Disaggregation of revenue</b>					
Revenue from contracts with customers within the scope of HKFRS 15					
Room revenue	-	-	-	151	151
Food and beverage	-	-	-	72	72
Carpark revenue	23	-	-	-	23
Ancillary services income	123	184	58	14	379
	146	184	58	237	625
Rental income	827	927	120	-	1,874
Total revenue	973	1,111	178	237	2,499
<b>Timing of revenue recognition</b>					
A point in time	32	32	5	78	147
Over time	114	152	53	159	478
Total	146	184	58	237	625

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE (Continued)

*For the year ended 31 December 2019*

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
<b>Disaggregation of revenue</b>					
Revenue from contracts with customers within the scope of HKFRS 15					
Room revenue	–	–	–	332	332
Food and beverage	–	–	–	133	133
Carpark revenue	27	–	–	–	27
Ancillary services income	147	225	59	25	456
	174	225	59	490	948
Rental income	1,049	1,039	133	–	2,221
Total revenue	1,223	1,264	192	490	3,169
Timing of revenue recognition					
A point in time	56	59	6	145	266
Over time	118	166	53	345	682
Total	174	225	59	490	948

All services within the scope of HKFRS 15 are for period of one year or less, except for certain management services (included in ancillary services) which are provided for a period of one year or more. For management services, the Group applied the practical expedient in HKFRS 15 to recognise revenue in the amount that the Group has the right to invoice based on the terms of the relevant agreements in which the Group bills a fixed monthly amount in advance. As permitted under HKFRS 15, the transaction price of all these services allocated to the remaining performance obligations is not disclosed.

The gross rental from investment properties includes variable lease payments that do not depend on an index or a rate of RMB10 million (2019: RMB7 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB641 million (2019: RMB666 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 6. OTHER INCOME

	2020 RMB million	2019 RMB million
Interest income from banks	182	213
Government subsidies	12	3
Others	7	7
Total	201	223

### 7. OTHER OPERATING EXPENSES

	2020 RMB million	2019 RMB million
Advertising and promotion	46	29
Audit fee	2	2
Insurance	6	6
Lease agency fee	37	38
Property manager's fee (Note 1(a))	70	86
Property management fees	51	70
Repairs and maintenance	96	89
Other miscellaneous expenses (Note)	136	171
Stamp duty	4	3
Urban land use tax	3	3
Urban real estate tax	264	307
Utilities	88	98
Value added tax surcharges	12	15
Loss on disposal of property, plant and equipment	43	11
Total	858	928

Note: Other miscellaneous expenses comprise mainly cleaning and security expenses, guest supplies and labour service fees.

### 8. FINANCE COSTS, INCLUDING EXCHANGE DIFFERENCES

	2020 RMB million	2019 RMB million
Net unrealised exchange (gain) loss on bank loans and loan front-end fee	(573)	255
Net realised exchange gain on bank loans	(35)	–
Interest expense on unsecured bank loans wholly repayable within five years	245	335
Total	(363)	590

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 9. MANAGER'S FEES

	2020 RMB million	2019 RMB million
Base fee (Note 1(c))	111	121
Variable fee (Note 1(c))	17	23
	<b>128</b>	144

## 10. REAL ESTATE INVESTMENT TRUST EXPENSES

	2020 RMB million	2019 RMB million
Trustee's fee (Note 1(b))	4	4
Legal and professional fees	3	3
Public relations-related expenses	–	1
Trust administrative expenses and others	6	5
	<b>13</b>	13

## 11. INCOME TAX (CREDIT) EXPENSE

	2020 RMB million	2019 RMB million
The income tax (credit) expense comprises:		
Current tax		
— PRC Enterprise Income Tax	323	448
— Withholding tax	64	64
Deferred taxation (Note 21)	(502)	(31)
	<b>(115)</b>	481

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong.

PRC Enterprise Income Tax was provided at the applicable enterprise income tax rate of 15%–25% on the estimated assessable profits of the Group's PRC subsidiaries. Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, a subsidiary which is operating in Chongqing was granted a concessionary tax rate of 15% by the local tax bureau.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11. INCOME TAX (CREDIT) EXPENSE (Continued)

The Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1 January 2008. The applicable withholding tax rate is 5%. At the end of the reporting period, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

The tax (credit) charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of comprehensive income as follows:

	2020 RMB million	2019 RMB million
(Loss) profit before taxation	<b>(833)</b>	933
Tax at the applicable income tax rate of 25%	<b>(208)</b>	233
Tax effect of different tax rates of subsidiaries operating in other regions	<b>(2)</b>	(2)
Tax effect of income not taxable for tax purpose	<b>(184)</b>	(42)
Tax effect of expenses not deductible for tax purpose	<b>101</b>	187
Tax effect of tax losses and deductible temporary differences not recognised	<b>134</b>	40
Deferred tax on earnings of the Group's PRC subsidiaries	<b>44</b>	65
Tax (credit) charge for the year	<b>(115)</b>	481

### 12. (LOSS) EARNINGS PER UNIT

The loss per unit for the year ended 31 December 2020 is calculated by dividing the loss for the year attributable to unitholders before transactions with unitholders of RMB672 million by 5,952,029,568 units, being the weighted average number of units in issue during the year of 5,945,122,496 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2020 to 31 December 2020 of 6,907,072 units.

The earnings per unit for the year ended 31 December 2019 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB484 million by 5,820,620,179 units, being the weighted average number of units in issue during the year of 5,816,691,066 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2019 to 31 December 2019 of 3,929,113 units.

No diluted (loss) earnings per unit for both 2020 and 2019 were presented as there were no potential units in issue for both 2020 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES

The Group leases out various offices, malls and car parks under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 month to 15 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of retail stores contain variable lease payment that are based on 0.4% to 25% (2019: 0.2% to 25%) of sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2020 RMB million	2019 RMB million
FAIR VALUE		
At the beginning of the year	<b>32,938</b>	33,086
Additions	<b>23</b>	34
Transferred from property, plant and equipment	-	8
Transferred from right-of-use assets	-	36
Decrease in fair value recognised in profit or loss	<b>(2,332)</b>	(214)
Transferred to property, plant and equipment	-	(5)
Transferred to right-of-use assets	-	(7)
At the end of the year	<b>30,629</b>	32,938

- (a) The Group's investment properties held under operating leases are located in Beijing and Chongqing, the PRC under medium-term leases and are measured using the fair value model.
- (b) Investment properties were revalued on 31 December 2020 and 31 December 2019 by Knight Frank Petty Limited and D&P China (HK) Limited respectively, independent professional valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuations of properties have been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 1 — office buildings	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the office buildings, of 6.00% (2019: 6.00%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.50% (2019: 6.50%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements of RMB282/sq.m./month (2019: RMB301/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements of RMB296/sq.m./month (2019: RMB312/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB13,995 million as at 31 December 2020 (2019: RMB14,891 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 2 — shopping mall and car parking spaces	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the shopping mall, of 6.00% (2019: 6.00%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.50% (2019: 6.50%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of rental as stated in the existing rental agreements with an average of RMB1,015/sq.m./month (2019: RMB1,114/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements RMB1,215/sq.m./month (2019: RMB1,285/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB13,496 million as at 31 December 2020 (2019: RMB14,551 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 3 — office	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the office, of 6.25% (2019: 6.25%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.75% (2019: 6.75%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the gross rental as stated in the existing rental agreements of RMB103/sq.m./month (2019: RMB107/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the gross rental as stated in the new rental agreements of RMB116/sq.m./month (2019: RMB129/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB818 million as at 31 December 2020 (2019: RMB919 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 4 — shopping mall and car parking spaces	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the shopping mall, of 6.25% (2019: 6.25%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.75% (2019: 6.75%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of gross rental as stated in the existing rental agreements with an average of RMB190/sq.m./month (2019: RMB154/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the gross rental as stated in the new rental agreements RMB214/sq.m./month (2019: RMB240/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB2,320 million as at 31 December 2020 (2019: RMB2,577 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The fair values of all investment properties at 31 December 2020 and 31 December 2019 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the year.

### **Fair value measurements and valuation processes**

In estimating the fair value of the Group's investment properties, the Group used market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Manager works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Manager.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings			Plant and machinery	Construction in progress	Others	Total
	Hotels	Serviced apartments	Others				
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>COST</b>							
At 1 January 2019	2,445	734	47	192	87	167	3,672
Additions for the year	6	5	1	14	117	17	160
Disposals for the year	(8)	–	(4)	(5)	–	(2)	(19)
Transfers	(229)	324	–	48	(185)	42	–
Transferred from investment properties	–	–	5	–	–	–	5
Transferred to investment properties	–	–	(9)	–	–	–	(9)
<b>At 31 December 2019</b>	<b>2,214</b>	<b>1,063</b>	<b>40</b>	<b>249</b>	<b>19</b>	<b>224</b>	<b>3,809</b>
Additions for the year	5	3	–	19	35	27	89
Disposals for the year	(46)	(3)	–	(5)	–	(16)	(70)
Transfers	26	15	–	37	(47)	(31)	–
<b>At 31 December 2020</b>	<b>2,199</b>	<b>1,078</b>	<b>40</b>	<b>300</b>	<b>7</b>	<b>204</b>	<b>3,828</b>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 January 2019	929	190	5	101	–	91	1,316
Provided for the year	104	48	4	18	–	17	191
Eliminated on disposals	(6)	–	–	(2)	–	–	(8)
Transfers	(150)	150	–	–	–	–	–
Transferred to investment properties	–	–	(1)	–	–	–	(1)
<b>At 31 December 2019</b>	<b>877</b>	<b>388</b>	<b>8</b>	<b>117</b>	<b>–</b>	<b>108</b>	<b>1,498</b>
Provided for the year	130	56	3	13	–	23	225
Eliminated on disposals	(12)	(1)	–	(3)	–	(11)	(27)
Transfers	1	9	–	17	–	(27)	–
<b>At 31 December 2020</b>	<b>996</b>	<b>452</b>	<b>11</b>	<b>144</b>	<b>–</b>	<b>93</b>	<b>1,696</b>
<b>CARRYING AMOUNTS</b>							
At 31 December 2020	1,203	626	29	156	7	111	2,132
At 31 December 2019	1,337	675	32	132	19	116	2,311

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method on the following basis:

Buildings	3.1%–20% per annum
Plant and machinery	5%–20% per annum
Others (comprising of furniture and fixtures and computer equipment)	10%–33% per annum

Buildings, which are situated in Beijing, Chongqing, Shenyang and Chengdu, the PRC are held under medium-term leases.

The assessment of the recoverable amounts of Buildings and Right-of-use assets under the value-in-use model were performed on 31 December 2020 and 31 December 2019 by Knight Frank Petty Limited and D&P China (HK) Limited respectively, both being independent valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The Manager determined that no impairment was made to Buildings and Right-of-use assets respectively after considering the recoverable amount of Buildings and Right-of-use assets with reference to the higher of their value-in-use and fair values less cost of disposal.

### 15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB million
As at 31 December 2020	
Carrying amount	<b>4,100</b>
As at 31 December 2019	
Carrying amount	4,270
For the year ended 31 December 2020	
Depreciation charge	<b>170</b>
Additions to right-of-use assets	–
For the year ended 31 December 2019	
Depreciation charge	170
Additions to right-of-use assets	–

The Group owns several hotel and serviced apartment buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year ended 31 December 2020, there was no transfer from investment properties to right-of-use assets (2019: RMB7 million).

During the year ended 31 December 2020, there was no transfer from right-of-use assets to investment properties (2019: RMB36 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. INVENTORIES

	2020 RMB million	2019 RMB million
Food and beverage	3	4
Other consumables	23	23
	<b>26</b>	27

## 17. TRADE AND OTHER RECEIVABLES

	2020 RMB million	2019 RMB million
Trade receivables	32	29
Deposits and prepayments	18	15
Advance to suppliers	9	10
Interest receivables	43	30
Other receivables	38	36
	<b>140</b>	120

As at 31 December 2020, trade receivable from contracts with customers amounted to RMB15 million (2019: RMB19 million).

Aging analysis of the Group's trade receivables by invoice dates at the end of the reporting period is as follows:

	2020 RMB million	2019 RMB million
Less than or equal to 1 month	17	16
1-3 months	7	7
Over 3 months	8	6
	<b>32</b>	29

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 17. TRADE AND OTHER RECEIVABLES (Continued)

There is no credit period given on billing for rental properties, including malls, offices, apartments and hotels, except that a maximum credit period of 30 days (2019: 30 days) is granted to the travel agencies and corporate customers of the hotels. Interest is charged immediately on overdue balance at the rate of 0.05% per day in 2020 and 2019.

Hotel revenue is normally settled by cash or credit card.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB25 million (2019: RMB21 million) which are past due as at the reporting date. Out of the past due balances, RMB8 million (2019: RMB6 million) has been past due 90 days or more and is not considered as in default as management specifically reviewed creditability of each counterparty and considered these balances as recoverable. The exposure of credit risk is limited due to deposits received from tenants.

Trade and other receivables are denominated in RMB.

### 18. BANK BALANCES AND CASH

	2020 RMB million	2019 RMB million
Cash at bank or on hand	<b>1,523</b>	1,817
Time deposits (with original maturity of three months or less)	<b>1,332</b>	2,552
Cash and cash equivalents	<b>2,855</b>	4,369
Time deposits (with original maturity of more than three months)	<b>2,870</b>	2,438
Total	<b>5,725</b>	6,807
Average interest rate per annum is as follows:		
Bank deposits — Time deposits	<b>1.89% to 3.30%</b>	1.40% to 3.70%

Bank balances carry interest at prevailing market rates for the year ended 31 December 2020 and 31 December 2019.

Bank balances and cash are denominated in the following currencies:

	2020 RMB million	2019 RMB million
RMB	<b>5,711</b>	6,799
Hong Kong Dollar ("HK\$")	<b>13</b>	7
United States Dollar ("US\$")	<b>1</b>	1
	<b>5,725</b>	6,807

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 19. TRADE AND OTHER PAYABLES

	2020 RMB million	2019 RMB million
Trade payables	140	136
Receipts in advance (Note (i))	213	223
Others (Note (ii))	159	156
	<b>512</b>	515

Notes:

(i) Included in receipts in advance are contract liabilities amounting to RMB62 million and RMB54 million as at 31 December 2020 and 31 December 2019 respectively related to room rental and ancillary services provided in malls, offices, apartments and hotels segments. For contract liabilities relating to malls, offices and apartments segments, the Group has the right to invoice the room rental and ancillary service in advance for each month according to the terms of the relevant leases, whereas for contract liabilities relating to hotel segment, the Group has the right to invoice the room rental and ancillary service in advance according to terms of the relevant contracts. Revenue amounting to approximately RMB54 million (2019: RMB50 million) recognised during the year ended 31 December 2020 was related to contract liabilities balance at the beginning of the year. No revenue recognised during the year ended 31 December 2020 and year ended 31 December 2019 was related to performance obligation that was satisfied in prior years.

(ii) Others comprise mainly accrued salaries, accrued staff welfare and certain operating expense payables.

Aging analysis of the Group's trade payables by invoice dates at the end of the reporting period is as follows:

	2020 RMB million	2019 RMB million
Less than or equal to 3 months	96	92
Over 3 months	44	44
	<b>140</b>	136

Trade and other payables are denominated in the following currencies:

	2020 RMB million	2019 RMB million
HK\$	6	8
RMB	506	507
	<b>512</b>	515

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 20. BANK LOANS

	2020 RMB million	2019 RMB million
Unsecured term loans	<b>8,921</b>	10,906
Loan front-end fee	<b>(45)</b>	(35)
	<b>8,876</b>	10,871
The maturities of the above bank loans are as follows:		
Within one year	–	2,191
More than one year but not exceeding two years	<b>3,524</b>	4,469
More than two years but not exceeding five years	<b>5,352</b>	4,211
	<b>8,876</b>	10,871
Less: Amounts shown under current liabilities	–	(2,191)
Amounts due after one year	<b>8,876</b>	8,680

In relation to the credit facility of HK\$800 million granted to the Group on 28 April 2020 to refinance the credit facility granted in April 2017, the total amount of the credit facility utilised by the Group as at 31 December 2020 was HK\$800 million (equivalent to RMB673 million) (31 December 2019: HK\$800 million (equivalent to RMB717 million)). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.90% per annum and is repayable in full in May 2023.

In relation to the credit facility of HK\$600 million granted to the Group on 25 May 2020 to refinance the credit facility granted in June 2015, the total amount of the credit facility utilised by the Group as at 31 December 2020 was HK\$600 million (equivalent to RMB505 million) (31 December 2019: HK\$600 million (equivalent to RMB537 million)). It bears interest at floating interest rate of HIBOR plus 0.95% per annum and is repayable in full in May 2023.

In relation to the credit facility of HK\$850 million drew down by the Group on 23 October 2015, the Group fully prepaid HK\$850 million (equivalent to RMB743 million) of the credit facility in October 2020.

In relation to the credit facility of HK\$525 million drew down by the Group on 19 August 2019, the Group fully prepaid HK\$525 million (equivalent to RMB458 million) of the credit facility in October 2020.

In relation to the credit facility of HK\$200 million drew down by the Group on 27 December 2013, the Group fully prepaid HK\$200 million (equivalent to RMB174 million) of the credit facility in October 2020.

In relation to the credit facility of HK\$5,000 million granted to the Group on 24 November 2020 to refinance the credit facility granted in February 2018, the total amount of the credit facility utilised by the Group as at 31 December 2020 was HK\$5,000 million (equivalent to RMB4,208 million) (31 December 2019: HK\$5,000 million (equivalent to RMB4,479 million)). It bears interest at floating interest rate of HIBOR plus 1.13% per annum and is repayable in full in November 2023.

Bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of Hui Xian REIT.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 21. DEFERRED TAX LIABILITIES

The following are the major components of deferred tax liabilities recognised and movements therein during the year:

	Others RMB million (Note)	Fair value of investment properties RMB million	Withholding tax on retained profits to be distributed RMB million	Total RMB million
At 1 January 2019	2,422	4,919	75	7,416
Charge (credit) to profit or loss (Note 11)	13	(45)	65	33
Charge to reserve	1	–	–	1
Release upon distribution of earnings (Note 11)	–	–	(64)	(64)
At 31 December 2019	<b>2,436</b>	<b>4,874</b>	<b>76</b>	<b>7,386</b>
Charge (credit) to profit or loss (Note 11)	<b>5</b>	<b>(489)</b>	<b>46</b>	<b>(438)</b>
Release upon distribution of earnings (Note 11)	<b>–</b>	<b>–</b>	<b>(64)</b>	<b>(64)</b>
At 31 December 2020	<b>2,441</b>	<b>4,385</b>	<b>58</b>	<b>6,884</b>

Note: Others represented the fair value adjustment on recognised assets and liabilities upon business combination and accelerated tax depreciation.

At 31 December 2020, no deferred tax asset was recognised for tax losses and deductible temporary differences amounting to RMB441 million (31 December 2019: RMB307 million) and RMB769 million (31 December 2019: RMB393 million) respectively. The tax losses would expire within five years.

## 22. UNITS IN ISSUE

As at 31 December 2020, Hui Xian REIT had 6,014,651,998 (2019: 5,880,262,459) issued units.

During the year, movements of units in issue are as below:

	Number of units	RMB million
Balance at 1 January 2019	5,757,337,072	28,365
Payment of Manager's fees through issuance of new units during the year (Note (i))	30,992,992	101
Units issued pursuant to the distribution reinvestment arrangement in respect of 2018 final and 2019 interim distributions (Note (ii))	91,932,395	295
Balance at 31 December 2019	<b>5,880,262,459</b>	<b>28,761</b>
Payment of Manager's fees through issuance of new units during the year (Note (i))	<b>54,200,775</b>	<b>99</b>
Units issued pursuant to the distribution reinvestment arrangement in respect of 2019 final and 2020 interim distributions (Note (iii))	<b>80,188,764</b>	<b>162</b>
Balance at 31 December 2020	<b>6,014,651,998</b>	<b>29,022</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 22. UNITS IN ISSUE (Continued)

Notes:

- (i) Details of units issued during the year as payment of Manager's fees are as follows:

### For the year ended 31 December 2020

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
14 April 2020	1 July 2019 to 31 December 2019	2.23	<b>22,734,668</b>
24 September 2020	1 January 2020 to 30 June 2020	1.52	<b>31,466,107</b>
			<b>54,200,775</b>

### For the year ended 31 December 2019

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
12 April 2019	1 July 2018 to 31 December 2018	3.32	15,347,661
24 August 2019	1 January 2019 to 30 June 2019	3.22	15,645,331
			30,992,992

- (ii) On 15 May 2020, 50,705,174 scrip units at an issue price of RMB2.19 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2019 final distribution.

On 25 September 2020, 29,483,590 scrip units at an issue price of RMB1.72 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2020 interim distribution.

On 17 May 2019, 50,225,761 scrip units at an issue price of RMB3.25 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2018 final distribution.

On 26 September 2019, 41,706,634 scrip units at an issue price of RMB3.16 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2019 interim distribution.

## 23. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders as at 31 December 2020 of RMB25,052 million (2019: RMB25,983 million) and the total number of 6,014,651,998 units in issue as at 31 December 2020 (2019: 5,880,262,459 units).

## 24. NET CURRENT ASSETS

At the end of the reporting period, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB4,660 million (2019: RMB3,272 million).

## 25. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB41,523 million (2019: RMB42,793 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 26. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of assuring its ability to continue as a going concern while providing reasonable and stable returns to unitholders and generating benefits to other stakeholders. The Group considers the cost of capital and the risk associated with the capital. The Manager regularly reviews its capital management strategy to accommodate the Group's investment opportunities and strategies.

The Group is also subject to external capital requirements imposed by the REIT Code. The Group has to maintain a level of borrowings that shall not exceed 50% of the total gross asset value (the "gearing ratio") as required by the REIT Code. As at 31 December 2020, the Group's gearing ratio is 20.8% (2019: 23.4%), being bank loans divided by total assets of the Group.

## 27. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2020 RMB million	2019 RMB million
<b>Financial assets</b>		
<i>Amortised cost</i>		
Trade and other receivables	113	95
Bank balances and cash	5,725	6,807
	<b>5,838</b>	6,902
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	299	292
Tenants' deposits	711	771
Manager's fee payable ( <i>Note</i> )	11	21
Distribution payable	394	548
Bank loans	8,876	10,871
	<b>10,291</b>	12,503
Unitholders' funds	<b>25,052</b>	25,983

*Note:* The balance excludes Manager's fee payable of RMB49 million (2019: RMB51 million) to be settled in units.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies

The Group's major financial instruments include bank loans, trade and other receivables, bank balances and cash, trade and other payables, tenants' deposits, manager's fee payable and distribution payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 18) and variable-rate bank loans (Note 20). The Manager considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate and therefore excluded from the sensitivity analysis below.

The Group currently does not have an interest rate hedging policy. However, the Manager monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

#### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the variable-rate bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2020 would increase/decrease by RMB45 million (2019: profit for the year would decrease/increase by RMB55 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

#### *Foreign currency risk*

The Group collected all of its revenue in RMB and most of the expenditures including expenditure incurred in property investment as well as capital expenditure are also denominated in RMB.

The Group undertook certain transactions (including financing arrangements) in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, the Manager monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Foreign currency risk (continued)*

At 31 December 2019 and 2020, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	2020 RMB million	2019 RMB million
<b>Assets</b>		
HK\$	13	7
US\$	1	1
<b>Liabilities</b>		
HK\$	8,882	10,880

For the monetary assets and monetary liabilities denominated in US\$ since the amounts are not material, the Manager considers the exposure of exchange rate fluctuation is not significant for the year. Accordingly, no foreign currency sensitivity analysis is disclosed in the consolidated financial statements.

The Group mainly exposes to foreign exchange fluctuation of HK\$ against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the HK\$. The sensitivity analysis includes only outstanding HK\$ denominated monetary items and adjusts their translation at the year end for a 5% change in HK\$. 5% is the sensitivity rate used when reporting foreign risk internally to key management personnel and represents the Manager's assessment of the reasonably possible change in HK\$. There will be a decrease in loss for the year (2019: increase in profit) where the RMB strengthens against the HK\$. For a 5% weakening of RMB against the HK\$, there would be an equal and opposite impact on the loss for the year (2019: profit).

	2020 RMB million	2019 RMB million
<b>HK\$</b>		
Decrease or increase in loss or profit for the year	443	544

The Manager considers the sensitivity analysis is unrepresentative of foreign currency risk as the year end exposure does not reflect the exposure during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk*

The carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

Trade receivable consists of rental revenue and room revenue receivables from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the Manager before rental agreements are entered into with tenants or counterparties. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. In this regard, the Manager considers the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because cash and bank deposits are placed with reputable financial institutions which are banks with high credit-ratings assigned by international credit-rating agencies.

In determining the ECL for other receivables, the Manager has taken into account the historical default experience and forward-looking information, as appropriate, for example the Group has considered the consistently low historical default rate and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant. The Manager has assessed that cash and bank balance and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognised.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired which are assessed individually, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its Malls, Offices, Apartments and Hotels operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2020 and 31 December 2019, the Group did not provide additional impairment allowance for trade receivables based on the provision matrix as the amount involved is insignificant.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay two to three months deposits upon entering into leases with the Group. The Group has the right to offset the deposits against the outstanding receivables should the tenants default rental payments.

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rate of 0.05% per day in 2020 and 2019. In addition, the Manager is responsible for follow up action to recover the overdue debt. The Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 27. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk (continued)*

There is a maximum credit period of 30 days (2019: 30 days) granted to corporate customers and travel agents of the hotels. The Group has no significant concentration of credit risk over these debtors, with exposure spread over a number of counterparties and customers. The Manager reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for all trade debtors as at 31 December 2020 and 31 December 2019.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

#### *Liquidity risk*

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's operations. As at 31 December 2020, the Group had net current assets of RMB4,660 million (2019: RMB3,272 million). Taking into account of the internally generated funds and available credit facilities, the Group will be able to meet its financial obligation when they fall due.

As at 31 December 2019, the Group had undrawn revolving credit facilities of US\$180 million (equivalent to RMB1,256 million) granted by Hui Xian Holdings Limited which is an associate company of a significant holder of Hui Xian REIT. The revolving credit facilities was expired on 15 May 2020.

#### *Liquidity risk analysis*

The following table details the Group's remaining contractual maturity for its financial liabilities and tenants' deposits based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2020 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	299	-	-	-	299	299
Tenants' deposits	-	117	124	166	304	711	711
Manager's fee payable	-	-	11	-	-	11	11
Distribution payable	-	-	394	-	-	394	394
Bank loans	2.32	33	81	3,632	5,452	9,198	8,876
		449	610	3,798	5,756	10,613	10,291

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 27. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

##### *Liquidity risk (continued)*

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2019 RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	292	-	-	-	292	292
Tenants' deposits	-	148	166	172	285	771	771
Manager's fee payable	-	21	-	-	-	21	21
Distribution payable	-	-	548	-	-	548	548
Bank loans	3.18	108	2,462	4,668	4,323	11,561	10,871
		569	3,176	4,840	4,608	13,193	12,503

#### c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate to their fair values at the end of each reporting period.

### 28. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to participate in a defined contribution retirement scheme administered by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme and the same amount is matched by employees.

The Group recognised the retirement benefit costs of RMB4 million for the year ended 31 December 2020 (2019: RMB12 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 29. OPERATING LEASE COMMITMENTS

### *The Group as lessor*

The Group had contracted with lessees for the following future minimum lease payments:

	2020 RMB million	2019 RMB million
Within one year	1,774	1,958
In the second year	1,286	1,328
In the third year	809	780
In the fourth year	529	327
In the fifth year	321	176
After five years	551	105
	<b>5,270</b>	4,674

The Group rents out its properties in the PRC under operating leases. Operating lease income represents rentals receivable by the Group for its properties. Leases are negotiated for term ranging from 1 month to 15 years (2019: 1 month to 15 years) with monthly fixed rental, except for certain leases of the malls of which contingent rents are charged based on the percentage of sales ranged from 0.2% to 25% (2019: 0.2% to 25%).

## 30. CAPITAL COMMITMENTS

	2020 RMB million	2019 RMB million
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	66	67

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with connected and related parties, and all these transactions were entered into in the ordinary course of business and were on normal commercial terms:

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
<b>Rent and rental related income</b>			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	<b>2,635</b>	2,573
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	<b>1,060</b>	1,052
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	(a)	<b>102</b>	114
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	<b>987</b>	1,584
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	<b>350</b>	1,050
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	<b>452</b>	1,357
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	<b>24</b>	71
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	<b>24</b>	71
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	<b>16</b>	47
森棟乙(北京)科技有限公司 (Ceng Dong Yi (Beijing) Technology Company Limited*)	(a)	<b>24</b>	71
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	<b>1,382</b>	1,380
CK Asset Holdings Limited	(b)	<b>95</b>	95
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	-	316
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	-	1,620
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	-	496
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	(b)	-	3
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	(b)	-	2,426
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	-	6
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	-	1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	1,735	1,809
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	2,022	1,930
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	70	66
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	485	485
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	(g)	1,122	1,110
Bank of China Limited	(h)	34,640	30,681
香港貿易發展局 (The Hong Kong Trade Development Council*)	(i)	-	123
香港貿易發展局北京辦事處 (The Hong Kong Trade Development Council Beijing Office*)	(i)	421	385
<b>Hotel room revenue</b>			
長江基建集團有限公司 (CK Infrastructure Holdings Limited*)	(a)	4	-
廣州飛機維修工程有限公司 (Guangzhou Aircraft Maintenance Engineering Company Limited*)	(a)	1	-
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	1	-
廣州屈臣氏個人用品商店有限公司 (Guangzhou Watson's Personal Care Stores Ltd*)	(a)	2	-
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	17	6
和記黃埔(中國)商貿有限公司 (Hutchison Whampoa (China) Commerce Limited*)	(a)	-	1
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	11	-
和記地產集團有限公司 (Hutchison Property Group Limited*)	(b)	-	2
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	(b)	50	109
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	1	1
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	-	7
達威設計顧問有限公司 (T W Design Consultants Limited*)	(b)	-	1
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	18	9
Bank of China Limited	(h)	3	71

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	(h)	23	23
中銀基金管理有限公司 (Bank of China Investment Management Co., Ltd.*)	(h)	1	–
香港貿易發展局成都辦事處 (The Hong Kong Trade Development Council Chengdu Office*)	(i)	–	1
復旦大學 (Fudan University*)	(i)	4	11
南京大學 (Nanjing University*)	(i)	2	1
中國人壽財產保險股份有限公司 (China Life Property and Casualty Insurance Company Limited*)	(j)	1	–
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	(j)	1	–
中國人壽財產保險股份有限公司內江市分公司 (China Life Property and Casualty Insurance Company Limited Neijiang Branch*)	(j)	2	–
中國人壽財產保險股份有限公司武威市分公司 (China Life Property and Casualty Insurance Company Limited WuWei Branch*)	(j)	2	–
國壽投資控股有限公司 (China Life Investment Holding Company Limited*)	(j) & (m)	2	1
萬達信息股份有限公司 (Wonders Information Co., Ltd.*)	(m)	1	–
中信証券股份有限公司 (CITIC Securities Company Limited*)	(m)	–	79
<b>Food &amp; beverages and other hotel income</b>			
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	6	11
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	14	2
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	32	68
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	24	334
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	(b)	–	38
和記地產集團有限公司 (Hutchison Property Group Limited*)	(b)	–	1
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	–	34

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	3	10
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	19	–
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	11	1
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	(g)	6	–
Bank of China Limited	(h)	1	20
中銀保險有限公司北京市分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	(h)	1	–
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	(h)	– <sup>^</sup>	4
中銀集團投資有限公司 (Bank of China Group Investment Limited*)	(h)	–	2
復旦大學 (Fudan University*)	(i)	–	5
中國人壽財產保險股份有限公司內江市分公司 (China Life Property and Casualty Insurance Company Limited Neijiang Branch*)	(j)	– <sup>^</sup>	–
中國人壽財產保險股份有限公司成都市分公司 (China Life Property and Casualty Insurance Company Limited Chengdu Branch*)	(j)	– <sup>^</sup>	–
中國人壽保險股份有限公司成都市分公司 (China Life Insurance Company Limited Chengdu Branch*)	(j)	22	–
大連達連房地產開發有限公司 (Dalian Dalian Property Development Co., Ltd.*)	(l)	–	9
萬達信息股份有限公司 (Wonders Information Co., Ltd.*)	(m)	– <sup>^</sup>	–
中信証券股份有限公司 (CITIC Securities Company Limited*)	(m)	–	23
<b>Interest income from banks</b>			
The Hongkong and Shanghai Banking Corporation Limited	(c)	– <sup>^</sup>	– <sup>^</sup>
Bank of China Limited	(h)	11,052	10,188
Bank of China (Hong Kong) Limited	(h) & (i)	112	417
<b>Reimbursement of staff cost</b>			
Hui Xian Asset Management Limited	(d)	1,268	1,246
<b>Property management fee</b>			
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	18,645	20,703
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	21,462	23,444

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited*)	(b)	<b>7,696</b>	8,550
海逸酒店管理有限公司 (Harbour Plaza Hotel Management Limited*)	(b)	–	120
<b>Internet services fee</b>			
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	<b>1,220</b>	1,261
CK Asset Holdings Limited	(b)	<b>18</b>	19
<b>Beverages</b>			
廣州屈臣氏食品飲料有限公司北京市飲料分公司 (Guangzhou Watson's Food and Beverage Company Limited Beijing Beverages Branch*)	(a)	<b>430</b>	426
<b>Cleaning supplies</b>			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	<b>668</b>	1,175
<b>Hotel services</b>			
Harbour Grand Hong Kong Catering Limited	(a)	<b>259</b>	219
<b>Trademark license fee</b>			
海逸酒店企業有限公司 (Harbour Plaza Hotel Enterprises Limited*)	(b)	–	12
<b>Staff related expenses</b>			
CK Asset Holdings Limited	(b)	–	– <sup>^</sup>
<b>Insurance expense</b>			
中銀保險有限公司北京市分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	(h)	<b>371</b>	387
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	(j)	<b>1,297</b>	1,354
中國人壽財產保險股份有限公司重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	(j)	<b>180</b>	186
<b>Interest expense</b>			
The Hongkong and Shanghai Banking Corporation Limited	(c) & (k)	<b>23,378</b>	31,077
Bank of China (Hong Kong) Limited	(h), (i) & (k)	<b>55,522</b>	74,519

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
<b>Bank charges and agency fee</b>			
Bank of China Limited	(h)	<b>1,004</b>	3,540
Bank of China (Hong Kong) Limited	(h), (i) & (k)	<b>174</b>	114
<b>Trustee's fee</b>			
DB Trustees (Hong Kong) Limited	(g)	<b>3,689</b>	4,022
<b>Manager's fees</b>			
Hui Xian Asset Management Limited	(d)	<b>127,632</b>	143,540
<b>Property Manager's fee</b>			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	<b>70,474</b>	86,304
<b>Valuation fee</b>			
Knight Frank Petty Limited	(f)	<b>580</b>	–
D&P China (HK) Limited	(f)	<b>27</b>	505
<b>Title verification service fee</b>			
D&P China (HK) Limited	(n)	<b>9</b>	27

Balances with connected and related parties as at 31 December 2020 and 2019 are as follows:

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
<b>Bank loans</b>			
The Hongkong and Shanghai Banking Corporation Limited	(c) & (k)	<b>587,326</b>	1,070,827
Bank of China (Hong Kong) Limited	(h), (i) & (k)	<b>2,260,970</b>	2,407,475
<b>Bank balances</b>			
The Hongkong and Shanghai Banking Corporation Limited	(c)	<b>589</b>	489
Bank of China (Hong Kong) Limited	(h) & (i)	<b>18,245</b>	107,098
Bank of China Limited	(h)	<b>416,478</b>	638,838
<b>Deposits placed with the Group for the lease of the Group properties</b>			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	<b>737</b>	737
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	<b>572</b>	567

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2020 RMB'000	2019 RMB'000
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	(a)	–	29
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	–	464
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	–	349
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	–	451
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	–	24
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	–	24
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	–	16
森棟乙(北京)科技有限公司 (Ceng Dong Yi (Beijing) Technology Company Limited*)	(a)	–	24
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	<b>478</b>	448
CK Asset Holdings Limited	(b)	<b>24</b>	24
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	<b>1</b>	1
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	<b>1</b>	1
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	<b>474</b>	474
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	<b>506</b>	506
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	<b>18</b>	16
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	<b>122</b>	122

Notes:

- (a) These companies are associated companies<sup>1</sup> of Noblecrown Investment Limited ("Noblecrown") which is a significant holder<sup>2</sup> of Hui Xian REIT, and are subsidiaries or associated companies of CK Hutchison Holdings Limited ("CK Hutchison").
- (b) These companies are holding companies or associated companies<sup>1</sup> of Noblecrown which is a significant holder<sup>2</sup> of Hui Xian REIT, and are subsidiaries or associated companies of CK Asset Holdings Limited.
- (c) This company is an associate<sup>3</sup> of Mr. Li Tzar Kuoi, Victor, a director of Noblecrown, a significant holder<sup>2</sup> of Hui Xian REIT.
- (d) This company is the manager of Hui Xian REIT ("Manager").
- (e) This company is a subsidiary of the Manager.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 31. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (f) Knight Frank Petty Limited is the principal valuer of Hui Xian REIT for the year ended 31 December 2020 and D&P China (HK) Limited was the former principal valuer of Hui Xian REIT for the year ended 31 December 2019. With effect from 4 December 2020, the principal valuer is no longer classified as Connected Person under the REIT Code.
- (g) These companies are either DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT ("Trustee") or associated companies<sup>1</sup> of the Trustee.
- (h) Bank of China Limited is an associated company<sup>1</sup> of Noblecrown which is a significant holder<sup>2</sup> of Hui Xian REIT. These companies are subsidiaries or associated companies<sup>1</sup> of Bank of China Limited.
- (i) These institutions/companies are associates<sup>3</sup> of Dr. Choi Koon Shum, Jonathan, an independent non-executive director of the Manager, by virtue of his position as council member/director in these institutions/companies.
- (j) These companies are associated companies<sup>1</sup> of Po Lian Enterprises Limited ("Po Lian") and/or China Life Insurance (Overseas) Company Limited, both of them are significant holders<sup>2</sup> or deemed to be significant holders<sup>2</sup> of Hui Xian REIT, and are subsidiaries or associated companies<sup>1</sup> of China Life Insurance (Group) Company.
- (k) The bank loans represent part of the outstanding bank loans (Note 20) at the end of the reporting period. The interest expense represents the respective interest expense under part of the outstanding bank loans for the year.
- (l) This company is an associate<sup>3</sup> of (i) Mr. Kam Hing Lam who is a director of Noblecrown and Heathcliff, (ii) Mr. Ip Tak Chuen, Edmond who is a director of Noblecrown, (iii) Mr. Chung Sun Keung, Davy who is a director of Noblecrown and (iv) Mr. Chow Wai Kam, Raymond who is a director of Heathcliff. Noblecrown and Heathcliff are significant holders<sup>2</sup> or deemed to be significant holders<sup>2</sup> of Hui Xian REIT. Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Chung Sun Keung, Davy and Mr. Chow Wai Kam, Raymond ceased to be directors of this company on 17 September 2019.
- (m) These companies are associates<sup>3</sup> of Mr. Kuang Tao who is a director of China Life Insurance (Overseas) Company Limited, a significant holder<sup>2</sup> of Hui Xian REIT. Mr Kuang has been appointed as director of CITIC Securities Company Limited ("Citics") on 6 September 2018 and ceased to be director of Citics on 31 December 2019.
- (n) The service charges represent the title verification service rendered by D&P China (HK) Limited which was the former principal valuer of Hui Xian REIT for the year ended 31 December 2019.
- 1 As defined in the REIT Code, a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of another company.
- 2 As defined in the REIT Code, a unitholder is a significant holder if it holds 10% or more of the outstanding units.
- 3 As defined in the SFO, a company is an associate of a person if the person is a director of that company.
- \* The English name is shown for identification purpose only.
- ^ Transaction amount is greater than zero and smaller than RMB500.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. LIST OF SUBSIDIARIES

(i) At the end of the reporting period, the following entities are controlled by Hui Xian REIT.

Name of company	Date of incorporation	Ordinary share capital/ registered capital	Proportion ownership interest held by Hui Xian REIT				Principal activities	Name of property held
			Directly		Indirectly			
			2020	2019	2020	2019		
<b>Incorporated in the British Virgin Islands:</b>								
Hui Xian (B.V.I.) Limited	7 June 1994	1 share of US\$1	<b>100%</b>	100%	-	-	Investment holding	-
Shenyang Investment (BVI) Limited	21 July 2011	50,000 shares of no par value	<b>100%</b>	100%	-	-	Investment holding	-
Chongqing Overseas Investment Limited	1 September 2014	50,000 shares of no par value	<b>100%</b>	100%	-	-	Investment holding	-
<b>Incorporated in Hong Kong:</b>								
Hui Xian Investment Limited	18 August 1992	US\$10,000	-	-	<b>100%</b>	100%	Investment holding and financing	-
Shenyang Investment (Hong Kong) Limited	16 August 2011	HK\$10,000	-	-	<b>100%</b>	100%	Investment holding	-
Chongqing Investment Limited	12 November 1992	HK\$210,000,000	-	-	<b>100%</b>	100%	Investment holding	-
Chongqing Hotel Investment Limited	23 November 2016	HK\$1	<b>100%</b>	100%	-	-	Investment holding	-
Highsmith (HK) Limited	9 October 2007	HK\$5,000,000	-	-	<b>100%</b>	100%	Investment holding and financing	-
New Sense Resources Limited	16 November 2016	HK\$1	<b>100%</b>	100%	-	-	Investment holding and financing	-
Chengdu Investment Limited	23 November 2016	HK\$1	-	-	<b>100%</b>	100%	Investment holding	-
<b>Incorporated in the PRC:</b>								
Beijing Oriental Plaza Co., Ltd.	25 January 1999	Registered — US\$600,000,000	-	-	<b>100%</b>	100%	Property investment and hotel and serviced suites operations in Beijing, the PRC	Beijing Oriental Plaza
Shenyang Lido Business Co. Ltd	14 September 1996	Registered — US\$59,873,990	-	-	<b>70%</b>	70%	Hotel and serviced suites operations in Shenyang, the PRC	Sofitel Shenyang Lido
Chongqing Metropolitan Oriental Plaza Co., Ltd	18 November 1993	Registered — RMB470,000,000	-	-	<b>100%</b>	100%	Property investment in Chongqing, the PRC	Chongqing Metropolitan Oriental Plaza
Chongqing Oriental Plaza Hotel Co., Ltd	10 March 1999	Registered — US\$22,800,000	-	-	<b>100%</b>	100%	Hotel operation in Chongqing, the PRC	Hyatt Regency Liberation Square Chongqing
Chengdu Changtian Co., Ltd.	18 June 1998	Registered — RMB248,000,000	-	-	<b>69%</b>	69%	Hotel operation in Chengdu, the PRC	Sheraton Chengdu Lido Hotel

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 32. LIST OF SUBSIDIARIES (Continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020	2019	2020	2019
				RMB million	RMB million	RMB million	RMB million
Shenyang Lido Business Co. Ltd	Shenyang, the PRC	<b>30%</b>	30%	<b>(28)</b>	(24)	<b>154</b>	182
Chengdu Changtian Co., Ltd.	Chengdu, the PRC	<b>31%</b>	31%	<b>(18)</b>	(8)	<b>87</b>	105
				<b>(46)</b>	(32)	<b>241</b>	287

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020 RMB million	2019 RMB million
Revenue	<b>96</b>	128
Expenses and taxation	<b>(248)</b>	(233)
Loss for the year	<b>(152)</b>	(105)
Loss and total comprehensive expense for the year, attributable to:		
Non-controlling interests	<b>(46)</b>	(32)
Unitholders	<b>(106)</b>	(73)
	<b>(152)</b>	(105)

The Manager considered that the non-controlling interests in the assets, liabilities and cash flows of Shenyang Lido Business Co. Ltd and Chengdu Changtian Co., Ltd. are not material to the Group and accordingly, no summarised financial information on the assets, liabilities and cash flows are disclosed. No dividend was paid to non-controlling interests during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Bank loans</b> <i>(Note 20)</i> <b>RMB million</b>	<b>Interest</b> <b>payable</b> <b>RMB million</b>	<b>Distribution</b> <b>payable</b> <b>RMB million</b>	<b>Total</b> <b>RMB million</b>
At 1 January 2019	9,921	11	713	10,645
Financing cash flows	673	(315)	(1,143)	(785)
Exchange loss	255	–	–	255
Proposed distribution	–	–	1,273	1,273
Units in issue	–	–	(295)	(295)
Interest expenses	22	313	–	335
<b>At 31 December 2019</b>	<b>10,871</b>	<b>9</b>	<b>548</b>	<b>11,428</b>
Financing cash flows	<b>(1,411)</b>	<b>(223)</b>	<b>(512)</b>	<b>(2,146)</b>
Exchange loss	<b>(608)</b>	–	–	<b>(608)</b>
Proposed distribution	–	–	<b>520</b>	<b>520</b>
Units in issue	–	–	<b>(162)</b>	<b>(162)</b>
Interest expenses	<b>24</b>	<b>221</b>	–	<b>245</b>
<b>At 31 December 2020</b>	<b>8,876</b>	<b>7</b>	<b>394</b>	<b>9,277</b>

### 34. COMPARATIVE FIGURES

During the current year, the Group reported cash flows arising from placement of deposits in banks and withdrawal of deposits in banks on a gross basis. Accordingly, the comparative figures in the consolidated statement of cash flows have been changed to conform to the presentation in the current year.

# SUMMARY FINANCIAL INFORMATION

The summary of the consolidated statement of comprehensive income, distributions and the consolidated statement of financial position of Hui Xian REIT are set out as below:

## SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.1.2020 to 31.12.2020 RMB million	1.1.2019 to 31.12.2019 RMB million	1.1.2018 to 31.12.2018 RMB million	1.1.2017 to 31.12.2017 RMB million	1.1.2016 to 31.12.2016 RMB million
Revenue					
Gross rental from investment properties	2,022	2,383	2,412	2,407	2,423
Income from hotel operation	237	490	535	541	479
Income from serviced apartments operation	178	192	170	151	139
Rental related income	62	104	84	100	65
	2,499	3,169	3,201	3,199	3,106
(Loss) profit before taxation and transactions with unitholders	(833)	933	1,094	1,942	528
Income tax credit (expense)	115	(481)	(551)	(502)	(427)
(Loss) profit for the year, before transactions with unitholders	(718)	452	543	1,440	101
(Loss) profit for the year attributable to unitholders, before transactions with unitholders	(672)	484	574	1,456	114
	RMB	RMB	RMB	RMB	RMB
Basic (loss) earnings per unit	(0.1129)	0.0831	0.1012	0.2635	0.0211

## SUMMARY OF DISTRIBUTIONS

	1.1.2020 to 31.12.2020 RMB million	1.1.2019 to 31.12.2019 RMB million	1.1.2018 to 31.12.2018 RMB million	1.1.2017 to 31.12.2017 RMB million	1.1.2016 to 31.12.2016 RMB million
Distributions to unitholders	520	1,273	1,517	1,489	1,499
	RMB	RMB	RMB	RMB	RMB
Distribution per unit	0.0866	0.2177	0.2653	0.2681	0.2754

## SUMMARY FINANCIAL INFORMATION

### SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2020 RMB million	31.12.2019 RMB million	31.12.2018 RMB million	31.12.2017 RMB million	31.12.2016 RMB million
Non-current assets	<b>36,863</b>	39,521	39,736	39,875	39,549
Current assets	<b>5,891</b>	6,954	6,431	7,734	7,391
<b>Total assets</b>	<b>42,754</b>	46,475	46,167	47,609	46,940
Current liabilities	<b>1,231</b>	3,682	3,355	6,642	2,619
Non-current liabilities, excluding net assets attributable to unitholders	<b>16,230</b>	16,523	16,120	13,834	17,639
<b>Total liabilities, excluding net assets attributable to unitholders</b>	<b>17,461</b>	20,205	19,475	20,476	20,258
Non-controlling interests	<b>241</b>	287	319	350	243
<b>Net assets attributable to unitholders</b>	<b>25,052</b>	25,983	26,373	26,783	26,439
	<b>RMB</b>	RMB	RMB	RMB	RMB
<b>Net asset value per unit attributable to unitholders</b>	<b>4.1651</b>	4.4187	4.5807	4.7943	4.8403

# PERFORMANCE TABLE

	Notes	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Net assets attributable to unitholders (RMB million)		<b>25,052</b>	25,983	26,373	26,783	26,439
Net asset value per unit attributable to unitholders (RMB)		<b>4.1651</b>	4.4187	4.5807	4.7943	4.8403
Market capitalisation (RMB million)		<b>10,887</b>	19,287	18,366	17,597	17,151
Units issued (units)		<b>6,014,651,998</b>	5,880,262,459	5,757,337,072	5,586,412,489	5,462,193,939
Debts to net asset value ratio	1	<b>35.4%</b>	41.8%	37.6%	41.0%	40.9%
Debts to total asset value ratio	2	<b>20.8%</b>	23.4%	21.5%	23.0%	23.0%
		<b>1.1.2020 to 31.12.2020</b>	1.1.2019 to 31.12.2019	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016
Highest traded unit price (RMB)		<b>3.30</b>	3.45	3.35	3.22	3.51
Highest premium of the traded unit price to net asset value per unit	3	<b>N/A</b>	N/A	N/A	N/A	N/A
Lowest traded unit price (RMB)		<b>1.36</b>	3.16	3.03	3.02	2.98
Highest discount of the traded unit price to net asset value per unit		<b>67.3%</b>	28.5%	33.9%	37.0%	38.4%
Distribution per unit (RMB)		<b>0.0866</b>	0.2177	0.2653	0.2681	0.2754
Distribution yield per unit	4	<b>4.78%</b>	6.64%	8.32%	8.51%	8.77%

## Notes:

1. Debts to net asset value ratio is calculated based on total debts over net assets attributable to unitholders as at the end of the reporting period.
2. Debts to total asset value ratio is calculated based on total debts over total assets as at the end of the reporting period.
3. The highest traded unit price is lower than the net asset value per unit attributable to unitholders at the end of the reporting period. Accordingly, premium of the traded unit price to net asset value per unit has not been recorded.
4. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price as at the end of the reporting period.

# INVESTOR CALENDAR

## On or around

Annual results announcement for the year ended 31 December 2020 announcing, among other information, the final distribution for the period from 1 July 2020 to 31 December 2020 ("2020 Final Distribution") and the distribution reinvestment arrangement ("DRA")	12 March 2021 (Friday)
Units quoted ex-2020 Final Distribution	25 March 2021 (Thursday)
First of the ten consecutive trading days to determine unit price for new units to be issued from scrip distribution under the DRA ("Scrip Units")	25 March 2021 (Thursday)
Closure of register of Unitholders (for ascertaining entitlement to the 2020 Final Distribution)	29 March 2021 (Monday) to 31 March 2021 (Wednesday) (both dates inclusive)
Record date for 2020 Final Distribution	31 March 2021 (Wednesday)
Announcement in relation to the DRA	13 April 2021 (Tuesday)
Despatch of circular and election form for the DRA	16 April 2021 (Friday)
Latest time for return of election form for the DRA <sup>1</sup>	by 4:30 p.m., 3 May 2021 (Monday)
2021 annual general meeting <sup>2</sup>	11 May 2021 (Tuesday)
Payment of the 2020 Final Distribution for cash distribution election	14 May 2021 (Friday)
Despatch of new unit certificates for scrip distribution election	14 May 2021 (Friday)
Expected first day of dealings in Scrip Units (subject to the granting of listing approval by the Stock Exchange)	17 May 2021 (Monday)

1. A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the 2020 Final Distribution for the period from 1 July 2020 to 31 December 2020 wholly in cash or in the form of new units in Hui Xian REIT or a combination of both. An announcement containing details of the distribution reinvestment arrangement was published on 13 April 2021 (Tuesday) and a circular together with the relevant election form will be delivered by post to the Unitholders on or around 16 April 2021 (Friday). The election form for scrip distribution must be lodged with and received by the Unit Registrar (at its address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 pm on 3 May 2021 (Monday). Please refer to the relevant circular and election form for the details of such distribution reinvestment arrangement. Unitholders should note that any election form arrived or received after the deadline set out above will be treated and taken as invalid.
2. The register of Unitholders will be closed from 6 May 2021 (Thursday) to 11 May 2021 (Tuesday) for the purpose of ascertaining Unitholders' right to attend and vote at the 2021 annual general meeting of Hui Xian REIT. Unitholders must lodge all transfer forms (accompanied by the relevant unit certificates) with the Unit Registrar 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 5 May 2021 (Wednesday).

# CORPORATE INFORMATION

## MANAGER

Hui Xian Asset Management Limited  
303 Cheung Kong Center  
2 Queen's Road Central  
Hong Kong  
Tel: (852) 2121 1128  
Fax: (852) 2121 1138

## BOARD OF DIRECTORS OF THE MANAGER

### Chairman and Non-executive Director

KAM Hing Lam

### Executive Directors

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

### Non-executive Directors

IP Tak Chuen, Edmond  
LIM Hwee Chiang

### Independent Non-executive Directors

CHENG Hoi Chuen, Vincent  
LEE Chack Fan  
CHOI Koon Shum, Jonathan

## BOARD COMMITTEES

### Audit Committee

CHENG Hoi Chuen, Vincent (*Chairman*)  
LEE Chack Fan  
CHOI Koon Shum, Jonathan  
IP Tak Chuen, Edmond

### Disclosures Committee

CHEUNG Ling Fung, Tom (*Chairman*)  
IP Tak Chuen, Edmond  
LEE Chack Fan

### Designated (Finance) Committee

IP Tak Chuen, Edmond (*Chairman*)  
CHEUNG Ling Fung, Tom  
CHOI Koon Shum, Jonathan

## COMPANY SECRETARY OF THE MANAGER

Fair Wind Secretarial Services Limited

## TRUSTEE

DB Trustees (Hong Kong) Limited

## AUDITOR

Deloitte Touche Tohmatsu

## PRINCIPAL VALUER

Knight Frank Petty Limited

## LEGAL ADVISER

Woo Kwan Lee & Lo

## UNIT REGISTRAR

Computershare Hong Kong Investor Services Limited  
17M Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990

## **CORPORATE INFORMATION**

### **INVESTOR RELATIONS**

TONG BARNES Wai Che, Wendy

Tel: (852) 2121 1128

Fax: (852) 2121 1138

Email: [info@huixianreit.com](mailto:info@huixianreit.com)

### **PROPERTY MANAGER**

北京匯賢企業管理有限公司

(Beijing Hui Xian Enterprise Services Limited\*)

### **STOCK CODE**

87001

### **WEBSITE**

[www.huixianreit.com](http://www.huixianreit.com)

# GLOSSARY

Board	the board of directors of the Manager
BOP	北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd.*), a Sino-foreign co-operative joint venture established in the PRC
Director(s)	director(s) of the Manager
DPU	distribution per unit
GDP	gross domestic product
Hui Xian Holdings	Hui Xian Holdings Limited
Hui Xian Investment	Hui Xian Investment Limited
Hui Xian REIT	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
Hui Xian REIT group	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
Manager	Hui Xian Asset Management Limited, a company incorporated in Hong Kong and a corporation licensed to carry on the regulated activity of asset management under the SFO
PRC	People's Republic of China
REIT Code	Code on Real Estate Investment Trusts as amended from time to time
RevPAR	revenue per available room
RMB	Renminbi
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
Shenyang Investment BVI	Shenyang Investment (BVI) Limited
Shenyang Investment HK	Shenyang Investment (Hong Kong) Limited
Shenyang Lido	瀋陽麗都商務有限公司 (Shenyang Lido Business Co. Ltd*), a Sino-foreign co-operative joint venture established in the PRC
Stock Exchange	The Stock Exchange of Hong Kong Limited

## GLOSSARY

Trust Deed	Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended, modified or supplemented from time to time
Trustee	DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT Unit(s) unit(s) of Hui Xian
REIT Unit(s)	unit(s) of Hui Xian REIT
Unitholder(s)	any person(s) registered as holding a Unit or Units

\* The English name is shown for identification purpose only



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