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Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

匯賢房託管理有限公司

ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2021 TO 31 DECEMBER 2021

HUI XIAN REIT

Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) 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 which became a wholly-owned subsidiary of ESR Cayman Limited on 20 January 2022.

The annual results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2021 to 31 December 2021 are as follows:

* Dissolved on 9 April 2020

CHAIRMAN’S STATEMENT

2021 was the second year of the world continued to battle with the COVID-19 pandemic. The fast-spreading Omicron variant swept across the globe in the second half (“H2”) of 2021, causing widespread economic and social disruptions.

In 2021, China’s economy continued to recover and outpace other major economies. However, the sporadic COVID-19 outbreaks persisted throughout H2 2021 across the country, leading to the implementation of travel restrictions and epidemic measures in affected areas. The pace of economic recovery was impacted in H2 2021.

Mirroring China’s situation, Hui Xian REIT’s business recovery pace was also affected. The sporadic COVID-19 outbreaks in various regions in H2 2021 caused a deterioration in business conditions. Despite the soft performance in H2 2021, Hui Xian REIT’s 2021 full-year results were generally better than that of 2020.

During the year, Hui Xian REIT’s revenue was RMB2,560 million (2020: RMB2,499 million). Net property income (“NPI”) was RMB1,540 million (2020: RMB1,491 million).

Amount Available for Distribution was RMB633 million (2020: RMB577 million). The payout ratio for the year was 90%. Distributions to Unitholders amounted to RMB570 million (2020: RMB520 million).

During the period July to December 2021, the final distribution per unit (“DPU”) was RMB0.0261 (2020: RMB:0.0654). The final DPU will be paid on 18 May 2022, Wednesday to Unitholders whose names appear on the Register of Unitholders of Hui Xian REIT on 29 March 2022, Tuesday.

Together with the interim DPU of RMB0.0674, Hui Xian REIT’s total DPU for the financial year was RMB0.0935 (2020: RMB0.0866). Based on the closing unit price of RMB1.40 on 31 December 2021, the distribution yield was 6.7%.

Business Performance Varied by Sector and Location

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

The impact of regional COVID-19 outbreaks continued throughout the year. Since Hui Xian REIT’s portfolio is diversified by sector and geography, business performance and pace of recovery of its assets varied across different sectors and cities.

(1) Retail Portfolio – Recovering Gradually but Challenges Linger

The COVID-19 pandemic has reshaped China’s retail landscape over the past two years. Amidst sporadic COVID-19 outbreaks in various regions, particularly during H2 2021, consumers were asked to stay at home during lockdowns, and cinemas, gyms and entertainment venues were closed temporarily. A decline in foot traffic and turnover in physical stores was seen as consumers shopped online, accelerating the shift from physical to online shopping.

Many retailers continued to adopt a prudent approach towards store renewal and expansion. Landlords had become more flexible in asking rents.

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. During the year, the financial performance was better year-on-year. The NPI was RMB690 million (2020: RMB667 million).

With its prime location and well-balanced tenant mix, supported by various online and offline marketing campaigns, occupancy rate of The Malls at Beijing Oriental Plaza was 96.5% as at December 2021 (91.5% as at December 2020:). Average monthly passing rent was RMB948 (2020: RMB972) per square metre.

At The Mall at Chongqing Metropolitan Oriental Plaza, foot traffic and retail sales gradually recovered during 2021. Average occupancy rate was 85.8% (2020: 81.0%) and average monthly passing rent was RMB169 (2020: RMB131) per square metre.

(2) Office Portfolio – Focused on Retaining Quality Tenants

China's office leasing market has been facing the challenge of weakening demand and oversupply. The ongoing trade disputes between China and Western countries, and the pandemic have exacerbated the challenges on the office leasing market.

As business activities resumed gradually in 2021, China's office leasing market began to show signs of stabilisation. However, many corporations remained cost-conscious and postponed their decisions on leasing new space. "Work-from-home or hybrid work model" becomes the new normal, affecting the underlying leasing demand for office space in the long run. Landlords had become more flexible in lease negotiations to avoid the risk of lengthy voids.

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. During the year, the NPI was RMB795 million (2020: RMB790 million).

Vacancy rate in the Beijing office market continued to stay at a relatively high level of 15.0%¹ in the fourth quarter of 2021. Downward pressure on rents continued. To maintain a stable income stream and improve the occupancy level, The Tower Offices at Beijing Oriental Plaza focused on retaining existing quality tenants by offering competitive renewal packages. Average occupancy rate was 87.4% (2020: 85.2%); and average monthly passing rent was RMB269 (2020: RMB281) per square metre.

Chongqing's office leasing market was still at the stage of adjustment. The city's office vacancy rate was at a high level of 27.0%² in the fourth quarter of 2021. At The Tower at Chongqing Metropolitan Oriental Plaza, average occupancy rate was 83.8% (2020: 87.4%). Average monthly passing rent was RMB100 (2020: RMB103) per square metre.

Sources:

1. Savills, "Market in Minutes, Beijing Office", January 2022
2. Savills, "Market in Minutes, Chongqing Office", January 2022

(3) Hotel Portfolio – Another Roller Coaster Year Due to Ongoing Pandemic

2021 has been another roller coaster year for China's hospitality industry. Most of the pandemic-induced restrictions, including international travel controls and quarantine measures, remained in place during 2021. As a result, there was a sharp decline in the number of tourists and business travellers entering China. The absence of foreign travellers continued to impact the demand for hotel rooms.

China's hotels continued to rely on domestic travel. The intermittent coronavirus outbreaks, particularly during H2 2021, restricting interprovincial travel. The hotel sector was badly hit, setting back the recovery achieved in H1 2021.

Hui Xian REIT's hotel portfolio comprises four international chain hotels in four key cities in China. Their financial performance in 2021 was disappointing. All hotels, except Sheraton Chengdu Lido Hotel, have incurred operating losses. Despite the short-lived rebound in the second quarter of 2021 and the aggressive cost-cutting measures, the hotel portfolio recorded negative NPI in 2021. The loss was RMB31 million as compared to a loss of RMB51 million in 2020.

Sheraton Chengdu Lido Hotel – Recovered Relatively Faster

Among the four cities, Chengdu's tourism recovered at a relatively faster pace despite a resurgence of COVID-19 cases in late 2021.

Sheraton Chengdu Lido Hotel's business recovered gradually in 2021, driven by domestic travel. Average occupancy rate was 60.0% (2020: 56.6%), while average room rate per night increased to RMB473 (2020: RMB446).

Hyatt Regency Liberation Square Chongqing – Elevating the Offerings

Through the asset enhancement programme, Hyatt Regency Liberation Square upgraded its offerings to elevate the guest experience. The hotel was gaining market acceptance and has been building brand awareness.

Average occupancy rate was 47.8% in 2021 (2020: 46.1%), average room rate per night was RMB582 (2020: RMB534).

Sofitel Shenyang Lido – Recovery Interrupted by Sporadic Outbreaks

Shenyang was affected by on-and-off COVID-19 cases in the northeast region throughout 2021 and the local authorities tightened the preventive measures and quarantine requirements.

Sofitel Shenyang Lido's average occupancy rate was 39.8% (2020: 28.0%). Average room rate per night was RMB445 (2020: RMB442).

Grand Hyatt Beijing – A Disrupted Recovery

The pace of recovery of Grand Hyatt Beijing was the most heavily affected by the pandemic among the four hotels. As the capital city of China, Beijing's COVID-19 preventive and quarantine measures were among the strictest in the country.

International travellers and large-scale MICE events have been the key sources of revenue for Grand Hyatt Beijing over the years. The absence of foreign travellers as well as corporate events negatively affected the hotel's business.

The resurgences of COVID-19 cases in Beijing in H2 2021 immediately triggered stringent restrictions on travel and large-scale gatherings. Inevitably, Grand Hyatt Beijing's rate of business recovery was impacted. Average occupancy rate was 34.8% (2020: 34.9%), and average room rate per night was RMB995 (2020: RMB936).

(4) Serviced Apartment Portfolio – Retaining Tenants through Enhanced Services

Hui Xian REIT's serviced apartment portfolio comprises: (i) The Tower Apartments at Beijing Oriental Plaza (836 units) and (ii) The Residences at Sofitel Shenyang Lido (134 units). The NPI was RMB86 million (2020: RMB85 million) during the year.

The pandemic controls, entry visa and border controls for foreigners to China, particularly Beijing, remained very strict in 2021. At The Tower Apartments at Beijing Oriental Plaza, there was an absence of new expatriate tenants.

Riding on its excellent location and services, domestic demand for The Tower Apartments saw a steady increase. The Tower Apartments focused on the growing affluent domestic market, including those from both Beijing and other Chinese cities. Average occupancy rate was 82.7% (2020: 82.1%) during the year.

In Shenyang, the newly-launched The Residences at Sofitel Shenyang Lido has been building up its brand and occupancy rate. During the year, average occupancy rate was 63.0% (2020: 55.5%).

Financial Position Remained Sound

Hui Xian REIT continues to adopt a prudent financial strategy. During the year, total debts were reduced to RMB8,471 million from RMB8,876 million as at 31 December 2020.

Debts to gross asset value ratio was 20.6% (31 December 2020: 20.8%) while bank balances and cash on hand amounted to RMB5,880 million (31 December 2020: RMB5,725 million).

Outlook

The COVID-19 pandemic continued to throw a wrench into global economic growth in 2022.

In 2022, it is expected that Hui Xian REIT will continue to face uncertainties from the COVID-19 situation. The spikes of infections in several provinces in late 2021 and early 2022 have prompted China to its high vigilance against the pandemic.

While international travel will unlikely be fully resumed soon, it is hoped that China's domestic travel will start to rebound in the second quarter of 2022. Hui Xian REIT's hotels will continue to refine the offerings to cater to the local domestic market.

To maintain the occupancy rate of the malls, lower rents were committed during 2020-2021. The financial impact will continue to affect the retail portfolio in 2022 and throughout the entire lease terms. Leveraging on the prime locations and long-established reputation, Hui Xian REIT's malls will continue to strike a balance among tenant mix, occupancy and rental rates.

It is anticipated that the performance of the office portfolio would be stable in 2022. Hui Xian REIT's office portfolio will continue to focus on building up occupancy and maximising the retention rates by adopting competitive leasing strategies.

Hui Xian REIT's pace of recovery is subject to the developments around COVID-19, as well as the external environment. We have confidence in China's ability and commitment to combat the pandemic, and we remain firm believers in the fundamentals of China. It is anticipated that China's economy will continue to recover gradually in 2022. 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 our colleagues, for their dedication and hard work. 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, 10 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO HIGHLIGHTS

As at 31 December 2021, 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

OPERATIONS REVIEW

(1) Retail Portfolio

During 2021, China's total retail sales of consumer goods amounted to RMB44 trillion, up by 12.5% year-on-year according to the National Bureau of Statistics of China.

Hui Xian REIT's retail portfolio comprises two large-scale shopping centres: (i) The Malls at Beijing Oriental Plaza and (ii) The Mall at Chongqing Metropolitan Oriental Plaza, providing about 222,000 square metres of retail space.

During the year, revenue was RMB1,008 million (2020: RMB973 million) and NPI was RMB690 million (2020: RMB667 million).

(i) The Malls at Beijing Oriental Plaza

According to the Beijing Municipal Bureau of Statistics, Beijing's GDP during 2021 grew by 8.5% year-on-year to RMB4.0 trillion. Total retail sales of consumer goods increased 8.4% year-on-year to RMB1.5 trillion.

The Malls at Beijing Oriental Plaza continues to be a sought-after destination for both retailers and shoppers due to the excellent accessibility and high footfall of its prime location in Wangfujing. During the year, revenue of The Malls was RMB901 million (2020: RMB896 million) and NPI was RMB653 million (2020: RMB649 million). Average monthly passing rent was RMB948 (2020: RMB972) per square metre. Occupancy rate as at December 2021 was 96.5% (as at December 2020: 91.5%).

(ii) The Mall at Chongqing Metropolitan Oriental Plaza

During 2021, Chongqing's GDP grew by 8.3% year-on-year to RMB2.8 trillion. Retail sales increased 18.5% to RMB1.4 trillion according to the Chongqing Municipal Bureau of Statistics.

Shopper traffic and retail sales at The Mall at Chongqing Metropolitan Oriental Plaza recovered during the year. Average monthly passing rent was RMB169 (2020: RMB131) per square metre and average occupancy rate was 85.8% (2020: 81.0%).

(2) Office Portfolio

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. Revenue was RMB1,101 million (2020: RMB1,111 million) and NPI was RMB795 million (2020: RMB790 million).

(i) The Tower Offices at Beijing Oriental Plaza

Beijing's vacancy rate remained at a relatively high level of 15.0%¹ in the fourth quarter of 2021. The continual influx of new supply and a weaker leasing demand are expected to exert downward pressure on rents.

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 professional institutions and government-related organisations.

During the year, revenue of The Tower Offices was RMB1,049 million (2020: RMB1,054 million). NPI was RMB760 million (2020: RMB756 million). Average occupancy rate was 87.4% (2020: 85.2%). Average monthly passing rent was RMB269 (2020: RMB281) per square metre while average monthly spot rent was RMB270 (2020: RMB273) per square metre.

(ii) The Tower at Chongqing Metropolitan Oriental Plaza

Chongqing's office vacancy rate was 27.0%² in the fourth quarter of 2021.

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, retail and consumer products, logistics, professional consultation and healthcare.

During 2021, revenue was RMB52 million (2020: RMB57 million) and NPI was RMB35 million (2020: RMB34 million). Average occupancy rate was 83.8% (2020: 87.4%). Average monthly passing rent was RMB100 (2020: RMB103) per square metre, while average monthly spot rent was RMB91 (2020: RMB121) per square metre.

Sources:

1. Savills, "Market in Minutes, Beijing Office", January 2022
2. Savills, "Market in Minutes, Chongqing Office", January 2022

(3) Hotel Portfolio

Many pandemic-related measures, including entry visa and border controls for foreigners to China, as well as quarantine measures, remained effective in China in 2021. The absence of foreign travellers continued to affect the demand for hotel rooms.

China's hotel business remained heavily reliant on domestic travel. However, the sporadic COVID outbreaks, particularly in H2 2021, led to the implementation of interprovincial travel restrictions in affected areas. As a result, the hotel industry was badly hit.

Hui Xian REIT's hotel portfolio comprises four international chain hotels in four key cities in China: Sheraton Chengdu Lido Hotel (69% interest), Hyatt Regency Liberation Square Chongqing, Sofitel Shenyang Lido (70% interest) and Grand Hyatt Beijing at Beijing Oriental Plaza. Revenue was RMB271 million (2020: RMB237 million). Despite the aggressive cost-cutting measures, NPI was a loss of RMB31 million (2020: a loss of RMB51 million).

(i) Sheraton Chengdu Lido Hotel (69% interest)

Chengdu's tourism and business activity recovered faster than the other three cities despite a surge of COVID-19 cases in late 2021. During the year, driven by the recovery of domestic travel and corporate business, Chengdu Lido Hotel's average occupancy of Sheraton was 60.0% (2020: 56.6%), Average room rate per night was RMB473 (2020: RMB446).

(ii) Hyatt Regency Liberation Square Chongqing

Hyatt Regency Liberation Square Chongqing upgraded its rooms and facilities through an asset enhancement programme. With the enhanced offerings, the hotel was gaining market acceptance and has been building brand awareness.

During the year, the hotel's average occupancy rate was 47.8% (2020: 46.1%), and average room rate per night was RMB582 (2020: RMB534).

(iii) Sofitel Shenyang Lido (70% interest)

There were sporadic COVID-19 outbreaks in the northeast region of China throughout 2021. Strict preventive and quarantine measures, as well as travel restrictions were implemented in the city. Business of Sofitel Shenyang Lido was affected.

Sofitel Shenyang Lido's average occupancy rate was 39.8% (2020: 28.0%). Average room rate per night was RMB445 (2020: RMB442).

(iv) Grand Hyatt Beijing

As the capital city and political centre of China, Beijing's COVID-19 preventive measures were among the strictest in the country.

International travellers and large MICE events have been important sources of revenue for Grand Hyatt Beijing. Due to the pandemic controls, entry visa and border controls for foreigners to China, especially Beijing, were very strict. The absence of foreign leisure and business travelers, and the surge of COVID-19 infections in Beijing in H2 2021, had impacted the recovery pace of Grand Hyatt Beijing. The hotel is adjusting its strategies and offerings to cater more to domestic customers.

Grand Hyatt Beijing's average occupancy rate was 34.8% (2020: 34.9%). Average room rate per night was RMB995 (2020: RMB936).

(4) Serviced Apartment Portfolio

Hui Xian REIT's serviced apartment portfolio consists of (i) The Tower Apartments at Beijing Oriental Plaza and (ii) The Residences at Sofitel Shenyang Lido. During the year, revenue amounted to RMB180 million (2020: RMB178 million). NPI was RMB86 million (2020: RMB85 million).

The Tower Apartments at Beijing Oriental Plaza is one of the largest serviced apartment developments in downtown Beijing offering a total of 836 units for leasing. Average occupancy rate was 82.7% (2020: 82.1%) during the year.

The expatriate market had been a vital source of revenue for The Tower Apartments. Entry visa and border controls for foreigners to China, especially Beijing, remained strict in 2021 due to the pandemic controls. There was an absence of new expatriate tenants. The Tower Apartments focused on the rapidly-growing affluent domestic market, including those from both Beijing and other Chinese cities.

In Shenyang, The Residences at Sofitel Shenyang Lido offers 134 apartment units for leasing. The newly-launched project has been building up its brand and occupancy rate. During the year, average occupancy was 63.0% (2020: 55.5%) With a dedicated entrance, lobby and exclusive guest lifts, serviced apartment guests can enjoy a new level of privacy, comfort and convenience.

FINANCIAL REVIEW

Net Property Income

The net property income was RMB1,540 million for the year ended 31 December 2021.

Distributions

Distribution Amount

Hui Xian REIT will distribute a total of RMB160 million ("**2021 Final Distribution**") to Unitholders for the period from 1 July 2021 to 31 December 2021. The 2021 Final Distribution represents 90% of Hui Xian REIT's total amount available for distribution during the period from 1 July 2021 to 31 December 2021 and will be paid in RMB. A total of RMB410 million has been distributed to Unitholders of Hui Xian REIT on 27 September 2021 for the period from 1 January 2021 to 30 June 2021. In total, Hui Xian REIT will distribute a total of RMB570 million to Unitholders for the year ended 31 December 2021. The distribution amount includes certain

profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB281 million (2020: RMB304 million).

Distribution per Unit

The final DPU for the period from 1 July 2021 to 31 December 2021 is RMB0.0261 based on the number of outstanding Units on 31 December 2021. Together with the interim DPU of RMB0.0674, Hui Xian REIT provides a total DPU for the year ended 31 December 2021 of RMB0.0935. This represents a distribution yield of 6.7% based on the closing unit price of RMB1.40 on 31 December 2021.

Closure of Register of Unitholders

The record date for the 2021 Final Distribution will be 29 March 2022, Tuesday (“**Record Date**”). The Register of Unitholders will be closed from 25 March 2022, Friday to 29 March 2022, Tuesday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 18 May 2022, Wednesday 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 2021 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 24 March 2022, Thursday.

Debt Positions

In January 2021, Hui Xian Investment Limited (“**Hui Xian Investment**”) partially prepaid HK\$200 million of a 3-year unsecured loan which was drawn down in March 2019. The loan was offered by DBS Bank Ltd, Hong Kong Branch and involved a revolving loan facility and a term loan facility. As at 31 December 2021, the outstanding amount of the facilities was HK\$600 million.

In November 2021, Hui Xian Investment fully prepaid an unsecured revolving loan of HK\$800 million which was granted by Hang Seng Bank Limited (“**HSB**”) and China Construction Bank (Asia) Corporation Limited (“**CCB**”) in May 2020 and redrew the credit facility on 29 November 2021.

In November 2021, Hui Xian Investment fully prepaid a 3-year unsecured term loan of HK\$600 million which was granted by Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch (“**SPDB**”) in May 2020.

In December 2021, Hui Xian Investment drew down a 3-year unsecured term loan of HK\$600 million offered by SPDB. The purpose of the facility was to finance the general working capital of the Group.

In December 2021, Hui Xian Investment drew down a 35-month unsecured term loan of HK\$1,800 million offered by Bank of China (Hong Kong) Limited (“**BOC**”), Oversea-Chinese Banking Corporation Limited and Sumitomo Mitsui Banking Corporation (“**SMBC**”). The purpose of the facility was mainly to finance the general working capital of the Group.

In December 2021, Hui Xian Investment also drew down a 35-month unsecured term loan of HK\$1,800 million offered by HSB, DBS Bank (Hong Kong) Limited (“**DBS**”) and The Hong Kong and Shanghai Banking Corporation Limited (“**HSBC**”). The purpose of the facility was mainly to finance the general working capital of the Group.

In December 2021, Hui Xian Investment fully prepaid a 5-year unsecured term loan of HK\$1,200 million which was granted by BOC, DBS and HSBC in December 2017.

In December 2021, Hui Xian Investment fully prepaid a 3-year unsecured term loan of HK\$1,200 million which was granted by HSB, BOC, DBS and HSBC in April 2019.

In the same month, Hui Xian Investment partially prepaid HK\$1,200 million of a 3-year unsecured loan which was drawn down in November 2020. The loan was offered by BOC, DBS, Bank of Communications (Hong Kong) Limited, HSB, SMBC, The Bank of East Asia, Limited and CCB. As at 31 December 2021, the outstanding amount of the facilities was HK\$3,800 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 2021, Hui Xian REIT's total debts amounted to RMB8,471 million (31 December 2020: RMB8,876 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB24,455 million as at 31 December 2021 (31 December 2020: RMB25,052 million), Hui Xian REIT's debts to net asset value ratio decreased to 34.6% (31 December 2020: 35.4%). Meanwhile, the debts to gross asset value ratio was 20.6% as at 31 December 2021 (31 December 2020: 20.8%).

Bank Balances and Asset Positions

As at 31 December 2021, Hui Xian REIT's bank balances and cash amounted to RMB5,880 million (31 December 2020: RMB5,725 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

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 Petty Limited (“**Knight Frank**”) valued the eight blocks of office towers, the shopping centre and car parking spaces at RMB26,218 million as at 31 December 2021 (31 December 2020: RMB27,491 million), translating into a decrease of 4.6% over the valuation as of 31 December 2020. The hotel and serviced apartment premises were valued at RMB4,929 million as at 31 December 2021 (31 December 2020: RMB4,860 million). The total valuation of Beijing Oriental Plaza was RMB31,147 million (31 December 2020: RMB32,351 million), while the total gross property value of the properties was RMB30,509 million as at 31 December 2021, as compared to RMB31,924 million as at 31 December 2020.

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 2021, the shopping centre, office building and car parking spaces were valued by Knight Frank at RMB3,074 million (31 December 2020: RMB3,314 million). Gross property value of the properties as at 31 December 2021 was RMB3,026 million (31 December 2020: RMB3,261 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, 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 RMB448 million as at 31 December 2021 (31 December 2020: RMB404 million). Gross property value of hotel premises as at 31 December 2021 was RMB343 million (31 December 2020: RMB384 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 RMB609 million as at 31 December 2021 (31 December 2020: RMB603 million). Gross property value of hotel premises as at 31 December 2021 was RMB543 million (31 December 2020: RMB572 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, 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 RMB715 million as at 31 December 2021 (31 December 2020: RMB729 million). Gross property value of the hotel and serviced apartment premises as at 31 December 2021 was RMB532 million (31 December 2020: RMB609 million).

Net Assets Attributable to Unitholders

As at 31 December 2021, net assets attributable to Unitholders amounted to RMB24,455 million (31 December 2020: RMB25,052 million) or RMB3.9900 per Unit, representing a 185.0% premium to the closing unit price of RMB1.40 on 31 December 2021 (31 December 2020: RMB4.1651 per Unit, representing a 130.1% premium to the closing unit price of RMB1.81 on 31 December 2020).

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 2021, except for capital commitment in respect of the asset enhancement programmes for Grand Hyatt Beijing, Sheraton Chengdu Lido Hotel, Chongqing Metropolitan Oriental Plaza and Hyatt Regency Liberation Square Chongqing, Hui Xian REIT did not have any significant commitments.

Employees

As at 31 December 2021, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 949 employees in Hong Kong and the PRC, of which 913 employees performed hotel operation functions and services, and 36 employees handled legal, regulatory and other administrative matters 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 2021.

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures with built-in checks and balances have been put in place. In particular, the Manager has adopted, and revised from time to time, a compliance manual which sets out the key processes, systems and measures the Manager applies in order to comply with the Trust Deed, the Code on Real Estate Investment Trusts (“**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 12 months ended 31 December 2021, 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 Securities and Futures Ordinance (Cap. 571 Laws of Hong Kong) (“**SFO**”) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 announcement, Mr. CHEUNG Ling Fung, Tom (executive director and chief executive officer of the Manager), Mr. LEE Chi Kin, Casey (executive director and chief operating officer of the Manager), Ms. LAI Wai Yin, Agnes (executive director and chief financial officer of the Manager), Mr. CHING Sung, Eric (deputy chief project development officer of the Manager) and Ms. TANG Hiu Tung, Daisy (deputy chief corporate development officer 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 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.

Review of the Annual Results

The annual results of Hui Xian REIT for the year ended 31 December 2021 have been reviewed by the Audit Committee and Disclosures Committee of the Manager in accordance with their respective terms of reference.

New Units Issued

In the year ended 31 December 2021, (i) an aggregate of 56,683,071 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) an aggregate of 57,780,118 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 2020 to 31 December 2020 and the interim distribution for the period from 1 January 2021 to 30 June 2021.

The total number of Units in issue as at 31 December 2021 was 6,129,115,187 Units.

Corporate Social Responsibility

The Manager recognises the importance of corporate social responsibility and will continue to commit appropriate resources to meet the environmental, social and governance standards and requirements in the day-to-day operations of Hui Xian REIT's properties. Detailed information in these areas will be published in the Annual Report of Hui Xian REIT for the year ended 31 December 2021.

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 2021.

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 2021.

Issuance of the Annual Report 2021

The annual report of Hui Xian REIT for the year ended 31 December 2021 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Hui Xian REIT at www.huixianreit.com, and will be sent to Unitholders on or before 30 April 2022.

Annual General Meeting of Unitholders

The 2022 annual general meeting of Hui Xian REIT will be held on or around 13 May 2022, Friday, notice of which will be published and given to Unitholders in due course.

By order of the Board
Hui Xian Asset Management Limited
滙賢房託管理有限公司
(as Manager of Hui Xian Real Estate Investment Trust)
CHEUNG Ling Fung Tom
Chief Executive Officer and Executive Director of the Manager

Hong Kong, 10 March 2022

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> RMB million	<u>2020</u> RMB million
Revenue	5	2,560	2,499
Other income	6	165	201
Decrease in fair value of investment properties	13	(1,516)	(2,332)
Inventories consumed		(29)	(27)
Staff costs		(162)	(143)
Depreciation		(385)	(395)
Other operating expenses	7	(799)	(858)
Finance costs, including exchange differences	8	118	363
Manager's fees	9	(124)	(128)
Real estate investment trust expenses	10	(13)	(13)
Loss before taxation and transactions with unitholders		(185)	(833)
Income tax (expense) credit	11	(70)	115
Loss for the year, before transactions with unitholders		(255)	(718)
Distributions to unitholders		(570)	(520)
Loss and total comprehensive expense for the year, after transactions with unitholders		(825)	(1,238)
Loss for the year, before transactions with unitholders attributable to:			
Non-controlling interests		(36)	(46)
Unitholders		(219)	(672)
		(255)	(718)
Basic loss per unit (RMB)	12	(0.0361)	(0.1129)

FINANCIAL INFORMATION

DISTRIBUTION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>2021</u> RMB million	<u>2020</u> RMB million
Loss for the year, before transactions with unitholders	(255)	(718)
Less: loss for the year attributable to non-controlling interests	<u>36</u>	<u>46</u>
Loss for the year attributable to unitholders, before transactions with unitholders	<u>(219)</u>	<u>(672)</u>
Adjustments (<i>Note (i)</i>):		
Manager's fees	90	96
Decrease in fair value of investment properties	132	2,332
Deferred tax	(223)	(520)
Net unrealised exchange gain on bank loans and loan front-end fee	(129)	(573)
Net realised exchange loss on bank loans and loan front-end fee	(246)	(138)
Difference between cash and accounting finance costs	<u>(32)</u>	<u>-</u>
	<u>(408)</u>	<u>1,197</u>
Total (adjusted loss) distributable income	<u>(627)</u>	<u>525</u>
 Additional items (<i>Note (ii)</i>)	 <u>1,260</u>	 <u>52</u>
 Amount available for distribution	 <u>633</u>	 <u>577</u>
 Payout ratio (<i>Note (iii)</i>)	 <u>90.0%</u>	 <u>90.0%</u>
Distributions to unitholders (<i>Note (iv)</i>)		
- Interim distribution paid	410	126
- Final distribution payable	<u>160</u>	<u>394</u>
	<u>570</u>	<u>520</u>
 Distribution per unit (<i>RMB</i>) (<i>Note (iv)</i>)		
Interim distribution per unit	0.0674	0.0212
Final distribution per unit	<u>0.0261</u>	<u>0.0654</u>
	<u>0.0935</u>	<u>0.0866</u>

FINANCIAL INFORMATION

Notes:

(i) *Adjustments for the year include:*

(a) *For the year ended 31 December 2021, Manager's fees paid and payable in units of RMB90 million (29,575,723 units issued and 32,677,892 units estimated to be issued) out of the total Manager's fees of RMB124 million. The difference of RMB34 million is paid or payable in cash.*

For the year ended 31 December 2020, Manager's fees paid and payable in units of RMB96 million out of the total Manager's fees of RMB128 million. The difference of RMB32 million is paid or payable in cash.

(b) *Decrease in fair value of investment properties of RMB132 million (2020: RMB2,332 million), being reversal of fair value gains adjusted previously in the distribution statement.*

(c) *Deferred tax charge of RMB2 million (2020: deferred tax credit of RMB31 million) in relation to accelerated tax depreciation and deferred tax credit of RMB225 million (2020: RMB489 million) in relation to changes in fair value of investment properties.*

(d) *Net unrealised exchange gain on bank loans and loan front-end fee of RMB129 million for the year ended 31 December 2021 (2020: RMB573 million).*

(e) *Accumulated net unrealised exchange loss of RMB246 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 2021 (2020: RMB138 million).*

(f) *Adjustment in respect of accounting finance costs of RMB28 million, less cash finance costs of RMB60 million (2020: nil).*

Pursuant to the Trust Deed (as defined in Note 1), annual distributable income is defined as the amount calculated by the Manager (as defined in Note 1) 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) *Pursuant to clause 11.4.2 of the Trust Deed, the Manager determined that an additional amount of RMB1,260 million be included in the amount available for distribution during the year ended 31 December 2021 (2020: RMB52 million).*

(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 2021 represent a payout ratio of 90.0% (2020:90.0%) of Hui Xian REIT's distributable income for the year.

FINANCIAL INFORMATION

Notes: - continued

- (iv) *The interim distribution per unit of RMB0.0674 for the six months ended 30 June 2021 is calculated based on 90% of Hui Xian REIT's amount available for distribution of RMB455,303,215 over 6,080,656,855 units, representing issued units as at 30 June 2021. The final distribution per unit of RMB0.0261 for the six months ended 31 December 2021 is calculated based on 90% of Hui Xian REIT's amount available for distribution for the year of RMB632,814,747, less distribution to unitholders for the six months ended 30 June 2021, over 6,129,115,187 units, representing issued units as at 31 December 2021.*

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.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	<u>NOTES</u>	<u>2021</u> RMB million	<u>2020</u> RMB million
Non-current assets			
Investment properties	13	29,127	30,629
Property, plant and equipment	14	1,996	2,132
Right-of-use assets	15	3,932	4,100
Goodwill		2	2
Total non-current assets		<u>35,057</u>	<u>36,863</u>
Current assets			
Inventories		24	26
Trade and other receivables	16	125	140
Bank balances and cash		5,880	5,725
Total current assets		<u>6,029</u>	<u>5,891</u>
Total assets		<u>41,086</u>	<u>42,754</u>
Current liabilities			
Trade and other payables	17	435	512
Tenants' deposits		255	241
Tax payable		23	24
Manager's fee payable		60	60
Distribution payable		160	394
Bank loans	18	1,307	-
Total current liabilities		<u>2,240</u>	<u>1,231</u>
Total assets less current liabilities	21	<u>38,846</u>	<u>41,523</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Bank loans	18	7,164	8,876
Tenants' deposits		428	470
Deferred tax liabilities		6,594	6,884
Total non-current liabilities, excluding net assets attributable to unitholders		<u>14,186</u>	<u>16,230</u>
Total liabilities, excluding net assets attributable to unitholders		<u>16,426</u>	<u>17,461</u>
Non-controlling interests		205	241
Net assets attributable to unitholders		<u>24,455</u>	<u>25,052</u>
Units in issue ('000)		<u>6,129,115</u>	<u>6,014,652</u>
Net asset value per unit (RMB) attributable to unitholders	19	<u>3.9900</u>	<u>4.1651</u>

FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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 (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 five supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015, 19 May 2017 and 14 May 2021 (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 of Hong Kong (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.

2. BASIS OF PREPARATION

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 (the "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, the relevant provisions of the Trust Deed and the Rules Governing the Listing of Securities on the HKSE.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values at the end of each reporting period.

Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

FINANCIAL INFORMATION

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Amendments to HKFRSs that are mandatorily effective for the current year - continued

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of 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.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments have had no impact on the consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rate during the year.

New and amendments to HKFRSs in issue but not yet effective

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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

FINANCIAL INFORMATION

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.

(a) Segment revenue and results

For the year ended 31 December 2021

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	<u>Consolidated</u> RMB million
Segment revenue	<u>1,008</u>	<u>1,101</u>	<u>180</u>	<u>271</u>	<u>2,560</u>
Segment profit (loss)	<u>690</u>	<u>795</u>	<u>86</u>	<u>(31)</u>	<u>1,540</u>
Decrease in fair value of investment properties					(1,516)
Finance costs, including exchange differences					118
Unallocated depreciation					(360)
Unallocated income					158
Unallocated expense					<u>(125)</u>
Loss before taxation and transactions with unitholders					<u>(185)</u>

FINANCIAL INFORMATION

4. SEGMENT REPORTING - continued

(a) Segment revenue and results - continued

For the year ended 31 December 2020

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	<u>Consolidated</u> RMB million
Segment revenue	<u>973</u>	<u>1,111</u>	<u>178</u>	<u>237</u>	<u>2,499</u>
Segment profit (loss)	<u>667</u>	<u>790</u>	<u>85</u>	<u>(51)</u>	1,491
Decrease in fair value of investment properties					(2,332)
Finance costs, including exchange differences					363
Unallocated depreciation					(372)
Unallocated income					184
Unallocated expense					<u>(167)</u>
Loss before taxation and transactions with unitholders					<u>(833)</u>

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of the changes in fair value of investment properties, finance costs, including exchange differences, certain depreciation expenses, certain other income, certain Manager's fees and real estate investment trust expenses and certain other operating expenses that are not directly related to each segmental activities. This is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

(b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	<u>2021</u> RMB million	<u>2020</u> RMB million
Malls	14,743	15,975
Offices	14,538	14,823
Apartments	2,355	2,458
Hotels	3,567	3,798
Total segment assets	35,203	37,054
Unallocated bank balances and cash	5,801	5,618
Other assets	82	82
Consolidated total assets	41,086	42,754

For the purposes of monitoring segment performances and resources allocation, all assets are allocated to operating segments other than corporate assets (including certain right-of-use assets, certain bank balances and cash, certain equipment, certain inventories, certain other receivables and goodwill) which are unallocated.

FINANCIAL INFORMATION

4. SEGMENT REPORTING - continued

(b) Segment assets - continued

For the measurement of segment assets and results, property, plant and equipment, right-of-use assets and investment properties are allocated to segments while their corresponding depreciation and changes in fair value of investment properties 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.

(d) Other segment information

For the year ended 31 December 2021

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	Total reportable segments RMB million	<u>Unallocated</u> RMB million	Consolidated total RMB million
Depreciation	1	1	3	20	25	360	385
Additions to non-current assets	8	5	1	85	99	3	102

For the year ended 31 December 2020

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	Total reportable segments RMB million	<u>Unallocated</u> RMB million	Consolidated total RMB million
Depreciation	2	1	3	17	23	372	395
Additions to non-current assets	15	8	4	83	110	2	112

FINANCIAL INFORMATION

5. REVENUE

For the year ended 31 December 2021

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	<u>Consolidated</u> RMB million
Disaggregation of revenue					
Revenue from contracts with customers within the scope of HKFRS 15					
Room revenue	-	-	-	173	173
Food and beverage	-	-	-	84	84
Carpark revenue	28	-	-	-	28
Ancillary services income	148	190	61	14	413
	<u>176</u>	<u>190</u>	<u>61</u>	<u>271</u>	<u>698</u>
Rental income	<u>832</u>	<u>911</u>	<u>119</u>	<u>-</u>	<u>1,862</u>
Total revenue	<u>1,008</u>	<u>1,101</u>	<u>180</u>	<u>271</u>	<u>2,560</u>
Timing of revenue recognition					
A point in time	61	35	5	93	194
Over time	115	155	56	178	504
Revenue from contracts with customers within the scope of HKFRS 15	<u>176</u>	<u>190</u>	<u>61</u>	<u>271</u>	<u>698</u>

For the year ended 31 December 2020

	<u>Malls</u> RMB million	<u>Offices</u> RMB million	<u>Apartments</u> RMB million	<u>Hotels</u> RMB million	<u>Consolidated</u> RMB million
Disaggregation of revenue					
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
	<u>146</u>	<u>184</u>	<u>58</u>	<u>237</u>	<u>625</u>
Rental income	<u>827</u>	<u>927</u>	<u>120</u>	<u>-</u>	<u>1,874</u>
Total revenue	<u>973</u>	<u>1,111</u>	<u>178</u>	<u>237</u>	<u>2,499</u>
Timing of revenue recognition					
A point in time	32	32	5	78	147
Over time	114	152	53	159	478
Revenue from contracts with customers within the scope of HKFRS 15	<u>146</u>	<u>184</u>	<u>58</u>	<u>237</u>	<u>625</u>

All contracts with customers 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.

FINANCIAL INFORMATION

5. REVENUE - continued

The gross rental from investment properties includes variable lease payments that do not depend on an index or a rate of RMB14 million (2020: RMB10 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB630 million (2020: RMB641 million).

6. OTHER INCOME

	<u>2021</u> RMB million	<u>2020</u> RMB million
Interest income from banks	156	182
Government subsidies	3	12
Others	6	7
	<u> </u>	<u> </u>
Total	<u>165</u>	<u>201</u>

7. OTHER OPERATING EXPENSES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Advertising and promotion	34	46
Audit fee	2	2
Insurance	5	6
Lease agency fee	21	37
Property manager's fee	69	70
Property management fees	61	51
Repairs and maintenance	92	96
Other miscellaneous expenses (Note)	140	136
Stamp duty	3	4
Urban land use tax	3	3
Urban real estate tax	264	264
Utilities	88	88
Value added tax surcharges	13	12
Loss on disposal of property, plant and equipment	4	43
	<u> </u>	<u> </u>
	<u>799</u>	<u>858</u>

Note: Other miscellaneous expenses comprise mainly cleaning and security expenses, guest supplies and labour service fees.

FINANCIAL INFORMATION

8. FINANCE COSTS, INCLUDING EXCHANGE DIFFERENCES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Net unrealised exchange gain on bank loans and loan front-end fee	(129)	(573)
Net realised exchange gain on bank loans and loan front-end fee arising on settlement	(117)	(35)
Interest expense on unsecured bank loans	128	245
	<u>(118)</u>	<u>(363)</u>

9. MANAGER'S FEES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Base fee	106	111
Variable fee	18	17
	<u>124</u>	<u>128</u>

10. REAL ESTATE INVESTMENT TRUST EXPENSES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Trustee's fee	4	4
Legal and professional fees	4	3
Trust administrative expenses and others	5	6
	<u>13</u>	<u>13</u>

11. INCOME TAX EXPENSE (CREDIT)

	<u>2021</u> RMB million	<u>2020</u> RMB million
The income tax expense (credit) comprises:		
Current tax		
- PRC Enterprise Income Tax	316	323
- Withholding tax	44	64
Deferred taxation	(290)	(502)
	<u>70</u>	<u>(115)</u>

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% and 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.

FINANCIAL INFORMATION

11. INCOME TAX EXPENSE (CREDIT) - 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.

12. LOSS PER UNIT

The loss per unit for the year ended 31 December 2021 is calculated by dividing the loss for the year attributable to unitholders before transactions with unitholders of RMB219 million by 6,077,949,711 units, being the weighted average number of units in issue during the year of 6,069,668,328 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2021 to 31 December 2021 of 8,281,383 units.

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.

No diluted loss per unit for both years were presented as there were no potential units in issue for both years.

13. INVESTMENT PROPERTIES

	<u>2021</u> RMB million	<u>2020</u> RMB million
FAIR VALUE		
At the beginning of the year	30,629	32,938
Additions	12	23
Transferred from property, plant and equipment	2	-
Decrease in fair value recognised in profit or loss	<u>(1,516)</u>	<u>(2,332)</u>
At the end of the year	<u>29,127</u>	<u>30,629</u>

- (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 2021 and 31 December 2020 by Knight Frank Petty Limited, independent professional valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations.

FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings						Total RMB million
	Hotels RMB million	Serviced apartments RMB million	Others RMB million	Plant and machinery RMB million	Construction in progress RMB million	Others RMB million	
COST							
At 1 January 2020	2,214	1,063	40	249	19	224	3,809
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)	-
At 31 December 2020	2,199	1,078	40	300	7	204	3,828
Additions for the year	-	1	1	6	75	5	88
Disposals for the year	(70)	(17)	-	(6)	-	(7)	(100)
Cost adjustments	(2)	-	-	-	(1)	-	(3)
Transfers	(31)	39	-	(3)	(16)	11	-
Transferred to investment properties	-	(10)	-	(7)	-	-	(17)
At 31 December 2021	2,096	1,091	41	290	65	213	3,796
ACCUMULATED DEPRECIATION							
At 1 January 2020	877	388	8	117	-	108	1,498
Provided for the year	130	56	3	13	-	23	225
Eliminated on disposals	(12)	(1)	-	(3)	-	(11)	(27)
Transfers	1	9	-	17	-	(27)	-
At 31 December 2020	996	452	11	144	-	93	1,696
Provided for the year	121	52	3	15	-	24	215
Eliminated on disposals	(70)	(17)	-	(5)	-	(4)	(96)
Transfers	(9)	17	-	(8)	-	-	-
Transferred to investment properties	-	(9)	-	(6)	-	-	(15)
At 31 December 2021	1,038	495	14	140	-	113	1,800
CARRYING AMOUNTS							
At 31 December 2021	1,058	596	27	150	65	100	1,996
At 31 December 2020	1,203	626	29	156	7	111	2,132

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

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 2021 and 31 December 2020 by Knight Frank Petty Limited, being an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The carrying amount of the relevant assets does not exceed the recoverable amount based on fair value less costs of disposal.

FINANCIAL INFORMATION

15. RIGHT-OF-USE ASSETS

	RMB million
As at 31 December 2021	
Carrying amount	3,932
As at 31 December 2020	
Carrying amount	4,100
For the year ended 31 December 2021	
Depreciation charge	170
Additions to right-of-use assets	2
For the year ended 31 December 2020	
Depreciation charge	170
Additions to right-of-use assets	-

16. TRADE AND OTHER RECEIVABLES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Trade receivables	20	32
Deposits and prepayments	14	18
Advance to suppliers	8	9
Interest receivables	46	43
Other receivables	37	38
	<u>125</u>	<u>140</u>

Aging analysis of the Group's trade receivables by invoice dates at the end of the reporting period is as follows:

	<u>2021</u> RMB million	<u>2020</u> RMB million
Less than or equal to 1 month	11	17
1 - 3 months	6	7
Over 3 months	3	8
	<u>20</u>	<u>32</u>

FINANCIAL INFORMATION

17. TRADE AND OTHER PAYABLES

	<u>2021</u> RMB million	<u>2020</u> RMB million
Trade payables	110	140
Receipts in advance (Note (i))	192	213
Others (Note (ii))	133	159
	<u>435</u>	<u>512</u>

Notes:

- (i) Included in receipts in advance are contract liabilities amounting to RMB55 million (31 December 2020: RMB62 million), which were related to advance receipts from customers under hotels segment, and ancillary services provided in malls, offices and apartments segments.
- (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:

	<u>2021</u> RMB million	<u>2020</u> RMB million
Less than or equal to 3 months	71	96
Over 3 months	39	44
	<u>110</u>	<u>140</u>

18. BANK LOANS

	<u>2021</u> RMB million	<u>2020</u> RMB million
Unsecured term loans	8,503	8,921
Loan front-end fee	(32)	(45)
	<u>8,471</u>	<u>8,876</u>

The maturities of the above bank loans are as follows:

Within one year	1,307	-
More than one year but not exceeding two years	3,746	3,524
More than two years but not exceeding five years	3,418	5,352
	<u>8,471</u>	<u>8,876</u>
Less: Amounts shown under current liabilities	(1,307)	-
Amounts due after one year	<u>7,164</u>	<u>8,876</u>

FINANCIAL INFORMATION

18. BANK LOANS - continued

In relation to the credit facility of HK\$800 million drew down by the Group on 20 March 2019, the Group partially prepaid HK\$200 million (equivalent to RMB167 million) of the credit facility in January 2021. The total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$600 million (equivalent to RMB491 million) (31 December 2020: HK\$800 million (equivalent to RMB673 million)).

In relation to the revolving credit facility of HK\$800 million drew down by the Group on 4 May 2020, the Group fully prepaid HK\$800 million (equivalent to RMB655 million) of the credit facility in November 2021 and redrew the same amount of facility in the same month. The total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$800 million (equivalent to RMB654 million) (31 December 2020: HK\$800 million (equivalent to RMB673 million)).

In relation to the credit facility of HK\$600 million drew down by the Group on 29 May 2020, the Group fully prepaid HK\$600 million (equivalent to RMB490 million) of the credit facility in November 2021.

In relation to the credit facility of HK\$600 million granted to the Group on 15 December 2021 to finance the general working capital of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$600 million (equivalent to RMB491 million). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.98% per annum and is repayable in full in December 2024.

In relation to the credit facility of HK\$1,800 million granted to the Group on 22 December 2021 to finance the general working capital of the Group, including to refinance the credit facilities granted in December 2017 and April 2019, the total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$1,800 million (equivalent to RMB1,472 million). It bears interest at floating interest rate of HIBOR plus 1.10% per annum and is repayable in full in November 2024.

In relation to the credit facility of HK\$1,800 million granted to the Group on 23 December 2021 to finance the general working capital of the Group, including to refinance the credit facility granted in April 2019, the total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$1,800 million (equivalent to RMB1,472 million). It bears interest at floating interest rate of HIBOR plus 1.10% per annum and is repayable in full in November 2024.

In relation to the credit facility of HK\$5,000 million drew down by the Group on 30 November 2020, the Group partially prepaid HK\$1,200 million (equivalent to RMB981 million) of the credit facility in December 2021. The total amount of the credit facility utilised by the Group as at 31 December 2021 was HK\$3,800 million (equivalent to RMB3,107 million) (31 December 2020: HK\$5,000 million (equivalent to RMB4,208 million)).

In relation to the credit facility of HK\$1,200 million drew down by the Group on 18 December 2017, the Group fully prepaid HK\$1,200 million (equivalent to RMB981 million) of the credit facility in December 2021.

In relation to the credit facility of HK\$1,200 million drew down by the Group on 25 April 2019, the Group fully prepaid HK\$1,200 million (equivalent to RMB981 million) of the credit facility in December 2021.

FINANCIAL INFORMATION

18. BANK LOANS - continued

All bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of Hui Xian REIT.

19. 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 2021 of RMB24,455 million (2020: RMB25,052 million) and the total number of 6,129,115,187 units in issue as at 31 December 2021 (2020: 6,014,651,998 units).

20. NET CURRENT ASSETS

As at 31 December 2021, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB3,789 million (2020: RMB4,660 million).

21. TOTAL ASSETS LESS CURRENT LIABILITIES

As at 31 December 2021, the Group's total assets less current liabilities amounted to RMB38,846 million (2020: RMB41,523 million).