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

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HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

**CIRCULAR TO UNITHOLDERS IN RELATION TO
THE MODIFIED AND EXTENDED WAIVER IN RESPECT OF
CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS
AND
NOTICE OF EGM**

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

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 1 to 15 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 18 to 31 of this circular.

A notice convening the EGM of Hui Xian REIT to be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on 22 May 2012 (Tuesday) at 12:15 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) is set out on pages 32 to 33 of this circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4 May 2012

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DEFINITIONS

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

“AGM”	the annual general meeting of the Unitholders convened to be held on 22 May 2012 (Tuesday)
“Announcement”	the announcement dated 3 May 2012 made by the Manager in relation to the Modified and Extended Waiver
“Board”	the board of Directors
“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 and an indirectly owned special purpose vehicle of Hui Xian REIT
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Cheung Kong Connected Persons Group”	Cheung Kong and entities or persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with Cheung Kong, including certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL
“Cheung Kong Group”	Cheung Kong and its subsidiaries
“connected person(s)”	has the meaning ascribed to it under the REIT Code
“Director(s)”	the director(s) of the Manager
“EGM”	an extraordinary general meeting of the Unitholders convened to be held on 22 May 2012 (Tuesday) to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps
“Existing CKH/Manager Waiver”	the waiver granted by the SFC in April 2011 in relation to certain continuing connected party transactions in respect of Oriental Plaza and BOP between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as defined on page 242 of the Offering Circular) on the other hand for a period up to and including 31 December 2013 (details which are set out on pages 244 to 247 and pages 251 to 253 of the Offering Circular respectively)
“Hui Xian Cayman”	Hui Xian (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability, which is directly wholly-owned by Hui Xian Holdings
“Hui Xian Holdings”	Hui Xian Holdings Limited, a company incorporated in Hong Kong with limited liability

DEFINITIONS

“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“Hui Xian REIT Group”	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“HWL Group”	HWL and its subsidiaries
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the Modified and Extended Waiver and the Modified and Extended Annual Caps, comprising all the independent non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan
“Independent Financial Adviser”	Hercules Capital Limited, which is licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Unitholders”	Unitholders other than: (i) Hui Xian Holdings and Hui Xian Cayman; and (ii) those Unitholders who have a material interest in the Modified and Extended Waiver within the meaning of paragraph 8.11 of the REIT Code (including the Unitholders stated in the table on page 12 of this circular)
“Latest Practicable Date”	27 April 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Manager”	Hui Xian Asset Management Limited, the manager of Hui Xian REIT
“Manager Group”	the Manager and entities or persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with the Manager, including the Property Manager but excluding the Cheung Kong Connected Persons Group
“Modified and Extended Annual Caps”	the proposed modified and revised annual caps for the Relevant Connected Party Transactions for the years ending 31 December 2012 and 2013 respectively and the proposed new annual caps for the Relevant Connected Party Transactions for the year ending 31 December 2014, as described in this circular

DEFINITIONS

“Modified and Extended Waiver”	the proposed modified and extended waiver for the Relevant Connected Party Transactions (including the setting of the Modified and Extended Annual Caps) as described in this circular
“Offering Circular”	the offering circular dated 11 April 2011 issued in connection with the initial public offering of the Units
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 10% of Units in issue
“Oriental Plaza”	the composite development known as Oriental Plaza situated at No. 1 East Chang An Ave., Dong Cheng District, Beijing, the PRC
“PRC”	the People’s Republic of China
“Property Manager”	北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*), a wholly-owned subsidiary of the Manager and the property manager of Oriental Plaza
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC (as amended from time to time)
“Relevant Connected Party Transactions”	continuing connected party transactions in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, involving (A) as between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group, (1) leasing and licensing arrangements, (2) property management and club facilities arrangements, and (3) use of internet and telecommunication services; and (B) as between the Hui Xian REIT Group and the Manager Group, (1) leasing and licensing arrangements, and (2) property management and club facilities arrangements which are more particularly described in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (as amended from time to time)
“Shenyang Investment BVI”	Shenyang Investment (BVI) Limited, a direct wholly-owned special purpose vehicle of Hui Xian REIT

DEFINITIONS

“Shenyang Investment HK”	Shenyang Investment (Hong Kong) Limited (瀋陽投資(香港)有限公司), a company directly wholly-owned by Shenyang Investment BVI and therefore an indirect wholly-owned special purpose vehicle of Hui Xian REIT
“Shenyang Lido”	瀋陽麗都商務有限公司 (Shenyang Lido Business Co., Ltd.*), a Sino-foreign cooperative joint venture established in the PRC, of which Shenyang Investment HK is entitled to 70% distributions, and therefore an indirect non wholly-owned special purpose vehicle of Hui Xian REIT
“Shenyang Property”	the building located at 瀋陽市和平區青年大街386號 (No. 386, Qingnian Street, He Ping District, Shenyang)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trustee”	DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT
“unit(s)”	unit(s) in the Hui Xian REIT
“Unitholder(s)”	any person(s) registered as holding Unit(s)

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

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

** for identification purposes only*

LETTER FROM THE BOARD



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

Directors of the Manager:

Non-executive Directors

Mr. Kam Hing Lam (*Chairman*)
Mr. Ip Tak Chuen, Edmond
Mr. Lim Hwee Chiang
Mr. Yin Ke

Executive Directors

Mr. Chu Stephen Henry
Mr. Pang Shuen Wai, Nichols

Independent Non-executive Directors

Mr. Cheng Hoi Chuen, Vincent
Professor Lee Chack Fan
Dr. Choi Koon Shum, Jonathan

Registered Office:

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

4 May 2012

To: Unitholders

Dear Sir/Madam,

MODIFIED AND EXTENDED WAIVER IN RESPECT OF CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS AND NOTICE OF EGM

Reference is made to the Announcement. The purpose of this circular is (a) to provide you with further information regarding (i) the Modified and Extended Waiver; and (ii) the Ordinary Resolution to be proposed at the EGM; (b) to set out the recommendations of the Independent Board Committee to the Independent Unitholders in relation to the Modified and Extended Waiver and the Modified and Extended Annual Caps; (c) to set out the recommendations of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Relevant Connected Party Transactions, the Modified and Extended Waiver and the Modified and Extended Annual Caps; and (d) to give you notice of the EGM.

LETTER FROM THE BOARD

I. MODIFIED AND EXTENDED WAIVER IN RESPECT OF THE RELEVANT CONNECTED PARTY TRANSACTIONS

Background

Before the first listing of the Units on the Stock Exchange, at the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions of Hui Xian REIT, including the Existing CKH/Manager Waiver for a period up to and including 31 December 2013. At the time of the first listing of the Units on the Stock Exchange, Oriental Plaza was the only landed property in which Hui Xian REIT was interested. The land use rights and building ownership rights in Oriental Plaza are held by BOP.

Upon the completion of the acquisition of the entire issued share capital of, and shareholder's loans owing by, Shenyang Investment BVI by the Trustee (as trustee of Hui Xian REIT) on 1 January 2012 (details of which are set out in the announcements dated 10 November 2011 and 3 January 2012 respectively issued by the Manager in its capacity as manager of Hui Xian REIT), Shenyang Investment BVI, Shenyang Investment HK and Shenyang Lido have become special purpose vehicles of Hui Xian REIT. Shenyang Lido holds the land use rights and building ownership rights in the Shenyang Property.

If transactions or arrangements in relation to the Shenyang Property or Shenyang Lido will be conducted between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group and/or the Manager Group on the other hand, continuing connected party transactions of Hui Xian REIT will arise. The Existing CKH/Manager Waiver, which was granted by the SFC in April 2011 in relation to certain continuing connected party transactions in respect of Oriental Plaza and BOP, does not cover transactions and arrangements in respect of properties or companies other than Oriental Plaza and BOP.

Modified and Extended Waiver in respect of the Relevant Connected Party Transactions

Accordingly, the Manager proposes to seek Unitholders' approval, by way of an Ordinary Resolution at the EGM, for the modification and extension of the Existing CKH/Manager Waiver and the modification and revision of the annual caps for the years ending 31 December 2012 and 2013 respectively and the setting of new annual caps for the year ending 31 December 2014 to cover the Relevant Connected Party Transactions which may from time to time be entered into between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested.

Details of the Relevant Connected Party Transactions in relation to Oriental Plaza and BOP and the Existing CKH/Manager Waiver are set out on pages 244 to 247 and pages 251 to 253 of the Offering Circular. In accordance with the waiver conditions of the Existing CKH/Manager Waiver, the waiver conditions may be modified from time to time, provided that:

- (a) the approval of Unitholders other than those who have a material interest in the relevant transaction within the meaning of paragraph 8.11 of the REIT Code is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

LETTER FROM THE BOARD

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

The categories of the Relevant Connected Party Transactions with respect to which the Modified and Extended Waiver is sought, the historical transaction amounts and the Modified and Extended Annual Caps in respect thereof are as follows:

(A) *In respect of the Relevant Connected Party Transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group*

(1) *the leasing and licensing transactions in respect of properties of Hui Xian REIT*

Historical transaction amounts

The aggregate transaction amounts paid to the Hui Xian REIT Group (being the sums paid to BOP) by the Cheung Kong Connected Persons Group (exclusive of refundable deposits) in respect of the leasing and licensing transactions for the relevant periods are approximately as follows:

	For the period from 29 April 2011 (the date of first listing of Units on the Stock Exchange) to 31 December 2011 ("2011 Relevant Period") RMB'000	For the three months ended 31 March 2012 RMB'000
the Cheung Kong Connected Persons Group	27,328	9,244

Modified and Extended Annual Caps

The Manager proposes that the aggregate annual value payable to the Hui Xian REIT Group by the Cheung Kong Connected Persons Group (exclusive of refundable deposits) in respect of the leasing and licensing transactions for the financial year ending 31 December 2012 ("FY2012"), the financial year ending 31 December 2013 ("FY2013") and the financial year ending 31 December 2014 ("FY2014") are not to exceed the respective annual cap amounts as follows:

	FY2012 RMB'000	FY2013 RMB'000	FY2014 RMB'000
the Cheung Kong Connected Persons Group	111,400	125,400	139,300

LETTER FROM THE BOARD

Basis of Modified and Extended Annual Caps

The above Modified and Extended Annual Caps for the leasing and licensing transactions mainly comprise the rental and building management fee receivable from the Cheung Kong Connected Persons Group. Such Modified and Extended Annual Caps are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years taking into account the possible growth in rentals, possible new leasing and licensing of the properties of Hui Xian REIT which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group during the relevant financial periods, and a buffer of approximately 20% (for FY2012) for contingencies such as unforeseeable market fluctuations.

(2) *the property management and club facilities transactions*

Historical transaction amounts

The aggregate transaction amounts paid by the Hui Xian REIT Group (being the sums paid by BOP) to the Cheung Kong Connected Persons Group in respect of the property management and club facilities transactions for the relevant periods are approximately as follows:

	For the 2011 Relevant Period	For the three months ended 31 March 2012
	<i>RMB'000</i>	<i>RMB'000</i>
the Cheung Kong Connected Persons Group	9,546	3,097

LETTER FROM THE BOARD

Modified and Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the property management and club facilities transactions for FY2012, FY2013 and FY2014 are not to exceed the respective annual cap amounts as follows:

	FY2012	FY2013	FY2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
the Cheung Kong Connected Persons Group	47,500	54,200	63,700

Basis of Modified and Extended Annual Caps

The Modified and Extended Annual Caps for the property management and club facilities transactions are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, possible new property management and club facilities transactions which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group during the relevant financial periods, and a buffer for of approximately 20% (for FY2012) contingencies such as unforeseeable market fluctuations.

- (3) *usage of internet and telecommunication services to be provided by the Cheung Kong Connected Persons Group*

Historical transaction amounts

The aggregate transaction amounts paid by the Hui Xian REIT Group (being the sums paid by BOP) to the Cheung Kong Connected Persons Group in respect of the use of internet and telecommunication services provided by the Cheung Kong Connected Persons Group for the relevant periods are approximately as follows:

	For the 2011 Relevant Period	For the three months ended 31 March 2012
	<i>RMB'000</i>	<i>RMB'000</i>
the Cheung Kong Connected Persons Group	3,568	1,169

LETTER FROM THE BOARD

Modified and Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Cheung Kong Connected Persons Group in respect of the internet and telecommunication services transactions for FY2012, FY2013 and FY2014 are not to exceed the respective annual cap amounts as follows:

	FY2012 <i>RMB'000</i>	FY2013 <i>RMB'000</i>	FY2014 <i>RMB'000</i>
the Cheung Kong Connected Persons Group	6,500	7,000	7,500

Basis of Modified and Extended Annual Caps

The Modified and Extended Annual Caps for the internet and telecommunication services transactions are determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses and possible new internet and telecommunication services which may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group during the relevant financial periods. The Manager notes that the Modified and Extended Annual Caps for FY2012 and FY2013 do not represent any increase from the existing annual caps for the corresponding years.

(B) In respect of the Relevant Connected Party Transactions between the Hui Xian REIT Group and the Manager Group

(1) the leasing and licensing transactions in respect of properties of Hui Xian REIT

Historical transaction amounts

The aggregate transaction amounts paid to the Hui Xian REIT Group (being the sums paid to BOP) by the Manager Group (exclusive of refundable deposits) in respect of the leasing and licensing transactions for the relevant periods are approximately as follows:

	For the 2011 Relevant Period <i>RMB'000</i>	For the three months ended 31 March 2012 <i>RMB'000</i>
the Manager Group	186	70

LETTER FROM THE BOARD

Modified and Extended Annual Caps

The Manager proposes that the aggregate annual value payable to the Hui Xian REIT Group by the Manager Group (exclusive of refundable deposits) in respect of the leasing and licensing transactions for FY2012, FY2013 and FY 2014 are not to exceed the respective annual cap amounts as follows:

	FY2012 <i>RMB'000</i>	FY2013 <i>RMB'000</i>	FY2014 <i>RMB'000</i>
the Manager Group	350	350	400

Basis of Modified and Extended Annual Caps

The above Modified and Extended Annual Caps for the leasing and licensing transactions mainly comprise the rental and building management fee receivable from the Manager Group. Such Modified and Extended Annual Caps are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years taking into account the possible growth in rentals and possible new leasing and licensing transaction which the Hui Xian REIT Group may enter into with the Manager Group during the relevant financial periods.

(2) *the property management and club facilities transactions*

Historical transaction amounts

The aggregate transaction amounts paid by the Hui Xian REIT Group (being the sums paid by BOP) to the Manager Group in respect of property management for the relevant periods are approximately as follows:

	For the 2011 Relevant Period <i>RMB'000</i>	For the three months ended 31 March 2012 <i>RMB'000</i>
the Manager Group	11,948	7,434

There was no club facilities transaction between the Hui Xian REIT Group and the Manager Group for the above periods.

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Modified and Extended Annual Caps

The Manager proposes that the aggregate annual value payable by the Hui Xian REIT Group to the Manager Group in respect of the property management and club facilities transactions for FY2012, FY2013 and FY2014 are not to exceed the respective annual cap amounts as follows:

	FY2012 <i>RMB'000</i>	FY2013 <i>RMB'000</i>	FY2014 <i>RMB'000</i>
the Manager Group	49,000	55,000	60,000

Basis of Modified and Extended Annual Caps

The Modified and Extended Annual Caps for the property management and club facilities transactions are determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, possible occasional increase in expenses and possible new property management and club facilities transactions which the Hui Xian REIT Group may enter into with the Manager Group during the relevant financial periods. The Manager also notes that the Modified and Extended Annual Cap for FY2012 does not represent any increase from the existing annual cap for the corresponding year.

Waiver Terms and Conditions

The Modified and Extended Waiver is being sought to be granted on the following waiver terms and conditions:

(i) Extension or modification

The waiver shall be for a period to expire on 31 December 2014. The waiver may be extended beyond 31 December 2014, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of independent Unitholders (being Unitholders other than those who have a material interest in the relevant transaction within the meaning under paragraph 8.11 of the REIT Code) is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) is made by way of an announcement by the Manager of such proposal, and a circular and notice are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver is made, on each occasion of such extension, for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval in (a) above becomes effective.

LETTER FROM THE BOARD

(ii) Annual caps

The aggregate annual value of the Relevant Connected Party Transactions shall not exceed the following annual cap amounts:

	For the year ending 31 December 2012 <i>RMB'000</i>	For the year ending 31 December 2013 <i>RMB'000</i>	For the year ending 31 December 2014 <i>RMB'000</i>
(1) Leasing and licensing transactions			
— the Cheung Kong Connected Persons Group	111,400	125,400	139,300
— the Manager Group	350	350	400
(2) Property management and club facilities transactions			
— the Cheung Kong Connected Persons Group	47,500	54,200	63,700
— the Manager Group	49,000 <i>(Note)</i>	55,000 <i>(Note)</i>	60,000 <i>(Note)</i>
(3) Usage of internet and telecommunication services			
— the Cheung Kong Connected Persons Group	6,500	7,000	7,500

Note: Including 1% per annum of the net property income in respect of Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

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

(iii) Disclosure in semi-annual and annual reports

Details of the Relevant Connected Party Transactions shall be disclosed in Hui Xian REIT's semi-annual and annual reports in the relevant financial year as required under paragraph 8.14 of the REIT Code.

LETTER FROM THE BOARD

(iv) Auditors' review procedures

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

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

(v) Review by the independent non-executive Directors

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

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

(vi) Auditors' access to books and records

The Manager shall allow, and shall procure the counterparty to the Relevant Connected Party Transaction to allow, the auditors of Hui Xian REIT sufficient access to their records for the purposes of reporting on the transactions.

(vii) Notification to the SFC

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

(viii) Subsequent increases in annual caps with independent Unitholders' approval

The Manager may from time to time seek to increase one or more of the annual caps set out above, for example, when Hui Xian REIT increases the scale of its operations or when there are changes in market or operating conditions, provided that:

LETTER FROM THE BOARD

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

(ix) Paragraph 8.14 of the REIT Code

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

Historical transaction amounts

For information on historical transaction amounts of Relevant Connected Party Transactions in relation to Oriental Plaza or BOP, please refer to the section "Modified and Extended Waiver in respect of the Relevant Connected Party Transactions" above.

In respect of the period from 1 January 2012 (the date on which the acquisition of Shenyang Investment BVI was completed) to 31 March 2012, there had been no Relevant Connected Party Transactions in relation to the Shenyang Property or Shenyang Lido.

II. APPROVALS REQUIRED

(1) Approval by Ordinary Resolution

Pursuant to the Existing CKH/Manager Waiver, the Manager is required to issue an announcement and to issue a circular and notice to Unitholders in relation to the Modified and Extended Waiver in accordance with Chapter 10 of the REIT Code, and to seek Independent Unitholders' approval for the Modified and Extended Waiver which shall be in respect of a period expiring not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval by the Independent Unitholders for the Modified and Extended Waiver becomes effective. Accordingly, the Manager wishes to obtain the approval of the Independent Unitholders for the Modified and Extended Waiver and the Modified and Extended Annual Caps by way of an Ordinary Resolution at the EGM.

(2) Restrictions on Voting

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

LETTER FROM THE BOARD

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

Pursuant to the REIT Code and the Trust Deed, by virtue of their material interest in the Modified and Extended Waiver, the Cheung Kong Connected Persons Group and the Manager Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps.

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

Name	Number of Units held	Approximate Percentage of Unit holding
Wisdom Ally Limited	20,252,000	0.4039%
Manager	14,598,262 (Note 1)	0.2911%
KAM Hing Lam	140,000 (Note 2)	0.0028%
CHU Stephen Henry	120,000	0.0024%
IP Tak Chuen, Edmond	400,000	0.0080%
MAN Ka Keung, Simon	9,000	0.0002%
TONG BARNES Wai Che, Wendy	80,000	0.0016%
CHEUNG Ling Fung, Tom	50,000	0.0010%
WONG K, James	10,000	0.0002%
HUI Tung Keung, Tommy	27,000	0.0005%

Notes:

- (1) Subsequent to the Latest Practicable Date, on 30 April 2012, an aggregate of 6,945,741 Units were issued to the Manager as part of the payment of the Manager's fees. Therefore, as at 30 April 2012, the Manager held a total of 21,544,003 Units, representing approximately 0.43% of the 5,021,544,003 Units then in issue.
- (2) These Units were held by Mr. KAM Hing Lam as a bare trustee and this is a voluntary disclosure made by Mr. KAM. Mr. KAM (or his proxy) shall not be prohibited from voting such Units at, or being counted in the quorum for, the EGM.

Further, each of Hui Xian Holdings and Hui Xian Cayman informed the Manager that it will abstain from voting on the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps. As at the Latest Practicable Date, Hui Xian Holdings and Hui Xian Cayman (a wholly-owned subsidiary of Hui Xian Holdings) directly held 300,000,000 Units and 2,700,000,000 Units respectively, representing approximately 5.98% and approximately 53.84%, respectively, of the total number of Units in issue as at that date. Each of Hui Xian Holdings and Hui Xian Cayman is considered as a "significant holder" of Units in Hui Xian REIT within the meaning of the REIT Code. As disclosed in the Offering Circular, the investors which ultimately own the issued share capital of Hui Xian Holdings include Cheung Kong (as to approximately 33.4% of the issued share capital of Hui Xian Holdings) and HWL (as to approximately 17.9% of the issued share capital of Hui Xian Holdings).

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Reference is also made to the paragraph headed “Conflicts of Interests” in the Corporate Governance section in Hui Xian REIT’s 2011 annual report. The information contained therein has not changed in any material respect since the publication of that annual report and up to the Latest Practicable Date.

As at the Latest Practicable Date, to the best of the Manager’s knowledge, information and belief after having made reasonable enquiries, save as disclosed above, the Manager is not aware of any Unitholder who is required to abstain from voting on the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps.

III. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Hercules Capital Limited, being the Independent Financial Adviser, has been appointed as independent financial adviser to provide its opinion on the Modified and Extended Waiver and the Modified and Extended Annual Caps to the Independent Board Committee, the Independent Unitholders and the Trustee. Your attention is drawn to the “Letter from the Independent Financial Adviser in relation to the Modified and Extended Waiver” set out in this circular. The Independent Financial Adviser confirms that it is of the view that having considered the principal factors and reasons stated in its above letter, (i) the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

IV. OPINION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established by the Board to advise the Independent Unitholders on the Modified and Extended Waiver and the Modified and Extended Annual Caps. Your attention is drawn to the “Letter from the Independent Board Committee in relation to the Modified and Extended Waiver” set out in this circular. Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, the Independent Board Committee considers that (i) the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole. The Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps.

V. RECOMMENDATION OF THE BOARD

Having regard to the reasons for, the scope of and the waiver terms and conditions for the Modified and Extended Waiver and the Modified and Extended Annual Caps, the Board considers that:

- (a) the Modified and Extended Waiver and the Modified and Extended Annual Caps (and the basis of the Modified and Extended Annual Caps) are fair and reasonable so far as the Independent Unitholders are concerned, and are in the interest of Hui Xian REIT and the Independent Unitholders as a whole;

LETTER FROM THE BOARD

- (b) for those Relevant Connected Party Transactions which were subsisting as at the Latest Practicable Date, each such transaction has been entered into: (i) in the ordinary and usual course of business of Hui Xian REIT (or its predecessors, as the case may be); and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interest of Hui Xian REIT and the Independent Unitholders as a whole; and
- (c) for those Relevant Connected Party Transactions which will be entered into after the Latest Practicable Date, each such transaction will be (i) in the ordinary and usual course of business of Hui Xian REIT; and (ii) at arm's length and on normal commercial terms and are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

The Board therefore recommends that the Independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps.

Based on (1) the information and assurances provided by the Manager; (2) the opinion of the Independent Financial Adviser; and (3) the "Letter from the Independent Board Committee in relation to the Modified and Extended Waiver" set out in this circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the Modified and Extended Waiver and the Modified and Extended Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Unitholders who are in any doubt as to the merits or impact of the Modified and Extended Waiver and the Modified and Extended Annual Caps should seek their own financial or other professional advice.

VI. EXTRAORDINARY GENERAL MEETING

The EGM will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong, on 22 May 2012 (Tuesday) at 12:15 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the notice of the EGM, which is set out on pages 32 to 33 of this circular.

For the purpose of determining which Unitholders are entitled to attend and vote at the AGM and the EGM, the register of Unitholders will be closed from 18 May 2012 (Friday) to 22 May 2012 (Tuesday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify to attend and vote at the EGM, all transfers of Units accompanied by the relevant Unit certificates and the duly completed transfer forms must be lodged with the Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 May 2012 (Thursday).

If you are a Unitholder on the register of Unitholders on 22 May 2012 (Tuesday) (being the date fixed for the purposes of determining Unitholders' entitlement to vote at the EGM), you can vote at the EGM. You will find enclosed with this circular the notice of the EGM and a form of proxy for use for the purpose of the EGM.

LETTER FROM THE BOARD

Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Hui Xian REIT, Computershare Hong Kong Investor Services Limited, of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VII. MISCELLANEOUS

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

A copy of the Trust Deed is available for inspection at Unit 303, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, the place of business of the Manager, at all times during 9:00 a.m. to 5:00 p.m. (Hong Kong time) ("**Business Hours**") on any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is in effect in Hong Kong at any time during Business Hours) on which licensed banks are open for general business in Hong Kong.

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular by the Directors have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

By order of the Board of Directors of
Hui Xian Asset Management Limited
as the manager of Hui Xian Real Estate Investment Trust
Kam Hing Lam
Chairman of the Manager

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE MODIFIED AND EXTENDED WAIVER**



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

4 May 2012

To the Independent Unitholders

Dear Sir or Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in respect of the Modified and Extended Waiver and the Modified and Extended Annual Caps, details of which are set out in the “Letter from the Board” in the circular dated 4 May 2012 from the Manager to the Unitholders (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Hercules Capital Limited has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee in connection with the Modified and Extended Waiver and the Modified and Extended Annual Caps, in particular as to whether (i) the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole. Details of their opinion, together with the principal factors and reasons taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser in relation to the Modified and Extended Waiver” the text of which is contained in the Circular.

Having taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser, we consider that (i) the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm’s length and on normal commercial terms; and (ii) the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE
IN RELATION TO THE MODIFIED AND EXTENDED WAIVER**

Accordingly, we recommend that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps.

Yours faithfully,
Independent Board Committee
Hui Xian Asset Management Limited
as the manager of Hui Xian Real Estate Investment Trust

Mr. Cheng Hoi Chuen, Vincent Professor Lee Chack Fan Dr. Choi Koon Shum, Jonathan
Independent non-executive Directors

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
IN RELATION TO THE MODIFIED AND EXTENDED WAIVER**

The following is the text of a letter of advice from the Independent Financial Adviser prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the Modified and Extended Waiver and the Modified and Extended Annual Caps.

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

4 May 2012

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

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee with respect to the Modified and Extended Waiver and the Modified and Extended Annual Caps, details of which are set out in the Letter from the Board contained in the circular dated 4 May 2012 to the Unitholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

At the time of authorization of Hui Xian REIT under section 104 of the SFO in April 2011, a number of waivers were granted by the SFC in relation to certain continuing connected party transactions of Hui Xian REIT, including the Existing CKH/Manager Waiver for a period up to and including 31 December 2013. Given that the Existing CKH/Manager Waiver covers only the transactions and arrangements in respect of Oriental Plaza, being the only landed property in which Hui Xian REIT was interested at the time of the first listing of the Units on the Stock Exchange, and BOP, which holds the land use rights and building ownership rights of Oriental Plaza, the Manager proposes to seek Unitholders’ approval, by way of an Ordinary Resolution at the EGM, for the modification and extension of the Existing CKH/Manager Waiver and the modification and revision of the annual caps to cover the Relevant Connected Party Transactions which may from time to time be entered into between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, in relation to any properties or companies in which Hui Xian REIT may directly or indirectly be interested, for a period of three years up to and including 31 December 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE MODIFIED AND EXTENDED WAIVER

By virtue of the Cheung Kong Connected Persons Group's and the Manager Group's material interests in the Modified and Extended Waiver, the Cheung Kong Connected Persons Group and the Manager Group shall abstain from voting on the Ordinary Resolution to approve the Modified and Extended Waiver and the Modified and Extended Annual Caps in accordance with the REIT Code and the Trust Deed.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders in respect of the fairness and reasonableness of the Modified and Extended Waiver and the Modified and Extended Annual Caps. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee in connection with the Modified and Extended Waiver, in particular as to whether the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business, are at arm's length and on normal commercial terms, and whether the Modified and Extended Waiver and the Modified and Extended Annual Caps are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole.

Hercules Capital Limited is independent of (i) the Hui Xian REIT Group; (ii) the Trustee; (iii) the Manager Group; and (iv) Hui Xian Cayman and Hui Xian Holdings, the significant Unitholders, and their respective associates. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the aforementioned parties.

BASIS OF OUR OPINION

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

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. The documents we have reviewed include, among others, the Offering Circular, the latest interim and annual reports of Hui Xian REIT, agreements entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group and the Manager Group in relation to the Relevant Connected Party Transactions, quotations and price lists provided by, and agreements entered into with, independent third parties in respect of transactions similar to the Relevant Connected Party Transactions, the published documents of other listed real estate investment trusts and other market information such as Asia Pacific Property Digest Fourth Quarter 2011. We have no reasons to suspect that any material information has been withheld by the Manager, or is misleading, untrue or inaccurate, and consider that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE MODIFIED AND EXTENDED WAIVER

they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Hui Xian REIT Group, the Manager and the related subject of and parties to the Relevant Connected Party Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Modified and Extended Waiver and the Modified and Extended Annual Caps, we have considered the following principal factors and reasons:

1. Background of the Relevant Connected Party Transactions

The Relevant Connected Party Transactions include (a) the leasing and licensing transactions in respect of properties of Hui Xian REIT (the “**Properties**”) (the “**Leasing and Licensing Transactions**”); (b) the property management and club facilities transactions in respect of the Properties or companies within the Hui Xian REIT Group (the “**Property Management and Club Facilities Transactions**”); and (c) the usage of internet and telecommunication services (the “**Internet Service Transactions**”) as between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand, details of which are particularly set out in the Offering Circular and the Circular and summarized as follows:

(a) Leasing and Licensing Transactions

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

(b) Property Management and Club Facilities Transactions

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

(c) Internet Service Transactions

Internet Service Transactions include the usage of the internet and telecommunication services provided by the Cheung Kong Connected Persons Group to the Hui Xian REIT Group.

2. Reasons for the Relevant Connected Party Transactions

Hui Xian REIT is a real estate investment trust formed to own and invest in high quality commercial properties in the PRC with the objective of producing stable and sustainable distributions to the Unitholders and to achieve long term growth in its net asset value per unit.

In April 2011, the SFC granted, among others, the Existing CKH/Manager Waiver to Hui Xian REIT, which only covers transactions and arrangements in respect of Oriental Plaza, the only landed property in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE MODIFIED AND EXTENDED WAIVER

which Hui Xian REIT was interested at the time of grant of the waiver, and BOP, which holds the land use rights and building ownership rights of Oriental Plaza. Therefore, the Existing CKH/Manager Waiver does not apply to properties or companies other than Oriental Plaza and BOP.

Given that the businesses of the Cheung Kong Connected Persons Group and the Manager Group are widely involved in different industries, including retail, property management, hotel operation, telecommunications etc. and the business nature of Hui Xian REIT as a real estate investment fund, it is not unusual for Hui Xian REIT to conduct certain connected party transactions with the Cheung Kong Connected Persons Group and the Manager Group in its ordinary and usual course of business such as leasing or licensing of the Properties to the Cheung Kong Connected Persons Group and the Manager Group and using the property management, internet, telecommunication or other services provided by the Cheung Kong Connected Persons Group or the Manager Group (as the case may be).

Having considered that (i) the businesses of the Cheung Kong Connected Persons Group and the Manager Group cover a great variety of industries and the entering into of the Relevant Connected Party Transactions can facilitate the management and operation of the Hui Xian REIT Group; (ii) leasing of properties is one of the core businesses and major source of income of the Hui Xian REIT Group and the Leasing and Licensing Transactions shall contribute a stable and reliable income to the Hui Xian REIT Group; (iii) the Cheung Kong Connected Persons Group and the Manager Group have solid experiences and expertise in providing property management, operation and marketing services and the Property Management and Club Facilities Transactions can facilitate effective management of the Properties; (iv) the rights to use the club and other facilities of Lido Plaza by the tenants of the tower apartments in Oriental Plaza freely shall increase the attractiveness of the tower apartments in Oriental Plaza; and (v) the Hui Xian REIT Group has the practical need to use internet and telecommunication services from time to time in its ordinary and usual course of business and the Internet Service Transactions offer a greater flexibility for the Hui Xian REIT Group in the selection of such services by allowing the Hui Xian REIT Group to use the services of the Cheung Kong Connected Persons Group as and when appropriate, we consider that the Relevant Connected Party Transactions are commercial transactions conducted in the ordinary and usual course of business of the Hui Xian REIT Group and it is reasonable and in the interest of Hui Xian REIT and the Independent Unitholders as a whole to conduct the Relevant Connected Party Transactions.

3. Major terms of the Relevant Connected Party Transactions

(a) Leasing and Licensing Transactions

According to the Modified and Extended Waiver being sought from the SFC, the Leasing and Licensing Transactions should be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions should be on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Hui Xian REIT Group than terms readily available to or from, as appropriate, independent third parties. Moreover, an independent valuation shall be conducted for each of the Leasing and Licensing Transactions first entered into or renewed on or after the date that the Modified and Extended Waiver becomes effective except where they are conducted on standard or published rates.

As at the Latest Practicable Date, certain rentable areas of properties in Oriental Plaza were leased to the Cheung Kong Connected Persons Group and the Manager Group while no connected party transactions in relation to the Leasing and Licensing Transactions have been carried out in respect of the Shenyang Property or Shenyang Lido. The Manager confirmed that the Leasing and Licensing Transactions were and would be conducted in the ordinary and usual course of business

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE MODIFIED AND EXTENDED WAIVER

of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms. We have reviewed selected samples of the tenancy agreements entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) and compared their terms with those of tenancy agreements entered into between the Hui Xian REIT Group and independent third parties in respect of similar Properties and noted that the major terms, such as rentals, building management fees, tenure, rental deposit offered to the Cheung Kong Connected Persons Group and the Manager Group were in general similar and comparable to those for the independent third parties. In view of the above, we consider that the terms of the Leasing and Licensing Transactions carried out in the past were fair and reasonable so far as the Independent Unitholders are concerned. We believe that the terms of the Leasing and Licensing Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

(b) Property Management and Club Facilities Transactions

(i) Transactions with the Cheung Kong Connected Persons Group

As at the Latest Practicable Date, two subsidiaries of Cheung Kong were engaged by BOP to provide certain property management services in respect of Oriental Plaza (other than Grand Hyatt Beijing at Oriental Plaza). Furthermore, tenants of the tower apartments at Oriental Plaza are given the right to use the club facilities of Lido Place in Beijing, which is owned as to 40% by the Cheung Kong Group, free of charge. In connection with such arrangement, BOP has to pay to the owner of Lido Place, a member of the Cheung Kong Connected Persons Group, a fee for the use of the club facilities by the tenants of the tower apartments at Oriental Plaza. Up to the Latest Practicable Date, no connected party transactions in relation to the Property Management and Club Facilities Transactions have been carried out in respect of the Shenyang Property or Shenyang Lido.

The Manager confirmed that the Property Management and Club Facilities Transactions in respect of the services provided by the Cheung Kong Connected Persons Group were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms. We understand from the Manager that no agreements have been entered into by Hui Xian REIT with independent third parties regarding property management services and/or club facilities arrangement up to the Latest Practicable Date. However, a quotation has been obtained from an independent third party in respect of property management services for Oriental Plaza. We have reviewed the property management agreements entered into between Hui Xian REIT and the Cheung Kong Connected Persons Group and compared the manager's fee to that of the quotation obtained from the independent third party. We noted that the contract for property management services was awarded to the lowest bid with similar terms. Furthermore, we have also reviewed the club facilities agreement entered into between Hui Xian REIT and the Cheung Kong Connected Persons Group. We have compared the fees charged by the Cheung Kong Connected Persons Group to Hui Xian REIT and the independent third parties for using the club facilities of Lido Place and noted that the fees offered to Hui Xian REIT were no less favourable than those offered to independent third parties. Therefore, we are of the opinion that the terms of the Property Management and Club Facilities Transactions carried out with the Cheung Kong Connected Persons Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE MODIFIED AND EXTENDED WAIVER

(ii) Transactions with the Manager Group

Pursuant to the Operations Management Agreement, the Property Manager was engaged by BOP to provide certain services relating to the operation, management and marketing of Oriental Plaza (other than Grand Hyatt Beijing in Oriental Plaza). The Property Manager receives a fee of 1% per annum of net property income (before deduction therefrom of the variable fee and the Property Manager's fee) and the Property Manager is reimbursed by BOP for certain expenses incurred in relation to its provision of services to BOP, including certain costs in respect of the employees of the Property Manager engaged solely and exclusively for the provision of its services relating to Oriental Plaza to BOP.

The Manager confirmed that the Property Management and Club Facilities Transactions in respect of property management services provided by the Manager Group were and would be conducted in the ordinary and usual course of business of the Hui Xian REIT Group and the terms of such transactions would be on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favorable to the Hui Xian REIT Group than terms available from/to independent third parties. We have reviewed the terms of similar transactions regarding the property management services of other listed real estate investment trusts and noted that the terms vary among the listed real estate investment trusts with the most commonly adopted rate of 3% per annum of gross property revenue. Given the rate of 1% per annum of net property income charged by the Manager Group is no less favorable than those adopted by other listed real estate investment trusts, we are of the opinion that the terms of Property Management and Club Facilities Transactions carried out with the Manager Group in the past were on normal commercial terms and fair and reasonable so far as the Independent Unitholders are concerned.

Based on the above, we believe that the terms of the Property Management and Club Facilities Transactions to be carried out in the future would also be on normal commercial terms and fair and reasonable to the Independent Unitholders if the same principles are consistently applied by the management of Hui Xian REIT in determination of the terms of such transactions.

(c) Internet Service Transactions

As at the Latest Practicable Date, BOP has used the internet and telecommunication services provided by a member of the Cheung Kong Connected Persons Group in the ordinary and usual course of management and operation of Oriental Plaza while no connected party transactions in relation to the Internet Service Transactions have been carried out in respect of the Shenyang Property or Shenyang Lido.

We understand from the Manager that the Cheung Kong Connected Persons Group has been the internet and telecommunication service provider of Oriental Plaza since the commencement of operations of Oriental Plaza in 2000. Given that the services provided by the Cheung Kong Connected Persons Group are tailor-made to fit the specific needs of Oriental Plaza and the Manager is satisfied with the quality services rendered by the Cheung Kong Connected Persons Group, the Manager considers that it is appropriate to continue to engage the Cheung Kong Connected Persons Group as the internet and telecommunication service provider of Oriental Plaza and thus no transactions have been entered into by Hui Xian REIT with independent third parties regarding the internet and telecommunication services up to the Latest Practicable Date. Due to the uniqueness of the internet services requested by Oriental Plaza and absence of quotations from independent service providers, we were unable to compare the terms of the Internet Service Transactions offered by the Cheung Kong Connected Persons Group with those offered by other independent third parties or other published market information for similar transactions. However, we have reviewed the internet service agreements entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group and no unusual terms were noted in the agreements. Moreover, the Manager confirmed that

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the Internet Service Transactions were and would be conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of such transactions were and would be determined on normal commercial terms or, where there were insufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favorable to the Hui Xian REIT Group than terms available to independent third parties.

Given all the factors mentioned above, we consider that the terms of the Relevant Connected Party Transactions are fair and reasonable and on normal commercial terms so far as the Independent Unitholders are concerned and in the interest of Hui Xian REIT and the Unitholders as a whole.

4. Bases of the Modified and Extended Annual Caps

The historical transaction amounts and the Modified and Extended Annual Caps for each of the Relevant Connected Party Transactions are summarized as follows:

Table 1 — Historical transaction amounts and Modified and Extended Annual Caps for the Relevant Connected Party Transactions

	Historical Transaction Amounts ^(Note)		Modified and Extended Annual Caps		
	For the period from 29 April 2011 (the date of first listing of the Units on the Stock Exchange) to 31 December 2011 RMB'000	For the three months ended 31 March 2012 RMB'000	For the year ending 31 December		
			2012 RMB'000	2013 RMB'000	2014 RMB'000
Leasing and Licensing Transactions					
— the Cheung Kong Connected Persons Group	27,328	9,244	111,400	125,400	139,300
— the Manager Group	186	70	350	350	400
Property Management and Club Facilities Transactions					
— the Cheung Kong Connected Persons Group	9,546	3,097	47,500	54,200	63,700
— the Manager Group	11,948	7,434	49,000	55,000	60,000
Internet Service Transactions					
— the Cheung Kong Connected Persons Group	3,568	1,169	6,500	7,000	7,500

Note: Being the historical transaction amounts of the Relevant Connected Party Transactions in relation to Oriental Plaza and BOP between the Hui Xian REIT Group on the one hand and the Cheung Kong Connected Persons Group or the Manager Group (as the case may be) on the other hand. In respect of the period from 1 January 2012 (the date on which the acquisition of Shenyang Investment BVI was completed) to 31 March 2012, there had been no Relevant Connected Party Transactions in relation to the Shenyang Property or Shenyang Lido.

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(a) Leasing and Licensing Transactions

(i) Transactions with the Cheung Kong Connected Persons Group

The Modified and Extended Annual Caps for the Leasing and Licensing Transactions mainly comprise the rental and building management fee receivable from the Cheung Kong Connected Persons Group. According to the Manager, the Modified and Extended Annual Caps for the Leasing and Licensing Transactions were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, taking into account the possible growth in rentals, possible new leasing and licensing of the Properties which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group during the relevant financial periods and a buffer of approximately 20% for contingencies such as unforeseeable market fluctuations.

We noted that the Modified and Extended Annual Cap of the Leasing and Licensing Transactions in respect of the Cheung Kong Connected Persons Group for the year ending 31 December 2012 is approximately 175.9% higher than that of the annualized figure of the actual transaction amount for the year ended 31 December 2011. We were advised by the Manager that a higher cap was needed for the year ending 31 December 2012 as certain lease or license of premises in Oriental Plaza with independent third parties would expire in 2012 and there was a possibility that the Cheung Kong Connected Persons Group would lease or license such premises upon the expiry of the tenancy agreements with independent third parties. In light of the above, the Manager considers that a cap of approximately RMB85 million, which represents the original annual cap for Leasing and Licensing Transactions in respect of premises in Oriental Plaza and BOP for the year ending 31 December 2012 under the Existing CKH/Manager Waiver, should be maintained for the Leasing and Licensing Transactions in respect of premises in Oriental Plaza and BOP for the year ending 31 December 2012 despite a lower actual transaction amount in 2011.

In addition, the Manager anticipated that premises in the Shenyang Property and Shenyang Lido might be leased or licensed to the Cheung Kong Connected Persons Group and the aggregate transaction amount for such leases for the year ending 31 December 2012 would be amounted to approximately RMB8 million. A buffer of approximately 20% for contingencies such as unforeseeable market fluctuations is also budgeted for the Modified and Extended Annual Cap for the year ending 31 December 2012. We have reviewed the range of buffer of other listed real estate investment trusts and noted that a buffer in range of 15% to 20% is normally adopted by other listed real estate investment trusts. Given that the buffer rate of 20% proposed by the Manager falls within the range of other listed real estate investment trusts, we are of the opinion that the buffer rate of 20% proposed by Hui Xian REIT is reasonable.

In determination of the Modified and Extended Annual Caps for the year ending 31 December 2013 and 31 December 2014, the Manager has taken into account the possible increase in rental in the two years ending 31 December 2014 and anticipated that the transaction amount in respect of the Leasing and Licensing Transactions with the Cheung Kong Connected Persons Group for the three years ending 31 December 2014 shall increase at a compound annual growth rate of approximately 11.8%.

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We have reviewed the Asia Pacific Property Digest Fourth Quarter 2011 (the “**Report**”) issued by Jones Lang LaSalle on 20 February 2012 and noted that the overall net effective office rents, based on gross floor area, in Beijing for the fourth quarter of 2011 was RMB293 per square meter per month, represented a quarter-on-quarter (“**q-o-q**”) increase of 9.1%. The rental increase was mainly attributable to the continued imbalance of demand and supply of office space in Beijing. Despite reduced economic growth forecasts and record-high rents, Jones Lang LaSalle expected that the overall demand in the Beijing office market would experience stable growth with rents projected to rise by 18% year-on-year (“**y-o-y**”) in the next twelve months. The Report also revealed that resulted from the aggressive expansion by retailers and rise of retail rents by well performed mature projects, the effective retail rents, based on net leasable area, in the Beijing retail market reached RMB701 per square meter per month, represented a y-o-y increase of 12.3%. Jones Lang LaSalle is optimistic about the future of Beijing’s retail market given that a number of luxury brands and brands new to Beijing are signing leasing contracts in several retail projects around the city. It is predicted that the retail demand will continue to be strong in 2012, while the growth of net effective rents will slow down due to discounts offered in newly launched projects. Jones Lang LaSalle also stated in the Report that the q-o-q growth rate for serviced apartment rental was 1.0% in the fourth quarter of 2011 while the net rents of luxury apartments increased by 2.8% q-o-q to RMB106 per square meter per month in the fourth quarter of 2011. As a result of the reduced economic growth forecasts for 2012, it is expected that some multinational corporations may revise their expansion plans and limit the number of expatriate employees to reduce costs. Therefore, the average rent for serviced apartment in Beijing is forecasted to increase by around 10% only in 2012.

Based on the above, we consider that the compound annual growth rate of the Modified and Extended Annual Caps in respect of the Leasing and Licensing Transactions with the Cheung Kong Connected Persons Group for the three years ending 31 December 2014 of approximately 11.8% is justifiable and the Modified and Extended Annual Caps for the Leasing and Licensing Transactions with the Cheung Kong Connected Persons Group are fair and reasonable so far as the Independent Unitholders are concerned.

(ii) Transactions with the Manager Group

The Modified and Extended Annual Caps for the Leasing and Licensing Transactions mainly comprise the rental and building management fee receivable from the Manager Group. Such Modified and Extended Annual Caps for the Leasing and Licensing Transactions were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, taking into account the possible growth in rentals and possible new leasing and licensing transactions which the Hui Xian REIT Group may enter into with the Manager Group during the relevant financial periods.

The Manager estimated that the transaction amount for Leasing and Licensing Transactions in respect of Oriental Plaza and BOP for the year ending 31 December 2012 would be maintained at approximately RMB0.3 million, which is the same as the annual cap originally granted under the Existing CKH/Manager Waiver, while the transaction amount for Leasing and Licensing Transactions attributable to the Shenyang Property and Shenyang Lido would be amounted to approximately RMB0.05 million.

Having taken into account the anticipated growth in rental as set out in the above section and the possible Leasing and Licensing Transactions which may from time to time be entered

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into between the Hui Xian REIT Group and the Manager Group, the Modified and Extended Annual Caps of the Leasing and Licensing Transactions in respect of the Manager Group for the three years ending 31 December 2014 are proposed to increase at a compound annual growth rate of approximately 6.9%.

Based on the aforementioned market analysis and reasons explained by the Manager for the increases in the proposed annual caps, we consider that the compound annual growth rate of the Modified and Extended Annual Caps in respect of the Leasing and Licensing Transactions with the Manager Group for the three years ending 31 December 2014 of approximately 6.9% is justifiable and the Modified and Extended Annual Caps for the Leasing and Licensing Transactions with the Manager Group are fair and reasonable so far as the Independent Unitholders are concerned.

(b) *Property Management and Club Facilities Transactions*

(i) *Transactions with the Cheung Kong Connected Persons Group*

The Modified and Extended Annual Caps for the Property Management and Club Facilities Transactions with the Cheung Kong Connected Persons Group were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, taking into account the possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group during the relevant financial periods and a buffer of approximately 20% for contingencies such as unforeseeable market fluctuations.

According to the Manager, the Modified and Extended Annual Cap of the Property Management and Club Facilities Transactions in respect of the Cheung Kong Connected Persons Group for the year ending 31 December 2012 is mainly attributable to Oriental Plaza and BOP, which is estimated to be approximately RMB36 million, which is the same as the annual cap originally granted under the Existing CKH/Manager Waiver. In addition to the transactions in respect of Oriental Plaza and BOP, the Manager expected that the transaction amount for the Property Management and Club Facilities Transactions in respect of Shenyang Property and Shenyang Lido would be approximately RMB4 million for the year ending 31 December 2012. Furthermore, a buffer of 20% for contingencies such as unforeseeable market fluctuations is budgeted in the Modified and Extended Annual Cap of the Property Management and Club Facilities Transactions for the year ending 31 December 2012.

Having taken into account the effect of general inflation in the PRC and the possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group may enter into with the Cheung Kong Connected Persons Group in 2013 and 2014, the Manager is of the view, and we concur with its opinion, that it is reasonable to budget a compound annual growth rate of approximately 15.8% for the Modified and Extended Annual Caps for the three years ending 31 December 2014 in relation to the Property Management and Club Facilities Transactions with the Cheung Kong Connected Persons Group.

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

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(ii) Transactions with the Manager Group

The Modified and Extended Annual Caps for the Property Management and Club Facilities Transactions with the Manager Group were determined with general reference to the historical transaction amounts and based on the anticipated aggregate value of such transactions during the relevant financial years, taking into account the possible occasional increase in expenses and possible new Property Management and Club Facilities Transactions which the Hui Xian REIT Group may enter into with the Manager Group during the relevant financial periods.

The Modified and Extended Annual Cap of the Property Management and Club Facilities Transactions in respect of the Manager Group for the year ending 31 December 2012 is solely budgeted for the transactions in respect of Oriental Plaza and BOP and such amount is the same as the original annual cap granted under the Existing CKH/Manager Waiver. We noted that the actual transaction amount in respect of the Property Management and Club Facilities Transactions with the Manager Group only included transaction amounts in respect of property management service and the annualized figure of the actual transaction amount in respect of the Property Management and Club Facilities Transactions with the Manager Group for the year ending 31 December 2012 is higher than that of the annualized figure of the actual transaction amount for the year ended 31 December 2011 by approximately 68.4%. We understand from the Manager that such increase was mainly attributable to the increase in reimbursement to the Manager Group of certain expenses incurred in relation to the provision of property management services to BOP during 2012. We were also advised by the Manager that in addition to the anticipated increase in the net property income of the Properties and general inflation, the Manager has considered the possibility that new Property Management and Club Facilities Transactions may be entered into between the Hui Xian REIT Group and the Manager Group when determining the Modified and Extended Annual Caps of the Property Management and Club Facilities Transactions with the Manager Group for the three years ending 31 December 2014. In light of the above, the Manager is of the view, and we concur with its opinion, that a compound annual growth rate of approximately 10.7% for the three years ending 31 December 2014 in relation to the Property Management and Club Facilities Transactions with the Manager Group is reasonable.

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

(c) Internet Service Transactions

According to the Manager, the Modified and Extended Annual Caps for the Internet Service Transactions were determined with general reference to the historical transaction amounts and taking into account the possible growth in costs and expenses and possible new internet and telecommunication services which may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group during the relevant financial periods. The amounts of Modified and Extended Annual Caps for the Internet Service Transactions for the two years ending 31 December 2013 are the same as the original annual caps granted under the Existing CKH/Manager Waiver.

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We noted that there would be a compound annual growth rate of approximately 7.4% for the Modified and Extended Annual Caps of the Internet Service Transactions for the three years ending 31 December 2014. In view of the possibility that new Internet Service Transactions may be entered into between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group and the effect of general inflation in the PRC, we consider the Modified and Extended Annual Caps for Internet Service Transactions fair and reasonable so far as the Independent Unitholders are concerned.

Having taken into account the above analysis, we are of the view that the Modified and Extended Annual Caps of each of the Relevant Connected Party Transactions proposed by the Board are fair and reasonable so far as the Independent Unitholders are concerned.

5. Waiver conditions

According to the Modified and Extended Waiver being sought from the SFC, the Relevant Connected Party Transactions are subject to the following review requirements:

(i) Disclosure in semi-annual and annual reports

Details of the Relevant Connected Party Transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under paragraph 8.14 of the REIT Code.

(ii) Auditors' review procedures

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

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

(iii) Review by the independent non-executive Directors

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

- (a) in the ordinary and usual course of business of Hui Xian REIT;

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

(iv) Auditors' access to books and records

The Manager shall allow, and procure the counterparty to the Relevant Connected Party Transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purposes of reporting on the transactions.

(v) Notification to the SFC

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

(vi) Subsequent increase in annual caps with independent Unitholders' approval

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

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

(vii) Paragraph 8.14 of the REIT Code

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

We are of the view that the aforesaid review requirements can provide appropriate measures to govern the Manager in carrying out the Relevant Connected Party Transactions and safeguard the interest of the Independent Unitholders.

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RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Relevant Connected Party Transactions are conducted in the ordinary and usual course of business of Hui Xian REIT and the terms of which are at arm's length and on normal commercial terms; and (ii) the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) are fair and reasonable so far as the Independent Unitholders are concerned and in the interests of Hui Xian REIT and the Independent Unitholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Unitholders, and we ourselves also recommend the Independent Unitholders, to vote in favour of the Ordinary Resolution to approve the Modified and Extended Waiver (and the Modified and Extended Annual Caps thereunder) at the upcoming EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “**Unitholders**”) of Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) will be held at the Ballroom, 1st Floor, Harbour Grand Kowloon, 20 Tak Fung Street, Whampoa Garden, Hung Hom, Kowloon, Hong Kong on Tuesday, 22 May 2012 at 12:15 p.m. (or so soon thereafter as the annual general meeting of the Unitholders convened to be held at 12:00 noon on the same date and at the same place shall have been concluded or adjourned) for considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Modified and Extended Waiver and the Modified and Extended Annual Caps (each as defined and described in the circular dated 4 May 2012 despatched to the Unitholders of which the notice convening this meeting forms a part, a copy of such circular has been produced to this meeting and marked “*” and signed by the Chairman for the purpose of identification) be and are hereby approved; and
- (b) Hui Xian Asset Management Limited as the manager of Hui Xian REIT (the “**Manager**”), any director of the Manager and DB Trustees (Hong Kong) Limited, as the trustee of Hui Xian REIT (the “**Trustee**”) each be and is hereby authorised to do or procure to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee (as the case may be) may consider desirable, expedient, necessary or in the interest of Hui Xian REIT to implement or give effect to the matters resolved upon in paragraph (a) above.”

By order of the Board of Directors of

Hui Xian Asset Management Limited

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

Kam Hing Lam

Chairman of the Manager

Hong Kong, 4 May 2012

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A Unitholder entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint a proxy to attend in its/his/her stead. Any Unitholder being a corporation may by resolution of its directors (or other governing body) authorise any person to act as its representative at any meeting of Unitholders and a person so authorised shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. The person appointed to act as proxy or corporate representative need not be a Unitholder.
2. In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) and, in such event, the instrument appointing the proxy shall be deemed to be revoked.
3. Where there are joint registered Unitholders of a Unit, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint registered Unitholders and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Unitholders in respect of such Unit.
4. For the purpose of determining which Unitholders are entitled to attend and vote at the EGM and the annual general meeting of Hui Xian REIT to be held on 22 May 2012, the Register of Unitholders of Hui Xian REIT will be closed from 18 May 2012 (Friday) to 22 May 2012 (Tuesday), both days inclusive, during which period no transfer of Units will be effected. In order to qualify for attending and voting at the EGM, all unit certificates with completed transfer forms must be lodged with Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 17 May 2012 (Thursday).
5. The voting of the above ordinary resolution at the EGM will be taken by way of poll. On a poll votes may be given either personally or by proxy and every Unitholder who is present in person, by corporate representative or by proxy shall have one vote for every Unit of which he is the Unitholder.

As at the date of this notice, the board of directors of the Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Chu Stephen Henry and Mr. Pang Shuen Wai, Nichols (executive Directors); Mr. Ip Tak Chuen, Edmond, Mr. Lim Hwee Chiang and Mr. Yin Ke (non-executive Directors); and Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan (independent non-executive Directors).