

**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



*Sole Financial Adviser*



*Joint Bookrunners, Joint Lead Underwriters and Joint Listing Agents*



**IMPORTANT**

**Hui Xian Real Estate Investment Trust's interest in Oriental Plaza in Beijing will expire in January 2049.**



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

**Managed by Hui Xian Asset Management Limited**

**INITIAL OFFERING**

Number of Units under the Offering	: 2,000,000,000 (subject to the Over-allotment Option)
Number of Units under the Hong Kong Public Offering	: 400,000,000 (subject to adjustment)
Number of Units under the International Offering	: 1,600,000,000 (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: RMB5.58 per Unit, plus brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, payable in full on application in RMB and subject to refund
Stock Code	: 87001

**Sole Financial Adviser**



**Joint Bookrunners, Joint Lead Underwriters and Joint Listing Agents**



The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (on behalf of the Underwriters), Hui Xian Cayman and the Manager on the Price Determination Date. The Price Determination Date is expected to be on or about 19 April 2011. The Offer Price will not be more than RMB5.58 and is currently expected to be not less than RMB5.24. Applicants for Hong Kong Public Offering Units are required to pay, on application, the Maximum Offer Price of RMB5.58 for each Hong Kong Public Offering Unit together with brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, subject to refund if the Offer Price should be lower than the Maximum Offer Price.

The Joint Bookrunners (on behalf of the Underwriters) (with the consent of Hui Xian Cayman and the Manager) may reduce the number of Units being offered under the Offering and/or the indicative Offer Price range below that stated in this Offering Circular (which is RMB5.24 to RMB5.58 per Unit) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in The Standard (in English) and the Sing Tao Daily (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Before submitting applications for the Hong Kong Public Offering Units, applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once submitted. However, if the number of Units being offered under the Offering and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed with their applications are received. Further details are set forth in the sections headed "Structure of the Offering" and "How to apply for Hong Kong Public Offering Units" in this Offering Circular.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription of, the Hong Kong Public Offering Units, are subject to termination by the Joint Lead Underwriters (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Units commences on the Hong Kong Stock Exchange. Such grounds are set forth in the section headed "Underwriting" in this Offering Circular. It is important that you refer to that section for further details.

If you are in any doubt about the contents of this Offering Circular, you shall seek independent professional financial advice.

## KEY RISKS OF INVESTMENT IN HUI XIAN REIT

This section, which should be read in conjunction with the full text of this Offering Circular, is only a general summary of some of the risks relating to investment in Hui Xian REIT. Please refer to the more detailed information about these and other relevant risks contained in the section headed “Risk Factors” in this Offering Circular.

**The sole real estate investment interest of Hui Xian REIT at the time of its listing is its investment interest in Oriental Plaza in Beijing. Hui Xian REIT’s investment in Oriental Plaza is held via its interest in a Sino-foreign cooperative joint venture company established in the PRC pursuant to the relevant joint venture documents and the relevant PRC laws<sup>1</sup>.**

Investors should note, among others, the following key risks relating to investment in Hui Xian REIT:

- (1) Hui Xian REIT’s interest in Oriental Plaza has a finite term of approximately 38 years remaining**
  - Upon listing, the sole real estate investment of Hui Xian REIT is its investment in Oriental Plaza.
  - Unless terminated earlier, Hui Xian REIT’s investment interest in Oriental Plaza will terminate on 24 January 2049, when the joint venture period of BOP, through which such investment interest is held, ends.
- (2) Upon the end of the joint venture period of BOP, the value of Hui Xian REIT’s investment interest in Oriental Plaza will become zero, and Hui Xian REIT may terminate**
  - Hui Xian REIT may or may not make real estate investments other than that in Oriental Plaza.
  - The value of Hui Xian REIT’s investment in Oriental Plaza will become zero upon termination of the joint venture period.
  - If Oriental Plaza remains its only real estate investment interest, Hui Xian REIT will, upon the expiry or termination of the joint venture of BOP, be de-authorised and delisted as it will not be able to meet the requirement under the REIT Code to remain to be authorized.
- (3) The value of Hui Xian REIT’s investment interest in Oriental Plaza will ultimately diminish over time and will become zero at the end of the joint venture period**
  - The value of Hui Xian REIT’s investment interest in Oriental Plaza will ultimately diminish over time and may decrease exponentially as it gets closer to the end of the joint venture period. Such value will become zero at the end of the joint venture period.
  - Decline in the value of Hui Xian REIT’s investment interest in Oriental Plaza will diminish the NAV per Unit.
  - Any sudden and abrupt change in the NAV per Unit, if and when it happens, may result in significant fluctuations in the market price of the Units.
- (4) Certain actions of the Domestic JV Partner may have material adverse impact on Hui Xian REIT**
  - Hui Xian REIT’s interest in Oriental Plaza is held through BOP, a Sino-foreign cooperative joint venture company established pursuant to the JV Documents and the

<sup>1</sup> Please see Appendix IX to this Offering Circular and the section headed “Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents” for further information.

## KEY RISKS OF INVESTMENT IN HUI XIAN REIT

relevant PRC laws. Hui Xian Investment (wholly-owned by Hui Xian REIT) is the foreign partner of BOP, while the Domestic JV Partner is not held under Hui Xian REIT.

- Certain important matters<sup>2</sup> require the approval or consent of the Domestic JV Partner (or directors of BOP appointed by it). If such approval or consent of the Domestic JV Partner is not obtained, there may be material and adverse effect on BOP, and material impact on Hui Xian REIT.
- If the Domestic JV Partner breaches the JV Documents, there may be material adverse impact on Hui Xian REIT.

### (5) RMB Currency Risk

- Currently, RMB is not freely convertible and is subject to exchange control and other restrictions.
- There is no guarantee that RMB will not depreciate.
- The base currency of Hui Xian REIT is RMB. Non-RMB based investors are therefore exposed to foreign exchange risk as a result of fluctuations in the exchange rate of RMB against their base currency.

### (6) Distributions of Hui Xian REIT may be made in a currency other than RMB due to legal restrictions or other reasons

- Cross border remittance of RMB is subject to significant restrictions and may be subject to further limitations imposed by the PRC government or other authorities. If Hui Xian Investment is unable to receive RMB from BOP, or otherwise unable to source sufficient RMB on satisfactory terms, distributions of Hui Xian REIT may be made in a currency other than RMB.

### (7) Liquidity Risk

- The liquidity and trading price of the Units may be adversely affected by the limited availability of RMB outside the PRC and the restrictions on the conversion of foreign currency into RMB.
- As such, there can be no assurance that Unitholders will be able to dispose of their Units at prices, in the amounts and at the times at which they would wish to or which they may otherwise be able to do in respect of Hong Kong dollar denominated securities listed on the Hong Kong Stock Exchange.

### (8) No Guaranteed Return of Investments

- There is no guarantee provided to investors. Investors may not get back their full investment amount.

<sup>2</sup> For further details relating to those important matters, please refer to the section headed "Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents" of this Offering Circular.

## IMPORTANT INFORMATION RELATING TO APPLICATION FOR UNITS

### Sufficient RMB

You may apply for the Hong Kong Public Offering Units only if you have **sufficient RMB** to pay the application monies and the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee.

### Payment of application monies and related charges and fees

If you use a **WHITE** or **YELLOW** Application Form and pay your application monies and related charges and fees:

- **By cheque:** you need to have an RMB bank account. You are advised to consult the bank at which your RMB bank account is opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. In particular, you should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of the RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect your arrangement of funding for subscribing the Units.
- **By cashier's order:** you may or may not need to open an RMB bank account depending on whether the bank from which you purchase the cashier's order has such a requirement, which is a matter of internal policy of the bank and may vary between banks. The Manager is aware that, as at the Latest Practicable Date, at least CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Bank of Communications Co., Ltd., The Bank of East Asia, Limited, Wing Hang Bank, Limited, Chiyu Banking Corporation Limited and Nanyang Commercial Bank, Ltd., provided RMB cashier's order services.

If you apply online through the designated website of the **White Form eIPO Service Provider**:

- **Using internet banking service:** Payment is required to be made from an RMB bank account maintained at any one of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited or Hang Seng Bank Limited. Payment amounts and payment instructions are more particularly detailed in [www.eipo.com.hk](http://www.eipo.com.hk).

If you are a **CCASS Investor Participant** and you intend to apply for the Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS, you should make sure you have set up an RMB designated bank account with CCASS.

If you are not allotted any Units or your application is successful only in part, or if your application is successful and the Offer Price as finally determined is less than the Maximum Offer Price, the whole or an appropriate portion of the application monies, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be returned to you in RMB in the form of a refund cheque or e-Refund payment. An RMB bank account needs to be maintained to deposit the refund cheque or receive the e-Refund payment.

If your application is successful in whole or in part, you will need to maintain an RMB bank account to deposit or receive the distributions made by Hui Xian REIT in RMB.

### Eligible Participants List

HKEx published on its website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/preparermb.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm)) the Eligible Participants List, which sets out a list of the HKEx's participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities. You may access the

## IMPORTANT INFORMATION RELATING TO APPLICATION FOR UNITS

Eligible Participants List by clicking the weblink [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/PrepareRMB/Documents/RMB\\_Part\\_Mar\\_2011.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/PrepareRMB/Documents/RMB_Part_Mar_2011.pdf). Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection although investors are strongly advised to refer to the Eligible Participants List published on the HKEx's website. For details of these branches, see the section headed "How to Apply for Hong Kong Public Offering Units — 3 Applying by using an Application Form — Where to Collect the Application Form" in this Offering Circular.

- **Application on YELLOW Application Form:** Any application using a **YELLOW** Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close.
- **Applying by giving electronic application instructions:** If you intend to instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, you should note that any application made through a broker or a custodian who is not a CCASS Clearing Participant or a CCASS Custodian Participant named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close will be rejected.

In choosing a stockbroker or a custodian for trading of the Units on the Hong Kong Stock Exchange following the listing of the Units, investors are reminded to refer to the Eligible Participants List as well as other relevant information published by HKEx regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

For further information, see the sections headed "How to apply for Hong Kong Public Offering Units" and "Secondary trading and Settlement".

### Hotline

Information on the Hong Kong Public Offering can also be obtained by calling Hui Xian REIT's Hong Kong Public Offering hotline at +852 2862 8666 from 9:00 a.m. to 9:00 p.m. daily from Monday, 11 April 2011 to Tuesday, 19 April 2011. Operators will be able to answer questions about the Hong Kong Public Offering timetable, the locations where this Offering Circular and Application Forms can be obtained, how to apply for Hong Kong Public Offering Units, and how to obtain allocation results. However, nothing the operators say or do should be construed as investment advice to anybody on the investment merits of acquiring investments in Hui Xian REIT or as an invitation or inducement to anybody to engage in investment activities. If you are in any doubt about the investment in Hui Xian REIT, you shall consult your stockbroker, bank manager, solicitor, professional accountant or other independent professional financial adviser.

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## KEY INVESTMENT INFORMATION AND HIGHLIGHTS

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## EXPECTED TIMETABLE<sup>(1)</sup>

### Hong Kong Public Offering commences<sup>(2)</sup> and **WHITE** and **YELLOW**

<b>Application Forms available from</b> .....	9:00 a.m. on Monday, 11 April 2011
Latest time to complete electronic application under <b>White Form eIPO</b> service through the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(3)</sup> .....	11:30 am on Tuesday, 19 April 2011
Application lists open <sup>(4)</sup> .....	11:45 a.m. on Tuesday, 19 April 2011
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Tuesday, 19 April 2011
Latest time to complete payment of <b>White Form eIPO</b> application by effecting internet banking transfer(s) .....	12:00 noon on Tuesday, 19 April 2011
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(5)</sup> .....	12:00 noon on Tuesday, 19 April 2011
Application lists close .....	12:00 noon on Tuesday, 19 April 2011
Expected Price Determination Date <sup>(6)</sup> .....	Tuesday, 19 April 2011
Announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offering Units and the final number of Hong Kong Public Offering Units comprised in the Hong Kong Public Offering Pool A and Pool B, respectively, to be published in The Standard (in English) and the Sing Tao Daily (in Chinese) on or before .....	Thursday, 28 April 2011
Despatch of Unit certificates in respect of wholly or partially successful applications on <sup>(7)</sup> .....	Thursday, 28 April 2011
Despatch of e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the Maximum Offer Price on or before <sup>(7)(8)</sup> .....	Thursday, 28 April 2011
Dealings in Units on the Hong Kong Stock Exchange to commence on .....	Friday, 29 April 2011

#### Notes:

- (1) All times refer to Hong Kong local time, except where otherwise stated. Details of the structure of the Offering, including the conditions of the Hong Kong Public Offering, are set out in the sections headed "Structure of the Offering" and "How to Apply for Hong Kong Public Offering Units" in this Offering Circular.
- (2) **Important information relating to application for Units: The Eligible Participants List sets out a list of the HKEx's participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities. Investors who intend to make the application using a YELLOW Application Form through designated CCASS Participants or instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic applications instructions via CCASS terminals to apply for the Hong Kong Public Offering Units on their behalf, are strongly advised to refer to the Eligible Participants List before submitting their application. Investors may access the Eligible Participants List by clicking the weblink [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/PrepareRMB/Documents/RMB\\_Part\\_Mar\\_2011.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/PrepareRMB/Documents/RMB_Part_Mar_2011.pdf). Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection although investors are strongly advised to refer to the Eligible Participants List published on the HKEx's website. For details of these branches, see the section headed "How to Apply for Hong Kong Public Offering Units — 3 Applying by using an Application Form — Where to Collect the Application Form" in this Offering Circular. Any application using a YELLOW Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS**

## EXPECTED TIMETABLE<sup>(1)</sup>

**Investor Participant) named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close. If investors intend to instruct a broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals, they should note that any application made through a broker or a custodian who is not a CCASS Clearing Participant or a CCASS Custodian Participant named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close will be rejected.**

- (3) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 19 April 2011, the application lists will not open on that day. See the section headed "How to apply for Hong Kong Public Offering Units — 10. Effect of bad weather on the opening of the application lists" in this Offering Circular for further information.
- (5) Applicants who apply for Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for Hong Kong Public Offering Units — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this Offering Circular.
- (6) The Price Determination Date for the purposes of the Offering is expected to be on or about Tuesday, 19 April 2011. Notwithstanding that the Offer Price may be fixed at below the Maximum Offer Price, applicants who apply for Hong Kong Public Offering Units must pay on application the Maximum Offer Price of RMB5.58 per Unit together with brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. Such applicants will be refunded the surplus application monies, if any, in accordance with the section headed "How to apply for Hong Kong Public Offering Units — 13. Refund of application monies" in this Offering Circular.
- (7) Applicants who apply for 1,000,000 or more Hong Kong Public Offering Units by using Application Forms and who have indicated in their Application Forms their wish to collect refund cheques or, in the case of applicants using **WHITE** Application Forms only, to collect Unit certificates in person may do so from the Hong Kong Unit Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 28 April 2011 (or any other dates notified by the Manager in The Standard (in English) and the Sing Tao Daily (in Chinese) as the date of despatch and availability of Unit certificates, e-Refund payment instructions and refund cheques). Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by personal authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Unit Registrar. Uncollected Unit certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant Application Forms at the applicants' own risk. Details of the arrangements are set out in the sections headed "How to apply for Hong Kong Public Offering Units" in this Offering Circular.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the Maximum Offer Price.

**Unit certificates are expected to be issued by Thursday, 28 April 2011, but will only become valid at 8:00 a.m. on Friday, 29 April 2011, provided that (i) the Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination by the Hong Kong Underwriters" in this Offering Circular has not been exercised.**

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## OFFERING CIRCULAR SUMMARY

*The following summary aims to provide you with an overview of the information contained in this Offering Circular and should be read in conjunction with the full text of this Offering Circular. As it is a summary only, it does not contain all the information that may be important to you and you should read the whole Offering Circular carefully before deciding to invest in the Units. There are risks involved in any investments and some of the risks involved in investment in the Units are set out in the section headed "Risk Factors" in this Offering Circular. You should read that section carefully before deciding to invest in the Units.*

*In making your investment decision, you should rely only on the information contained in this Offering Circular. Hui Xian REIT has not authorised anyone to provide you with information that is different from that contained in this Offering Circular.*

*Statements in this summary that are not historical facts may be forward-looking statements based on certain assumptions, expectations and belief. You are cautioned that there are certain risks and uncertainties associated with Hui Xian REIT and the actual results may differ materially from those projected by such forward-looking statements.*

### A REIT as an Investment Vehicle

A REIT is a collective investment scheme constituted as a unit trust that invests primarily in income-producing real estate assets and uses the income to provide stable returns to its unitholders. Holding units in a REIT allows investors to share the benefits and risks of owning the real estate assets held by the REIT. An investment in the units of a REIT in Hong Kong is governed primarily by the REIT Code, and offers the following benefits:

- (a) certainty as to the business focus of the REIT, as a REIT does not have the discretion to diversify outside of the real estate sector or to own significant non-real estate assets;
- (b) a distribution which is required by the REIT Code to be at least 90.0% of the REIT's audited net income after tax for each financial year, subject to certain adjustments;
- (c) significantly enhanced liquidity in comparison to direct investments in real estate;
- (d) a manager licensed and regulated on an ongoing basis by the SFC; and
- (e) a corporate governance framework, the compliance of which is overseen by an independent trustee.

### Overview

Hui Xian REIT will be the first RMB-denominated REIT in Hong Kong. The Manager's key objective is to provide stable distributions, which will, subject to compliance with legal and regulatory restrictions, be paid to Unitholders in RMB. Furthermore, Units will also be traded on the Hong Kong Stock Exchange and settled through CCASS in RMB, providing an opportunity for investors to invest in an RMB-denominated security product in Hong Kong.

Hui Xian REIT's asset is its investment in Hui Xian BVI, which in turn holds Hui Xian Investment, the foreign joint venture partner of BOP. BOP holds the land use rights and building ownership rights of Oriental Plaza (東方廣場), which is one of the largest and most iconic commercial complexes in Beijing, PRC. Oriental Plaza is a self-contained composite property complex comprising the following components:-

- The Malls (東方新天地), a world-class shopping centre;
- The Tower Offices (東方經貿城), which feature eight Grade A office buildings;
- The Tower Apartments (東方豪庭公寓), which consist of two serviced apartment towers;

## OFFERING CIRCULAR SUMMARY

- Grand Hyatt Beijing (北京東方君悅大酒店), a five-star hotel with 825 guest rooms; and
- approximately 1,900 car parking spaces (including loading/unloading spaces) as ancillary facilities to complement other components of Oriental Plaza.

### **Growing China Economics with RMB Internationalisation**

#### ***Development of PRC Economy and RMB***

In the last 25 years, the PRC government has introduced a series of market reforms aimed at liberalising China's economy. China's evolution from a centrally planned economy into a more liberalised market economy was further accelerated when China became a member of the World Trade Organisation in 2001. From 2000 to 2010, China's nominal GDP experienced a CAGR of approximately 14.9%.

With its rapid growing economic development, China aims to establish the RMB as a global reserve currency in the long term. With the aim of internationalising the RMB, China has been implementing a series of supportive measures ranging from expanding RMB trade settlement to all countries/districts to allowing offshore RMB financial products. The recent PRC supportive measures support growth of RMB trade settlement and also attract more RMB deposits into Hong Kong. According to the Hong Kong Monetary Authority, RMB deposits in Hong Kong increased from approximately RMB64 billion at the end of January 2010 to approximately RMB408 billion at the end of February 2011.

In promoting the internationalisation of the RMB, China plans to further boost the flexibility of the RMB exchange rate and improve the RMB exchange rate mechanism. In January 2010, the exchange rate of RMB to US dollars was approximately RMB1 to US\$0.1467. The exchange rate of RMB to US dollars subsequently appreciated to approximately RMB1 to US\$0.1527 by the end of March 2011.

#### ***Beijing Economy and Property Market***

A metropolis in northern China, Beijing is a time-honoured, cultural city, as well as the political capital and one of the economic centres of China. With a population of approximately 20 million residents as at the end of 2009, Beijing is governed as a municipality under the direct administration of the central government. Beijing has a co-leadership role in the Bohai Rim Economic Circle, one of the most economically prosperous zones in China. In addition, Beijing is a key beneficiary of population inflows from the Bohai Rim Economic Circle.

Beijing's economy has grown rapidly from 2000 to 2010, with its nominal GDP experiencing a CAGR of approximately 15.9% during that period, and is one of the fastest growing economies in China. In 2010, Beijing's GDP was approximately RMB1,378 billion, second in China only to Shanghai. As the effects of the global financial crisis continue to fade away, Beijing's economy is anticipated to continue to enjoy rapid economic development, maintaining strong fundamentals for Beijing's real estate market over the long term.

High economic growth has resulted in an increase in disposable income per capita, high growth in urbanisation rates and rapid infrastructure development. These factors have facilitated the growth of Beijing's real estate market. From 2000 to 2010, real estate development investment in Beijing increased from approximately RMB52 billion in 2000 to approximately RMB290 billion in 2010, representing a CAGR of approximately 18.7%.

From 2000 to 2010, China has witnessed phenomenal economic growth. The Manager believes that an investment in Hui Xian REIT will allow investors to share the benefits of the rapid economic growth and flourishing real estate market in Beijing. Moreover, the Manager believes that an investment in Hui Xian REIT will give investors the chance to invest in a property with a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance.

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### Salient Information about an RMB Offering and Equity Product

The Offering is the first offering of an equity product on the Hong Kong Stock Exchange that is to be priced, traded and settled in RMB.

Part of the procedures for the Offering have, accordingly, not previously been utilised in Hong Kong and there can be no assurance that there will not be problems with systems or that logistical problems will not arise.

If you intend to pay the application monies and related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by an RMB cheque, you need to have an RMB bank account. You are advised to consult the bank at which your RMB bank account is opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. **In particular, you should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of the RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect your arrangement of funding for subscribing the Units.** If you would like to pay by an RMB cashier's order, you may or may not need to open an RMB bank account depending on whether the bank from which you purchase the cashier's order has such a requirement, which is a matter of internal policy of the bank and may vary between banks. The Manager is aware that, as at the Latest Practicable Date, at least CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Bank of Communications Co., Ltd., The Bank of East Asia, Limited, Wing Hang Bank, Limited, Chiyu Banking Corporation Limited and Nanyang Commercial Bank, Ltd., provided RMB cashier's order services. In addition, if you are a CCASS Investor Participant and you intend to apply for the Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS, you should make sure you have set up an RMB designated bank account with CCASS. If you intend to apply by means of the **White Form eIPO** service via [www.eipo.com.hk](http://www.eipo.com.hk), payment of the application monies can only be made using an internet banking service provided by The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited or Hang Seng Bank Limited. Payment is required to be made from an RMB bank account maintained at any of these three banks and there needs to be sufficient RMB in such RMB bank account.

If you are not allotted any Units or your application is successful only in part, or if your application is successful and the Offer Price as finally determined is less than the Maximum Offer Price, the whole or an appropriate portion of the application monies, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be returned to you in RMB in the form of a refund cheque or e-Refund payment. An RMB bank account needs to be maintained to deposit the refund cheque or receive the e-Refund payment.

If your application is successful in whole or in part, you will need to maintain an RMB bank account to deposit or receive the distributions made by Hui Xian REIT in RMB.

As an individual investor, when you open an RMB bank account or settle RMB payments, you will be subject to a number of restrictions, including:

- RMB bank accounts are only available to Hong Kong residents;
- the existing permitted conversions in relation to personal customers are up to RMB20,000 conducted through RMB deposit accounts per person per day or up to RMB20,000 per transaction per person in bank notes for walk-in personal customers; and
- the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

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For further details of these restrictions, see the section headed “Risk Factors — There is only limited availability of RMB outside the PRC and there are limitations on conversion of RMB, which may adversely affect the liquidity of the Units and Hui Xian REIT’s ability to raise fund in RMB in the future.” in this Offering Circular. You may also be subject to further restrictions on dealings in RMB in Hong Kong as may be imposed from time to time.

Investors who intend to make the application on a **YELLOW** Application Form through a designated CCASS Participant (other than a CCASS Investor Participant) are strongly advised to refer to the Eligible Participants List accessible on the HKEx’s website by clicking the weblink [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/PrepareRMB/Documents/RMB\\_Part\\_Mar\\_2011.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/PrepareRMB/Documents/RMB_Part_Mar_2011.pdf). It sets out a list of the HKEx’s participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities, before submitting the application. Any application using a **YELLOW** Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List as published on the HKEx’s website as at 9:00 a.m. on the date on which the application lists close.

If investors intend to instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on their behalf, they are strongly advised to refer to the Eligible Participants List and they should note that any application made through a CCASS Clearing Participant or a CCASS Custodian Participant not named in the Eligible Participants List as published on the HKEx’s website as at 9:00 a.m. on the date on which the application lists close will be rejected.

In choosing a stockbroker or a custodian for settlement of trading of the Units on the Hong Kong Stock Exchange following the listing of the Units, investors are reminded to refer to the Eligible Participants List as well as other relevant information published by HKEx regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

Investors may access the Eligible Participants List by clicking the weblink [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/PrepareRMB/Documents/RMB\\_Part\\_Mar\\_2011.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/PrepareRMB/Documents/RMB_Part_Mar_2011.pdf). Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection although investors are strongly advised to refer to the Eligible Participants List published on the HKEx’s website. For details of these branches, see the section headed “How to Apply for Hong Kong Public Offering Units — 3 Applying by using an Application Form — Where to Collect the Application Form” in this Offering Circular.

For further information, see the sections headed “Structure of the Offering”, “How to apply for Hong Kong Public Offering Units” and “Secondary trading and Settlement”.

### Competitive Advantages

The Manager believes that Oriental Plaza as a whole has the following competitive strengths:-

#### ***Prime Location in the Heart of Beijing***

Oriental Plaza is strategically located in the commercial heart of Beijing which is one of the most economically vibrant cities in China. Oriental Plaza is situated at No.1 East Chang’an Avenue (東長安街一號) within the Second Ring Road (二環路) of Beijing stretching from Wangfujing Street (王府井大街) (also known as Gold Street (金街)), in its west to North Dongdan Street (東單北大街) (also known as Silver Street (銀街)) in the east. Oriental Plaza enjoys a high flow of visitors from Wangfujing/ East Chang’ an Avenue, the famous shopping area in Beijing.

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Oriental Plaza is also well-situated to draw on the strong catchment of tourists as it is very close to a number of Beijing landmarks, including the Forbidden City (紫禁城), the Great Hall of the People (人民大會堂) and Tian'anmen Square (天安門廣場).

Furthermore, Oriental Plaza is situated in the political centre of Beijing and is adjacent to a number of important governmental departments, such as the Ministry of Commerce (商務部), the Ministry of Transport (交通運輸部), the General Administration of Customs (海關總署) and the People's Government of Beijing Municipality (北京市人民政府). This is appealing to some domestic and multinational companies who wish to have their offices located in a place which is in close proximity to the PRC policy makers.

Oriental Plaza is very easily accessible and is well connected by the public transportation network linking the city. It has access to Line 1 and Line 5 of the Beijing subway lines and is directly connected to the subway station. It will have access to the future Line 8 (extension works expected to commence in 2012). In addition, Oriental Plaza is served by over 30 bus routes, which have stops around the site. The distance between Oriental Plaza and Beijing Capital International Airport is approximately 35 k.m..

The premium location of Oriental Plaza is favourable to Grand Hyatt Beijing's hotel operations and the overall leasing activities of The Malls, the Tower Offices and the Tower Apartments.

Within the Second Ring Road region of Beijing, there is limited land supply for the development of any similar commercial complex of a scale comparable to Oriental Plaza. Accordingly, Oriental Plaza is able to position itself as a unique, comprehensive and prestigious development, without any significant competition in the foreseeable future<sup>1</sup>.

### ***Benefits of "World within a World"***

The four components of Oriental Plaza, namely The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing are part and parcel to the success of the property complex. They reflect the "World within a World" concept of Oriental Plaza and together create a self-contained community. Under the "World within a World" concept, Oriental Plaza houses business enterprises, a shopping mall, accommodation facilities, and public services all in a single commercial complex. The convenient accessibility of these facilities and services attracts multinational companies and domestic companies to locate their offices at The Tower Offices. The tenants at The Tower Offices generate a strong catchment of business travellers that propels demand for Grand Hyatt Beijing and The Tower Apartments. The Malls benefits from a captive market of consumers that work in the Tower Offices and stay in Grand Hyatt Beijing and The Tower Apartments, and offers one-stop shopping, dining and entertainment experiences to customers, tenants, hotel guests and the public. The four components complement each other and the combination creates a synergy effect which helps to boost the rental rate and occupancy rate of each individual component. The complex is additionally well-supported by a car park with approximately 1,900 available car parking spaces. The Malls, The Tower Offices and The Tower Apartments at Oriental Plaza have all played a leading role in the Beijing property leasing market. Over the past 10 years, Oriental Plaza has enjoyed a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance.

### ***Large and Diversified Asset Providing Regular and Stable Distributions***

The Manager's principal investment strategy is to hold and invest in high quality commercial properties in the PRC and it aims to produce stable and attractive total returns to Unitholders by

<sup>1</sup> Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing. A number of statements in this section headed "Offering Circular Summary" and in the sections headed "Investment Highlights" and "Oriental Plaza and Business" of this Offering Circular are, as indicated in footnotes, based on the letter from DTZ (in relation to the retail and office property market in Beijing) or the letter from JLL (in relation to the serviced apartment property market and hotel industry in Beijing), the full text and sources of which are set out in Appendices VI and VII to this Offering Circular (as the case may be). Some of those statements contain views of the relevant Market Consultant and/or contain information which in turn is based on estimates, and as such they should be regarded as indicative only and read with appropriate caution.

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managing the REIT's portfolio and maintaining a high level of investment discipline and financial flexibility. Oriental Plaza has an attractive tenant mix providing Hui Xian REIT with a diversified revenue base.

The four components of Oriental Plaza will provide Unitholders with diversification through exposure to different market segments — retail, office, serviced apartments and hotel. For the year ended 31 December 2009, the revenue contributions from The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing were approximately 38.0%, approximately 34.0%, approximately 5.0%, and approximately 23.0% respectively, and the profit contributions from The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing were approximately 46.2%, approximately 39.2%, approximately 3.4%, and approximately 11.2% respectively.

### ***Future Growth through Active Management***

The Manager will seek to increase the net asset value per Unit of Hui Xian REIT through active management. In terms of organic growth, the Manager will actively manage its portfolio to optimise rental income growth, maintain an optimal tenant mix, capture property enhancement opportunities, optimise occupancy levels, and prudently control property expenses.

### ***Highly Experienced and Motivated Board of Directors and Management Team***

The board of directors of the Manager and other members of its management team have extensive experience in real estate asset and investment management.

The three indirect shareholders of the Manager are the CITIC Securities Group, the Cheung Kong Group and the ARA Group. The CITIC Securities Group is an active and experienced financial institution in the PRC and in Hong Kong. The Cheung Kong Group is an experienced property developer having numerous property development and investment projects in Hong Kong and in the PRC. The ARA Group is experienced and has a proven track record in managing REITs in Hong Kong and in other countries in Asia. The Directors (other than the INEDs) are all from the three groups of indirect shareholders.

In addition, individuals, including KAM Hing Lam; MAN Ka Keung, Simon; TONG BARNES Wai Che, Wendy; CHEUNG Ling Fung, Tom; WONG, James; CHAN Yiu Lung; LAI Wai Yin, Agnes; LEUNG Pik Sai, Charlotte and TSE Hiu Fun, Louisa who have managed on a day-to-day basis and contributed to the success of Oriental Plaza and/or Hui Xian Investment for over 10 years since its inception will continue to manage them after the listing of Hui Xian REIT.

Given the experience and expertise of this management team in managing Oriental Plaza, the Manager has a profound understanding of the tenants and is well positioned to negotiate optimal rental rates. The management team has also demonstrated that it is able to strategically select the right tenant mix for the development, which not only freshens the offerings of Oriental Plaza and attracts new patrons, but also contributes to overall rental levels. With a strong emphasis on customer service, the management team has been able to cater to the specific needs of tenants, such as helping them in their expansion plans and assisting them in relocating to Oriental Plaza, thereby effectively retaining existing tenants and attracting new ones, to be the tenants of The Malls, The Tower Offices or The Tower Apartments.

### ***Widely Recognised Brand***

Through effective marketing and the provision of high quality services, Oriental Plaza has established its own brand as one of the leading high-end commercial complexes in Beijing, both among consumers and businesses. The Oriental Plaza brand enables Oriental Plaza to attract quality tenants and maintain high occupancy rates and rental levels. As at 31 December 2010, Oriental Plaza had a large tenant base of 233 tenants in The Malls and 486 tenants in The Tower Offices. These

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tenants covered a wide range of business sectors, providing Oriental Plaza with earnings diversification. Furthermore, The Malls and The Tower Offices achieved high committed occupancy levels of approximately 100.0% and approximately 97.4% respectively as at 31 December 2010 and the average monthly rental per leased Rentable Area in sq. m. of The Malls and The Tower Offices was approximately RMB813 and approximately RMB165 respectively for the year ended 31 December 2010.

### ***Economic Growth of Beijing***

The Chinese economy has achieved significant growth over the past eleven years (from 2000 to 2010), especially in Beijing. The Beijing economy has maintained a rapid growth rate from 2000 to 2010 with a CAGR of approximately 15.9%<sup>2</sup>. Such rapid growth has brought about increasing demand for real estate in Beijing, including retail and office premises. This has resulted in a growth in both real estate values and rental rates. Oriental Plaza has been well-positioned to capitalise on such rapid economic growth in Beijing.

In the retail segment, there has been strong growth in retail sales, helping to drive the development of the retail property market.<sup>3</sup> At the same time though, the supply of land for development is limited. Little undeveloped land area remains in the main commercial areas of Beijing, especially in key areas such as Wangfujing/ East Chang'an Avenue, the Central Business District ("CBD") and Financial Street.<sup>4</sup> This is especially true for land in the Wangfujing area, where existing retail projects benefit from limited land supply.

The Malls has no pressure on its leasing activities as there are no comparable significant competitors in the submarket.<sup>5</sup> According to DTZ, the future supply of high-end retail properties in the Wangfujing/ East Chang'an Avenue submarket from 2011 to 2013 is forecast to be approximately 179,000 sq. m. (gross floor area)<sup>6</sup>. DTZ forecasts low market pressures after these high-end retail properties come onto the market in the future.<sup>7</sup> Therefore, rents of retail properties in the Wangfujing/ East Chang'an Avenue submarket are expected to remain at the highest level in Beijing and continue stable growth of approximately 2.5% year on year from 2011 to 2013.<sup>8</sup>

In the office segment, the Beijing office market has experienced rapid development since the mid-1980s. By the end of 2010, the total stock of Grade A office supply in Beijing was approximately 6.6 million sq. m. (gross floor area).<sup>9</sup> Although there has been significant new supply since 2005, the absorption rate has been high due to good economic growth and the average vacancy rate remained relatively low.<sup>10</sup> DTZ expects the future supply of Grade A office space to be approximately 0.61 million sq. m. (gross floor area) over the next three years (from 2011 to 2013).<sup>11</sup> Accordingly, there will be little pressure on the Grade A office market in the near future.<sup>12</sup> It also forecasts that Beijing Grade A office rentals may have a year-on-year increase of approximately 5.2% over the next three years.<sup>13</sup>

As regards the serviced apartment segment, there is expected to be rising domestic demand and a less intensive competitive market environment.<sup>14</sup> In the short to medium-term, as global economies

<sup>2</sup> Source: Page VI-6 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>3</sup> Source: Page VI-6 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>4</sup> Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>5</sup> Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>6</sup> Source: Page VI-20 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>7</sup> Source: Page VI-21 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>8</sup> Source: Page VI-21 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>9</sup> Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>10</sup> Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>11</sup> Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>12</sup> Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>13</sup> Source: Page VI-28 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>14</sup> Source: Pages VII-30 to VII-31 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

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improve and local markets continue to grow, demand for serviced apartments is anticipated to correspondingly increase. This, combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, is likely to provide a good basis for occupancy rate growth.<sup>15</sup>

For the hotel market in Beijing, the short to medium outlook appears to be positive.<sup>16</sup> Growth will be fuelled by sound economic fundamentals of Beijing as the PRC's capital city and the importance of the city in political and cultural terms.

The Manager believes that an investment in Hui Xian REIT will allow investors to share the benefits of the rapid economic growth and flourishing real estate market in the PRC.

### Overview of Oriental Plaza



Oriental Plaza is one of the largest and most iconic commercial complexes in the PRC. It is strategically located at No.1 East Chang'an Avenue (東長安街一號), the political and commercial heart of Beijing, the capital of the PRC. It is within the Second Ring Road (二環路) and Wangfujing (王府井). The development is in a unique position in Beijing. The location is one which is unprecedented for a large scale commercial development in the PRC.

Oriental Plaza was developed on a plot of land with a total area of approximately 100,000 sq.m.<sup>17</sup> and has a total Gross Floor Area of approximately 800,000 sq. m..

Over the past 10 years, this landmark development has enjoyed a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance. BOP has experienced a growth in both revenue and operating profit at a CAGR of approximately 14.3% and 19.3%, respectively, during the period from 2002 to 2009 based on its management accounts. In terms of occupancy, the committed occupancy levels of The Malls, The Tower Offices and The Tower Apartments as at 31 March 2011 were approximately 100.0%, approximately 99.7% and approximately 95.4%, respectively, and the average occupancy rate of Grand Hyatt Beijing for the month ended 31 March 2011 was approximately 72.9%.

<sup>15</sup> Source: Page VII-31 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>16</sup> Source: Page VII-19 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>17</sup> Based on the Appendix of the Construction Planning Permit issued to BOP on 10 January 2000.

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### **Financial and Operating Information**

The segment revenue generated by The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing for the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010, and the unaudited segment revenue for the ten months ended 31 October 2009 are set out in the following table:-

	Year ended 31 December 2007		Year ended 31 December 2008		Year ended 31 December 2009		Ten months ended 31 October 2009		Ten months ended 31 October 2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million (unaudited)	% of total	RMB million	% of total
The Malls <sup>Note</sup> . . . . .	588	28.3	695	30.6	748	38.0	617	37.8	679	39.0
The Tower Offices . . . . .	614	29.6	646	28.5	669	34.0	563	34.4	542	31.2
The Tower Apartments . . . . .	139	6.7	142	6.3	98	5.0	82	5.0	74	4.3
Grand Hyatt Beijing . . . . .	736	35.4	786	34.6	454	23.0	372	22.8	444	25.5
<b>Total</b>	<b>2,077</b>	<b>100.0</b>	<b>2,269</b>	<b>100.0</b>	<b>1,969</b>	<b>100.0</b>	<b>1,634</b>	<b>100.0</b>	<b>1,739</b>	<b>100.0</b>

Note: The segment revenue of The Malls included that generated from the operation of car parking spaces.

The segment profit generated by The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing for the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010, and the unaudited segment profit for the ten months ended 31 October 2009 are set out in the following table:-

	Year ended 31 December 2007		Year ended 31 December 2008		Year ended 31 December 2009		Ten months ended 31 October 2009		Ten months ended 31 October 2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million (unaudited)	% of total	RMB million	% of total
The Malls <sup>Note</sup> . . . . .	471	34.8	572	37.1	626	46.2	514	45.9	572	48.4
The Tower Offices . . . . .	466	34.4	504	32.7	531	39.2	445	39.7	417	35.3
The Tower Apartments . . . . .	78	5.8	81	5.2	46	3.4	41	3.6	33	2.8
Grand Hyatt Beijing . . . . .	338	25.0	385	25.0	152	11.2	121	10.8	160	13.5
<b>Total</b> . . . . .	<b>1,353</b>	<b>100.0</b>	<b>1,542</b>	<b>100.0</b>	<b>1,355</b>	<b>100.0</b>	<b>1,121</b>	<b>100.0</b>	<b>1,182</b>	<b>100.0</b>

Note: The segment profit of The Malls included that generated from the operation of car parking spaces.

As at 31 December 2010, The Malls, The Tower Offices and The Tower Apartments had 233, 486 and 425 tenants, respectively.

Tenants of The Malls encompass leading fashion, watch, jewellery, beauty and lifestyle brands. It is currently home to approximately 280 top international and domestic brands, including Burberry, HUGO BOSS, Tiffany, Givenchy, Dunhill, Moschino, Max Mara, Coach, Calvin Klein, Kenzo, Bally, S.T. Dupont, Kent & Curwen, Gieves & Hawkes, Agnes b, Ports 1961, DKNY, Juicy Couture and Tommy Hilfiger.

The tenant mix of The Tower Offices also includes a number of Fortune 500 companies. Major brands, firms and organisations occupying The Tower Offices include the Hong Kong Stock Exchange, RBS, Macquarie Bank, American Express Bank, British Telecom, Vale, Rolex, Shiseido, Chanel, Fancil,

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Toshiba, Burson-Marsteller, CPA Australia, Merck Sharp & Dohme, Deacons Law Firm, Sidley Austin, Metlife, HSBC Insurance, the Hong Kong Tourism Board and Thailand Tourism Board. Three of the “big four” accounting firms, namely Ernst & Young, Deloitte Touche Tohmatsu and KPMG, have also chosen to base their Beijing headquarters at The Tower Offices.

The committed occupancy levels of The Malls and The Tower Offices, and the occupancy rates of The Tower Apartments as at 31 December 2007, 2008, 2009 and 2010 are set out in the following table:-

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010
	%	%	%	%
The Malls	100.0	99.9	99.4	100.0
The Tower Offices	97.2	98.2	93.8	97.4
The Tower Apartments	81.6	67.6	71.6	79.5

The average occupancy rates of Grand Hyatt Beijing for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately 72.6%, approximately 62.3%, approximately 56.9% and approximately 65.6%, respectively.

The following table sets out certain information on, among others, the top 10 tenants of The Malls and The Tower Offices in terms of Rentable Area as at 31 December 2010 and total monthly rental income for the month ended 31 December 2010:-

	Rentable Area (sq.m.) <sup>Note (1)</sup>	Percentage of total Rentable Area <sup>Note (1)</sup>	Percentage of total monthly rental income <sup>Note (2)</sup>
<b>The Malls</b>			
Top ten tenants <sup>Note (3)</sup>	15,447	20.9%	25.0%
Other tenants	58,585	79.1%	75.0%
<b>Total</b>	<b>74,032</b>	<b>100.0%</b>	<b>100.0%</b>
<b>The Tower Offices</b>			
Top ten tenants <sup>Note (4)</sup>	97,018	32.5%	33.2%
Other tenants	193,613	64.9%	66.8%
Vacant	7,730	2.6%	N/A
<b>Total</b>	<b>298,361</b>	<b>100.0%</b>	<b>100.0%</b>

Notes:-

(1) As at 31 December 2010.

(2) Calculated as a percentage of the total monthly rental income for the month ended 31 December 2010.

(3) Among the top ten tenants of The Malls, Bank of China Limited, Beijing Wangfujing Sub-Branch is a connected person of Hui Xian REIT under the REIT Code which rented approximately 1,497 sq. m. of The Malls, representing approximately 2.0% of total Rentable Area as at 31 December 2010 and approximately 2.4% of total monthly rental income in respect of The Malls for the month ended 31 December 2010, respectively. Save as disclosed aforesaid, none of the top ten tenants of The Malls is a connected person of Hui Xian REIT under the REIT Code.

(4) Among the top ten tenants of The Tower Offices, Cheung Kong Graduate School of Business is a connected person of Hui Xian REIT under the REIT Code and rented approximately 9,046 sq. m. of The Tower Offices, representing approximately 3.0% of total Rentable Area as at 31 December 2010 and approximately 3.0% of total monthly rental income in respect of the Tower Offices for the month ended 31 December 2010, respectively. Save as disclosed aforesaid, none of the top ten tenants of The Tower Offices is a connected person of Hui Xian REIT under the REIT Code.

Set out below is a table which sets out the average room rate and RevPAR of Grand Hyatt Beijing for the periods indicated:-

	Year ended 31 December			
	2007	2008	2009	2010
Average room rate (RMB incl. service charge)	2,029	2,736	1,470	1,552
RevPAR (RMB)	1,473	1,703	836	1,019

## OFFERING CIRCULAR SUMMARY

### ***Property Valuation and Interest in Oriental Plaza***

The respective Appraised Values of The Malls, The Tower Offices, The Tower Apartments, Grand Hyatt Beijing and the basement portion of Oriental Plaza, as determined by the Independent Property Valuer as at 31 January 2011 were as follows:

	<u>RMB million</u>
The Malls .....	13,580
The Tower Offices .....	11,310
The Tower Apartments .....	2,310
Grand Hyatt Beijing .....	3,920
Basement portion of Oriental Plaza .....	290
Total .....	<u>31,410</u>

On 8 April 2011, the Trustee (as trustee of Hui Xian REIT) entered into the Reorganisation Agreement with (among others) Hui Xian Cayman pursuant to which the Trustee (as trustee of Hui Xian REIT) shall indirectly acquire an interest in Oriental Plaza by acquiring the entire issued share capital of Hui Xian BVI which in turn holds the entire issued share capital of Hui Xian Investment. See the section headed “Reorganisation, Structure and Organisation — Reorganisation of Hui Xian BVI Group” and the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — Reorganisation Agreement” in this Offering Circular. It is intended that the transfer and assignment of the Hui Xian BVI Share and the Assigned Indebtedness will be completed on or before 28 April 2011 (or such other date as may be agreed between Hui Xian Cayman and the Manager).

### **Principal Strategy of Hui Xian REIT**

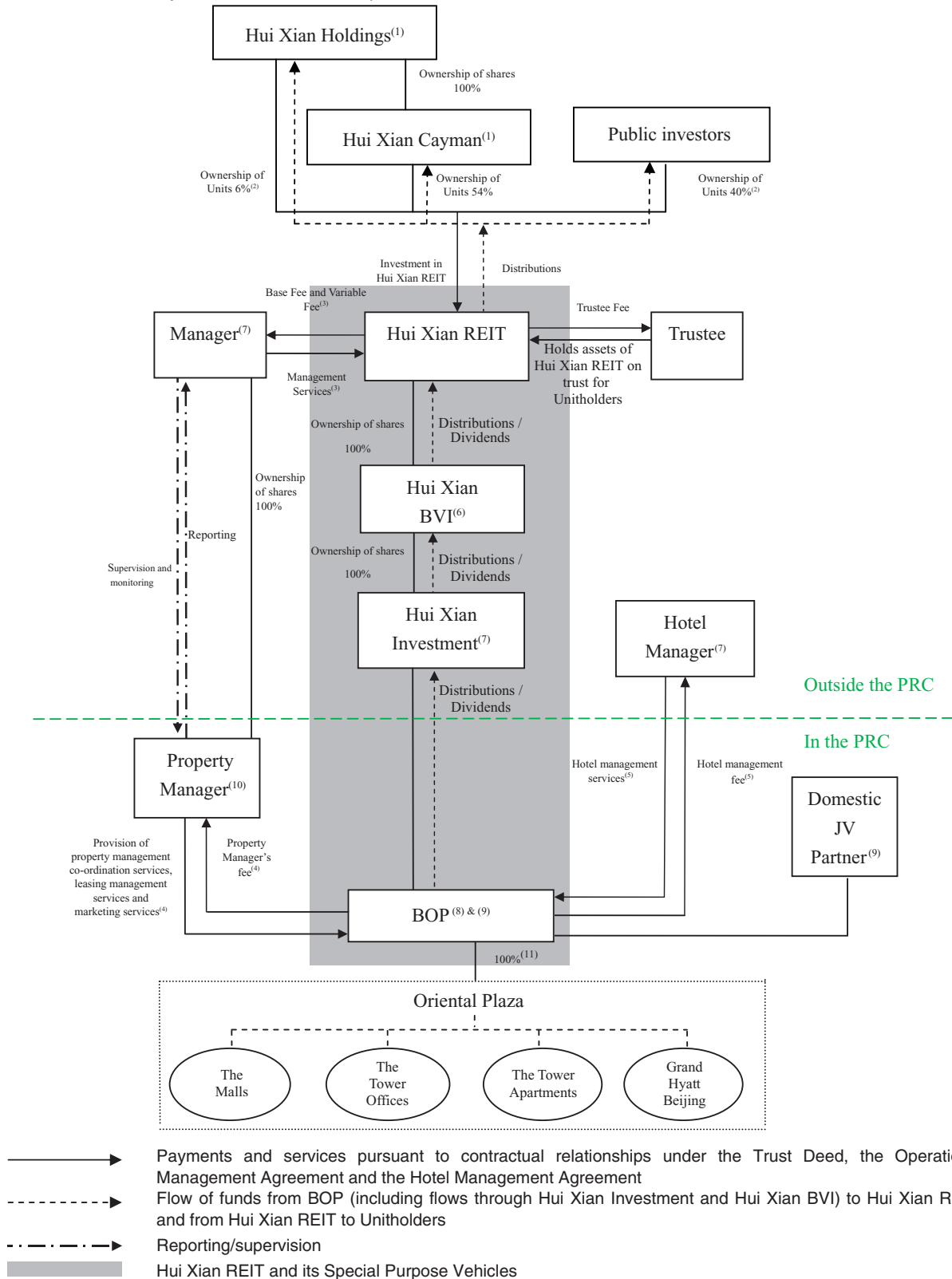
The Manager’s key objectives for Hui Xian REIT are to provide Unitholders with stable and sustainable distributions per Unit. The Manager’s principal investment strategy is to hold and invest in high quality commercial properties in the PRC and it aims to produce stable and attractive total returns to Unitholders by managing the REIT’s portfolio and maintaining a high level of investment discipline and financial flexibility. The Manager intends to hold Oriental Plaza on a long-term basis while, if opportunity arises, complementing it with additional income-producing properties through acquisitions. The implementation of the Manager’s strategy can be broadly categorised as follows:-

- **Asset Management Strategy.** The Manager intends to actively manage Hui Xian REIT’s property portfolio to maintain optimal occupancy levels, achieve strong rental growth and optimise net property income. The Manager will work closely with the Property Manager to drive organic growth, to build strong relationships with tenants, and to seek property enhancement opportunities.
- **Acquisition Strategy.** The Manager may consider selectively acquiring additional properties that meet its investment criteria where there are appropriate opportunities.
- **Capital Management Strategy.** The Manager will seek to optimise the capital structure and cost of capital.

## OFFERING CIRCULAR SUMMARY

### Overview of Hui Xian REIT Structure

The following diagram depicts the ownership structure of Hui Xian REIT and the primary structural and contractual relationships between, among others, Hui Xian REIT, Unitholders, the Manager, the Trustee, the Property Manager and the Hotel Manager, upon completion of the Offering (assuming the Over-allotment Option is not exercised).



## OFFERING CIRCULAR SUMMARY

### Notes:

- (1) Hui Xian Cayman is a direct wholly-owned subsidiary of Hui Xian Holdings which in turn is ultimately owned by a consortium of six investors. These investors are Cheung Kong (as to approximately 33.4%), HWL (as to approximately 17.9%), BOC (as to approximately 19.8%), OOIL (as to approximately 7.9%), China Life (as to approximately 19.8%) and Cranwood (as to approximately 1.2%). Cheung Kong, HWL, BOC, OOIL and China Life together hold approximately 98.8% of the issued share capital of Hui Xian Holdings, representing all the voting shares of Hui Xian Holdings. The remaining issued share capital (approximately 1.2%) of Hui Xian Holdings consists of non-voting shares and such shares are owned by Cranwood. Cranwood is an associated company of HWL (within the meaning of the REIT Code) because of companies in which each of them has shareholding. Notwithstanding that, as the Manager understands, Cranwood is not a connected person of Hui Xian REIT. See the section headed “Information about Hui Xian Cayman” in this Offering Circular for further information concerning Hui Xian Cayman.
- (2) Pursuant to the Unit Borrowing Agreement to be entered into, the Units of Hui Xian Holdings to be subscribed for under the Hui Xian Holdings Subscription Agreement (which will be equivalent to 6.0% of the issued Unit capital of Hui Xian REIT as enlarged by the Hui Xian Holdings Subscription and the Offering) may be borrowed from Hui Xian Holdings to cover any over-allocations in the International Offering. Taking any such over-allocations into consideration, the Unitholding of investors (other than Hui Xian Cayman and Hui Xian Holdings) upon completion of the Offering may be greater than 40.0%, up to a maximum of 46.0%. Further, in the event that the Over-allotment Option is exercised, Hui Xian Holdings’ holding of Units will be reduced. In the event that the Over-allotment Option is exercised in full, Hui Xian Holdings will cease to hold any Units. See the section headed “Structure of the Offering — Over-allotment Option and Stabilisation” in this Offering Circular for further details.
- (3) The Manager will provide management services to Hui Xian REIT and will, in return, receive the Base Fee and Variable Fee from Hui Xian REIT.
- (4) The Property Manager will provide business advisory and management services, marketing and leasing management services and property management co-ordination services in relation to Oriental Plaza (excluding Grand Hyatt Beijing) to BOP and will, in return, receive a Property Manager’s fee from BOP.
- (5) The Hotel Manager provides hotel management services to BOP and, in return, receives hotel management fee from BOP.
- (6) Incorporated in BVI.
- (7) Incorporated in HK. The Manager is wholly-owned by World Deluxe Enterprises Limited, which in turn is owned by CSI REITs Investment Management Company Limited, Wealth Finder Limited and ARA Hui Xian (Holdings) Limited, being the indirect wholly-owned subsidiaries of CITIC Securities International, Cheung Kong and ARA, respectively. For details, see the section headed “The Manager and the Property Manager” in this Offering Circular.
- (8) Established in the PRC as a Sino-foreign co-operative joint venture company.
- (9) For a summary of the key rights and obligations of Hui Xian Investment and the Domestic JV Partner, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents” in this Offering Circular.
- (10) The Property Manager is in the course of being established in the PRC as a wholly-owned subsidiary of the Manager.
- (11) BOP holds the land use rights and building ownership rights in respect of Oriental Plaza for a term of 50 years until 21 April 2049.

### **BOP**

Oriental Plaza is held by BOP, a cooperative joint venture enterprise established in the PRC with Hui Xian Investment as the foreign investor and the Domestic JV Partner as the domestic investor. BOP has a joint venture period of 50 years from 25 January 1999 to 24 January 2049 and it holds the land use rights and building ownership rights in respect of Oriental Plaza granted by the PRC Government for a term until 21 April 2049. As such, the joint venture period of BOP will expire approximately three months earlier than the expiry of such land use rights and building ownership rights.

For details of the rights and obligations of Hui Xian Investment and the Domestic JV Partner in respect of BOP, see the section headed “Material Contracts and Other Related Documents of Hui Xian — JV Documents” of this Offering Circular.

### **The Manager**

The Manager, Hui Xian Asset Management Limited, was incorporated in Hong Kong on 26 October 2010 for the sole purpose of managing the assets of Hui Xian REIT. The Manager has a paid-up capital of HK\$5 million and its registered office is located at Unit 1203, 12/F, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong. The Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code. For the licensing conditions imposed

<b>OFFERING CIRCULAR SUMMARY</b>
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upon the Manager, see the section headed “Modifications, Waivers and Licensing Conditions — Licensing Conditions on the Manager” of this Offering Circular.

### **The Property Manager**

The Property Manager (currently proposed to be named as Beijing Hui Xian Enterprise Services Limited), which will be wholly-owned by the Manager, is being established in the PRC to take up certain functions and services relating to the management of Oriental Plaza (other than Grand Hyatt Beijing which is managed by the Hotel Manager pursuant to the Hotel Management Agreement (see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — Hotel Management Agreement” in this Offering Circular)) which are currently performed by BOP and which will be performed by the Property Manager pursuant to the Operations Management Agreement after its establishment and the Operations Management Agreement is entered into. The Property Manager, which will have a local presence in the PRC, will be able to facilitate the management of Oriental Plaza (other than Grand Hyatt Beijing) for the Manager. As the Property Manager will be a wholly-owned subsidiary of the Manager, the Manager will have the overall management and supervision of the Property Manager in respect of its performance of the functions and services pursuant to the Operations Management Agreement.

### **The Trustee**

The Trustee of Hui Xian REIT is DB Trustees (Hong Kong) Limited, a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment scheme authorised under the SFO pursuant to the REIT Code.

### **Corporate Governance**

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Hui Xian REIT in a transparent manner with built-in checks and balances.

# OFFERING CIRCULAR SUMMARY

## Summary Financial Information

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Revenue . . . . .	2,077	2,269	1,969	1,634	1,739
Rental related income . . . . .	61	72	77	48	40
Other income . . . . .	24	33	17	14	25
Foreign currency exchange gain . . . . .	273	197	84	84	18
Hotel inventories consumed . . . . .	(56)	(56)	(45)	(35)	(42)
Staff costs . . . . .	(135)	(141)	(107)	(91)	(95)
Depreciation and amortisation . . . . .	(133)	(138)	(134)	(111)	(112)
Other operating expenses . . . . .	(659)	(484)	(544)	(439)	(460)
(Decrease) increase in fair value of investment properties . . . . .	(65)	923	(16)	(27)	8,756
Finance costs . . . . .	(159)	(83)	(82)	(70)	(53)
<b>Profit before taxation . . . . .</b>	<b>1,228</b>	<b>2,592</b>	<b>1,219</b>	<b>1,007</b>	<b>9,816</b>
Income tax expense . . . . .	(276)	(625)	(346)	(280)	(2,489)
<b>Profit for the year/period . . . . .</b>	<b>952</b>	<b>1,967</b>	<b>873</b>	<b>727</b>	<b>7,327</b>
<b>Other comprehensive income (expense)</b>					
Exchange difference on translation of financial statements . . . . .	444	425	(54)	(58)	107
<b>Total comprehensive income for the year/period . . . . .</b>	<b>1,396</b>	<b>2,392</b>	<b>819</b>	<b>669</b>	<b>7,434</b>

# OFFERING CIRCULAR SUMMARY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
<b>Non-current assets</b>				
Investment properties . . . . .	11,332	11,258	11,242	19,998
Property, plant and equipment . . . . .	2,184	2,124	2,045	1,984
Land and related costs . . . . .	2,251	1,810	1,772	1,740
	<u>15,767</u>	<u>15,192</u>	<u>15,059</u>	<u>23,722</u>
<b>Current assets</b>				
Hotel inventories . . . . .	17	20	16	17
Land and related costs . . . . .	41	38	38	38
Trade and other receivables . . . . .	111	76	82	72
Bank balances and cash . . . . .	1,416	1,685	732	1,157
	<u>1,585</u>	<u>1,819</u>	<u>868</u>	<u>1,284</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	(792)	(779)	(773)	(765)
Other payable . . . . .	(121)	(1,570)	—	—
Loan from ultimate holding company . . . . .	(7,302)	(6,832)	(6,143)	(6,019)
Tax payable . . . . .	(359)	(229)	(125)	(96)
Bank borrowings . . . . .	(756)	(707)	(846)	(405)
	<u>(9,330)</u>	<u>(10,117)</u>	<u>(7,887)</u>	<u>(7,285)</u>
<b>Net current liabilities</b> . . . . .	<u>(7,745)</u>	<u>(8,298)</u>	<u>(7,019)</u>	<u>(6,001)</u>
<b>Total assets less current liabilities</b> . . . . .	<u>8,022</u>	<u>6,894</u>	<u>8,040</u>	<u>17,721</u>
<b>Non-current liabilities</b>				
Bank borrowings . . . . .	(1,661)	(847)	(1,100)	(1,100)
Trade and other payables . . . . .	(558)	(520)	(518)	(507)
Other payable . . . . .	(2,988)	—	—	—
Deferred tax liabilities . . . . .	(597)	(917)	(993)	(3,251)
	<u>(5,804)</u>	<u>(2,284)</u>	<u>(2,611)</u>	<u>(4,858)</u>
	<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>
<b>Capital and reserves</b>				
Share capital . . . . .	—	—	—	—
Exchange reserve . . . . .	441	866	812	919
Retained profits . . . . .	1,777	3,744	4,617	11,944
	<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>

# OFFERING CIRCULAR SUMMARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
<b>Operating activities</b>					
Profit before taxation	1,228	2,592	1,219	1,007	9,816
Adjustments for:					
Decrease (increase) in fair value of investment properties	65	(923)	16	27	(8,756)
Exchange differences	(273)	(202)	(86)	(84)	(18)
Loss on disposal of property, plant and equipment	3	1	—	—	1
Depreciation and amortisation	133	138	134	111	112
Interest income	(23)	(24)	(13)	(10)	(8)
Finance costs	159	83	82	70	53
Operating cash flows before movements in working capital	1,292	1,665	1,352	1,121	1,200
(Increase) decrease in hotel inventories	(2)	(3)	4	—	(1)
Decrease (increase) in trade and other receivables	21	35	(6)	(30)	8
Increase (decrease) in trade and other payables	134	(125)	(4)	(20)	(19)
Cash generated from operations	1,445	1,572	1,346	1,071	1,188
Profits tax paid	(409)	(475)	(350)	(321)	(269)
<b>Net cash from operating activities</b>	<b>1,036</b>	<b>1,097</b>	<b>996</b>	<b>750</b>	<b>919</b>
<b>Investing activities</b>					
Repayments of other payable	—	—	(1,570)	(1,570)	—
Additions of property, plant and equipment	(45)	(49)	(21)	(10)	(20)
Interest received	23	24	13	10	8
<b>Net cash used in investing activities</b>	<b>(22)</b>	<b>(25)</b>	<b>(1,578)</b>	<b>(1,570)</b>	<b>(12)</b>
<b>Financing activities</b>					
Repayments of bank loans	(574)	(714)	(707)	(434)	(433)
Interest paid	(158)	(81)	(81)	(63)	(48)
Repayments to ultimate holding company	—	—	(683)	(683)	—
New bank loans raised	—	—	1,100	1,100	—
<b>Net cash used in financing activities</b>	<b>(732)</b>	<b>(795)</b>	<b>(371)</b>	<b>(80)</b>	<b>(481)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>282</b>	<b>277</b>	<b>(953)</b>	<b>(900)</b>	<b>426</b>
<b>Effect of changes in foreign exchange rate</b>	<b>(7)</b>	<b>(8)</b>	<b>—</b>	<b>—</b>	<b>(1)</b>
<b>Cash and cash equivalents at the beginning of the year/period</b>	<b>1,141</b>	<b>1,416</b>	<b>1,685</b>	<b>1,685</b>	<b>732</b>
<b>Cash and cash equivalents at the end of the year/period, represented by bank balances and cash</b>	<b>1,416</b>	<b>1,685</b>	<b>732</b>	<b>785</b>	<b>1,157</b>

## OFFERING CIRCULAR SUMMARY

### Profit Forecast for the period from the Listing Date to 30 June 2011

The Manager forecasts that, in the absence of unforeseen circumstances and on the bases and assumptions set out below, the profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 will be not less than RMB140 million.

	Historical		Forecast
	Year ended 31 December 2009	Ten months period ended 31 October 2010	Period from the Listing Date to 30 June 2011
	RMB million	RMB million	RMB million
Revenue .....	1,969	1,739	404
Rental related income .....	77	40	7
Other income .....	17	25	—
Foreign currency exchange gain .....	84	18	—
Hotel inventories consumed .....	(45)	(42)	(10)
Staff costs .....	(107)	(95)	(16)
Depreciation and amortisation .....	(134)	(112)	(36)
Other operating expenses .....	(544)	(460)	(118)
(Decrease) / increase in fair value of investment properties <sup>(1)</sup> .....	(16)	8,756	—
Finance costs .....	(82)	(53)	(2)
REIT expenses .....	—	—	(24)
<b>Profit before taxation</b> .....	<b>1,219</b>	<b>9,816</b>	<b>205</b>
Income tax expense .....	(346)	(2,489)	(65)
<b>Profit for the year / period<sup>(2)</sup></b> .....	<b>873</b>	<b>7,327</b>	<b>140</b>
Adjustments <sup>(3)</sup> .....			53
<b>Income available for distribution</b> .....			<b>193</b>

	Forecast	
	Period from the Listing Date to 30 June 2011	
Offer Price (RMB) <sup>(4)</sup> .....	5.24	5.58
Number of Units in issue (million) <sup>(5)</sup> .....	5,000	5,000
<b>Distribution per Unit for the Forecast Period (RMB)</b> .....	<b>0.0386</b>	<b>0.0386</b>
Annualised forecast distribution yield <sup>(6)</sup> .....	4.26%	4.00%

Notes:

- (1) The Manager considers that there is no reasonable basis to arrive at the market values for the Oriental Plaza as at 30 June 2011. Accordingly, the Manager has made no assumption in regard to changes in property value in arriving at the profit forecast for the period from the Listing Date to 30 June 2011.
- (2) The profit for the year ended 31 December 2009 and the ten months ended 31 October 2010, excluding the increase or decrease in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) and the related tax effect, is approximately RMB885 million and approximately RMB760 million, respectively.

## OFFERING CIRCULAR SUMMARY

(3) Refers to adjustments to eliminate the effects of the following:

	<b>Forecast</b>
	<b>Period from the Listing Date to 30 June 2011</b>
	<b>RMB million</b>
Manager's base fee in units .....	13
Depreciation and amortisation .....	36
Deferred tax in respect of accelerated tax depreciation .....	4
<b>Total Adjustments</b> .....	<b>53</b>

- (4) Assuming an Offer Price range of RMB5.24 and RMB5.58 per Unit, being the Minimum Offer Price and Maximum Offer Price, respectively.
- (5) Number of Units in issue is the number of Units assumed to be outstanding as at 30 June 2011. The forecast DPU for the period from the Listing Date to 30 June 2011 is based on the number of Units assumed to be outstanding as at 30 June 2011, and does not include the Units to be issued in lieu of Management Fees payable up to 30 June 2011 which shall not be issued to the Manager until after the Record Date for such distribution.
- (6) The annualised forecast distribution yields are provided for illustrative purposes only. The annualised actual distribution yield may differ from the annualised forecast distribution yields based on the actual DPU for the period from the Listing Date to 30 June 2011. The annualised forecast distribution yields have been calculated with reference to the Minimum Offer Price and Maximum Offer Price only.

**As the annualised forecast distribution yields are based on the DPU for the Forecast Period which only covers the period from the Listing Date to 30 June 2011, they do not represent the annualised distribution yields derived from Hui Xian REIT's results for its financial year ending 31 December 2011. The annualised forecast distribution yields will vary for investors who purchase the Units in the secondary market at a price different from the maximum and minimum subscription prices of the Offer Price range.**

### Certain Fees and Charges

The following is a summary of certain fees and charges payable by Unitholders, in RMB, in connection with the subscription of Units:-

<b>Payable by the Unitholders directly</b>	<b>Amount Payable<sup>Note</sup></b>
Brokerage .....	1.0% of Maximum Offer Price
Hong Kong Stock Exchange trading fee .....	0.005% of Maximum Offer Price
SFC transaction levy .....	0.003% of Maximum Offer Price

Note: Subject to refund, if and to the extent the Offer Price is lower than the Maximum Offer Price.

## OFFERING CIRCULAR SUMMARY

The following is a summary of certain fees payable by Hui Xian REIT in connection with the establishment and ongoing management of Hui Xian REIT:-

Payable by Hui Xian REIT	Amounts Payable
Manager's fees .....	<p><b>Base Fee</b></p> <p>Not exceeding 0.3% (and being 0.3% as at the date of the Trust Deed) per annum of the Property Value</p> <p><b>Variable Fee</b></p> <p>3.0% per annum of NPI (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, Property Manager's fee) provided however that in respect of Oriental Plaza and as from the date the Property Manager is appointed pursuant to the Operations Management Agreement and for so long as the Property Manager remains a subsidiary of the Manager and with effect from the date on which the Property Manager is appointed, such rate shall be reduced to 2.0% (instead of 3.0% as stated above) per annum</p> <p><b>Acquisition Fee</b></p> <p>Not exceeding the rate of 1.0% (and being 1.0% as at the date of the Trust Deed) of the acquisition price of any real estate</p> <p><b>Divestment Fee</b></p> <p>Not exceeding the rate of 0.5% (and being 0.5% as at the date of the Trust Deed) of the sale price of any real estate</p>
Trustee's fees .....	<p>A one-off inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as is agreed between the Manager and the Trustee from time to time of not more than 0.02% of the Property Values as at the end of such financial year (which may be increased without obtaining Unitholders' approval to a maximum of 0.06% per annum of the Property Values by giving at least one month's prior written notice to the Manager and the Unitholders), subject to a minimum amount of RMB56,000 per month</p> <p>Based on the agreed arrangement between the Trustee and the Manager as at the Latest Practicable Date and the Appraised Value of Oriental Plaza of approximately RMB31,410 million as at 31 January 2011, the rate of the above annual fee is expected to be 0.01% on the Listing Date</p>
Property Manager's fees .....	1.0% per annum of NPI (before deduction therefrom of the Variable Fee and Property Manager's fee)

## OFFERING CIRCULAR SUMMARY

### Summary of Risk Factors

There are certain risks involved in investing in Hui Xian REIT. These risks can be categorised into (i) Risks relating to Hui Xian REIT; (ii) Risks relating to Oriental Plaza; (iii) Risks relating to the Industries in which Hui Xian REIT operates; (iv) Risks relating to the PRC; and (v) Risks relating to Investment in the Units.

#### *Risks relating to Hui Xian REIT*

- The joint venture period of BOP is of limited duration, and BOP will be dissolved and Hui Xian REIT's interest in Oriental Plaza will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049.
- The joint venture period of BOP will expire before the expiry date of the existing term of the land use rights and building ownership rights, and thus Hui Xian REIT will not benefit from any extension of such term.
- The joint venture period of BOP may be terminated early.
- Certain matters concerning BOP require consent from the Domestic JV Partner.
- RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of BOP to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government.
- Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and realisation price of the Units.
- Distributions may be made in a currency other than RMB.
- There is only limited availability of RMB outside the PRC and there are limitations on the conversion of RMB, which may adversely affect the liquidity of the Units and Hui Xian REIT's ability to raise funds in RMB in the future.
- The liquidity and trading price of the Units may be adversely affected by the limitations on the conversion of foreign currency into RMB.
- Hui Xian REIT will operate principally through its indirect interest in BOP and relies on Oriental Plaza to make distributions and there are various risks relating to the ability and costs of making distributions.
- Distributions may not be made in a timely manner.
- Dividends payable to Hui Xian Investment by BOP will be subject to PRC withholding tax, and Hui Xian REIT may be subject to PRC taxation on its worldwide income.
- Hui Xian REIT may incur losses arising from claims brought against BOP in connection with the operation of Oriental Plaza.
- Hui Xian REIT and the Manager, which are each newly established entities, do not have established operating histories for investors to rely on in making an investment decision.
- Hui Xian REIT's current and future borrowings give rise to financial risk.
- There are significant restrictions on the remittance of RMB out of the PRC and the ability of Hui Xian REIT to service the repayment of the Facility may be subject to limitations imposed by the PRC government.
- The value of Hui Xian REIT may be adversely affected by fluctuations in interest rates.
- The compensation received for any breach of the Reorganisation Agreement on the part of Hui Xian Cayman may be limited as the guarantee of its performance is given by Hui Xian Holdings only and there is no guarantee from the ultimate shareholders of Hui Xian Holdings.

## OFFERING CIRCULAR SUMMARY

- The amount that Hui Xian REIT may borrow is limited.
- Hui Xian REIT's growth depends on external sources of capital which are outside of its control.
- Failure of Hui Xian BVI Group to continue to receive financing would adversely affect its business, ability to sustain or grow its business and financial stability.
- Hui Xian REIT depends on certain key personnel, and the loss of any key personnel may adversely affect its business, financial condition and results of operations.
- Hui Xian REIT's success depends on the ability of the Manager, the Property Manager and the Hotel Manager to operate Oriental Plaza and their failure to operate Oriental Plaza in an efficient and effective manner could have a material adverse effect on the value of Oriental Plaza and Hui Xian REIT's results of operations.
- The operations of the Manager, the Hotel Manager and certain property services providers are subject to regulation and their licensing, qualification and approval conditions.
- If the Operations Management Agreement and/or the Hotel Management Agreement expire or are terminated early, Hui Xian REIT may not be able to enter into a new operations management agreement and/or new hotel management agreement in the future on similar terms.
- The loss of key tenants or a downturn in the business of its tenants, which include connected persons of Hui Xian REIT, could have an adverse effect on Hui Xian REIT's financial condition and results of operations.
- Hui Xian REIT may be unable to renew leases, lease vacant space or re-lease space as leases expire.
- Decreases in property values as a result of the revaluation of Oriental Plaza could result in a decrease in the annual consolidated net profit of Hui Xian REIT for that year and may also trigger certain events of default which may lead to adverse consequences under the Facility Agreement.
- The Manager may change Hui Xian REIT's investment strategy.
- There are potential conflicts of interest between Hui Xian REIT, the Manager, the Cheung Kong Group, Fortune REIT and Prosperity REIT.
- The Manager is an associated company of ARA. There are potential conflicts of interest between Hui Xian REIT and REITs and private real estate funds managed by ARA for property acquisition and leasing opportunities.
- The Manager is an associated company of CITIC Securities International. There are potential conflicts of interest between Hui Xian REIT, the Manager and CITIC Securities Group.
- Adverse global economic conditions could adversely affect the business, financial condition and results of operations of Hui Xian REIT.
- The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the businesses, financial condition and results of operations of Hui Xian REIT.
- The representations, warranties and indemnities granted in favour of Hui Xian REIT by Hui Xian Cayman are subject to limitations.
- You should only rely on the information included in this Offering Circular to make your investment decision and should not rely on any particular statements in published news reports.

## OFFERING CIRCULAR SUMMARY

### ***Risks relating to Oriental Plaza***

- Hui Xian REIT presently relies on Oriental Plaza for all of its revenue. This exposes Hui Xian REIT to concentration risk.
- Oriental Plaza is located in Beijing, which exposes Hui Xian REIT to economic and property market conditions in Beijing and the PRC as a whole, as well as to economic measures implemented by the PRC Government to prevent the overheating of the PRC property market.
- The attractiveness of Oriental Plaza may be affected if other commercial districts in Beijing develop.
- The revenue earned from, and the value of, Oriental Plaza may be adversely affected by a number of factors.
- Hui Xian REIT's ability to make distributions to Unitholders could be adversely affected if property expenses, such as maintenance charges, property management fees, property taxes and other operating expenses increase without a corresponding increase in revenue.
- The due diligence exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.
- Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.
- The Appraised Value of Oriental Plaza is based on various assumptions and the price at which BOP is able to sell Oriental Plaza may be different from the Appraised Value or initial acquisition value of Oriental Plaza.
- Oriental Plaza or parts thereof may be acquired compulsorily.

### ***Risks relating to the Industries in which Hui Xian REIT operates***

- There are general risks attached to investments in real estate.
- Hui Xian REIT may be adversely affected by the illiquidity of property investments.
- The hotel industry is susceptible to cyclicalities and other factors outside the control of Hui Xian REIT and the Hotel Manager.
- Hui Xian REIT faces competition.
- Hotel and serviced apartment operations costs and expenses may not decrease even if occupancy rate declines.
- Hui Xian REIT may suffer material losses in excess of insurance proceeds.
- Hui Xian REIT could incur significant costs or liability related to environmental matters.

### ***Risks relating to the PRC***

- The PRC's economic and other policies could affect Hui Xian REIT's business.
- Interpretation of PRC laws and regulations involves uncertainty.

### ***Risks relating to Investment in the Units***

- The listing, trading and settlement of the units of Hui Xian REIT, and RMB-denominated securities, may not be capable of being implemented as envisaged.
- Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of units of Hui Xian REIT, the units of which are to be the first RMB-denominated securities listed on the Hong Kong Stock Exchange.

<b>OFFERING CIRCULAR SUMMARY</b>
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- Hui Xian REIT cannot be privatised by way of the scheme of arrangement or compulsory acquisition mechanisms provided under the Companies Ordinance.
- The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units.
- Unitholders will be effectively subordinated to all existing and future claims of creditors of the Hui Xian BVI Group.
- Unitholders have no right to require the redemption of their Units.
- The price of the Units may decline after the Offering.
- Investment in the Units is subject to exchange rate risks.
- The forward-looking information in this Offering Circular may prove inaccurate.
- Property yield on real estate to be held by Hui Xian REIT is not equivalent to yield on the Units.
- The number of Units available for future sale could adversely affect the market price of the Units.
- The NAV of the Units will be diluted if further issues of the Units are priced below the NAV.
- Unitholders' interests will be diluted because all or part of the Manager's compensation may be paid in Units.
- Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed.
- The Units may be delisted from the Hong Kong Stock Exchange.
- An investment in the Units presents taxation risk.
- The REIT Code has a relatively short history and the application and interpretation of its provisions may be less certain.
- Accounting Standards in the PRC and Hong Kong are subject to change.

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<b>Hui Xian REIT</b>	Hui Xian Real Estate Investment Trust, is a collective investment scheme constituted as a unit trust by the Trust Deed and authorised under section 104 of the SFO.
<b>The Manager</b>	Hui Xian Asset Management Limited.
<b>The Trustee</b>	DB Trustees (Hong Kong) Limited.
<b>The Hong Kong Public Offering</b>	An initial offer of 400,000,000 Units to the public in Hong Kong, subject to adjustment.
<b>Application on YELLOW Application Form</b>	<p>Investors who intend to make the application on a <b>YELLOW</b> Application Form through a designated CCASS Participant (other than a CCASS Investor Participant) are strongly advised to refer to the Eligible Participants List published on the HKEx's website (<a href="http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm">http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm</a>), which sets out a list of the HKEx's participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities, before submitting the application. <u>Any application using a <b>YELLOW</b> Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close.</u> Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection although investors are strongly advised to refer to the Eligible Participants List published on the HKEx's website. For details of these branches, see the section headed "How to Apply for Hong Kong Public Offering Units — 3 Applying by using an Application Form — Where to Collect the Application Form" in this Offering Circular.</p>
<b>Applying by giving electronic application instructions</b>	<p>Investors who are CCASS Investor Participants and intend to apply for the Hong Kong Public Offering Units by giving <b>electronic application instructions</b> to HKSCC via CCASS should make sure they have set up an RMB designated bank account with CCASS.</p> <p><u>If investors intend to instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give <b>electronic application instructions</b> via CCASS terminals to apply for the Hong Kong Public Offering Units on their behalf, they are strongly advised to refer to the Eligible Participants List and they should note that any application not made through a CCASS Clearing Participant or a CCASS Custodian Participant named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close will be rejected.</u></p>

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<b>The International Offering</b>	An initial offer of 1,600,000,000 Units to international, professional and other investors, subject to adjustment and the Over-allotment Option.
<b>The Offering</b>	A total offering of 2,000,000,000 Units and consisting of the Hong Kong Public Offering and the International Offering (subject to the exercise of the Over-allotment Option).
<b>Reallocation of Units</b>	The Units to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated between these offerings. See the section headed “Structure of the Offering” in this Offering Circular.
<b>Structure</b>	The Units are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act. The Units have not been and will not be registered under the US Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.
<b>Offer Price Range</b>	The Offer Price of the Units (which will be denominated in RMB) will not be more than RMB5.58 and is currently expected to be not less than RMB5.24 and is payable in RMB.
<b>Charges Payable by Investors</b>	In addition to the Maximum Offer Price, investors applying for Units in the Offering must pay in RMB brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, in each case of the Maximum Offer Price and subject to refund if the Offer Price should be lower than the Maximum Offer Price.
<b>Over-allotment Option</b>	The International Underwriters are expected to be granted an option by Hui Xian Holdings pursuant to a separate agreement, exercisable by the Stabilising Manager on behalf of the International Underwriters in consultation with the Joint Bookrunners in full or in part, on one or more occasions at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering, to purchase from Hui Xian Holdings up to an aggregate of 300,000,000 Units at the Offer Price. The exercise of the Over-allotment Option will not increase the total number of Units in issue. The total number of Units subject to the Over-allotment Option will constitute 15.0% of the total number of Units under the Offering.
<b>Use of Proceeds</b>	See the section headed “Use of Proceeds” in this Offering Circular for details of how the proceeds from the Offering will be applied.
<b>Issuance of new Units to Hui Xian Cayman</b>	Prior to and not as part of the Offering, Hui Xian Cayman has entered into a reorganisation agreement with the Trustee and the Manager pursuant to which it has agreed to transfer and assign the Hui Xian BVI Share and interests in the Assigned Indebtedness to the Trustee (as trustee for Hui Xian REIT), in consideration for the issuance of 2,700,000,000 Units to Hui

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Xian Cayman (or such other number of Units as may be agreed between Hui Xian Cayman and the Manager).

**Subscription by Hui Xian Holdings**

Prior to and not as part of the Offering, Hui Xian Holdings has entered into a subscription agreement with the Manager pursuant to which it has agreed to subscribe for 300,000,000 Units at the Offer Price, conditional upon the Underwriting Agreements having been entered into by all parties thereto, having become unconditional and not having been terminated pursuant to their terms on or prior to the Listing Date. These Units are to be made available to the Stabilising Manager under the Unit Borrowing Agreement to cover over-allocations and are the subject of the Over-allotment Option.

**Lock-ups**

Hui Xian Cayman has entered or will enter into by the Listing Date certain lock-up arrangements with the Underwriters for a period of six months after the Listing Date (followed by a second six-month period immediately following the expiry of the first), subject to certain exceptions. See the section headed "Underwriting" in this Offering Circular.

Hui Xian Holdings has undertaken to the Manager that, in respect of the Units to be issued to it pursuant to the Hui Xian Holdings Subscription Agreement and any Units which may be returned to it under the Unit Borrowing Agreement, it will not dispose of any such Units for a period of six months commencing from the Listing Date, save for (among other things) any sale or transfer by Hui Xian Holdings pursuant to any exercise of the Over-Allotment Option and/or any transfer of Units pursuant to the Unit Borrowing Agreement. See the section headed "Structure of the Offering – Hui Xian Holdings' Lock-up Undertaking".

**Market Capitalisation**

RMB27,900 million, based on the Maximum Offer Price or RMB26,200 million, based on the Minimum Offer Price.

**NAV per Unit Upon Completion of the Offering**

RMB5.50 and RMB5.17 based on the Maximum Offer Price and Minimum Offer Price, respectively. The calculation of the NAV per Unit is arrived at on the basis of the net assets attributable to Unitholders extracted from the Unaudited Pro Forma Statement of Financial Position of Hui Xian REIT based on the Maximum Offer Price and Minimum Offer Price, being the estimated net proceeds from the Offering and Hui Xian Holdings Subscription based on the Maximum Offer Price and Minimum Offer Price after deduction of issuance expenses payable by Hui Xian REIT, and on the basis that 5,000,000,000 units will be in issue upon completion of the Offering.

**Listing and Trading**

Prior to the Offering, there has been no market for the Units.

Preliminary approval has been granted by the Hong Kong Stock Exchange for the listing of, and permission to deal in, all the Units on the Main Board of the Hong Kong Stock Exchange. Dealings in Units on the Hong Kong Stock Exchange are expected to commence on Friday, 29 April 2011. If the Hong Kong Stock Exchange grants formal approval for the listing of, and permission to deal in, the Units on the Main Board of the Hong Kong Stock Exchange and Hui Xian REIT complies with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for

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deposit, clearance and settlement in CCASS, with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

In choosing a stockbroker or a custodian for trading of the Units on the Hong Kong Stock Exchange following the listing of the Units, investors are reminded to refer to the Eligible Participants List as well as other relevant information published by HKEx regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

**Stabilisation**

In connection with the Offering, the Stabilising Manager may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Units at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

**No Redemption Right for Unitholders**

Unitholders have no right to request that the Manager redeem their Units at any time. Listing of the Units on the Hong Kong Stock Exchange does not guarantee a liquid market for the Units.

**Profit Forecast (for the period from the Listing Date to 30 June 2011)**

The Manager forecasts that, in the absence of unforeseen circumstances and on the bases and assumptions set out in the section headed "Profit Forecast" in this Offering Circular, the profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 will be not less than RMB140 million. For further details, including the principal assumptions on which the forecast is based, see the section headed "Profit Forecast" in this Offering Circular.

**Distributions**

The Manager's policy is to distribute to Unitholders as dividends an amount equivalent to 100.0% of Hui Xian REIT's Annual Distributable Income for the period from the Listing Date to 31 December 2011 and the financial year ending 31 December 2012 and thereafter at least 90.0% of Hui Xian REIT's Annual Distributable Income for each financial year as more fully described in the section headed "Distribution Policy" in this Offering Circular. Pursuant to the Trust Deed, Hui Xian

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REIT is in any event required to distribute at least 90.0% of its Annual Distributable Income for each financial period. Distributions will be declared in RMB, subject to compliance with applicable legal and regulatory requirements.

See the section headed “Distribution Policy” in this Offering Circular for further information on Hui Xian REIT’s distribution policy. See the section headed “Risk Factors” in this Offering Circular for a discussion of factors that may adversely affect the ability of Hui Xian REIT to make distributions to Unitholders.

### **Statement of Distributions**

Hui Xian REIT intends to achieve a total distribution amount per Unit of RMB0.0386 in respect of the period from the Listing Date to 30 June 2011, representing an annualised forecast distribution yield<sup>note</sup> of 4.00% based on the Maximum Offer Price (excluding other transaction costs) and 4.26% based on the Minimum Offer Price (excluding other transaction costs).

### **Tax Considerations**

See the section headed “Taxation” in this Offering Circular for further information on certain tax consequences of the purchase, ownership and disposition of the Units.

### **Governing Law**

The Trust Deed, pursuant to which Hui Xian REIT is constituted, is governed by Hong Kong law.

### **Termination of Hui Xian REIT**

Hui Xian REIT may be terminated by the Trustee or the Manager in the circumstances set out in the Trust Deed. See the section headed “The Trust Deed” in this Offering Circular for further information.

### **Risk Factors**

Prospective investors should carefully consider the risks connected with an investment in the Units. Certain of these risks are discussed in the section headed “Risk Factors” in this Offering Circular.

Note: As the annualised forecast distribution yields are based on the DPU for the Forecast Period which only covers the period from the Listing Date to 30 June 2011, they do not represent the annualised distribution yields derived from Hui Xian REIT’s results for its financial year ending 31 December 2011. The annualised forecast distribution yields will vary for investors who purchase the Units in the secondary market at a price different from the maximum and minimum subscription prices of the Offer Price range.

<b>INFORMATION ABOUT THIS OFFERING CIRCULAR AND THE OFFERING</b>
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**Manager's Responsibility for the Contents of this Offering Circular**

The Manager and each of its Directors (whose names appear in the section headed "Parties Involved in the Offering" in this Offering Circular) jointly and severally accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no material facts the omission of which would make any statement in this Offering Circular misleading.

**SFC Authorisation**

Hui Xian REIT has been authorised by the SFC under section 104 of the SFO. The SFC does not take any responsibility for the financial soundness of Hui Xian REIT or for the correctness of any statements made or opinions expressed in this Offering Circular and other documents relating to Hui Xian REIT. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

**Underwriting**

This Offering Circular is published solely in connection with the Hong Kong Public Offering, which forms part of the Offering. For applicants under the Hong Kong Public Offering, this Offering Circular and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Offering is managed by the Joint Bookrunners. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. Pursuant to the International Underwriting Agreement, the International Offering is expected to be underwritten by the International Underwriters. Further details about the Hong Kong Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this Offering Circular.

**Distribution and Selling Restrictions**

The Hong Kong Public Offering Units are offered solely on the basis of the information contained and representations made in this Offering Circular and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this Offering Circular, and any information or representation not contained herein must not be relied upon as having been authorised by the Manager, the Joint Bookrunners, any of its directors, agents, employees or advisers or any other parties involved in the Offering.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Offering Circular or any other offering or publicity material relating to Hui Xian REIT or the Units in any country or jurisdiction other than Hong Kong. The Units may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, form of application or advertisement in connection with the Offering of the Units may be distributed or published, in, to or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each person acquiring Units will be required to confirm, or by the acquisition of Units will be deemed to have confirmed, that he is aware of the restrictions on offers of Units described in this Offering Circular.

**Applicants for Units are recommended to consult their professional advisers if they are in any doubt as to the regulatory implications of subscribing for, purchasing, holding, disposing of or otherwise dealing in Units.**

<b>INFORMATION ABOUT THIS OFFERING CIRCULAR AND THE OFFERING</b>
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**Application for Listing on the Hong Kong Stock Exchange**

Prior to the Offering, there has been no market for the Units. Preliminary approval has been granted by the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Units on the Main Board of the Hong Kong Stock Exchange (including the Units which may be sold pursuant to the Over-allotment Option). No part of the Units is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future. Dealings in the Units on the Hong Kong Stock Exchange are expected to commence on Friday, 29 April 2011 and will be carried out in RMB. The Units will be traded in board lots of 1,000 Units each. The stock code of Hui Xian REIT is 87001.

**Eligibility for Admission into CCASS**

Subject to the granting of formal approval for the listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. Dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Hong Kong Stock Exchange business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Units to be admitted into CCASS.

**Stamp Duty**

No Hong Kong stamp duty is payable in connection with the initial issue of Units to successful applicants under the Hong Kong Public Offering. Subsequent dealings in Units will be subject to Hong Kong stamp duty which will be payable in Hong Kong dollars.

**Professional Tax Advice Recommended**

Persons who are unsure about the taxation implications of the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to the Units should consult a professional adviser.

None of Hui Xian REIT, the Trustee, the Manager, the Directors, the Underwriters nor any other person involved in the Offering accepts any responsibility for any tax effects on or liabilities resulting from the subscription for, purchase, holding, disposal of, dealing in or the exercise of any rights in relation to the Units.

**Offer Price**

The Maximum Offer Price is RMB5.58 and the Offer Price is expected to be determined by agreement between Hui Xian Cayman, the Manager and the Joint Bookrunners (on behalf of the Underwriters) on the Price Determination Date. See the section headed "Structure of the Offering" in this Offering Circular.

All applicants are required to pay in RMB the Maximum Offer Price of RMB5.58 per Unit (plus brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% of the Maximum Offer Price and SFC transaction levy of 0.003% of the Maximum Offer Price), subject to an appropriate refund if the Offer Price is less than the Maximum Offer Price. See the sub-section headed "Procedures for Application for Hong Kong Public Offering Units" immediately below.

<b>INFORMATION ABOUT THIS OFFERING CIRCULAR AND THE OFFERING</b>
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**Procedures for Application for Hong Kong Public Offering Units**

The procedures for applying for the Hong Kong Public Offering Units are set out in the section headed “How to apply for Hong Kong Public Offering Units” in this Offering Circular and in the relevant Application Forms.

**Conditions of the Hong Kong Public Offering**

Details of the conditions of the Hong Kong Public Offering are set out in the section headed “Structure of the Offering — Conditions of the Hong Kong Public Offering” in this Offering Circular.

**Structure of the Offering**

Details of the structure of the Offering, including its conditions, are set out in the section headed “Structure of the Offering” in this Offering Circular.

**Language**

Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this Offering Circular and for which no official English translation exists are unofficial translations for identification purposes only.

**Rounding**

For the purpose of consistency, where applicable and not otherwise stated, percentage figures in this Offering Circular have been rounded to up to one decimal place and certain financial figures have been rounded to the nearest thousand or million, or up to one decimal place, as applicable. Such figures and calculations derived from such figures are therefore subject to rounding adjustments.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding adjustments.

<b>PARTIES INVOLVED IN THE OFFERING</b>
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<b>Hui Xian Cayman</b>	Hui Xian (Cayman Islands) Limited Caledonian Trust (Cayman) Limited Caledonian House, 69 Dr. Roy's Drive, PO Box 1043, Grand Cayman KY1-1102 Cayman Islands
<b>Manager</b>	Hui Xian Asset Management Limited Unit 1203, 12/F Cheung Kong Center 2 Queen's Road Central Hong Kong
<b>Directors of the Manager</b>	
<i>Chairman and Non-executive Director</i>	KAM Hing Lam
<i>Executive Directors</i>	CHU Stephen Henry KWAN Man Fai, Louis
<i>Non-executive Directors</i>	IP Tak Chuen, Edmond LIM Hwee Chiang YIN Ke
<i>Independent Non-executive Directors</i>	CHENG Hoi Chuen, Vincent LEE Chack Fan CHOI Koon Shum, Jonathan
<b>Responsible Officers of the Manager</b>	CHU Stephen Henry KWAN Man Fai, Louis PANG Shuen Wai, Nichols
<b>Trustee</b>	DB Trustees (Hong Kong) Limited 52/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong
<b>Hong Kong Unit Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Sole Financial Adviser</b>	CITIC Securities Corporate Finance (HK) Limited 26/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong

<b>PARTIES INVOLVED IN THE OFFERING</b>
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**Joint Bookrunners, Joint Lead Underwriters  
and Joint Listing Agents**

CITIC Securities Corporate Finance (HK) Limited  
26/F CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

BOCI Asia Limited  
26<sup>th</sup> Floor, Bank of China Tower  
1 Garden Road  
Hong Kong

**Auditors and Reporting Accountants**

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

**Legal Advisers to the Manager**

*As to Hong Kong law*  
Woo, Kwan, Lee & Lo  
26/F Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to PRC law*  
Commerce and Finance Law Offices  
6F NCI Tower  
A12 Jianguomeiwai Avenue  
Chaoyang District  
Beijing 100022  
PRC

**Legal Advisers to the Joint Bookrunners, Joint  
Lead Underwriters and Joint Listing Agents**

*As to Hong Kong law*  
Linklaters  
10/F Alexandra House  
Chater Road  
Central  
Hong Kong

*As to PRC law*  
Beijing Guantao Law Firm  
17/F, Tower 2, Yingtai Centre  
No.28 Finance Street  
Beijing 100140  
PRC

**Legal Advisers to the Trustee**

*As to Hong Kong law*  
Baker & McKenzie  
23/F One Pacific Place  
88 Queensway  
Hong Kong

<b>PARTIES INVOLVED IN THE OFFERING</b>
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## RISK FACTORS

An investment in the Units involves significant risks. Prospective investors should consider carefully, together with all other information contained in this Offering Circular, the risk factors described below before deciding to invest in the Units.

As an investment in a collective investment scheme is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of the Units, and the income from them, may rise or fall. Investors should note that they may not get back their original investment and that they may not receive any distributions.

Before deciding to invest in the Units, prospective investors should seek professional advice from their relevant advisers regarding their prospective investment in the context of their particular circumstances.

### Risks Relating to Hui Xian REIT

***The joint venture period of BOP is of limited duration, and BOP will be dissolved and Hui Xian REIT's interest in Oriental Plaza will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049.***

Hui Xian REIT's asset is its investment in Hui Xian Investment, the foreign joint venture partner of BOP and BOP holds the land use rights and building ownership rights in respect of Oriental Plaza granted by the PRC Government. The joint venture period of BOP is 50 years from 25 January 1999 to 24 January 2049. The expiry date of the joint venture period of BOP is approximately three months earlier than the expiry date of the land use rights and building ownership rights in respect of Oriental Plaza granted by the PRC Government (which is until 21 April 2049). Unless the joint venture period is extended by agreement between Hui Xian Investment and the Domestic JV Partner and such extension is approved by the relevant approving authority in the PRC, the joint venture period of BOP will expire on 24 January 2049 and following such expiry, BOP will be dissolved in accordance with the relevant laws, rules and regulations of the PRC. The JV Documents provide to the effect that upon the expiration of the joint venture period of BOP on 24 January 2049 (unless extended), and after the repatriation of the injected capital of Hui Xian Investment, the fixed assets of BOP (including Oriental Plaza, the only initial real estate in which Hui Xian REIT will have an investment through Hui Xian Investment, as the foreign party of BOP) will belong to the Domestic JV Partner for no consideration. For details of the JV Documents, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents". At that time, Hui Xian Investment (and thus Hui Xian REIT) will cease to have any direct or indirect interest in Oriental Plaza or its income. As such, unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of the joint venture period of BOP, the value of Hui Xian REIT's interest in Oriental Plaza will be diminishing over time and will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049 and there is no assurance that the return (if any) achieved by holding and/or disposal of Units will exceed the Unitholders' investment cost.

In reality, it is difficult to ascertain what will be the change in value of Oriental Plaza over time because the value of Oriental Plaza will depend on various market and property specific factors. The market factors are related to the future demand and supply of the different property components of Oriental Plaza which impact rental rates, yields, vacancy rates, etc. The property specific factors are related to the future physical condition of Oriental Plaza, tenancy profile, prevailing rental and occupancy rates, quality of property management, remaining term of land use rights, etc. While the change in the remaining term of land use rights will have an effect on the value of Oriental Plaza, it is not the only determining factor. The value of Oriental Plaza is also affected by other relevant market and property factors mentioned above. Therefore, it is very difficult to determine how the value of Oriental Plaza will vary at any point of the remaining term of the land use rights. However, theoretically, if one were to hold all of the valuation factors mentioned above and the capitalisation rates constant

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throughout the remaining term of the land use rights, the future valuations of Oriental Plaza that one would theoretically expect to observe would decline exponentially until the end of the land use rights term. In other words, the annual decline in value would be smaller in the initial years and would grow increasingly larger towards the final years of the land use rights term.

***The joint venture period of BOP will expire before the expiry date of the existing term of the land use rights and building ownership rights, and thus Hui Xian REIT will not benefit from any extension of such term.***

As mentioned above, the expiry date of the joint venture period of BOP (being 24 January 2049) is approximately three months earlier than the expiry date of the existing term of the land use rights and building ownership rights in respect of Oriental Plaza (being 21 April 2049). Also, the JV Documents provide to the effect that upon the expiration of the joint venture period of BOP, and after the repatriation of the injected capital of Hui Xian Investment, the fixed assets of BOP (including Oriental Plaza) will belong to the Domestic JV Partner for no consideration. Thus, unless the joint venture period of BOP is extended by an additional period of longer than approximately three months beyond the current expiry date of 24 January 2049, BOP will not (and thus Hui Xian REIT will not) be able to benefit from any extension or renewal (if any) of the term of the land use rights and/or building rights in respect of Oriental Plaza, even if such extension or renewal were granted to BOP (in accordance with the law and policy in the PRC applicable at the relevant time, and/or as a result of further agreement or arrangement between BOP and the relevant parties or authorities, or otherwise). In addition, even if in the future the land use rights and/or building ownership rights in respect of Oriental Plaza are to be extended or renewed, Hui Xian Investment may not be able to benefit from any such extension or renewal of the land use rights and building ownership rights, unless Hui Xian Investment takes part in or otherwise has entitlement to such extended or renewed land use rights and/or building ownership rights.

**When making their investment decision, potential investors of Hui Xian REIT should assume that there will not be any extension of the joint venture period of BOP or any renewal or continuation of the cooperation between Hui Xian Investment and the Domestic JV Partner in the operation of the Oriental Plaza which Hui Xian Investment or Hui Xian REIT may benefit from upon expiry of the joint venture period of BOP.**

***The joint venture period of BOP may be terminated early.***

Although the joint venture period of BOP is provided under the JV Documents to be until 24 January 2049, it may be terminated earlier than that date on the grounds of force majeure or difficulty in carrying out the terms of the JV Documents other than due to default of Hui Xian Investment or the Domestic JV Party; a default of Hui Xian Investment; a default of the Domestic JV Partner; or by unanimous approval of the directors of BOP present at a board meeting of BOP. For further details, see the section headed “Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents — Early termination of the joint venture period” of, and the paragraph headed “PRC Laws Regarding Sino-foreign Cooperative Joint Ventures — Termination” in Appendix IX to, the Offering Circular. Depending on the circumstances in which the joint venture period of BOP is terminated, the assets of BOP to be distributed to Hui Xian Investment upon an early termination may be different from those to be distributed to Hui Xian Investment upon expiry of the joint venture period.

***Certain matters concerning BOP require consent from the Domestic JV Partner.***

Under the joint venture documents relating to BOP, certain matters concerning BOP require the unanimous approval of the directors of BOP present at the relevant board meeting being obtained. Such matters include amendments to the articles of association of BOP, the increase, reduction or transfer of the registered capital of BOP, the dissolution of BOP, mortgaging of assets of BOP, the merger or demerger or any change in the organisational structure of BOP, matters involving the right to use Oriental Plaza and other fixed assets ancillary to Oriental Plaza beyond the joint venture period of

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BOP (being 24 January 2049, unless extended), dealings with the ownership of Oriental Plaza and other fixed assets ancillary to Oriental Plaza, and any other matters which may affect the interests and rights of the Domestic JV Partner or Hui Xian Investment in BOP after the expiry of the term of joint venture or specified by the relevant laws and regulations. Furthermore, the matters involving the right to use Oriental Plaza and other fixed assets of Oriental Plaza beyond 24 January 2049 or dealing with ownership of Oriental Plaza and other fixed assets ancillary to Oriental Plaza require the consents of both Hui Xian Investment and the Domestic JV Partner.

Hui Xian Investment is entitled to appoint nine out of the 12 directors of BOP and the Domestic JV Partner is entitled to appoint the remaining three directors of BOP. Pursuant to the joint venture documents relating to BOP, so long as the legal existence of BOP and the ownership by the Domestic JV Partner of the fixed assets as well as its interests in the distribution of the remaining assets are not jeopardised, the Domestic JV Partner shall actively support all resolutions proposed for decision at the board of directors of BOP. However, there is no assurance that unanimous approval from the board of directors of BOP can be obtained in relation to those matters requiring unanimous approval of the directors of BOP present at the board meeting. If the approval of the directors appointed by the Domestic JV Partner or of the Domestic JV Partner cannot be obtained, those matters requiring unanimous consent of the directors and/ or the joint venture partners of BOP cannot be carried out. This may adversely affect, among other things, the ability of Hui Xian REIT to secure financing and thus Hui Xian REIT's financial condition, business and results of operations with a consequential adverse effect on the ability of Hui Xian REIT to make distributions to Unitholders.

***RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of BOP to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government.***

BOP receives almost all of its revenue in RMB. Relying on the receipt of dividends or payments from BOP, Hui Xian REIT intends to make distributions to Unitholders in RMB. RMB is not freely convertible at present. The PRC government continues to regulate conversion between RMB and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government in control over routine foreign exchange transactions on the current account. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover more than twenty provinces and cities in the PRC (including Beijing) and to make RMB trade and other current account item settlement available in all countries worldwide. It is reported that commercial banks in areas such as Beijing and Guangdong Province offer the service of remittance of dividends in RMB outside the PRC for foreign-invested companies. As advised by Commerce and Finance Law Offices, the PRC legal advisers to the Manager, for a foreign-invested company (such as BOP), its dividends and other distributions/payments (whether in a foreign currency or in RMB) representing the profit entitlement of its foreign investor can be legally remitted out of the PRC to its foreign investor without the need to obtain the prior approval or authorisation of the relevant foreign exchange bureau. The PRC legal advisers have also advised that the remittance of dividends and other distributions/payments representing the profit entitlement of Hui Xian Investment in RMB by BOP out of the PRC to Hui Xian Investment could be processed through commercial banks which provide such remittance services, without the need of obtaining any pre-approval or authorisation on the part of the BOP from the relevant foreign exchange bureau. For further details, see the section headed "Appendix IX Overview of the Relevant Laws and Regulations in the PRC and Comparison of Certain Aspects of its Property Laws and the Laws of Hong Kong — Foreign Exchange Control" in this Offering Circular.

There is no assurance that the PRC government will continue to gradually liberalise the level of control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. If BOP is not able to repatriate funds out of the PRC in RMB, Hui Xian REIT will need to source

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RMB offshore to pay distributions to the Unitholders, and its ability to do so will be subject to the overall availability of RMB outside the PRC and there is no assurance that it will be able to source such RMB on satisfactory terms, if at all, or that it will be able to make distributions to Unitholders in RMB.

***Fluctuations in the value of RMB could affect the amount of distributions to Unitholders, market value and realisation price of the Units.***

As stated in the section headed “Distribution Policy” of this Offering Circular, distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in RMB. As mentioned in the risk factor under the section headed “Risk Factors – RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of BOP to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government.” above, RMB is not freely transferable and there is no assurance that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. Should there be such restrictions, whether due to PRC laws and regulations or any other reason, BOP may have to convert its revenue in RMB to other currencies such as US dollars and/or Hong Kong dollars and pay dividends, distributions and other payments by BOP to Hui Xian Investment in such other currency. In such event and in order to make distributions to Unitholders in RMB, such dividends, distributions and other payments made by BOP in currencies other than RMB will need to be converted back into RMB by selling such other currencies and buying RMB in the market (if available).

The value of RMB against foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The PRC government introduced a limited floating currency system in July 2005 under which the RMB is pegged against a basket of currencies. The exchange rates between the RMB and each of the other currencies comprised in the basket may fluctuate to a significant extent and the RMB may also be revalued in the future.

Fluctuations in the value of RMB (including a depreciation in RMB) and the difference between the buying and selling rates of RMB and the conversion(s) of it (including the conversion by the Unitholders from currencies other than RMB to RMB) may result in the amount of RMB eventually received by the Unitholders being less than the amount of RMB which they would have received had Hui Xian Investment been able to receive dividends, distributions and other payments from BOP in RMB instead of other currencies. A depreciation of RMB may also result in a decrease in the market value of the Units and the realisation price of the Units.

***Distributions may be made in a currency other than RMB.***

As mentioned in the risk factor under the section headed “Risk Factors – RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of BOP to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government.”, RMB is not freely transferrable and there is no assurance that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC. Should there be such restrictions and Hui Xian REIT receives dividends or other payments from BOP in currency other than RMB and if Hui Xian REIT is unable to source sufficient RMB on satisfactory terms or at all for distributions, Unitholders may receive all or part of the distributions (if any) in Hong Kong dollars or US dollars at the discretion of the Manager instead of in RMB.

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***There is only limited availability of RMB outside the PRC and there are limitations on the conversion of RMB, which may adversely affect the liquidity of the Units and Hui Xian REIT's ability to raise funds in RMB in the future.***

As a result of the restrictions by the PRC government on cross-border RMB fund flows, the availability of RMB outside of PRC is limited.

Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited RMB-denominated banking services to Hong Kong residents and specified business customers. The PBOC, the central bank of PRC, has also established an RMB clearing and settlement system for participating banks in Hong Kong. Pursuant to the Settlement Agreement, all corporates are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporates to convert RMB; and there is no longer any restriction on the transfer of RMB funds between different accounts in Hong Kong subject to the practices of individual banks and other applicable regulatory requirements that may be imposed on the banks in Hong Kong from time to time.

In the case of an investor who is an individual, the investor will be subject to a number of restrictions when opening an RMB bank account or settling RMB payments, including:

- RMB bank accounts are only available to Hong Kong residents;
- the existing permitted conversions in relation to personal customers are up to RMB20,000 conducted through RMB deposit accounts per person per day or up to RMB20,000 per transaction per person in bank notes for walk-in personal customers; and
- the daily maximum remittance amount to the PRC is RMB80,000 and a remittance service is only available to an RMB deposit account-holder who remits from his or her RMB deposit account to the PRC and provided that the account name of the account in the PRC is identical with that of the RMB bank account with the bank in Hong Kong.

In particular, as the conversion of RMB is subject to a daily limit, a Unitholder who is an individual may have to allow time for conversion of RMB to another currency of any amount of distribution received from Hui Xian REIT or proceeds from the sale of any Units exceeding the daily limit. A potential investor may also need to accumulate sufficient RMB to pay the subscription price and other fees in connection with its application for the Units.

The above restrictions are not exhaustive as different banks could have different and/or additional restrictions.

The current size of RMB-denominated financial assets outside the PRC is limited. As at the end of February 2011, the total amount of RMB deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB408 billion. In addition, participating banks are also required by the Hong Kong Monetary Authority to maintain a total amount of RMB (in the form of cash and its settlement account balance with the RMB Clearing Bank) of no less than 25 per cent. of their RMB deposits, which further limits the availability of RMB that participating banks can utilise for conversion services for, or for lending to, its customers. RMB business participating banks do not have direct RMB liquidity support from PBOC. The RMB Clearing Bank only has access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporates in relation to cross-border trade settlement and for personal customers of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange.

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There is no assurance that new PRC laws and regulations will not be promulgated in the future which have the effect of restricting availability of RMB offshore. As the Units will be denominated and traded in RMB, the limited availability of RMB outside the PRC may adversely affect the liquidity of Units. As such, there may only be a limited trading market for Hui Xian REIT and the ability of Hui Xian REIT to raise funds in RMB in the future may be limited.

***The liquidity and trading price of the Units may be adversely affected by the limitations on the conversion of foreign currency into RMB.***

There are a number of limitations on the conversion of RMB (see the risk factor headed “There is only limited availability of RMB outside the PRC and there are limitations on the conversion of RMB, which may adversely affect the liquidity of the Units and Hui Xian REIT’s ability to raise funds in RMB in the future” above). These factors may affect the amount of liquidity in RMB for investors in Units on the Hong Kong Stock Exchange and accordingly adversely affect the market demand for the Units. In turn this may affect the liquidity and trading price of the Units in the secondary market. Therefore, Unitholders may not be able to sell their Units in the secondary market in as timely a manner as some other equity products denominated in Hong Kong dollars listed in Hong Kong, and the trading price may not fully reflect the intrinsic value of the Units.

***Hui Xian REIT will operate principally through its indirect interest in BOP and relies on Oriental Plaza to make distributions and there are various risks relating to the ability and costs of making distributions.***

Hui Xian REIT will operate principally through its indirect interest in BOP, the real estate investment of which consists solely of Oriental Plaza. During the joint venture period of BOP, dividend payments and other distributions/payments will be made by BOP to Hui Xian Investment, which in turn will make distributions to Hui Xian BVI and then indirectly to Hui Xian REIT, in each case subject to restrictions on, among other things, BOP’s business and financial condition (including cash flow condition), the availability of distributable profits, applicable laws and regulations (which may restrict the payment of dividends by BOP out of the PRC) or the terms of agreements to which Hui Xian BVI, Hui Xian Investment and/or BOP is, or may become, a party.

In particular, the profits available for distribution by BOP to Hui Xian Investment are determined in accordance with PRC GAAP. Such profits available for distribution by BOP will differ from those by Hui Xian REIT, which will be determined using HKFRS, in certain significant respects, including but not limited to differences in the accounting treatments of depreciation, amortisation and impairment loss in the properties and other fixed assets of BOP and deferred tax thereon. For the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the ten months ended 31 October 2010, different accounting treatments on depreciation and amortisation and deferred tax thereon between PRC GAAP and HKFRS resulted in increases over the profit available for distribution by BOP of approximately RMB160 million, approximately RMB155 million, approximately RMB157 million and approximately RMB131 million, respectively whilst no impairment loss on properties and other fixed assets of BOP was recorded under HKFRS. In addition, under the relevant PRC financial regulations, profits available for distribution are determined after transfers to statutory reserve funds required under the PRC law.

Furthermore, the amount of profit which is available for distribution by BOP to Hui Xian Investment as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be paid by Hui Xian REIT to the Unitholders under HKFRS pursuant to its distribution policy. In such circumstances, one of the ways that may be adopted to remedy the situation is for BOP to remit cash to Hui Xian Investment by way of repayment of the existing shareholders’ loan owing by BOP (and payment of related interest) in accordance with the shareholders loan agreement entered into between them and in compliance with the relevant PRC laws. However, necessary administrative procedures should be effected with the relevant foreign exchange authority. Furthermore, it is the intention of the Manager to utilise the revolving credit facility under the Facility to support Hui Xian REIT’s making of distributions in RMB in any of the

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circumstances referred to above. If Hui Xian REIT utilises the revolving credit facility under the Facility or any other borrowing to support its making of distributions, it may incur additional finance costs and that in turn will reduce the distributable income of Hui Xian REIT.

Any negative performance or result of operations with respect to Oriental Plaza will adversely affect the overall performance of Hui Xian REIT and the ability of Hui Xian REIT to make distributions to Unitholders. If Oriental Plaza and any other properties in which Hui Xian REIT has or may subsequently have any direct or indirect interest do not generate sufficient operating profit, Hui Xian REIT's income, cash flow and ability to make distributions will be adversely affected. In addition, if BOP and/or any other entities holding other real estate investments (if any) of Hui Xian REIT has insufficient cash flows or distributable profits, surplus or reserves, or if the entities through which Hui Xian REIT holds Oriental Plaza or other real estate investments (if any) do not make the expected level of distributions, in any financial year, Hui Xian REIT's income, cash flow and ability to pay or maintain distributions to Unitholders will be adversely affected.

In addition to the requirement that there are sufficient profits available for distribution, the ability of BOP to make distributions to Hui Xian Investment will depend on the availability of cash, after taking into account of, among other things, capital expenditure and debt servicing commitments (if any).

Further, the terms of the Facility Agreement require Hui Xian REIT and BOP to maintain certain financial ratios, and contain other restrictions. Hui Xian REIT's and BOP's ability to meet these financial ratios may be affected by events beyond its control. The Manager cannot guarantee that Hui Xian REIT or BOP will be able to meet these ratios. For further details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular. These provisions may negatively affect the Manager's ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing for Hui Xian REIT, fund future capital expenditures or withstand a future downturn in Hui Xian REIT's business.

The BOC Loan Agreements contain certain covenants which require BOP to pay the current instalment of the outstanding principal of and accrued interest on the loans advanced by BOC to BOP before BOP pays dividends or makes distribution to its shareholders and before BOP repays principal of or interest on its shareholder's loan. For further details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular. These provisions restrict the ability of BOP to pay dividends and to repay to Hui Xian Investment the principal of and interest on its shareholder's loan which in turn may affect Hui Xian REIT's ability to make distributions to Unitholders.

In addition, fluctuations in interest rates may increase the interest costs incurred from the Facility and incurred under the BOC Loan Agreements and therefore may adversely affect the financial position of Hui Xian REIT and the ability of Hui Xian REIT to make distributions to Unitholders. For further details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular.

There can be no assurance that BOP, Hui Xian Investment and/or Hui Xian BVI will have sufficient distributable profits or surplus in any future period to enable dividends to be paid or advances are made to Hui Xian REIT. Nor is there any assurance that the level of distributions will increase over time, or that there will be contractual increases in rent under the leases of Oriental Plaza or that the receipt of rental and hotel operation income will increase Hui Xian REIT's cash flow available for distribution to Unitholders.

***Distributions may not be made in a timely manner.***

Distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in RMB. Hui Xian REIT's initial distribution policy is that two distributions will be made in respect of each year, being distributions with respect to the six-months'

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periods ending 31 December and 30 June, which are anticipated to be paid by the end of June and November in each year, respectively. If, due to the relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB from BOP in the PRC to Hui Xian REIT in Hong Kong, there could be a delay in the timing of payment of distributions to the Unitholders. It is the intention of the Manager to utilise the revolving credit facility under the Facility to support Hui Xian REIT's making of distributions in RMB. For details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — Facility Agreement" in this Offering Circular. However, there is no assurance that such Facility will be available at the relevant time or that such Facility will be sufficient to meet the distributions in full or that Hui Xian REIT is able to secure alternative source of RMB on satisfactory terms or at all. Should such Facility be insufficient or no longer available for any reason and Hui Xian REIT is unable to secure an alternative source of RMB of sufficient amount on satisfactory terms, the distributions may be delayed and thus may not be made at the anticipated time or at all.

***Dividends payable to Hui Xian Investment by BOP will be subject to PRC withholding tax, and Hui Xian REIT may be subject to PRC taxation on its worldwide income.***

Under the PRC Enterprise Income Tax Law, dividends earned after 1 January 2008 paid by a foreign invested enterprise in the PRC to its foreign investor who is a non-resident enterprise will be subject to a 10.0% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding tax. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation on Income agreed between the PRC and Hong Kong in August 2006, dividends paid by a foreign invested enterprise in the PRC to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5.0%, if the foreign investor owns directly at least 25.0% of the shares of the foreign invested enterprise, subject to approval by the relevant tax authorities. However, according to a circular issued by the State Administration of Taxation in October 2009, tax treaty benefits will be denied to "conduit companies" or shell companies without business substance. Therefore, dividends paid by BOP to Hui Xian Investment will be subject to withholding tax at a rate of 5.0% subject to approval by the relevant tax authorities. In respect of the dividend in an amount of RMB50 million declared by BOP to Hui Xian Investment on 20 January 2011, Hui Xian Investment enjoys the preferential treatment at the reduced rate of 5.0% as approved by the relevant tax authorities in the PRC.

In addition, under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with its "de facto management body" within the PRC is considered a "resident enterprise" and will be subject to the PRC enterprise income tax at the rate of 25.0% on its worldwide income. The "de facto management body" is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. As at the date of this Offering Circular, Hui Xian Investment has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the PRC enterprise income tax. If the PRC tax authorities subsequently determine that Hui Xian Investment and/or Hui Xian REIT should be classified as a resident enterprise, then Hui Xian Investment and/or Hui Xian REIT's worldwide income will be subject to PRC enterprise income tax at a uniform rate of 25.0%, which will decrease its earnings from operations. Notwithstanding the foregoing provision, the PRC Enterprise Income Tax Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Hui Xian Investment is classified as a resident enterprise, the dividends that it receives from BOP may be exempted from income tax. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company having ownership interest in a PRC enterprise. In addition, if Hui Xian REIT is treated as a PRC tax resident enterprise by PRC tax authorities in the future, any gain realised by the non-resident enterprise Unitholders from the transfer of the Unit may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10.0% PRC withholding tax.

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Should there be any change to the existing PRC tax laws or regulations as mentioned above or the interpretation thereof, or any new PRC laws or regulations promulgated in the future, which have the effect of increasing the rate of withholding tax or restricting or withdrawing the preferential tax treatment, or which otherwise adversely affects the tax payable in respect of the dividend payment to Hui Xian Investment by BOP, this may have an adverse impact on Hui Xian REIT and the Unitholders.

***Hui Xian REIT may incur losses arising from claims brought against BOP in connection with the operation of Oriental Plaza.***

BOP currently employs and will continue to employ certain personnel in the PRC to carry out certain core functions (such as corporate administration, human resources and supervision), hotel operations and other functions in relation to Oriental Plaza (see the section headed “Oriental Plaza and Business — Employees” in this Offering Circular for further information about arrangements with regard to employees of BOP). There is no assurance that claims will not be brought against BOP for damages, loss or injuries suffered by the employees of BOP or by third parties in connection with the provision of such services by the employees. The losses resulting from the claims brought by the employees of BOP or by third parties in connection with the provision of services by the employees of BOP may not be fully compensated by insurance proceeds. In such event, Hui Xian REIT may incur losses.

***Hui Xian REIT and the Manager, which are each newly established entities, do not have established operating histories for investors to rely on in making an investment decision.***

The Manager was incorporated on 26 October 2010 and Hui Xian REIT was established on 1 April 2011. While the Cheung Kong Group and HWL Group together previously indirectly owned a majority interest in Hui Xian Investment and Oriental Plaza is managed through certain subsidiaries of Cheung Kong, and while the management team of the Manager have experience managing Oriental Plaza and/or the Hui Xian BVI Group, Hui Xian REIT will only acquire an indirect interest in Oriental Plaza on Completion. Accordingly, neither Hui Xian REIT nor the Manager has operating histories by which their past performance may be judged and you may find it difficult to evaluate their business and prospects. In particular, Hui Xian REIT’s historical financial information included in this Offering Circular may not necessarily reflect its results of operations, financial condition and cash flows in the future or what its results of operations, financial condition and cash flows would have been had it been a separate, stand-alone entity during each of the periods presented. Further, there can be no assurance that the Manager will be able to successfully operate Hui Xian REIT as a REIT or as a publicly-listed entity and, therefore, Hui Xian REIT may incur losses.

***Hui Xian REIT’s current and future borrowings give rise to financial risk.***

If payment under the current or future bank borrowings is not made on a timely basis, the lending bank may declare a default and enforce the security. Also, if certain financial covenants under the relevant loan agreements are breached, the lending bank may declare an event of default, demand the immediate repayment of all outstanding loans and other sums payable under such loan agreements and enforce the security.

The BOC Term Loan and the BOC Revolving Facility are secured by a mortgage over Oriental Plaza pursuant to two mortgage agreements entered into by BOP and BOC on 30 December 2008 and 12 February 2009, respectively. BOC may enforce such security if any event of default as contained in the BOC Term Loan Agreement and the BOC Revolving Facility Agreement occurs. For details, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — BOC Term Loan Agreement and BOC Revolving Facility Agreement” in this Offering Circular.

The Facility is secured by a pledge over the shares in Hui Xian Investment held by Hui Xian BVI. Hui Xian Holdings may enforce such security if any event of default as contained in the Facility Agreement occurs. For details, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — Facility Agreement” in this Offering Circular.

Further, Hui Xian REIT may, from time to time, require debt financing to achieve the Manager’s investment strategies. Hui Xian REIT will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave Hui Xian REIT with insufficient cash

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resources to operate its properties or make distributions to Unitholders necessary to maintain its REIT qualification. Hui Xian REIT's level of debt and the limitations imposed on it by its current or future loan agreements could have significant adverse consequences, including, but not limited to, the following: (i) its cash flow may be insufficient to meet its required principal and interest payments; (ii) it may be unable to borrow additional funds as needed or on commercially acceptable terms; (iii) it may be unable to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness; (iv) it may default on its obligations and the lenders or mortgagees may foreclose on its properties, and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities; (v) it is subject to restrictive covenants in the Facility Agreement and the BOC Loan Agreements, and may be subject to similar restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect Hui Xian REIT's or BOP's operations, such as their ability to incur additional indebtedness, acquire properties, make certain other investments, make capital expenditures, or make distributions to Unitholders, and affirmative covenants, which may require them to set aside funds for maintenance or repayment of security deposits; (vi) it may violate restrictive covenants under the Facility Agreement and in future loan documents, which would entitle the lenders to accelerate its debt obligations; and (vii) its default under any one of its loan agreements could result in a cross default under other indebtedness.

If any one or more of these events was to occur, Hui Xian REIT's financial condition, results of operations, cash flow, cash available for distributions to Unitholders, per Unit trading price, and its ability to satisfy its debt service obligations could be materially adversely affected.

***There are significant restrictions on the remittance of RMB out of the PRC and the ability of Hui Xian REIT to service the repayment of the Facility may be subject to limitations imposed by the PRC government.***

Hui Xian Investment has in place the Facility which is in RMB. In order to service the repayment of any amount which Hui Xian Investment may borrow pursuant to the Facility and the interest payable thereon, Hui Xian Investment will need to have sufficient RMB to meet such payment obligations when they fall due. Although BOP receives almost all its revenue in RMB, its ability to make dividend and other distributions to Hui Xian Investment in RMB depends on many factors, including but not limited to, the applicable regulatory and legal requirements. As mentioned in the risk factor under the section headed "Risk Factors — RMB is not freely convertible. There are significant restrictions on the remittance of RMB into and out of the PRC, and the ability of BOP to remit RMB to Hong Kong and the ability of Hui Xian REIT to make distributions in RMB may be subject to future limitations imposed by the PRC government" in this section of the Offering Circular, there is no assurance that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or out of the PRC and thus, there is no assurance that the ability of BOP to remit RMB to Hui Xian Investment in the form of dividends or other distributions would not be restricted in the future. Furthermore, as a result of the restrictions imposed by the PRC government on cross-border RMB fund flows, the availability of RMB outside of PRC is limited and Hui Xian REIT may not be able to source RMB outside the PRC of sufficient amounts or at all. Should BOP be unable to repatriate funds out of the PRC in RMB and Hui Xian REIT is unable to source sufficient RMB outside the PRC, it may not be able to service the repayment of the principal and interest on any amount that it may borrow under the Facility. For details of the Facility, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — Facility Agreement" in this Offering Circular.

***The value of Hui Xian REIT may be adversely affected by fluctuations in interest rates.***

The business of Oriental Plaza is affected by local, regional and international economic conditions. In particular, fluctuations in interest rates may increase the interest costs incurred from the Facility and incurred under the BOC Loan Agreements and they may adversely affect the financial position of Hui Xian REIT and the ability of Hui Xian REIT to make distributions to Unitholders. Additionally, fluctuations in interest rates, as well as changes in other economic market conditions, may have an adverse effect on the level of activity in the property market, and may have a material adverse effect on the revenue of Hui Xian REIT, the value of its property, and its financial performance and condition.

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For details of the Facility and BOC Loan Agreements, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT” in this Offering Circular.

***The compensation received for any breach of the Reorganisation Agreement on the part of Hui Xian Cayman may be limited as the guarantee of its performance is given by Hui Xian Holdings only and there is no guarantee from the ultimate shareholders of Hui Xian Holdings.***

The obligations of Hui Xian Cayman under the Reorganisation Agreement (including its liabilities in respect of any breach of the representations, warranties and indemnities given by it in respect of Hui Xian BVI Group and Oriental Plaza) are guaranteed by Hui Xian Holdings. However, no guarantee in respect of such obligations of Hui Xian Cayman is given by any of the ultimate shareholders of Hui Xian Cayman, which may be financially stronger than Hui Xian Cayman. As such, if Hui Xian Cayman is in breach of the Reorganisation Agreement and Hui Xian REIT is not compensated by Hui Xian Cayman fully or at all, Hui Xian REIT will not be able to seek any compensation from any of the ultimate shareholders of Hui Xian Cayman, and thus may not be compensated fully for any losses and liabilities suffered or incurred by Hui Xian REIT as a result of a breach of Hui Xian Cayman of its obligations under the Reorganisation Agreement.

***The amount that Hui Xian REIT may borrow is limited.***

Among other limitations on borrowings, Hui Xian REIT's borrowings are limited by the REIT Code to no more than 45.0% of its total gross asset value. Based on the borrowings of Hui Xian REIT as at the Listing Date (amounting to approximately RMB200 million after the repayment of part of the BOC Term Loan on 6 April 2011), and the total gross asset value of Hui Xian REIT as stated in the unaudited pro forma statement of financial position of Hui Xian REIT set out in Appendix II to this Offering Circular, the aggregate amount of the existing borrowings will represent no more than 1.0% of the total gross asset value of Hui Xian REIT. Should the Facility be fully drawn, and on a similar basis as mentioned above, the aggregate amount of the existing borrowings and borrowings drawn under the Facility will represent no more than 5.0% of the total gross asset value of Hui Xian REIT. However, there can be no assurance that Hui Xian REIT's borrowings will not over time exceed 45.0% of its gross asset value, whether following any revaluation of assets or otherwise. From time to time, Hui Xian REIT may need to draw down on its loan facilities and to use overdrafts but may be unable to do so due to the 45.0% borrowing limit. In addition, Hui Xian REIT may also face difficulties in securing financing, either on a timely basis or on commercially acceptable terms, or at all, in asset-backed lending transactions secured by real estate, in particular in view of the manner in which land use rights in Oriental Plaza are held and the requirement for certain matters to be unanimously approved by the directors of BOP present at the relevant board meeting (see the risk factor headed “Certain matters concerning BOP require consent from the Domestic JV Partner” above). Further, the use of leverage may increase the exposure of Hui Xian REIT to adverse economic factors such as rising interest rates and economic downturns.

***Hui Xian REIT's growth depends on external sources of capital which are outside of its control.***

The Manager's policy is to distribute to Unitholders an amount equal to 100.0% of Hui Xian REIT's Annual Distributable Income for the period from the Listing Date to 31 December 2011 and the financial year ending 31 December 2012 and thereafter at least 90.0% of Hui Xian REIT's Annual Distributable Income for each financial year. Also, in order to maintain Hui Xian REIT's qualification as a REIT, it is required under the REIT Code to annually distribute at least 90.0% of its audited annual net income after tax. In addition, the Manager has the discretion to distribute any additional amounts (including capital). Therefore, Hui Xian REIT may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, it may need to rely on external sources of funding to expand its portfolio, which may not be available on commercially acceptable terms or at all. If Hui Xian REIT cannot obtain capital from external sources, it may not be able to acquire properties when strategic opportunities exist, satisfy its debt service obligations or make the cash distributions to the Unitholders necessary to maintain its qualification as a REIT.

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***Failure of Hui Xian BVI Group to continue to receive financing would adversely affect its business, ability to sustain or grow its business and financial stability.***

The Hui Xian BVI Group had in the past owed, and currently owes, substantial amounts to Hui Xian Holdings and other lenders. As at 31 December 2007, 31 December 2008, 31 December 2009 and 31 October 2010, Hui Xian BVI Group had incurred net current liabilities of approximately RMB7,745 million, approximately RMB8,298 million, approximately RMB7,019 million and approximately RMB6,001 million respectively, which were mainly attributable to the borrowings from Hui Xian Holdings and the loan borrowed pursuant to the BOC Term Loan Agreement.

Although the borrowings from Hui Xian Holdings will be either repaid (including repayments using the net proceeds from the Offering) or assigned to the Trustee (as trustee of Hui Xian REIT), and as a result the net current liabilities of Hui Xian BVI Group will be substantially reduced, if BOC does not continue to provide financing to Hui Xian BVI Group, or Hui Xian REIT cannot obtain sufficient or additional funding on commercially acceptable terms or if Hui Xian REIT encounters significant working capital requirements or cash outflows, Hui Xian REIT may not have sufficient liquidity or the credit capacity to meet all of its cash needs including repayment of bank and other borrowings, and hence, may be subject to claims or litigation by lenders or other creditors. In such a case, the financial condition of Hui Xian REIT may be adversely affected and Hui Xian REIT may not be able to successfully implement its business strategies which could also adversely affect its business, prospects and financial stability.

***Hui Xian REIT depends on certain key personnel, and the loss of any key personnel may adversely affect its business, financial condition and results of operations.***

Hui Xian REIT's success depends, in part, upon the continued service and performance of the key executive officers and certain other key senior personnel of the Manager, BOP and in respect of the Property Manager, the service and performance of the key executive officers to be appointed. These persons may leave the Manager, BOP and/or the Property Manager in the future, and also may thereafter compete with it and Hui Xian REIT. The loss of any of these individuals could have a material adverse effect on Hui Xian REIT's business, financial condition and results of operations.

***Hui Xian REIT's success depends on the ability of the Manager, the Property Manager and the Hotel Manager to operate Oriental Plaza and their failure to operate Oriental Plaza in an efficient and effective manner could have a material adverse effect on the value of Oriental Plaza and Hui Xian REIT's results of operations.***

Hui Xian REIT depends on the Manager to manage its operations and its portfolio of real estate assets. The Manager has no operating history and it will depend upon the fees and other compensation it will receive from Hui Xian REIT in connection with management, the purchase and sale of properties of Hui Xian REIT's to conduct its operations.

After the establishment of the Property Manager, the Property Manager will be engaged to provide certain property management functions and services. BOP will enter into the Operations Management Agreement with the Property Manager which will perform all day-to-day operation and management functions in respect of Oriental Plaza (excluding Grand Hyatt Beijing). Under the Operations Management Agreement, the Property Manager will be responsible for providing property management co-ordination services, leasing management services and marketing services in relation to Oriental Plaza (excluding Grand Hyatt Beijing) and as agent on behalf of BOP to select and recommend services providers to provide such services and the Property Manager will also monitor, on behalf of BOP, the performance of the services providers. In addition, Grand Hyatt Beijing is managed by the Hotel Manager pursuant to the Hotel Management Agreement. The Hotel Manager has full control and discretion in the management, operation and promotion of Grand Hyatt Beijing, subject to certain matters requiring the approval of BOP.

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The failure of the Property Manager or the Hotel Manager to manage appropriately Oriental Plaza will adversely affect the underlying value of Oriental Plaza and Hui Xian REIT's results of operations and ability to make distributions to Unitholders and pay amounts due on its indebtedness. In addition, any adverse changes in Hui Xian REIT's relationship with the Manager, or the Manager's relationship with the Property Manager or the Hotel Manager, could hinder their respective abilities to manage Hui Xian REIT's operations and its portfolio of real estate assets.

***The operations of the Manager, the Hotel Manager and certain property services providers are subject to regulation and their licensing, qualification and approval conditions.***

The Manager is required to be licensed under the SFO for the regulated activity of asset management. The Hotel Manager and certain of BOP's property services providers, including but not limited to BJ Citybase and BJ Goodwell, are required to hold the necessary certificate of qualification and obtain approval from the relevant governmental department for their respective businesses, in the PRC. No assurance can be given that the Manager, the Hotel Manager and such property services providers will each be operated and managed in accordance with their respective licensing and approval conditions. The departure of responsible officers of the Manager may result in the loss of the Manager's licence to act as the manager of Hui Xian REIT. The breach of certain conditions of the respective licence and/or approval conditions of the Hotel Manager and such property services providers may result in the loss or revocation of their respective licences or approvals to act as the property service providers or the hotel manager of the relevant parts of Oriental Plaza. In the event that the Manager ceases to be licensed under the SFO, or the Hotel Manager or such property services providers cease to hold the required licence or the necessary approval under the relevant laws and regulations of the PRC is revoked, Hui Xian REIT may need to appoint other licensed or approved management companies and/or property service providers. The loss of the services of any of the Manager, the Hotel Manager or such property service providers may materially and adversely affect the businesses, financial condition and results of operations of Hui Xian REIT. In the event no other management companies duly licensed or approved are willing to replace the existing Manager the Trustee may terminate Hui Xian REIT.

***If the Operations Management Agreement and/or the Hotel Management Agreement expire or are terminated early, Hui Xian REIT may not be able to enter into a new operations management agreement and/or new hotel management agreement in the future on similar terms.***

Upon expiration or termination of the Operations Management Agreement or the Hotel Management Agreement (which shall expire on 31 December 2019), subject to market conditions then prevailing, the Manager may not be able to substitute the relevant Property Manager or the Hotel Manager in a timely manner, or on terms similar to those under the Operations Management Agreement or the Hotel Management Agreement (as the case may be). During any period where there is no property manager or hotel manager in place, the Manager will have to operate Oriental Plaza directly and Hui Xian REIT could face a substantial disruption to its operations and an increase in costs incurred for management of Oriental Plaza and for certain corporate and administrative services.

***The loss of key tenants or a downturn in the business of its tenants, which include connected persons of Hui Xian REIT, could have an adverse effect on Hui Xian REIT's financial condition and results of operations.***

If a key tenant experiences a downturn in its business or other types of financial distress, such as bankruptcy or insolvency, it may be unable to make timely rental payments. Hui Xian REIT's claims for unpaid rent against a bankrupt tenant may not be paid in full. In addition, Hui Xian REIT would incur time and expense relating to any eviction proceedings and would be unable to collect rent during such proceedings. Further, when its key tenants decide not to renew their leases or terminate early (in cases where a key tenant has termination rights), it may not be able to re-let the space. Even if key tenants decide to renew or lease new space, the terms of renewals or new leases, including the cost of required renovations or concessions to tenants, may be less favourable to Hui Xian REIT than current

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lease terms. As a result of these events, Hui Xian REIT's cash flow could decrease and it may not be able to make distributions to Unitholders.

In addition, if the key tenants experience a downturn in their businesses, it may weaken their financial condition and result in their failure to make timely rental payments or to default under the leases. Tenants in a particular industry might be affected by any adverse downturn in that industry and this may result in their failure to make timely rental payments or to default under the leases. The key tenants may also fail to renew their leases for other reasons. If any key tenant defaults, fails to make timely rental payments, or fails to renew its lease, Hui Xian REIT may experience delays in enforcing its rights as landlord, may incur substantial costs in protecting its investment and may be unable to re-let the space.

***Hui Xian REIT may be unable to renew leases, lease vacant space or re-lease space as leases expire.***

As at 31 January 2011, leases representing approximately 17.9%, approximately 32.0% and approximately 17.8% of the total leased Rentable Area of The Malls and leases representing approximately 25.4%, approximately 35.1% and 29.8% of the total leased Rentable Area of The Tower Offices were scheduled to expire in the years ending 31 December 2011, 31 December 2012 and 31 December 2013 respectively. The Manager cannot assure that leases will be renewed or that new leases will be entered into for the vacant spaces at rental equal to or above the current rental. If the rental for Oriental Plaza decreases, Hui Xian REIT's existing tenants do not renew their leases or Hui Xian REIT is unable to enter into new leases in respect of a significant portion of its available space and space for which leases are scheduled to expire, Hui Xian REIT's financial condition, results of operations, cash flow, per unit trading price of the Units, and its ability to satisfy its debt service obligations could be materially adversely affected. For details of the expiries in respect of leases of The Malls and The Tower Offices, see Appendix V to this Offering Circular.

***Decreases in property values as a result of the revaluation of Oriental Plaza could result in a decrease in the annual consolidated net profit of Hui Xian REIT for that year and may also trigger certain events of default which may lead to adverse consequences under the Facility Agreement.***

The property held by Hui Xian REIT is subject to regular revaluation as required under the REIT Code. Under Hui Xian REIT's accounting policy as currently required under the REIT Code and by applicable HKFRS, any decrease in the valuation of its investment property could result in non-cash charges to the statement of comprehensive income, and may give rise to a substantial decline in annual consolidated net profit. Under the Trust Deed, Annual Distributable Income for a financial year is the amount calculated by the Manager (based on the audited financial statements of Hui Xian REIT for that financial year) as representing the consolidated audited net profit after tax of Hui Xian REIT and the Special Purpose Vehicles for that financial year, as adjusted to eliminate the effect of Adjustments (as defined in the section headed "Distribution Policy" in this Offering Circular). While the Manager may (but is not obliged to as they are not Adjustments) include in its annual distribution amounts referable to any unrealised property revaluation losses, the Manager's ability to do so is subject to, and may be constrained by, compliance with the gearing ratio prescribed by the REIT Code, which currently limits Hui Xian REIT's borrowings to no more than 45.0% of Hui Xian REIT's total gross asset value.

In the event a property revaluation results in a reduction in gross asset value and consequently Hui Xian REIT's borrowings as a proportion of total gross asset value rise above the applicable borrowing limit requirement, the Manager would be required to retain funds that would otherwise be distributable to the Unitholders so as to increase Hui Xian REIT's total gross asset value and Hui Xian REIT may be constrained from further borrowing.

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***The Manager may change Hui Xian REIT's investment strategy.***

Hui Xian REIT's policies with respect to certain activities, including investments and acquisitions, will be determined by the Manager. Unitholders and potential investors should note that, subject to the requirements of the REIT Code, the Trust Deed, the Listing Agreement and applicable law, the Manager has absolute discretion to determine the investment strategy of Hui Xian REIT and the investments and acquisitions made by Hui Xian REIT, which may result in reduction in net income or even losses to Hui Xian REIT.

***There are potential conflicts of interest between Hui Xian REIT, the Manager, the Cheung Kong Group, Fortune REIT and Prosperity REIT.***

Cheung Kong will be an "associate" of a significant holder of Hui Xian REIT upon listing of Hui Xian REIT for the purpose of the REIT Code. The principal activities of the Cheung Kong Group include property development and investment in the PRC (including Beijing) and elsewhere. The Cheung Kong Group engages in developing high-quality and large scale properties for sale and investment in the retail, office, serviced apartments and hotel sectors. As a result, there may be circumstances where Hui Xian REIT and the Cheung Kong Group may compete with each other in some respects. Cheung Kong will have the ability through its wholly-owned subsidiaries to influence Hui Xian Cayman's right as a Unitholder in respect of the affairs of Hui Xian REIT (in so far as such matters are subject to the vote by the Unitholders and Hui Xian Cayman is not required to abstain from voting), including in relation to approval of significant corporate transactions, such as acquisitions or disposals. In addition, two non-executive Directors, being KAM Hing Lam and IP Tak Chuen, Edmond, and some of the senior executives of the Manager, are also directors and/or senior executives of Cheung Kong and/or its affiliated companies. Furthermore, the Manager is 30.0% owned by a wholly-owned subsidiary of Cheung Kong and 30.0% indirectly owned by ARA in which Cheung Kong has approximately 15.6% indirect interest as at the Latest Practicable Date, and certain services providers engaged for the provision of services to BOP are also subsidiaries of Cheung Kong. Cheung Kong indirectly holds units in both Fortune REIT and Prosperity REIT and it may in the future invest in other REITs which compete, or may compete, directly or indirectly with Hui Xian REIT. Fortune REIT and Prosperity REIT are managed by ARA Asset Management (Fortune) Limited and ARA Asset Management (Prosperity) Limited, respectively, both of which are wholly-owned subsidiaries of ARA. Although currently Prosperity REIT's properties and Fortune REIT's properties are located in Hong Kong whereas Oriental Plaza, the initial property in which Hui Xian REIT is interested, is located in the PRC, Fortune REIT and Prosperity REIT may in the future invest in properties in the PRC. As a result, there may be circumstances where Hui Xian REIT on the one hand, and the Cheung Kong Group, Fortune REIT and Prosperity REIT on the other hand may compete with each other for property acquisition and leasing opportunities. Hui Xian REIT on the one hand, and the Cheung Kong Group, Fortune REIT and Prosperity REIT on the other hand may also acquire properties or other assets from each other or may enter into other transactions with each other in the future. There can be no assurance that a conflict of interest will not arise between Hui Xian REIT, the Manager, the Cheung Kong Group, Fortune REIT and Prosperity REIT. In particular, conflicts of interests may arise in connection with the aforesaid potential acquisitions, leasing opportunities and transactions and in agreeing the terms of such potential acquisitions, leasing opportunities and transactions.

***The Manager is an associated company of ARA. There are potential conflicts of interest between Hui Xian REIT and REITs and private real estate funds managed by ARA for property acquisition and leasing opportunities.***

ARA, its subsidiaries and associated companies are engaged in the management of publicly-listed REITs, including Prosperity REIT and Fortune REIT and private real estate funds investing in Asia, including the PRC. ARA indirectly owns a 30.0% interest in the Manager and two of ARA's directors are on the board of the Manager. Mr. IP Tak Chuen, Edmond is a non-executive director of ARA and a non-executive director of the manager of Fortune REIT. As such, Mr. Ip may have conflicting duties because, in his capacity as a Director, he has a duty to Hui Xian REIT, and in his capacity as a director of the manager of Fortune REIT and ARA, he has duties to Fortune REIT and ARA respectively. In

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addition, Mr. LIM Hwee Chiang is a substantial shareholder and director of ARA and a director of the managers of Prosperity REIT and Fortune REIT. As such, Mr. Lim may have conflicting duties because, in his capacity as a Director, he has a duty to Hui Xian REIT, and in his capacity as a director of the manager of Fortune REIT, the manager of Prosperity REIT and ARA, he has duties to Fortune REIT, Prosperity REIT and ARA respectively.

Although these conflicts are reduced in view of the fact that private real estate funds managed by ARA generally focus on strategic and opportunistic real estate which entail higher risks than that of Hui Xian REIT and also the fact that Fortune REIT's and Prosperity REIT's primary geographical focus is on Hong Kong and not on the PRC, conflicts of interest could nonetheless arise which could lead to decisions that are not in the best interests of the Unitholders of Hui Xian REIT. In particular, there may be circumstances where Hui Xian REIT on the one hand, and publicly-listed REITs and private real estate funds managed by ARA on the other hand may compete with each other for potential acquisition and leasing opportunities. Hui Xian REIT on the one hand, and publicly-listed REITs and private real estate funds managed by ARA on the other hand may also acquire properties or other assets from each other or may enter into other transactions with each other in the future. Conflicts of interests may arise in connection with the aforesaid potential acquisitions, leasing opportunities and transactions and in agreeing the terms of such potential acquisitions, leasing opportunities and transactions.

***The Manager is an associated company of CITIC Securities International. There are potential conflicts of interest between Hui Xian REIT, the Manager and CITIC Securities Group.***

The principal activities of CITIC Securities Group include securities and futures trading, underwriting and sponsoring, proprietary trading, asset management, securities investment advisory services, financial advisory, research and fixed income services. CITIC Securities Group, on its own account and/or clients' accounts, is engaged in the trading of property-related securities and funds. CITIC Securities International indirectly owns a 40.0% equity interest in the Manager. In addition, Yin Ke and Kwan Man Fai, Louis are directors and senior executives of certain members of CITIC Securities Group and also directors of the Manager. Although Hui Xian REIT and CITIC Securities Group are engaged in different businesses, there is no assurance that conflicts of interest will not arise between Hui Xian REIT, the Manager and CITIC Securities Group. In particular, should there be transactions between Hui Xian REIT and CITIC Securities Group, conflicts of interests may arise in agreeing the terms of such transactions.

***Adverse global economic conditions could adversely affect the business, financial condition and results of operations of Hui Xian REIT.***

The global financial crisis that unfolded in 2008 and continued during 2009 resulted in a marked slowdown in world economic growth, economic contractions in certain markets (including in the PRC where Hui Xian REIT operates), increased commercial and consumer delinquencies, weakened consumer confidence and increased market volatility. Oriental Plaza was adversely affected by such global financial crisis. For details, see the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Offering Circular. While there are signs that the economies of the PRC and other countries have begun to recover, we cannot assure you that the global financial crisis will not return.

Oriental Plaza, the only initial real estate investment in which Hui Xian REIT has an interest, comprises retail, office, serviced apartments and hotel properties in Beijing and is vulnerable to decreased consumer spending and reduced disposable income as a result of these unprecedented conditions. Hui Xian REIT may be adversely affected by, among other things:

- (a) the potential reduced ability of its tenants to pay rent in a timely manner or at all, reducing Hui Xian REIT's revenue and cash flow;
- (b) the potential reduction of or fluctuations in demand for retail and office space, leading to vacancies or reductions in the space leased by tenants and a potential oversupply of such space;

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- (c) the potential reduction of or fluctuations in demand for hotel rooms and service apartment units and facilities leading to vacancies
- (d) downward pressure on rental rates, room rates and other operating income;
- (e) reduction of or fluctuations in liquidity and potential difficulty in borrowing;
- (f) the increased likelihood that one or more of Hui Xian REIT's lenders or insurers may be unable to honour their commitments to Hui Xian REIT; and
- (g) an increase in counterparty risk.

Any global economic slowdown or financial market turmoil in the future may adversely affect the business of the tenants of the retail, office, hotel and serviced apartment components of Oriental Plaza, which may lead to a decrease in the general demand for Oriental Plaza and a decrease in the rents or room rates and other income of Oriental Plaza. In addition, since a portion of the rental income of Hui Xian REIT is derived from the turnover of the tenants of Oriental Plaza, which is more volatile than base rent, any drop in consumer demand for the goods and services of the tenants of Oriental Plaza could reduce Hui Xian REIT's rental income from retail properties and have an adverse impact on Hui Xian REIT's results of operations.

***The outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could adversely impact the businesses, financial condition and results of operations of Hui Xian REIT.***

The outbreak of infectious diseases such as Influenza A (H1N1-2009), avian influenza or Severe Acute Respiratory Syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or the imposition of quarantines, could have a negative impact on economic and business activities in Asia and elsewhere including consumer spending in Beijing, and could thereby adversely impact the revenues and performance of Hui Xian REIT. There can be no assurance that any precautionary measures taken against infectious diseases will be effective. A future outbreak of an infectious disease or any other serious public health concerns in Asia and elsewhere could have an adverse effect on the operations of Oriental Plaza, and on the business, financial condition and results of operations of Hui Xian REIT.

***The representations, warranties and indemnities granted in favour of Hui Xian REIT by Hui Xian Cayman are subject to limitations.***

The representations, warranties and indemnities granted in favour of Hui Xian REIT by Hui Xian Cayman (see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular) are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder. There can be no assurance that Hui Xian REIT will be fully reimbursed under such representations, warranties and indemnities for all losses or liabilities suffered or incurred by it (if any) as a result of its indirect acquisition of an interest in Oriental Plaza.

***You should only rely on the information included in this Offering Circular to make your investment decision and should not rely on any particular statements in published news reports.***

Prior to the publication of this Offering Circular, there may have been press and media coverage regarding Hui Xian REIT and/or Oriental Plaza, and the Offering, which may also have included certain financial projections and other forward-looking statements and information about Hui Xian REIT that does not appear in this Offering Circular. Published news reports should not, in any way, be interpreted as rental or profit projections of Hui Xian REIT. The Manager has not authorised the disclosure of any such information in the press or media. Hui Xian REIT does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Manager makes no representation as to the appropriateness, accuracy, completeness or reliability of any such

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information or publication. If any such information appearing in publications other than this Offering Circular is inconsistent or conflicts with the information contained in this Offering Circular, the Manager disclaims it.

Accordingly, you should only rely on the information included in this Offering Circular to make your investment decision and should not rely on any other information.

**Risks Relating to Oriental Plaza**

***Hui Xian REIT presently relies on Oriental Plaza for all of its revenue. This exposes Hui Xian REIT to concentration risk.***

Hui Xian REIT presently relies on Oriental Plaza for all of its revenue. This concentration may entail a higher level of risk as compared to some other REITs that have more than one property, in particular those with properties spreading over several different locations or have a more diverse range of investments. Any circumstance that adversely affects the operations or business of Oriental Plaza, or its attractiveness to tenants, may adversely affect the revenue generated by Oriental Plaza, and Hui Xian REIT will not have income from other properties to mitigate any ensuing loss arising from such circumstance. A concentration of investment in Oriental Plaza causes Hui Xian REIT to be highly susceptible to market conditions in the PRC as a whole and Beijing in particular.

***Oriental Plaza is located in Beijing, which exposes Hui Xian REIT to economic and property market conditions in Beijing and the PRC as a whole, as well as to economic measures implemented by the PRC Government to prevent the overheating of the PRC property market.***

Oriental Plaza, the only real estate in which Hui Xian REIT has an interest for the time being, is situated in Beijing, which exposes Hui Xian REIT to the risk of a downturn in economic and property market conditions in Beijing in particular and the PRC as a whole. The value of Oriental Plaza may be adversely affected by a number of local property market conditions, such as oversupply, the performance of other competing commercial properties or reduced demand for commercial space.

Hui Xian REIT's business and financial conditions and results of operations also depend, to a large extent, on the performance of the economy of Beijing and of the PRC as a whole. An economic downturn or a downturn in the property market in Beijing and/or the PRC as a whole could adversely affect Hui Xian REIT.

***The attractiveness of Oriental Plaza may be affected if other commercial districts in Beijing develop.***

Some of the key attractions of Oriental Plaza include its location within one of the main commercial districts in Beijing. As other commercial districts in Beijing develop and become popular with businesses, Oriental Plaza may become less attractive to tenants and hotel guests. Such developments could cause existing tenants in The Malls, The Tower Offices and The Tower Apartments to relocate away from The Malls, The Tower Offices and The Tower Apartments and existing hotel guests to choose to stay in other hotels, and Hui Xian REIT may have to lower rental and room rates at Oriental Plaza in order to retain existing tenants and hotel guests or attract new tenants and hotel guests. As a result, Hui Xian REIT's business, financial condition and results of operation could be adversely affected.

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***The revenue earned from, and the value of, Oriental Plaza may be adversely affected by a number of factors.***

The revenue earned from, and the value of, Oriental Plaza may be adversely affected by a number of factors, including:

- (a) vacancies following the expiry of termination of tenancies that lead to reduced occupancy rates which reduce Hui Xian REIT's revenue and its ability to recover certain operating costs through service charges;
- (b) the inability of BOP, the Property Manager and the Hotel Manager to collect rent and charges from tenants and hotel guests on a timely basis or at all;
- (c) tenants and agents requesting rebates on rental and room charges due to the impact of any economic downturn;
- (d) tenants, hotel guests and agents requesting waiver of interest on late payment of rent and room and service charges;
- (e) the amount of rent payable by tenants and other terms on which tenancy renewals and new tenancies are agreed being less favourable than those under current tenancies;
- (f) the recurring need for renovation, refurbishment and improvement of Oriental Plaza;
- (g) the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for retail space, office space, serviced apartments and/or hotel rooms/facilities changes in market rental and room rates and operating expenses for Oriental Plaza);
- (h) increased competition from existing and new retail, office, serviced apartments and/or hotel properties in surrounding areas;
- (i) the Manager's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;
- (j) competition for tenants and hotel guests from other properties and/or hotel operations which may affect rental and other income or occupancy levels at Oriental Plaza; and
- (k) natural disasters, acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases and other events beyond the control of the Manager.

Accordingly, the current yield on Oriental Plaza may not be sustained.

***Hui Xian REIT's ability to make distributions to Unitholders could be adversely affected if property expenses, such as maintenance charges, property management fees, property taxes and other operating expenses increase without a corresponding increase in revenue.***

Factors which could increase property expenses include but are not limited to:

- (a) increase in wages, prices, energy costs and maintenance costs;
- (b) increase in agent commission expenses for procuring new tenants and hotel guests;
- (c) increase in property tax assessments and other statutory charges;
- (d) changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- (e) increase in sub-contracted service costs;
- (f) increase in the rate of inflation;
- (g) increase in insurance premiums and interest rates;
- (h) increase in costs relating to adjustment of the tenant mix; and
- (i) increase in the operating costs of Grand Hyatt Beijing.

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***The due diligence exercise on buildings and equipment may not have identified all material defects, breaches of laws and regulations and other deficiencies.***

In connection with the acquisition of an interest in Oriental Plaza by Hui Xian REIT, due diligence reviews, surveys and inspections have been conducted by Savills Project Consultancy Limited, an independent property consultant. A letter from Savills Project Consultancy Limited in relation to its due diligence survey report is set out in Appendix VIII to this Offering Circular. The due diligence survey comprised, among others: (i) visual inspection of Oriental Plaza; (ii) verification of the current building layouts and usage against the latest approved building plans; (iii) visual inspection of all accessible building elements, including the façade, roof, windows and skylights; (iv) verification of existing or potential hazards; and (v) visual inspection of electrical and mechanical plans and installations, including air conditioning, fire services, plumbing and drainage. Nevertheless, the due diligence process with respect to the physical condition of Oriental Plaza has been limited. There can be no assurance that such reviews, surveys or inspections (or the relevant review, survey or inspection reports on which Hui Xian REIT, the Manager, the Joint Listing Agents and the Underwriters have relied) would have revealed all defects or deficiencies affecting the portfolio of Oriental Plaza. In particular, there can be no assurance as to the absence of: (i) latent or undiscovered defects or deficiencies; or (ii) inaccuracies or deficiencies in such reviews, surveys or inspection reports, any of which could have a material adverse impact on Hui Xian REIT's business, financial condition and results of operations.

***Losses or liabilities from latent building or equipment defects may adversely affect earnings and cash flow.***

If Oriental Plaza has design, construction or other latent property or equipment defects as described above, these may require additional capital expenditure, special repair or maintenance expenses or the payment of damages or the incurring of other obligations to third parties, other than those disclosed in this Offering Circular. Costs or liabilities arising from such property or equipment defects may involve significant and potentially unpredictable patterns and levels of expenditure which may have a material adverse effect on Hui Xian REIT's earnings and cash flows.

Statutory or contractual representations, warranties and indemnities given by any seller of real estate or company holding an interest in real estate are unlikely to afford satisfactory protection from costs or liabilities arising from such property or equipment defects.

***The Appraised Value of Oriental Plaza is based on various assumptions and the price at which BOP is able to sell Oriental Plaza may be different from the Appraised Value or initial acquisition value of Oriental Plaza.***

The Independent Property Valuer's Valuation Report is contained in Appendix V to this Offering Circular. In conducting its valuations, the Independent Property Valuer primarily adopted the income capitalisation approach. The valuation was based on certain assumptions (for details, see the paragraph headed "Assumptions" in Appendix V to this Offering Circular), which, by their nature, are subjective and uncertain and may differ materially from actual measures of the market. In addition, property valuations generally, and the valuation conducted by the Independent Property Valuer in particular, include a subjective determination of certain factors relating to Oriental Plaza, such as its relative market position, its financial and competitive strengths, location, and its physical condition. The key drivers of the income capitalisation approach are the market rent and the capitalisation rate. In arriving at the Appraised Value based on such approach, the Independent Property Valuer has estimated the rental income generated for the unexpired term of the land use rights of Oriental Plaza until April 2049 and applied capitalisation rates as estimated by it (for details of the estimated market rent and estimated capitalisation rates adopted, please refer to the paragraph headed "Methodology" in Appendix V to this Offering Circular). The use of market rents and/or capitalisation rates which are different from those adopted by the Independent Property Valuer may result in an appraised value of Oriental Plaza that is materially different from the Appraised Value. Accordingly, the Appraised Value of Oriental Plaza is not an indication of, and does not guarantee, a sale price at that value at present or

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in the future. The price at which BOP may sell Oriental Plaza in the future may be lower than the Appraised Value or the initial acquisition value of Oriental Plaza. This may have an adverse impact on the financial condition of Hui Xian REIT.

***Oriental Plaza or parts thereof may be resumed compulsorily.***

The PRC Government has the power to resume compulsorily any land in the PRC prior to the expiry of the its term of grant pursuant to the provisions of applicable legislation. In the event of any compulsory resumption of property in the PRC, the land user will be compensated by the PRC government. For details, see the paragraph headed “Termination of land use rights and repossession of properties” in Appendix IX to this Offering Circular. If the land use right in respect of Oriental Plaza was resumed compulsorily by the PRC Government, the level of compensation paid to BOP may be less than the price which Hui Xian REIT paid for its indirect investment in Oriental Plaza. This may have an adverse impact on the financial condition of Hui Xian REIT.

**Risks Relating to the Industries in which Hui Xian REIT operates**

***There are general risks attached to investments in real estate.***

Investments in real estate and therefore, the income generated from Oriental Plaza are subject to various risks, including but not limited to: (i) adverse changes in political or economic conditions; (ii) adverse local market conditions (such as over-supply of properties or reduction in demand for properties in the market in which Hui Xian REIT operates); (iii) the financial condition of tenants; (iv) the availability of financing such as changes in availability of debt or equity financing, which may result in an inability by Hui Xian REIT to finance future acquisitions on favourable terms or at all; (v) changes in interest rates and other operating expenses; (vi) changes in environmental laws and regulations, zoning laws and other governmental laws, regulations and rules and fiscal policies; (vii) environmental claims arising in respect of real estate; (viii) changes in market rents; (ix) changes in energy prices; (x) changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market; (xi) competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms; (xii) inability to renew leases or re-let space as existing leases expire; (xiii) inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of the tenants or otherwise; (xiv) insufficiency of insurance coverage or increases in insurance premiums; (xv) increases in the rate of inflation; (xvi) inability of the portfolio manager to provide or procure the provision of adequate maintenance and other services; (xvii) defects affecting the portfolio properties which need to be rectified, or other required repair and maintenance of the portfolio properties, leading to unforeseen capital expenditure; (xviii) the relative illiquidity of real estate investments; (xix) considerable dependence on cash flow for the maintenance of, and improvements to, the portfolio properties; (xx) increased operating costs, including real estate taxes; (xxi) any defects or illegal structures that were not uncovered by physical inspection or due diligence review, (xxii) management style and strategy of the Manager; (xxiii) the attractiveness of Hui Xian REIT’s properties to tenants; (xxiv) the cost of regulatory compliance, (xxv) ability to rent out properties on favourable terms and (xxvi) power supply failure, acts of God, wars, terrorist attacks, uninsurable losses and other factors.

Many of these factors may cause fluctuations in occupancy rates, rental or room rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of Oriental Plaza will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of Hui Xian REIT’s real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy in the PRC, which may adversely affect the financial condition of Hui Xian REIT.

***Hui Xian REIT may be adversely affected by the illiquidity of property investments.***

Hui Xian REIT invests primarily in real property, which entails a higher level of risk than a portfolio which has a diverse range of investments. Property investments, particularly investments in high value

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properties such as those in which Hui Xian REIT may from time to time consider to invest, are relatively illiquid. In particular, the market for acquiring / disposing of hotel properties and serviced apartment properties has traditionally not been very active in Beijing and is affected by many factors, such as general economic conditions, availability of financing, interest rate and other factors, including supply and demand, that are beyond Hui Xian REIT's control. In addition, hotel properties and serviced apartment properties may not readily be converted to alternative uses if they were to become unprofitable due to competition, age, decreased demand or other factors. The conversion of a hotel or a serviced apartment to alternative uses would also generally require substantial capital expenditures. Such factors, together with the fact that the hotel management agreements usually continue following a sale of a hotel property, may limit the number of possible purchasers, thus affecting the ability of Hui Xian REIT to dispose of its indirect interest in Grand Hyatt Beijing when required or considered desirable to do so.

Because the underlying asset of Hui Xian REIT is primarily in the nature of real estate investment which has traditionally been relatively illiquid and which is coupled with the legal form of BOP and the Domestic JV Partner's rights as described in the first two risk factors under the section headed "Risk Factors — Risks Relating to Hui Xian REIT" above, Hui Xian REIT's ability to promptly sell its interest in Hui Xian Investment or to vary its investment portfolio in response to changing economic, financial and investment conditions may be limited. For example, Hui Xian REIT may be unable to liquidate its assets on short notice or may be forced to agree to a substantial reduction in the price that may otherwise be sought for such assets, to ensure a quick sale. In addition, Hui Xian REIT and BOP may face difficulties in securing timely and commercially acceptable financing in asset-based lending transactions secured by real property due to the illiquid nature of real property assets and the rights of the Domestic JV Partner. These factors could have an adverse effect on Hui Xian REIT's business, financial condition and results of operations, with a consequential adverse effect on Hui Xian REIT's ability to make expected distributions to Unitholders.

***The hotel industry is susceptible to cyclicity and other factors outside the control of Hui Xian REIT and the Hotel Manager.***

The hotel business is cyclical and sensitive to changes in the global, regional or local economy generally. Since demand for hotel services in Beijing is affected by economic growth, a global, regional or local recession could lead to a downturn and any such downturn may affect hotel business. Other adverse factors outside the control of Hui Xian REIT and the Hotel Manager could include political unrest, natural disasters, changes in law and other events which may impact negatively on the tourism industry and hotel business, including hotel bookings and food and beverage business at hotels in Beijing. The occurrence of one or more of these events may have an adverse effect on the operating performance of Grand Hyatt Beijing and Hui Xian REIT.

***Hui Xian REIT faces competition.***

Each of the office, retail, serviced apartments and hotel property sectors in Beijing is a competitive market. Hui Xian REIT competes for tenants or guests with numerous developers, owners and operators of office, retail, serviced apartments and hotel properties. New supply of office, retail serviced apartments and hotel properties will also result in additional competition for tenants or guests. In addition, renovations and upgrading of competing office, retail, hotel and serviced apartment properties may reduce the competitiveness of older or existing properties.

There can be no assurance that new or existing competitors will not offer lower rates or offer greater convenience, service or amenities or develop, significantly expand, or improve facilities in a market in which Oriental Plaza operates. An inability to compete effectively could adversely affect the performance of Oriental Plaza and the financial condition of Hui Xian REIT.

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***Hotel and serviced apartment operations costs and expenses may not decrease even if occupancy rate declines.***

Certain operating costs of a hotel and a serviced apartment have to be incurred irrespective of occupancy rates. A hotel is open 24 hours a day, seven days a week and incurs costs that will not vary significantly with higher or lower occupancy rates over a week, month or season. Operating a hotel and a serviced apartment therefore involves a significant amount of fixed costs which limits the ability of the operator to respond to adverse market conditions by minimising costs and such limitations may impact on profitability when the hotel and serviced apartment markets are weak. This may adversely affect the financial conditions of Hui Xian REIT.

***Hui Xian REIT may suffer material losses in excess of insurance proceeds.***

Oriental Plaza could suffer physical damage caused by fire or other causes and Hui Xian REIT or BOP may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated for by insurance proceeds. In addition, Hui Xian REIT has not obtained insurance covering certain types of losses, such as losses from war and nuclear contamination. Should an uninsured loss or a loss in excess of insured limits occur, Hui Xian REIT or BOP could be required to pay compensation and/or lose the capital invested in the affected property as well as anticipated future revenue from Oriental Plaza. Nonetheless, Hui Xian REIT or BOP would remain liable for any debt or other financial obligation, such as committed capital expenditures, related to Oriental Plaza. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially adversely affect Hui Xian REIT's business, financial condition and results of operations.

In addition, when the current insurance policies expire, Hui Xian REIT will have to seek renewal of the policies and negotiate acceptable terms for coverage, exposing it to the volatility of the insurance markets, including the possibility of rate increases. The Manager will regularly monitor the state of the insurance market, but it cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect Hui Xian REIT's business, financial condition and results of operations.

***Hui Xian REIT could incur significant costs or liability related to environmental matters.***

Hui Xian REIT's operations are subject to various environmental laws, including those relating to air pollution control, water pollution control, waste disposal, noise pollution control, fire services control and the storage of dangerous goods. Under these laws, an owner or operator of real property may be subject to liability, including a fine or imprisonment, for air pollution, noise pollution or the presence or discharge of hazardous or toxic chemicals at that property. In addition, Hui Xian REIT may be required to make capital expenditures to comply with these environmental laws. The presence of contamination, air pollution, noise pollution or dangerous goods without a valid licence or the failure to remedy contamination, air pollution, noise pollution or dangerous goods or non-compliance with fire services control measures may expose Hui Xian REIT to liability or materially adversely affect its ability to lease the real property or to borrow using the real property as collateral.

**Risks Relating to the PRC**

Oriental Plaza is located in the PRC. Accordingly, Hui Xian REIT's results of operations, financial position and prospects are subject to a significant degree to the economic and other developments of the PRC.

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***The PRC's economic and other policies could affect Hui Xian REIT's business.***

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- (a) Economic and political structure;
- (b) Level of development;
- (c) Growth rate;
- (d) Control of foreign exchange; and
- (e) Allocation of resources.

While the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and the PRC economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among different sectors of the economy. In addition, the PRC Government continues to regulate industries development by imposing top-down policies and control over the PRC's economic growth through various means such as the allocation of resources, monetary policy, control over foreign currency-denominated payment obligations and provision of preferential treatment to particular industries and companies. Although the Manager believes the reforms will have a positive effect on Hui Xian REIT's overall and long term development, it cannot predict whether changes in the PRC's economic and other policies will have any adverse effect on Hui Xian REIT's current or future business and financial conditions and results of operations.

***Interpretation of PRC laws and regulations involves uncertainty.***

As Oriental Plaza is located in the PRC, its operation is governed principally by laws and regulations in the PRC. The PRC legal system is based on written statutes and prior court decisions may be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, because of the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC laws and regulations may not be definitive.

The land and real estate laws of the PRC, including laws relating to land title and building ownership regulations and laws applicable to landlords and tenants, are still under development and reform. In recent years, the National People's Congress, the State Council, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development have promulgated a number of laws and regulations and departmental rules relating to legal problems in respect of land and real estate. In addition, the local people's congresses and local governmental authorities in many provinces and cities also promulgated various local regulations or local rules. There may be uncertainties in the interpretation and application of these laws, administrative regulations, departmental rules, local regulations and local rules.

**Risks Relating to Investment in the Units**

***The listing, trading and settlement of the units of Hui Xian REIT, and RMB-denominated securities, may not be capable of being implemented as envisaged.***

Hui Xian REIT will be the first RMB-denominated REIT listed in Hong Kong. The listing, trading and settlement of RMB-denominated securities have not previously been done in Hong Kong and there is no assurance that there will not be problem with the systems or that other logistical problems will not arise. In case of any such problem, there can be no assurance that the listing, trading and settlement of Units will be capable of being implemented as envisaged.

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***Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of units of Hui Xian REIT, the units of which are to be the first RMB-denominated securities listed on the Hong Kong Stock Exchange.***

The trading and settlement of RMB-denominated securities have not previously been done in Hong Kong and there is no assurance that there will not be problem with the systems or that other logistical problems will not arise. Although end-to-end simulation trading and clearing of listed RMB products testing sessions and payment pilot runs for participants of Hong Kong Stock Exchange have been held by the Hong Kong Stock Exchange in March 2011, some stockbrokers may not have participated in such testing sessions and pilot runs and for those who have, not all of them may be able to successfully complete such testing sessions and pilot runs and, even for those who have successfully completed such testing sessions and pilot runs, there is no assurance of their readiness for dealing in RMB denominated securities. Investors should note that not all stockbrokers may be ready and able to carry out trading and settlement of units of Hui Xian REIT and thus they may not be able to deal in the Units through some stockbrokers.

***Hui Xian REIT cannot be privatised by way of the scheme of arrangement or compulsory acquisition mechanisms provided under the Companies Ordinance.***

Hui Xian REIT is not a company and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) is not applicable to Hui Xian REIT. Therefore, the scheme of arrangement mechanism and the compulsory acquisition mechanism as provided under the Companies Ordinance which may be used to privatise a company listed on the Hong Kong Stock Exchange and to which the Companies Ordinance applies cannot be used to privatise Hui Xian REIT.

***The Units have never been publicly traded and the Offering may not result in an active or liquid market for the Units.***

Prior to the Offering, there has been no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. Although the Units will be listed on the Hong Kong Stock Exchange following completion of the Offering, this does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market.

***Unitholders will be effectively subordinated to all existing and future claims of creditors of the Hui Xian BVI Group.***

The claims of creditors of the Hui Xian BVI Group will have priority to the assets of such entities over the claims of Hui Xian REIT (other than to the extent that Hui Xian REIT is an unsubordinated creditor of the Hui Xian BVI Group). Hui Xian Investment is expected to incur indebtedness under the Facility and members of the Hui Xian BVI Group and/or other special purpose vehicles which Hui Xian REIT may have an interest in the future may in the future incur unsecured or secured obligations directly. Secured creditors of Hui Xian BVI Group would have prior rights of claim over the secured assets, and all creditors of Hui Xian BVI Group would rank ahead of the claims of Hui Xian REIT (other than to the extent that Hui Xian REIT is an unsubordinated creditor of Hui Xian BVI Group).

***Unitholders have no right to require the redemption of their Units.***

Unitholders have no right to require the redemption of their Units. Therefore, there can be no assurance that a Unitholder will be able to dispose of its Units at the Offer Price or any price, or at all. Accordingly, Unitholders may only be able to liquidate or dispose of their Units through a sale of such Units to third parties on the secondary market.

***The price of the Units may decline after the Offering.***

The Offer Price of the Units will be determined by agreement between Hui Xian Cayman, the Manager and the Joint Bookrunners and may not be indicative of the market price for the Units after

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completion of the Offering. The Units may trade at prices significantly below the Offer Price after the Offering and the price of the Units may be volatile. The price of the Units will depend on many other factors, which may change from time to time, including but not limited to: (i) the perceived prospects of Hui Xian REIT's business and investments and the PRC real estate market; (ii) differences between Hui Xian REIT's actual financial and operating results and those expected by investors and analysts; (iii) changes in Hui Xian REIT's revenues or earnings estimates or analysts' recommendations or projections; (iv) changes in general economic or market conditions both domestically and internationally; (v) the market value of Hui Xian REIT's assets; (vi) changes in market valuations of similar companies; (vii) increases in interest rates; (viii) the perceived attractiveness of the Units against those of other equity securities, including those not relating to the real estate sector; (ix) the future size and liquidity of the market for the Units and the Hong Kong REIT market generally; (x) any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Hong Kong REITs and owners and operators of property; (xi) the ability on Hui Xian REIT's part to implement successfully its investment and growth strategies and to retain its key personnel; and (xii) broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these reasons, among others, Units may trade at prices that are higher or lower than the attributable net asset value per Unit. If Hui Xian REIT retains operating cash flow for investment purposes, as working capital reserves or for other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on Hui Xian REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, there is no guarantee provided to investors. Unitholders may not get back their full investment amount. If Hui Xian REIT is terminated or liquidated, it is possible that investors may lose all or a part of their investment in the Units.

***Investment in the Units is subject to exchange rate risks.***

The value of RMB against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Units will be traded in RMB and the Manager intends Hui Xian REIT to make all payments of distributions in RMB. As a result, the value of these RMB payments in Hong Kong dollars may vary with the prevailing exchange rates in the marketplace. For example, when a Unitholder buys Units, the Unitholder may have to convert Hong Kong dollars to RMB at the exchange rate available at that time. If the value of RMB depreciates against the Hong Kong dollar between then and when the Unitholder dispose of its Units in RMB, the value of the Unitholder's original investment in Hong Kong dollar terms will have declined (which may not be offset by an appreciation in the trading price of the Unit, if any).

***The forward-looking information in this Offering Circular may prove inaccurate.***

This Offering Circular contains forward-looking statements regarding, among other things, forecast of net profits and distribution levels for the period from the Listing Date to 30 June 2011. These forward-looking statements are based on a number of assumptions regarding the Manager's strategies and environment in which Hui Xian REIT or the Manager will operate in the future, which are subject to significant uncertainties and contingencies, many of which are outside of Hui Xian REIT's control (see the section headed "Profit Forecast" in this Offering Circular). Moreover, Hui Xian REIT's revenue is dependent on a number of factors, including the ability of the Manager to fully implement its strategies, the receipt of dividends and distributions, directly or indirectly, from BOP as well as rent from Oriental Plaza and the profitability of the operation of Grand Hyatt Beijing. Such rent, dividends and distributions may decrease and the profitability of the operation of Grand Hyatt Beijing may worsen for a number of reasons, including the lowering of occupancy and rental and room rates, and insolvency or delay in rent payment by tenants, which may adversely affect Hui Xian REIT's ability to achieve the forecasted distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances which are not currently anticipated may arise. Because such statements

<b>RISK FACTORS</b>
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and financial information reflect the Manager's current view concerning future events, such statements and financial information necessarily involve risks, uncertainties and assumptions. These statements speak only as of the date they are made and reflect only the Manager's views as at that time and the Manager undertakes no obligation to update them in light of new information, circumstances or future developments. While the Manager has no reason to doubt the reasonableness of its assumptions on which the forward-looking statements are based, there are known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Hui Xian REIT or the Manager to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information.

***Property yield on real estate to be held by Hui Xian REIT is not equivalent to yield on the Units.***

Generally speaking, property yield depends on the amount of net property income (calculated as the amount of revenue generated by the properties concerned, less the expenses incurred in maintaining, operating, managing and leasing the properties) compared against the current value of the properties. Yield on the Units, however, depends on the dividends payable on the Units as compared with the purchase price of the Units. While there may be some correlation between these two yields, they are not the same and will vary.

***The number of Units available for future sale could adversely affect the market price of the Units.***

No prediction can be made as to the effect, if any, that future sales of Units, or the availability of Units for future sale, will have on the market price of the Units. Upon completion of the Offering, before taking the Unit Borrowing Agreement into consideration and assuming the Over-allotment Option is not exercised, it is expected that Hui Xian Cayman and Hui Xian Holdings will own 54.0% and 6.0% of the then outstanding Units, respectively. If the Over-allotment Option is exercised in full, it is expected that Hui Xian Cayman will own 54.0% of the then outstanding Units and Hui Xian Holdings will not own any Units directly. Although the Underwriting Agreements contain restrictions on the disposal of Units held by Hui Xian Cayman, there can be no assurance that sales of substantial amounts of Units by other parties will not occur or that Hui Xian Cayman will not dispose of a substantial portion of its Units. Sales of substantial amounts of Units in the public market following the Offering, or the perception that such sales could occur, could adversely affect prevailing market prices for the Units.

***The NAV of the Units will be diluted if further issues of the Units are priced below the NAV.***

The Trust Deed contemplates that new issues of Units may occur, the issue price for which may be above, at or below the then current NAV of the Units. Where new Units are issued at less than NAV, the NAV of existing Units will be diluted.

***Unitholders' interests will be diluted because all or part of the Manager's compensation may be paid in Units.***

All or part of the Manager's compensation may be paid in Units in lieu of cash. In addition, at the time of a payment in the form of Units to the Manager, the issue price of the Units may be below Hui Xian REIT's net asset value, which would result in immediate dilution to Unitholders. See the section headed "The Manager — Fees, Costs and Expenses of the Manager" of this Offering Circular.

***Certain rights in relation to Units in which a person has an interest or is deemed to have an interest may be suspended under the provisions of the Trust Deed.***

The Trust Deed contains provisions that require relevant persons to disclose to the Manager information in relation to the acquisition or disposal of interests in the Units. If the Manager believes a person has not complied with such disclosure of interest provisions in the Trust Deed, irrespective of whether such person is a holder of Units, the Manager may, in its absolute discretion, take certain

<b>RISK FACTORS</b>
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actions in respect of all or a part of the Units in which such person holds or is deemed to hold an interest. Such actions may include suspending the voting rights of such Units, suspending the payment of distributions on such Units, and suspending the transfer and registration of such Units.

***The Units may be delisted from the Hong Kong Stock Exchange.***

The Hong Kong Stock Exchange imposes certain requirements for the continued listing of securities, including the Units, on the Hong Kong Stock Exchange. Investors cannot be assured that Hui Xian REIT will continue to meet the requirements necessary to maintain the listing of Units on the Hong Kong Stock Exchange or that the Hong Kong Stock Exchange will not change the listing requirements. Hui Xian REIT may be terminated if the Units are delisted from the Hong Kong Stock Exchange.

***An investment in the Units presents taxation risk.***

Hui Xian REIT, as a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO, is exempt from Hong Kong profits tax, although BOP is subject to taxation in the PRC and Hui Xin Investment is subject to taxation in Hong Kong. Any change in the tax status of Hui Xian REIT, BOP and Hui Xin Investment and any other entities which are controlled by Hui Xian REIT, or in taxation legislation in the PRC, Hong Kong or the BVI generally or any other jurisdiction affecting the Unitholders could affect the value of the investments held by Hui Xian REIT or affect Hui Xian REIT's ability to achieve its investment objectives or alter after-tax returns to the Unitholders. REITs in Hong Kong may differ in significant aspects, including tax treatment, from REITs in other jurisdictions. If you have any doubt as to your tax position, you should consult your own tax adviser.

***The REIT Code has a relatively short history and the application and interpretation of its provisions may be less certain.***

The SFC is empowered under section 104(1) of the SFO to authorise collective investment schemes, subject to such conditions as it considers appropriate. Although the REIT Code, to which Hui Xian REIT is subject, became effective in August 2003 (which was revised in June 2005 and in June 2010), it was not until late 2005 that the first REIT was listed on the Hong Kong Stock Exchange and, as at the Latest Practicable Date, there were only eight REITs listed on the Hong Kong Stock Exchange. The REIT Code does not have the force of law and, due to its relatively short history and the limited number of REITs listed on the Hong Kong Stock Exchange, there may be less certainty in relation to the interpretation and manner of enforcement of the provisions set out in the REIT Code. The SFC reserves the right to review its authorisation of the REIT and may amend the conditions of such authorisation or withdraw such authorisation as it considers appropriate. Furthermore, no assurance can be given that future legislation, administrative rulings, court decisions or changes to the REIT Code will not adversely affect the business, financial condition and results of operations of the REIT or an investment by a Unitholder.

***Accounting Standards in the PRC and Hong Kong are subject to change.***

Accounting standards in the PRC and Hong Kong are subject to change. As a result, the financial statements of Hui Xian REIT, BOP and Hui Xin Investment as well as any other entities which are controlled by Hui Xian REIT and are subject to such accounting standards may be affected by the introduction of any such revised accounting standards.

The extent and timing of these changes in accounting standards are currently unknown and subject to confirmation by the relevant authorities. The Manager has not quantified the effects of these proposed changes and there can be no assurance that these changes will not have a significant impact on the presentation of Hui Xian REIT's financial statements or on its results of operations. In addition, such changes may adversely affect the ability of Hui Xian REIT to make distributions to Unitholders.

## USE OF PROCEEDS

The Manager estimates that the total proceeds to Hui Xian REIT from the Offering will be approximately RMB10,480 million (based on the Minimum Offer Price) to approximately RMB11,160 million (based on the Maximum Offer Price).

The following table sets forth the sources of Hui Xian REIT's funds following completion of the Offering, and the intended application of those funds.

	Based on the Minimum Offer Price of RMB5.24	Based on the Maximum Offer Price of RMB5.58
	<u>(RMB millions)</u>	
<b>Sources of funds:</b>		
Issuance of 2,000,000,000 Units under the Offering .....	10,480	11,160
Issuance of 300,000,000 Units under the Hui Xian Holdings		
Subscription .....	<u>1,572</u>	<u>1,674</u>
<b>Total</b> .....	<u><u>12,052</u></u>	<u><u>12,834</u></u>
<b>Uses of funds:</b>		
Repayment of the Existing Indebtedness (less the Assigned		
Indebtedness) <sup>(1)</sup> .....	11,690	12,455
Issue costs and acquisition costs <sup>(2)</sup> .....	<u>362</u>	<u>379</u>
<b>Total</b> .....	<u><u>12,052</u></u>	<u><u>12,834</u></u>

Notes:

- (1) The Existing Indebtedness comprises the Existing Borrowings (which, for reference only, amounted to approximately RMB5,887 million as at the Latest Practicable Date) and the amount of Pre-Listing Distribution which remained unpaid by Hui Xian BVI to Hui Xian Cayman as at the Latest Practicable Date.
- (2) Issue costs comprise expenses related to the Offering, which include underwriting commissions payable to the Underwriters (based on the final Offering size), legal fees, printing costs, auditors' fees, listing costs, advertisement and marketing-related expenses (including roadshow expenses) and other administrative expenses; and acquisition costs include professional fees and other costs incurred in the acquisition of Hui Xian BVI.

It is expected that all the proceeds from the Offering, after deduction of issue costs and acquisition costs, will be lent to Hui Xian BVI, and will in turn be fully utilised for the repayment of the Existing Indebtedness (less the Assigned Indebtedness). The parties to the Reorganisation Agreement may agree an amount of Assigned Indebtedness which is different from the initial amount of RMB1,000 million stated in the Reorganisation Agreement and if they so agree, it is expected that the Assigned Indebtedness will range from RMB700 million to RMB1,550 million, depending on the range of the Maximum Offer Price and the Minimum Offer Price. The intended application of proceeds from the Offering as set out above has been prepared according to that range of the Assigned Indebtedness. If the amount of the Assigned Indebtedness is changed from the initial amount so stated, an announcement will be made when the amount of the Assigned Indebtedness is finally determined. See the sections headed "Reorganisation, Structure and Organisation" and "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular.

## OWNERSHIP OF AND INTEREST IN UNITS

### Ownership of and Interest in Units

So far as the Directors are aware, except for Hui Xian Cayman, Hui Xian Holdings, Cheung Kong, Noblecrown Investment Limited and certain intermediate holding companies, no person will, upon completion of the Offering, hold or be deemed to have an interest in 5% or more of the issued Units of Hui Xian REIT.

The table and the notes below detail the number and percentage of Units to be held or, pursuant to Part XV of the SFO (which, except sections 328 and 351 thereof, will be taken to have effect after the Listing Date, under the terms of the Trust Deed), deemed to be interested in, by the following persons (i) upon the completion of the Offering and (ii) upon the exercise of the Over-allotment Option in full:

	Upon completion of the Offering but before the exercise of the Over-allotment Option		Upon exercise of the Over-allotment Option <sup>(1)</sup>	
	No. of Units	% of total Units in issue	No. of Units	% of total Units in issue
Hui Xian Cayman . . . . .	2,700,000,000	54.0%	2,700,000,000	54.0%
Hui Xian Holdings <sup>(2)</sup> . . . . .	300,000,000	6.0%	—	—
Public Unitholders . . . . .	2,000,000,000	40.0%	2,300,000,000	46.0%
<b>Total</b> . . . . .	<b>5,000,000,000</b>	<b>100.0%</b>	<b>5,000,000,000</b>	<b>100.0%</b>

Notes:

- (1) Assuming that the Over-allotment Option is exercised in full.
- (2) The Units set out in this table against the name of Hui Xian Holdings represent the interest of Hui Xian Holdings in the Units to be subscribed for under the Hui Xian Holdings Subscription Agreement, and Hui Xian Holdings will cease to be interested in those Units if the Over-allotment Option is exercised in full. In addition, Hui Xian Holdings will be deemed under Part XV of the SFO to have an interest in the Units held by Hui Xian Cayman by virtue of Hui Xian Holdings' entitlement to exercise or control the exercise of voting power at general meetings of Hui Xian Cayman.
- (3) In addition, Cheung Kong, Noblecrown Investment Limited and each of the intermediate holding companies (through which Cheung Kong is interested in the share capital of Noblecrown Investment Limited) will be deemed under Part XV of the SFO to have an interest in the Units held by Hui Xian Cayman and/or Hui Xian Holdings by virtue of Noblecrown Investment Limited's interest in the issued share capital of Hui Xian Cayman and/or Hui Xian Holdings. Noblecrown Investment Limited is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Hui Xian Holdings. Noblecrown Investment Limited is an indirect wholly-owned subsidiary of Cheung Kong.

None of the Directors will be interested (for the purposes of the disclosure requirements under the Manager's Compliance Manual) in the Units immediately upon listing of the Units.

## DISTRIBUTION POLICY

### Distribution Policy

Distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in RMB. The Manager's policy is to distribute to Unitholders an amount equal to 100.0% of Hui Xian REIT's Annual Distributable Income for the period from the Listing Date to 31 December 2011 and the financial year ending 31 December 2012 and thereafter at least 90.0% of Hui Xian REIT's Annual Distributable Income for each financial year. Pursuant to the Trust Deed, Hui Xian REIT is in any event required to ensure that the total amount distributed to Unitholders shall be no less than 90.0% of Hui Xian REIT's Annual Distributable Income for each financial year.

For the details of the relevant PRC laws and regulations on the remittance of RMB outside PRC, see Appendix IX — "Overview of the Relevant Laws and Regulations in the PRC and Comparison of Certain Aspects of its Property Laws and the Laws of Hong Kong" of this Offering Circular.

For these purposes, and under the terms of the Trust Deed, "Annual Distributable Income" for a financial year is the amount calculated by the Manager (based on the audited financial statements of Hui Xian REIT for that financial year) as representing the consolidated audited net profit after tax of Hui Xian REIT and the Special Purpose Vehicles for that financial year, as adjusted to eliminate the effects of Adjustments (as defined below). After eliminating the effects of these Adjustments, Annual Distributable Income may be different from the net profit recorded for the relevant financial year.

"Adjustments" means adjustments which are charged or credited to the consolidated profit and loss account of Hui Xian REIT for the relevant financial year or the relevant distribution period (as the case may be), including: (i) unrealised property revaluation gains, including reversals of impairment provisions; (ii) deferred tax charges/credits in respect of property valuation gains and accelerated tax depreciation; (iii) recognition of negative goodwill; (iv) differences between cash and accounting finance costs; (v) realised gains on the disposal of properties; (vi) the portion of the Management Fee that is paid or payable in the form of Units; (vii) costs of any public or other offering of Units or Convertible Instruments that are expensed through the profit and loss statement but are funded by proceeds from the issuance of such Units or Convertible Instruments; (viii) depreciation and amortisation in respect of Oriental Plaza, and its ancillary machinery, equipment and other fixed assets; and (ix) other material non-cash gains.

The Manager also has the discretion to distribute any additional amounts (including capital). In determining whether to distribute any additional amounts (including capital), the Manager will consider a range of factors including but not limited to Hui Xian REIT's funding requirements, its financial position, its growth strategy, compliance with relevant laws, regulations and covenants (including existing limitations on borrowings as prescribed in the REIT Code), other capital management considerations, the overall stability of distributions and prevailing industry practice. It is the intention of the Manager that the repatriation of registered capital of BOP will be arranged as soon as the relevant regulatory requirements are fulfilled, but not only upon the expiry of the joint venture period.

Under the Trust Deed, the Manager must, subject to applicable law, ensure that at least one distribution shall be made in respect of each financial year and paid no later than 180 days after the distribution calculation date for the relevant distribution period. Hui Xian REIT's first distribution after the Listing Date will be for the period from and including the Listing Date to and including 30 June 2011 and will be paid by the end of 30 November 2011. Hui Xian REIT's initial distribution policy is that two distributions will be made in respect of each year, being distributions with respect to the six-month periods ending 31 December and 30 June. The Directors anticipate that interim and final distributions will be paid by the end of November and June in each year, respectively.

The Manager may also adopt such rules as it considers appropriate for the reinvestment by Unitholders of any distributions to be made by Hui Xian REIT in return for new Units but no Unitholder shall be obliged to receive Units in lieu of a cash distribution. Under current Hong Kong tax law, distributions may be made free of withholdings or deductions on account of Hong Kong tax. It is understood that, under the Inland Revenue Department's current practice, no tax should be payable in

## DISTRIBUTION POLICY

Hong Kong in respect of distributions made by Hui Xian REIT. Unitholders should take advice from their own professional advisers as to their particular tax position.

Hui Xian REIT's ability to make distributions is dependent on (among other things) the Trustee having available sufficient cash in Hui Xian REIT to make the payments required. Hui Xian REIT's ability to make distributions in RMB is also dependent on the Trustee having sufficient RMB in Hui Xian REIT to make the payment required. If, due to relevant PRC laws and regulations and/or administrative reasons, there is any delay in the remittance of RMB from BOP in the PRC to Hui Xian REIT in Hong Kong, there could be a delay in the timing of payment of distributions to the Unitholders. Furthermore, the amount of profit which is available for distribution by BOP to Hui Xian Investment as determined pursuant to the relevant PRC laws and accounting requirements could be less than the amount of any distribution determined to be paid by Hui Xian REIT to the Unitholders pursuant to its distribution policy mentioned above. In such circumstances, one of the ways that may be adopted to remedy the situation is for BOP to remit cash to Hui Xian Investment by way of repayment of the existing shareholders' loan owing by BOP (and payment of related interest) in accordance with the shareholders loan agreement entered into between them and in compliance with the relevant PRC laws. However, necessary administrative procedures should be effected with relevant foreign exchange authority. It is also the intention of the Manager to utilise the revolving credit facility under the Facility to support Hui Xian REIT's making of distributions in RMB in any of the circumstances referred to above. For details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — Facility Agreement" in this Offering Circular.

The distributions of Hui Xian REIT may be made out of capital. The composition of distributions declared by Hui Xian REIT (including, but not limited to, the extent to which the distribution declared or made is composed of, and the types of, income and capital) shall be determined by the Manager in its absolute discretion and will be disclosed in the relevant results announcements, semi-annual reports and annual reports of Hui Xian REIT.

As part of the contingency plan, should there be restrictions on the remittance of RMB out of the PRC, whether due to PRC laws and regulations or any other reason, BOP may have to convert its revenue in RMB to other currencies such as US dollars and/or Hong Kong dollars and pay dividends, distributions and other payments to Hui Xian Investment in such other currency. In such event and in order to make distributions to Unitholders in RMB, such dividends, distributions and other payments made by BOP in currencies other than RMB will need to be converted back into RMB by selling such other currencies and buying RMB in the market (if available).

In the unlikely event that Hui Xian REIT receives dividends or other payments from BOP in currency other than RMB, and if Hui Xian REIT is unable to buy and/or borrow sufficient RMB for distributions, all or part of such distributions will be made in Hong Kong dollars or US dollars at the discretion of the Manager. See the sections headed "Risk Factors — Risks Relating to Hui Xian REIT" and "Risk Factors — Risks relating to the PRC" in this Offering Circular. The REIT Code requires the Manager and the Trustee to ensure that each company used to hold real estate and other assets for Hui Xian REIT for the time being shall distribute to Hui Xian REIT all of such company's income for each financial year as permitted by the laws and regulations of its relevant jurisdiction of incorporation.

For information on the forecast distributions for the period from the Listing date to 30 June 2011, see the section headed "Statement of Distributions" in this Offering Circular.

## INVESTMENT HIGHLIGHTS

Hui Xian REIT will be the first RMB-denominated REIT in Hong Kong. The Manager's key objective is to provide stable DPU, which will, subject to compliance with legal and regulatory restrictions, be paid to Unitholders in RMB. Furthermore, Units will also be traded on the Hong Kong Stock Exchange and settled through CCASS in RMB, providing an opportunity for investors to invest in an RMB-denominated security product in Hong Kong.

Hui Xian REIT's asset is its investment in Hui Xian Investment, the foreign joint venture partner of BOP which holds the land use rights and building ownership rights in respect of Oriental Plaza (東方廣場), which is one of the largest and most iconic commercial complexes in Beijing, the capital city of the PRC. Oriental Plaza is a composite property complex strategically located in Beijing, comprising:-

- The Malls (東方新天地), a world-class shopping centre;
- The Tower Offices (東方經貿城), which features eight Grade A office buildings;
- The Tower Apartments (東方豪庭公寓), which consists of two serviced apartment towers;
- Grand Hyatt Beijing (北京東方君悅大酒店), a five-star hotel with 825 guest rooms; and
- approximately 1,900 car parking spaces (including loading/unloading spaces) as ancillary facilities to other components of Oriental Plaza.

The Manager believes that Oriental Plaza as a whole has the following competitive strengths:-

### ***Prime Location in the Heart of Beijing***

Oriental Plaza is strategically located in the commercial heart of Beijing which is one of the most economically vibrant cities in China. Oriental Plaza is situated at No.1 East Chang'an Avenue (東長安街一號) within the Second Ring Road (二環路) of Beijing stretching from Wangfujing Street (王府井大街) (also known as Gold Street (金街)), in its west to North Dongdan Street (東單北大街) (also known as Silver Street (銀街)) in the east. Oriental Plaza enjoys a high flow of visitors from Wangfujing / East Chang'an Avenue, the famous shopping area in Beijing.

Oriental Plaza is also well-situated to draw on the strong catchment of tourists as it is very close to a number of Beijing landmarks, including the Forbidden City (紫禁城), the Great Hall of the People (人民大會堂) and Tian'anmen Square (天安門廣場).

Furthermore, Oriental Plaza is situated in the political centre of Beijing and is adjacent to a number of important governmental departments, such as the Ministry of Commerce (商務部), the Ministry of Transport (交通運輸部), the General Administration of Customs (海關總署) and the People's Government of Beijing Municipality (北京市人民政府). This is appealing to some domestic and multinational companies who wish to have their offices located in a place which is in close proximity to the PRC policy makers.

Oriental Plaza is very easily accessible and is well connected by the public transportation network linking the city. It has access to Line 1 and Line 5 of the Beijing subway lines and is directly connected to the subway station. It will have access to the future Line 8 (extension works expected to commence in 2012). In addition, Oriental Plaza is served by over 30 bus routes, which have stops around the site. The distance between Oriental Plaza and Beijing Capital International Airport is approximately 35 k.m..

The premium location of Oriental Plaza is favourable to Grand Hyatt Beijing's hotel operations and the overall leasing activities of The Malls, the Tower Offices and the Tower Apartments.

Within the Second Ring Road region of Beijing, there is limited land supply for the development of any similar commercial complex of a scale comparable to Oriental Plaza. Accordingly, Oriental Plaza is

## INVESTMENT HIGHLIGHTS

able to position itself as a unique, comprehensive and prestigious development, without any significant competition in the foreseeable future<sup>18</sup>.

### ***Benefits of “World within a World”***

The four components of Oriental Plaza, namely The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing are part and parcel to the success of the property complex. They reflect the “World within a World” concept of Oriental Plaza and together create a self-contained community. Under the “World within a World” concept, Oriental Plaza houses business enterprises, a shopping mall, accommodation facilities, and public services all in a single commercial complex. The convenient accessibility of these facilities and services attracts multinational companies and domestic companies to locate their offices at The Tower Offices. The tenants at The Tower Offices generate a strong catchment of business travellers that propels demand for Grand Hyatt Beijing and The Tower Apartments. The Malls benefits from a captive market of consumers that work in the Tower Offices and stay in Grand Hyatt Beijing and The Tower Apartments, and offers one-stop shopping, dining and entertainment experiences to customers, tenants, hotel guests and the public. The four components complement each other and the combination creates a synergy effect which helps to boost the rental rate and occupancy rate of each individual component. The complex is additionally well supported by a car park with approximately 1,900 available car parking spaces. The Malls, The Tower Offices and The Tower Apartments at Oriental Plaza have all played a leading role in the Beijing property leasing market. Over the past 10 years, Oriental Plaza has enjoyed a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance.

### ***Large and Diversified Asset Providing Regular and Stable Distributions***

The Manager’s principal investment strategy is to hold and invest in high quality commercial properties in the PRC and it aims to produce stable and attractive total returns to Unitholders by managing the REIT’s portfolio and maintaining a high level of investment discipline and financial flexibility. Oriental Plaza has an attractive tenant mix providing Hui Xian REIT with a diversified revenue base.

The four components of Oriental Plaza will provide Unitholders with diversification through exposure to different market segments — retail, office, serviced apartments and hotel. For the year ended 31 December 2009, the revenue contribution from The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing were approximately 38.0%, approximately 34.0%, approximately 5.0%, and approximately 23.0% respectively, and the profit contributed from The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing were approximately 46.2%, approximately 39.2%, approximately 3.4%, and approximately 11.2% respectively.

### ***Future Growth through Active Management***

The Manager will seek to increase the net asset value per Unit of Hui Xian REIT through active management. In terms of organic growth, the Manager will actively manage its portfolio to optimise rental income growth, maintain an optimal tenant mix, capture property enhancement opportunities, optimise occupancy levels, and prudently control property expenses.

<sup>18</sup> Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing. A number of statements in this section headed “Investment Highlights” and in the section headed “Oriental Plaza and Business” of this Offering Circular are, as indicated in footnotes, based on the letter from DTZ (in relation to the retail and office property market in Beijing) or the letter from JLL (in relation to the serviced apartment property market and hotel industry in Beijing), the full text and sources of which are set out in Appendices VI and VII to this Offering Circular (as the case may be). Some of those statements contain views of the relevant Market Consultant and/or contain information which in turn is based on estimates, and as such they should be regarded as indicative only and read with appropriate caution.

## INVESTMENT HIGHLIGHTS

### ***Highly Experienced and Motivated Board of Directors and Management Team***

The board of directors of the Manager and other members of its management team have extensive experience in real estate asset and investment management.

The three indirect shareholders of the Manager are the CITIC Securities Group, the Cheung Kong Group and the ARA Group. The CITIC Securities Group is an active and experienced financial institution in the PRC and in Hong Kong. The Cheung Kong Group is an experienced property developer having numerous property development and investment projects in Hong Kong and in the PRC. The ARA Group is experienced and has a proven track record in managing REITs in Hong Kong and in other countries in Asia. The Directors (other than the INEDs) are all from the three groups of indirect shareholders.

In addition, individuals, including KAM Hing Lam; MAN Ka Keung, Simon; TONG BARNES Wai Che, Wendy; CHEUNG Ling Fung, Tom; WONG, James; CHAN Yiu Lung; LAI Wai Yin, Agnes; LEUNG Pik Sai, Charlotte and TSE Hiu Fung, Louisa, who have managed on a day-to-day basis and contributed to the success of Oriental Plaza and/or Hui Xian Investment for over 10 years since its inception will continue to manage them after the listing of Hui Xian REIT.

Given the experience and expertise of this management team in managing Oriental Plaza, the Manager has a profound understanding of the tenants and is well positioned to negotiate optimal rental rates. The management team has also demonstrated that it is able to strategically select the right tenant mix for the development, which not only freshens the offerings of Oriental Plaza and attracts new patrons, but also contributes to overall rental levels. With a strong emphasis on customer service, the management team has been able to cater to the specific needs of tenants, such as helping them in their expansion plans and assisting them in relocating to Oriental Plaza, thereby effectively retaining existing tenants and attracting new ones, to be the tenants of The Malls, The Tower Offices or The Tower Apartments.

### ***Widely Recognised Brand***

Through effective marketing and the provision of high quality services, Oriental Plaza has established its own brand as one of the leading high-end commercial complexes in Beijing, both among consumers and businesses. The Oriental Plaza brand enables Oriental Plaza to attract quality tenants and maintain high occupancy rates and rental levels. As at 31 December 2010, Oriental Plaza had a large tenant base of 233 tenants in The Malls and 486 tenants in The Tower Offices. These tenants covered a wide range of business sectors, providing Oriental Plaza with earnings diversification. Furthermore, The Malls and The Tower Offices achieved high committed occupancy levels of approximately 100.0% and approximately 97.4% as at 31 December 2010 respectively and the average monthly rental per leased Rentable Area in sq. m. of The Malls and The Tower Offices was approximately RMB813 and approximately RMB165 respectively for the year ended 31 December 2010.

### ***Economic Growth of Beijing***

The Chinese economy has achieved significant growth over the past eleven years (from 2000 to 2010), especially in Beijing. The Beijing economy has maintained a rapid growth rate from 2000 to 2010 with a CAGR of approximately 15.9%<sup>19</sup>. Such rapid growth has brought about increasing demand for real estate in Beijing, including retail and office premises. This has resulted in a growth in both real estate values and rental rates. Oriental Plaza has been well-positioned to capitalise on such rapid economic growth in Beijing.

In the retail segment, there has been strong growth in retail sales, helping to drive the development of the retail property market.<sup>20</sup> At the same time though, the supply of land for development is limited.

<sup>19</sup> Source: Page VI-6 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>20</sup> Source: Page VI-6 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

## INVESTMENT HIGHLIGHTS

Little undeveloped land area remains in the main commercial areas of Beijing, especially in key areas such as Wangfujing / East Chang'an Avenue, the CBD and Financial Street.<sup>21</sup> This is especially true of land in the Wangfujing area, where existing retail projects benefit from limited land supply.

The Malls has no pressure on its leasing activities as there are no comparable significant competitors in the submarket.<sup>22</sup> According to DTZ, the future supply of high-end retail properties in the Wangfujing/ East Chang'an Avenue submarket from 2011 to 2013 is forecast to be approximately 179,000 sq. m. (gross floor area)<sup>23</sup>. DTZ forecasts low market pressures after these high-end retail properties come onto the market in the future.<sup>24</sup> Therefore, rents of retail properties in the Wangfujing/ East Chang'an Avenue submarket are expected to remain at the highest level in Beijing and continue stable growth of approximately 2.5% year on year from 2011 to 2013.<sup>25</sup>

In the office segment, the Beijing office market has experienced rapid development since the mid-1980s. By the end of 2010, the total stock of Grade A office supply in Beijing was approximately 6.6 million sq. m. (gross floor area).<sup>26</sup> Although there has been significant new supply since 2005, the absorption rate has been high due to good economic growth and the average vacancy rate remained relatively low.<sup>27</sup> DTZ expects the future supply of Grade A office space to be approximately 0.61 million sq. m. (gross floor area) over the next three years (from 2011 to 2013).<sup>28</sup> Accordingly, there will be little pressure on the Grade A office market in the future.<sup>29</sup> It also forecasts that Beijing Grade A office rentals may have a year-on-year increase of approximately 5.2% over the next three years.<sup>30</sup>

As regards the serviced apartment segment, there is expected to be rising domestic demand and a less intensive competitive market environment.<sup>31</sup> In the short to medium-term, as global economies improve and local markets continue to grow, demand for serviced apartments is anticipated to correspondingly increase. This, combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, is likely to provide a good basis for occupancy rate growth.<sup>32</sup>

For the hotel market in Beijing, the short to medium outlook appears to be positive.<sup>33</sup> Growth will be fuelled by sound economic fundamentals of Beijing as the PRC's capital city and the importance of the city in political and cultural terms.

The Manager believes that an investment in Hui Xian REIT will allow investors to share the benefits of the rapid economic growth and flourishing real estate market in the PRC.

21 Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

22 Source: Page VI-8 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

23 Source: Page VI-20 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

24 Source: Page VI-21 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

25 Source: Page VI-21 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

26 Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

27 Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

28 Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

29 Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

30 Source: Page VI-28 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

31 Source: Pages VII-30 to VII-31 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

32 Source: Page VII-31 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

33 Source: Page VII-19 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

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## INDUSTRY OVERVIEW

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## INDUSTRY OVERVIEW

DTZ and JLL were commissioned by the Manager to prepare a report on the retail and office property market in Beijing and a report on the serviced apartment property market and hotel industry in Beijing, respectively.

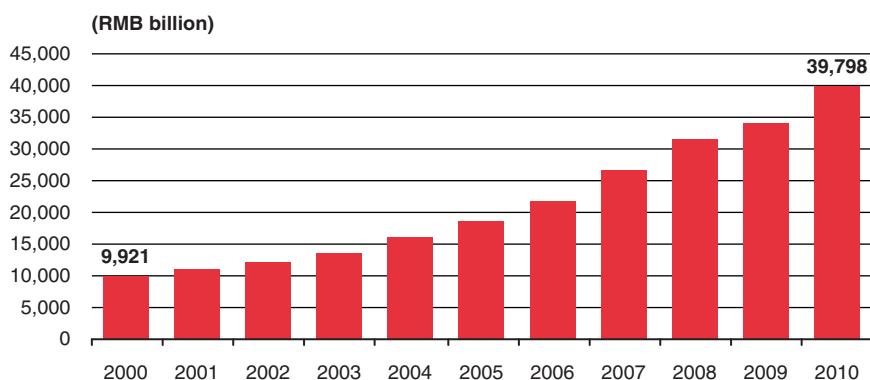
The following is primarily based on the letter from DTZ in relation to the retail and office property market in Beijing and the letter from JLL in relation to the serviced apartment property market and hotel industry in Beijing, the full text and sources of which are set out in Appendices VI and VII to this Offering Circular, respectively.

The Manager believes that the sources of certain information below are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Manager has no reason to believe that such information is false or misleading or there is omission of any other information which will render the information below to be false or misleading. The information has not been independently verified by the Manager, the Trustee, the Joint Listing Agents or any other party (except for DTZ and JLL as appropriate in respect of the relevant parts of their letters) involved in the Offering and no representation is given as to its accuracy.

### PRC Economic Overview

In the last 25 years, the PRC government has introduced a series of market reforms aimed at liberalising China's economy. China's evolution from a centrally planned economy into a more liberalised market economy was further accelerated when China became a member of the World Trade Organisation in 2001. From 2000 to 2010, China's nominal GDP experienced a CAGR of approximately 14.9%.

**China's annual GDP from 2000 to 2010**



Data Source: National Statistical Bureau

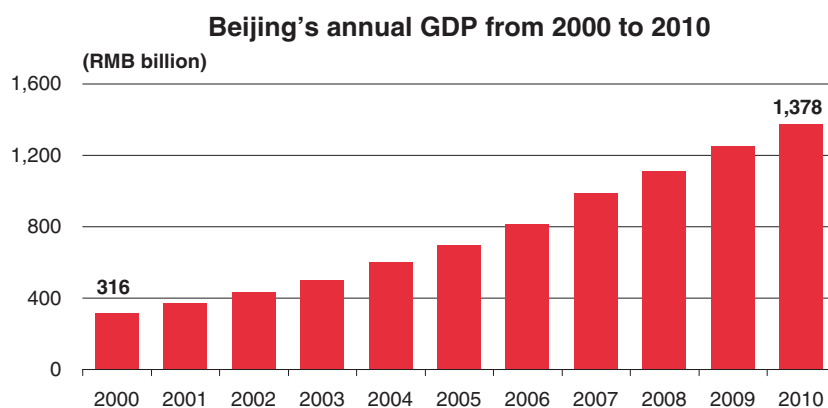
## INDUSTRY OVERVIEW

### Beijing Economic Overview

A metropolis in northern China, Beijing is a time-honoured, cultural city, as well as the political capital and one of the economic centres of China. With a population of approximately 20 million residents as at the end of 2009, Beijing is governed as a municipality under the direct administration of the central government. Beijing has a co-leadership role in the Bohai Rim Economic Circle, one of the most economically prosperous zones in China. In addition, Beijing is a key beneficiary of population inflows from the Bohai Rim Economic Circle.



Source: Statistics Bureau of the Listed Cities



Source: Beijing Statistics Bureau

Beijing's economy has grown rapidly from 2000 to 2010, with its nominal GDP experiencing a CAGR of approximately 15.9% during that period, and is one of the fastest growing economies in China. In 2010, Beijing's GDP was approximately RMB1,378 billion, second in China only to Shanghai.

According to the Beijing Statistics Bureau, Beijing's nominal GDP grew by approximately 13.4% in 2010 compared with the corresponding period in 2009, an indication of continued economic development. As the effects of the global financial crisis continue to fade away, Beijing's economy is anticipated to continue to enjoy rapid development, maintaining strong fundamentals for Beijing's real estate market over the long term.

### Beijing's Town Planning and Infrastructure Development

Beijing has a total land area of approximately 16,411 square kilometres and comprises 16 districts, which are further divided into four development areas based on the city's overall planning:

- Main commercial areas: Dongcheng, Xicheng
- Functional developing areas: Chaoyang, Haidian, Shijingshan, Fengtai

## INDUSTRY OVERVIEW

- Newly developing areas: Fangshan, Tongzhou, Shunyi, Changping, Daxing
- Ecological developing areas: Mentougou, Huairou, Pinggu, Miyun, Yanqing

Beijing's districts are conveniently linked via a well-developed public transportation network — the current length of available subway lines exceeds 226 k.m. and is expected to reach 561 k.m. by 2015. Beijing's subway network is one of the key factors to stimulating economic growth, increasing the accessibility of commercial properties and making suburban areas more accessible and thereby extending commercial catchments in core areas.

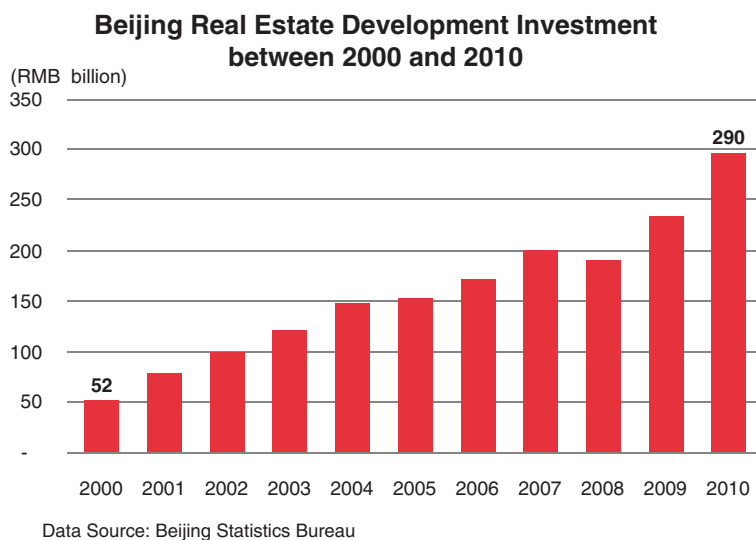
In addition to the subway network, Beijing's highway and railway networks have developed rapidly, increasing Beijing's connectivity with other cities in China. Beijing's highways totalled 28,484 k.m. as at the end of 2010, of which approximately 903 k.m. were intercity expressways linking Beijing with cities such as Tianjin, Shenyang, Harbin, Chengde, Baotou and Shijiazhuang. As China's railway hub, Beijing has 50 railway lines with total length of approximately 956 k.m. located within Beijing, and lines to, among others, Kowloon, Guangzhou and Shanghai.

Likewise, Beijing's international airport, Beijing Capital International Airport, is the largest, busiest and most advanced international aviation hub in China with approximately 1,400 daily flights and connectivity with 208 international cities. Its three terminals have seen an increase in annual passenger throughput from approximately 1 million in 1978 to approximately 74 million in 2010, making it the third highest in the world.

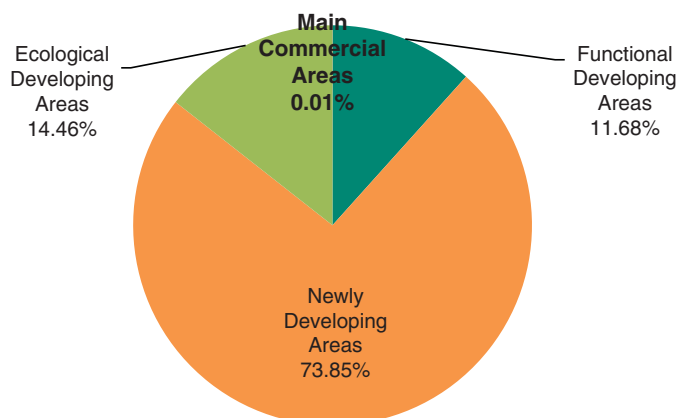
## INDUSTRY OVERVIEW

### Beijing Real Estate Market

High economic growth has resulted in an increase in disposable income per capita, high growth in urbanisation rates and rapid infrastructure development. These factors have facilitated the growth of Beijing's real estate market. From 2000 to 2010, real estate development investment in Beijing increased from approximately RMB52 billion in 2000 to approximately RMB290 billion in 2010, representing a CAGR of approximately 18.7%.



### Transacted Land Area by Areas in Beijing in the First Three Quarters of 2010 in Beijing



Data Source: Beijing Land Administration Center

The urban area of Beijing is situated in the south-central part of the municipality. Such urban area occupies a small but expanding part of the municipality's area. It spreads out in bands of concentric ring roads, starting from the Second Ring Road to the Sixth Ring Road. Running through central Beijing from east to west is Chang'an Avenue, one of Beijing's main thoroughfares. Land available for development is limited in the main commercial areas of Beijing, especially in areas such as Wangfujing/East Chang'an Avenue, Central Business District ("CBD") and Financial Street, with land transactions in main commercial areas accounting for approximately 0.01% of total land transacted in the first three quarters of 2010.

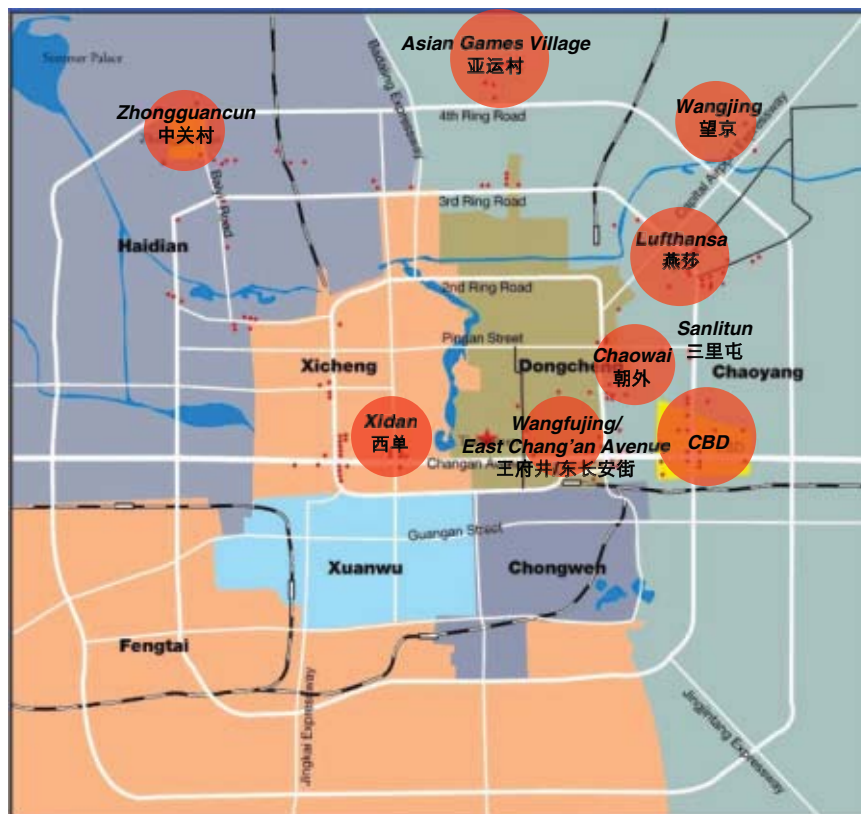
## INDUSTRY OVERVIEW

### Beijing High-end Retail Property Market

#### Overview

The high-end retail property market in Beijing consists of shopping centres and department stores with GFA of over 30,000 sq. m., with shopping centres being the popular retail type for consumers. High-end retail properties are mainly concentrated in eight shopping districts in Beijing, namely Wangfujing/East Chang'an Avenue, Xidan, CBD, Lufthansa, Chaowai, Zhongguancun, Wangjing and the Asian Games Village. According to DTZ, as at the end of 2010, the total stock of high-end retail property reached over 6.6 million sq. m. (gross floor area), of which shopping centres accounted for approximately 70.0% of the total stock.

#### Major Retail Property Submarkets in Beijing

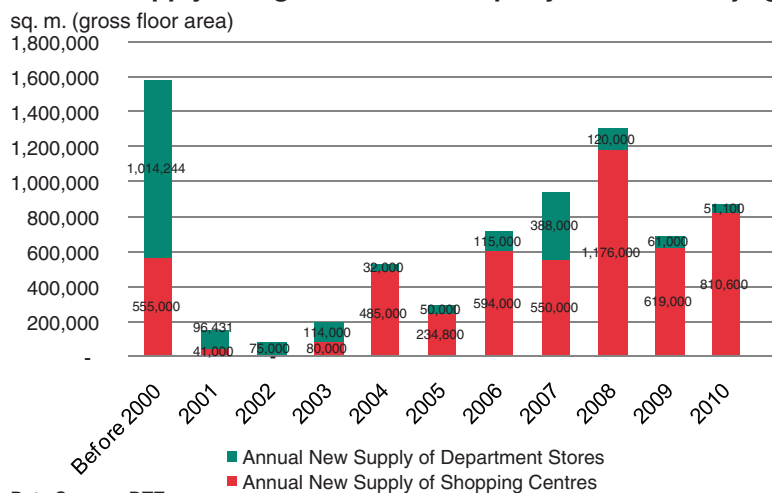


Source: DTZ

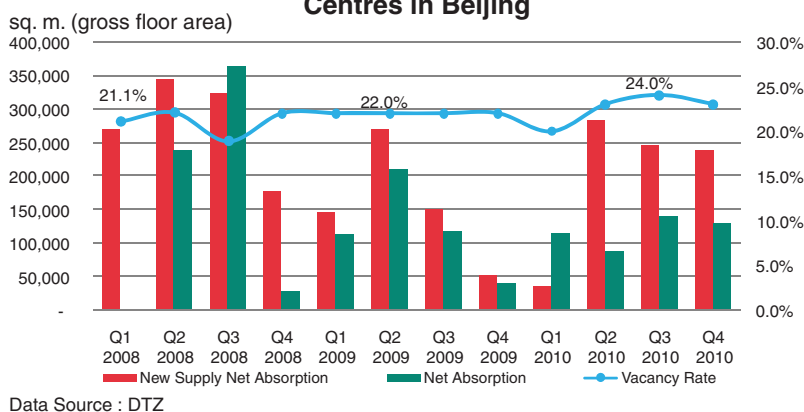
## INDUSTRY OVERVIEW

### Supply, Absorption and Vacancy

#### Annual Supply of High-end Retail Property Market in Beijing



#### Supply, Net Absorption and Vacancy Rate of Shopping Centres in Beijing



New supply of shopping centres has far surpassed the new supply of department stores since 2004. In 2008, the new supply of shopping centres exceeded its historical peak and reached approximately 1,180,000 sq. m. (gross floor area), which was much higher than that of department stores at 120,000 sq. m. (gross floor area).

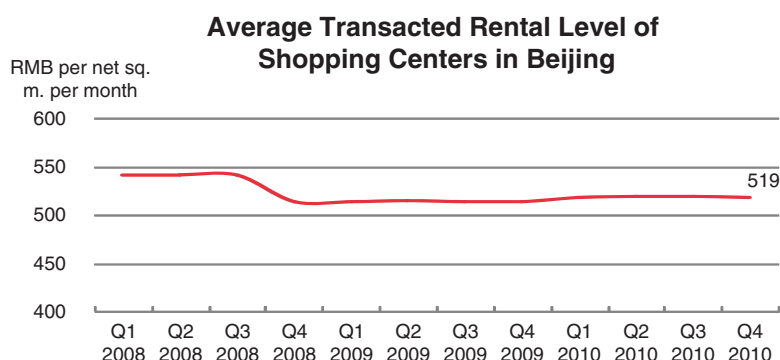
With strong demand for shopping centres, there is also an abundant supply of retail properties in Beijing. In 2009, the supply of new shopping centres was approximately 619,000 sq. m. (gross floor area) whilst net absorption of the shopping centres reached approximately 483,000 sq. m. (gross floor area).

In the fourth quarter of 2010, the vacancy rate of shopping centres was approximately 23.0%. Mature retail projects, such as The Malls which still maintains a 100.0% committed occupancy level and a significant competitive advantage with a long waiting list of potential tenants, remain unaffected by the new supply. The vacancy rate is expected to decrease as a result of the limited supply of retail space from 2012 to 2013.

## INDUSTRY OVERVIEW

### Average Transacted Rental Levels

The average transacted rental level of shopping centres fell from approximately RMB541 per net sq. m. per month in the third quarter of 2008 to approximately RMB515 per net sq. m. per month in the fourth quarter of 2008 during the global financial crisis. As at the fourth quarter of 2010, the average transacted rental level of high-end shopping centres recovered to approximately RMB519 per net sq. m. per month.



Data Source : DTZ

### Average Asking Rental Range of ground floor shops of High-end Retail Property Submarkets in Beijing in the fourth quarter of 2010

Submarket	Average asking rental range (RMB per net sq.m. / mth)	Representative retail properties
Wangfujing / East Chang'an Avenue	RMB780-2,400	The Malls at Oriental Plaza, Beijing APM
Xidan	RMB350-1,000	Zhongyou Department Store, Grand Pacific Department Store
CBD	RMB350-1,500	China World Shopping Malls, Shin Kong Place, Yintai Centre
Lufthansa	RMB280-900	Youyi Shopping Centre
Chaowai	RMB500-800	Shangdu International Center, Blue Island Mansion
Zhongguancun	RMB280-700	Jinyuan Shopping Mall, Zhongguancun Plaza
Wangjing	RMB250-700	Jiamao Shopping Center, Focus Square
Asian Games Village	RMB250-750	Beichen Shopping Center, Piaoliang Shopping Center

Date Source: DTZ

According to DTZ, approximately 1,249,000 sq. m. (gross floor area) will be launched in the market from 2011 to 2013 (approximately 1,000,000 sq. m. (gross floor area) of which will be launched in 2011). As a result, Beijing's retail property market, especially newly launched retail projects, will face fierce competition in the six months following January 2011, which will result in an increase in the vacancy rate and a decrease in the growth rate of rental levels.

Abundant supply of retail properties in 2011 will place huge pressure on new retail real estate projects that are still on the drawing board or in the development pipeline. However, DTZ anticipates that the operations and rental levels of developed retail properties such as The Malls will not be adversely affected, particularly for those retail properties located in Wangfujing/East Chang'an Avenue submarket where the retail property supply is limited, accounting for only approximately 14.3% of the total future supply in Beijing.

## INDUSTRY OVERVIEW

### Wangfujing/East Chang'an Avenue Retail Property Submarket

#### Overview

Wangfujing Street has over 700 years of history, and has been an important retail street for the last 100 years. The street's reputation will be a key driver for further retail property market development in the Wangfujing / East Chang'an Avenue submarket.

As a result of its historical standing and good reputation, Wangfujing / East Chang'an Avenue retail street has become the most popular shopping destination in Beijing for locals and international tourists.

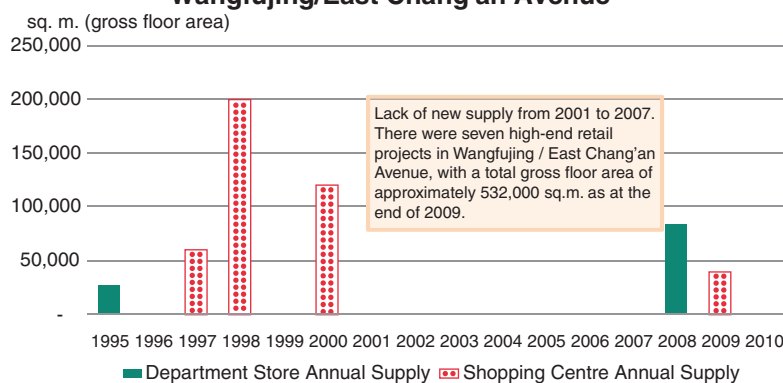
Plenty of famous retail projects are located in this submarket, for example, The Malls, the Beijing APM and the Wangfujing Department Store etc.

The government has also laid out a detailed and rational plan for future retail development around the Wangfujing area. The plan is proceeding gradually, with the aim of building a branded, characteristic business core area with a rational layout.

Daily customer flow averages at approximately 200,000 on working days and approximately 250,000 to 300,000 during weekends and public holidays, accounting for an annual customer flow of approximately 70 to 90 million.

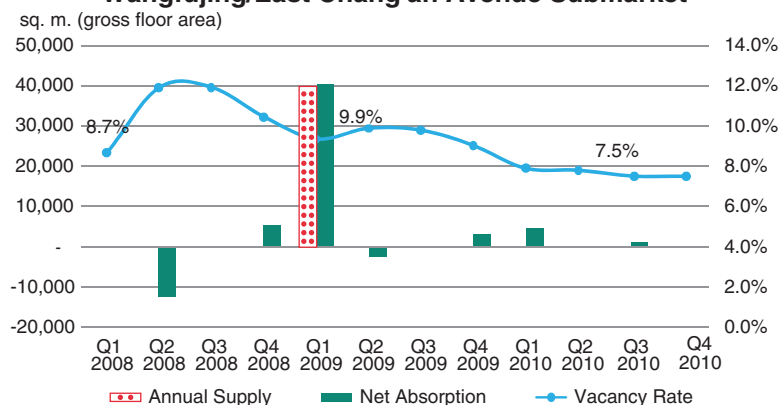
#### Supply, Absorption and Vacancy

##### Annual New Supply of High-end Retail Properties in Wangfujing/East Chang'an Avenue



Data Source: DTZ

##### Supply, Net Absorption and Vacancy Rate of Shopping Centres in Wangfujing/East Chang'an Avenue Submarket



Data Source: DTZ

## INDUSTRY OVERVIEW

According to DTZ, as at the end of 2009 there were a total of seven high-end retail projects in Wangfujing / East Chang'an Avenue submarket, with a total GFA of approximately 532,000 sq. m., of which shopping centres accounted for approximately 80.0%.

During 2008 to 2010, few new shopping centres came onto the market in the Wangfujing/East Chang'an Avenue submarket. Meanwhile, the net absorption of shopping centres remained relatively stable. The high-end shopping centres performed well in the submarket, with a high occupancy rate of approximately 90.7% on average, far higher than the retail properties in Beijing on average.

As at the fourth quarter of 2010, the vacancy rate of Wangfujing/East Chang'an Avenue retail property submarket averaged at approximately 7.5%, significantly lower than the Beijing total retail property market vacancy rate of approximately 24.0% in the same period.

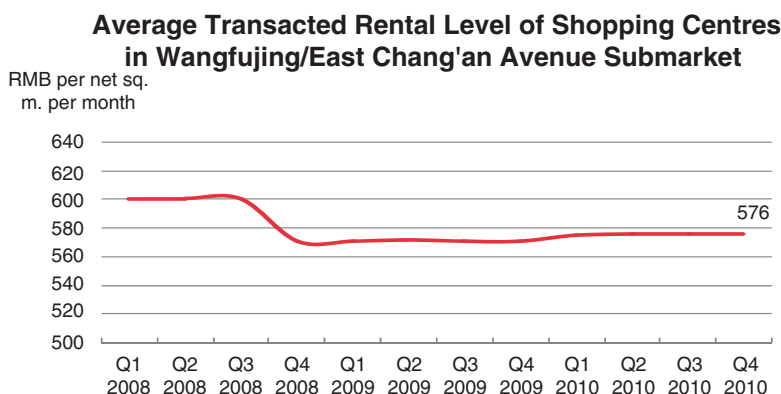
### **Supply and Rental Forecast**

According to DTZ, the future supply of high-end retail properties in Wangfujing/East Chang'an Avenue submarket from 2011 to 2013 is forecast to be approximately 179,000 sq. m. (gross floor area), approximately 33.3% of current stock, largely comprising shopping centres.

Even with the new supply of high-end retail properties, DTZ is of the view that there will be little market pressure in the future based on the following four reasons:

1. New completions have been anticipated for some time due to the limited supply during the period 2000 to 2008 in the submarket.
2. Strong operating track record of the retail property market in Wanfujing/East Chang'an Avenue submarket.
3. New completions are expected to be launched over the next three to four years (i.e. from 2011 to 2014), allowing sufficient time for market absorption.
4. All future projects are forecast to be high-end quality, which will upgrade the quality of this retail property submarket. Meanwhile, the aggregation effect will help to drive up the rental levels in the region.

Transacted rental levels have historically been high for shopping centres in the Wangfujing/East Chang'an Avenue submarket and remain the highest among all the major submarkets (for example, Xidan and CBD) in Beijing. In the fourth quarter of 2010, the transacted rental of high-end retail properties in the Wangfujing/East Chang'an Avenue submarket averaged approximately RMB576 per net sq. m. per month. According to DTZ, average transacted rental levels will rise to an average of approximately RMB621 per net sq. m. in 2013 with an average annual growth rate of approximately 2.5% from 2011 to 2013.



Data Source : DTZ

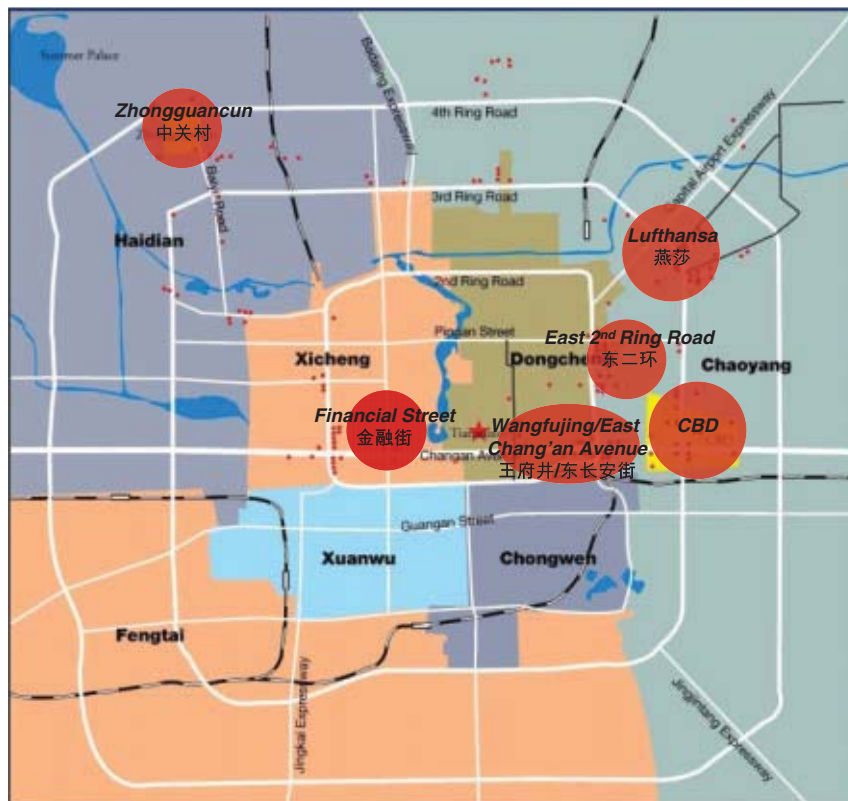
## INDUSTRY OVERVIEW

### Beijing Grade A Office Market

#### Overview

Along with the growth of the urban population, Beijing has enjoyed rapid growth in its employed population which reached approximately 10 million in 2009. The percentage of employees engaged in the tertiary sector rose from approximately 54.6% in 2005 to approximately 73.8% in 2009, an indication that the economy is progressively maturing. The proportion of employees employed in the tertiary sector is expected to rise in the future, which should lead to the continued growth of the Beijing office market.

#### Major Office Submarkets in Beijing



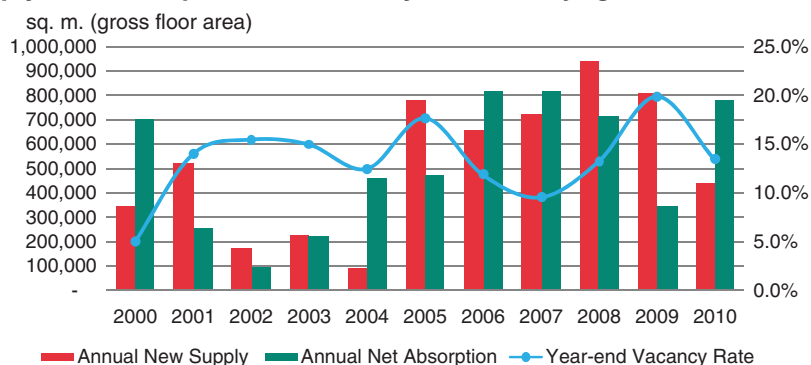
Source: DTZ

Beijing Grade A office towers are distributed across six districts, namely the CBD, Financial Street, Zhongguancun, Lufthansa, East 2<sup>nd</sup> Ring Road and Wangfujing/East Chang'an Avenue submarkets. To a lesser extent, the Asian Games Village, Wangjing, Advanced Business Park area (Fengtai District) and the Yizhuang economic technical development zone have also developed into business centres. However, these remain slightly inferior in terms of quality, stock, operation and market influence.

## INDUSTRY OVERVIEW

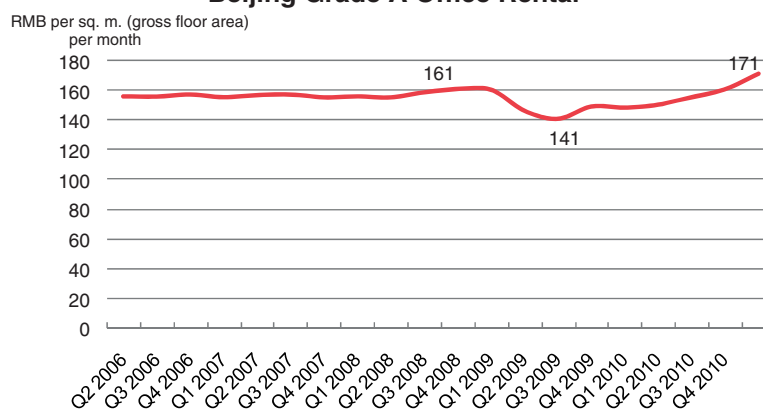
### Supply, Absorption and Vacancy

#### Supply, Net Absorption and Vacancy Rate of Beijing Grade A Office Market



Data Source: DTZ

#### Beijing Grade A Office Rental



Data Source: DTZ

According to DTZ, prior to 2005 the market was in recession with weak demand for office properties, leading to little new supply. However, in the five years since 2005, an annual average of approximately 780,000 sq. m. (gross floor area) of new supply entered the market, supported by strong office demand in a good economy, and increasing preference from tenants for high quality office spaces. By the end of 2010, total Grade A office stock was approximately 6.6 million sq. m. (gross floor area).

Despite the large supply of completed Grade A offices, average vacancy rate remained relatively low, especially at the end of 2007 when the vacancy rate was approximately 9.6%. However, the global financial crisis during the fourth quarter of 2008 and 2009 caused a significant jump in the vacancy rate to 19.9%. Post-crisis, the average vacancy rate settled at approximately 13.5% in the fourth quarter of 2010.

The transacted rental level of Grade A offices remained high (except during the global financial crisis) and was at a level of approximately RMB159 per sq. m. (gross floor area) per month in 2010, similar to the period from the second quarter of 2006 to the third quarter of 2008, a period of stable growth, where transacted rental levels rose from approximately RMB155 to approximately RMB161 per sq. m. (gross floor area) per month during the same period. According to DTZ, Grade A office rentals are forecast to continue rising in line with the overall economic environment.

## INDUSTRY OVERVIEW

### Average Transacted Rental Range for Grade A Offices by Submarkets in Beijing in the fourth quarter of 2010

Submarket	Average transacted rental (RMB per sq m (gross floor area) / mth)	Representative office properties
Wangfujing / East Chang'an Avenue .....	RMB158	Oriental Plaza, CITIC Building, Scitech Place, COFCO Plaza, Everbright China Chang'an Building
CBD .....	RMB180	China World Trade Center, Yintai Center, Kerry Center, China Central Place
Financial Street .....	RMB212	Winland International Financial Center, Fortune Resource International Center, Excel International Financial Center
Zhongguancun .....	RMB141	Raycom InfoTeck Park, Ideal International Plaza, Tsinghua Technology Plaza
Lufthansa .....	RMB154	Landmark Tower, Hyundai Motor Tower, Phoenix Square
East 2nd Ring Road .....	RMB172	Guohua Plaza, CYTS Plaza, Raffles City, Fifth Square

Data Source: DTZ

### **Supply and Rental Forecast**

According to DTZ, future Grade A office supply in Beijing is expected to be approximately 0.61 million sq. m. (gross floor area) in the next three years (from 2011 to 2013), with nearly half of this located in the CBD area. Most of the future supply is expected to come onto the market in 2011, with limited supply in 2012 and 2013. Hence, there will be limited pressure on the Grade A office market in the coming years. Likewise, the Grade A office vacancy rates are expected to remain low.

Beijing Grade A office rental levels experienced an average year-on-year increase of approximately 3.7% during the period from 2007 to 2010 and are forecast by DTZ to continue to grow annually by approximately 5.2% (including expected future annual inflation rate of approximately 1.5%) over the next three years while vacancy rates are forecast to fall from the levels of approximately 13.5% in the fourth quarter of 2010 to approximately 5.0% in 2013.

### **Wangfujing/East Chang'an Avenue Grade A Office Submarket**

#### **Overview**

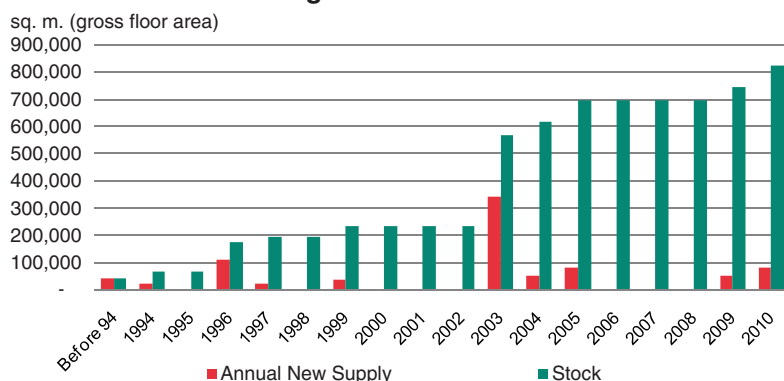
The majority of Grade A office buildings within the submarket are distributed along the Chang'an Avenue and Jianguomenwai Avenue, with good accessibility (four stations of Line 1 are located in the area). The Wangfujing/East Chang'an Avenue submarket is much more mature than the other office submarkets as it developed early, with many high quality office buildings completed in gradual phases. As a result, the submarket's vacancy rate is as low as approximately 10.0%, especially for high quality office buildings such as the China Resources Building, The Tower Offices and LG Twin Towers, which are often fully occupied. The average rental level has been stable over a long period of time.

## INDUSTRY OVERVIEW

### Supply, Absorption and Vacancy

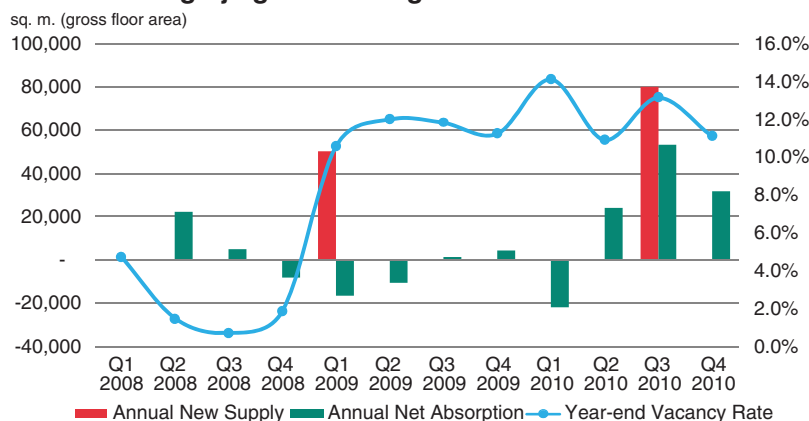
In terms of supply, the market outlook remains positive with few completions over the past seven years — by the end of 2010, the total stock of Grade A office buildings in Wangfujing/East Chang'an Avenue submarket amounted to approximately 825,000 sq. m. (gross floor area).

#### Annual Supply of Grade A Office Buildings in Wangfujing/East Chang'an Avenue Submarket



Data Source: DTZ

#### Supply, Net Absorption and Vacancy Rate of Grade A Offices in Wangfujing/East Chang'an Avenue Submarket



Data Source: DTZ

Notably, annual new supply in 2003 was significantly larger than that in previous years due to the launch of The Tower Offices, with a total office of approximately 300,000 sq. m. (gross floor area). The Tower Offices was appraised as the best office building in Beijing by the Beijing Municipal Bureau of Commerce and the Beijing Administration for Industry and Commerce as soon as it was completed. Since it launched in 2001, the office project has enjoyed an occupancy rate of approximately 95.0% and boasts numerous high quality tenants from the professional services industry, IT industry, and the finance, insurance and investment industry.

Aside from the global financial crisis, office demand in the Wangfujing / East Chang'an Avenue submarket performed relatively well over the period from 2008 to 2010, with vacancy rates as low as approximately 2.2% in 2008. Vacancy rates have increased significantly due to the effects of the global financial crisis and the launch of the Minsheng Financial Center in phases in 2009 and 2010, still remained at a level of approximately 11.9%. As at the fourth quarter of 2010, the vacancy rate of Wangfujing/East Chang'an Avenue submarket was approximately 11.1%.

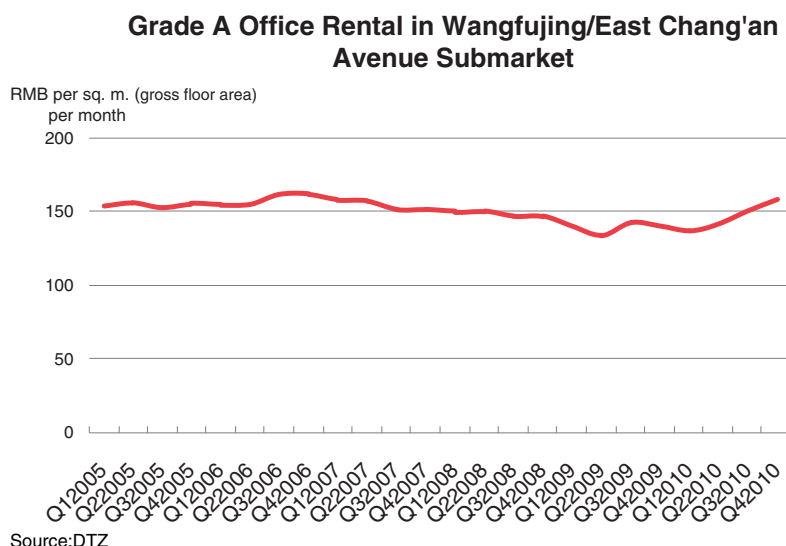
According to DTZ, the average transacted rental levels of the Wangfujing/East Chang'an Avenue Grade A office submarket remained stable over the past five years (i.e. from 2005 to 2010). As at the

## INDUSTRY OVERVIEW

fourth quarter of 2010, the average transacted rental was approximately RMB158 per sq. m. (gross floor area) per month.

### **Supply and Rental Forecast**

DTZ expects most of the future supply of Grade A offices to be located in the CBD area, with no new completions in the Wangfujing/East Chang'an Avenue submarket in the next three years (from 2011 to 2013). Therefore, there will be less competition and market pressure, a positive sign for this Grade A office submarket.



As a result of the limited new supply and low vacancy, average transacted rental of Grade A offices in the Wangfujing/East Chang'an Avenue submarket is forecasted to increase from approximately RMB158 per sq. m. (gross floor area) per month in the fourth quarter of 2010 to approximately RMB184 per sq. m. (gross floor area) per month in the fourth quarter of 2013 with an average annual growth rate of approximately 5.2%, which is comparable to the expected annual rental growth rate of the entire Beijing office market.

### **Beijing Serviced Apartment Market**

#### **Overview**

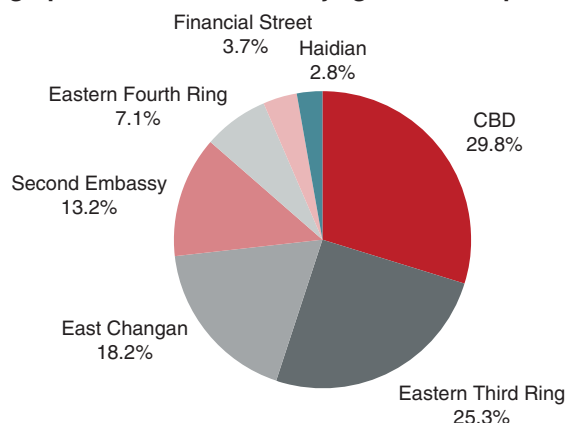
The majority of serviced apartments in Beijing are concentrated along the key commercial districts of Wangfujing/East Chang'an Avenue, Third Embassy Area and the CBD. Less commercially focused locations such as the Second Embassy Area/East Second Ring Road and the East Fourth Ring Road have also become home to serviced apartment developments given their easy access to the key international commercial districts highlighted above. With more foreign enterprises now locating in emergent areas such as Haidian and Financial Street (in the west), these areas have also witnessed new supply of serviced apartments.

## INDUSTRY OVERVIEW

### Supply

The chart below illustrates the geographical distribution of key serviced apartment supply in Beijing as at December 2010. The Wangfujing/East Chang'an Avenue submarket makes up over 18.2% of the total supply in Beijing and within this sub-market The Tower Apartments contributed 613 units, making it the largest serviced apartment not only in this sub-market but also the largest in the Beijing market.

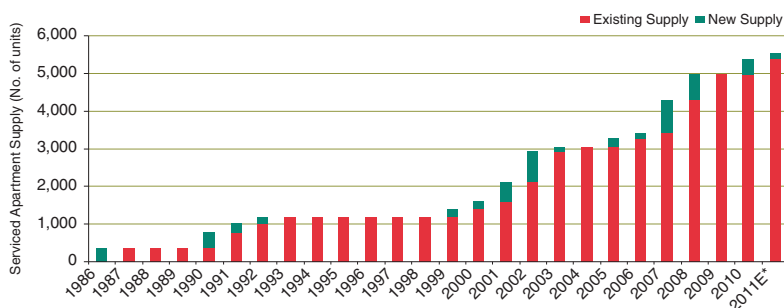
**Geographic Distribution of Beijing Serviced Apartment Stock**



Source: Jones Lang LaSalle Hotels, Industry Source

The chart below illustrates the historical and projected supply of key serviced apartment projects in Beijing.

**Beijing Serviced Apartment Existing Supply**



Source: Jones Lang LaSalle Hotels, Industry Source

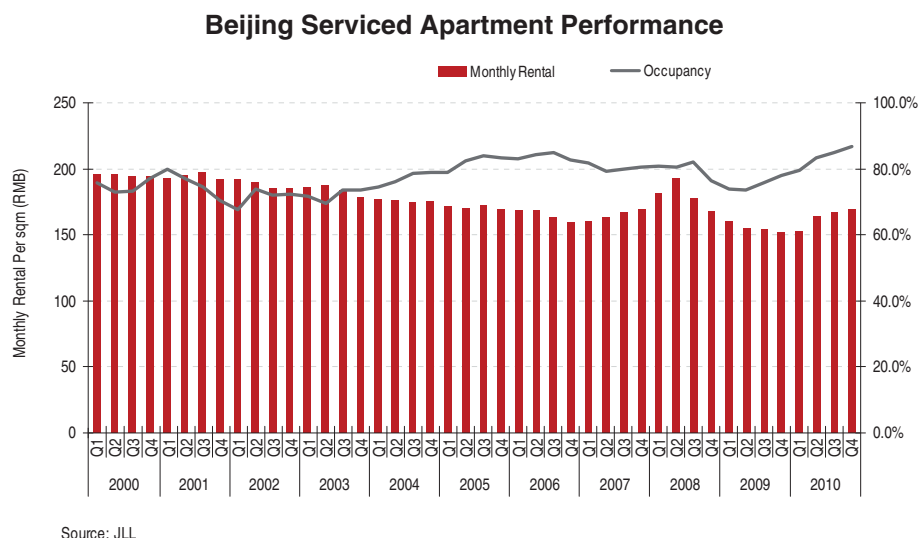
Many international serviced apartment and hotel operators have already established their presence in Beijing and in order to further capture market share many are introducing new brands of varying tiers to the market. This trend will result in further segmentation of the market. For example, Frasers Hospitality opened Fraser Residences CBD East in 2007, followed by Fraser Suites CBD in 2008, and Fraser Place is expected to open in 2011. While these three properties are managed by Fraser, each brand offers a different product and price point.

In 2010, the only new supply of serviced apartments in Beijing was a 407-unit Oakwood Residence located in Dongzhimenwai Xiejie. An additional property, Fraser Place, is expected to have 150 units and to open in 2011. No new supply is expected to open in the Wangfujing area before 2012.

## INDUSTRY OVERVIEW

### Market Performance

The graph below illustrates the quarterly performance among a selected sample of 8,427 units of serviced apartments in Beijing between 2000 and 2010.



### Occupancy

Between 2000 and 2005 occupancy in the Beijing serviced apartment sector remained relatively stable, oscillating between the 70.0% and 80.0% mark. Unlike the hotel industry which was significantly impacted by the Severe Acute Respiratory Syndrome (“SARS”) epidemic in 2003, the strong share of long term tenants created a buffer for the serviced apartment sector to maintain robust occupancy levels.

Despite high levels of new supply — during the period between 2004 and 2008, 2,000 new serviced apartment units were added to the market bringing total available units in the market from about 3,000 units to close to 5,000 units — occupancy saw a marked upward trend from the second quarter in 2004 to the fourth quarter in 2006 i.e. from approximately 70.0% in the second quarter in 2004 to approximately 85.1% in the fourth quarter in 2006, an increase of approximately 2.0% on average per quarter. Thereafter, the market maintained an occupancy level at approximately 80.0% (between 79.2% and 81.8%), peaking in the third quarter of 2008 at approximately 82.0% boosted by demand generated during the Olympic Games.

This upward trend has continued into 2010 reflecting in part the improved global corporate environment and a relatively stabilised amount of new supply. In line with economic recovery, Beijing has seen a pickup in business activities which is bringing in new expatriates and generating fresh demand for serviced apartments. In the fourth quarter of 2010, the market occupancy reached approximately 86.9%.

### Rental Rates

Compared to occupancy levels, serviced apartment rental rates have seen greater fluctuations, reflecting relatively elastic pricing strategies / acceptance by owners and operators. Between the third quarter of 2003 and the third quarter of 2007 the serviced apartment industry saw a relative decline in rental levels. Average rents achieved a record high (approximately RMB226 per sq.m. per month) in the lead up and during the Olympics between the fourth quarter of 2007 and the third quarter of 2008, when many serviced apartments were rented to corporate or diplomatic groups for extended periods of time.

## INDUSTRY OVERVIEW

Due to the negative impact of the global financial crisis and increased competition from the influx of high-end hotel additions, average rental rates started to decrease in the third quarter of 2008 and ended the year at approximately RMB168 per sq.m. per month. This trend continued into 2009 where average monthly rent per sq.m. declined from approximately RMB160 in the first quarter to approximately RMB152 in the fourth quarter of 2009, while average rental rates increased slightly and reached approximately RMB153 in the first quarter of 2010. As occupancy recovered, rents also improved and by the fourth quarter of 2010, average rental rates experienced a solid increase of approximately 11.3% when compared to the same period in 2009 and reached approximately RMB168 per sq.m. per month.

### ***Market Trends and Outlook***

As the country's capital and economic powerhouse, Beijing has always attracted and is likely to continue to attract national and regional headquarters of multinational companies, diplomatic representations and non-governmental organisations which have an increasing need for high-end housing. As such, the city has seen an accelerating number of serviced apartments opening up in recent years. Although demand growth has been generally keeping pace with supply, the recent global financial crisis and the consequently heightened cost awareness among multinational companies has resulted in lower demand and price levels in recent years. According to JLL, rental rates have already started to increase, as seen in the results recorded in 2010.

At the hotel-end of the spectrum, strong supply in the hotel sector leading up to the Olympic Games led to intense competition which also impacted the serviced apartments especially for short-term stay demand. Although short-term stay comprises the smallest demand segment for serviced apartments, many properties have responded to the shifting dynamic by allocating resources and offering more flexible service and facilities to capture such demand.

In the short to medium-term, as global economies improve and local markets continue to grow, demand for serviced apartments is anticipated to correspondingly increase. This, combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, is likely to provide a good basis for occupancy and rate growth.

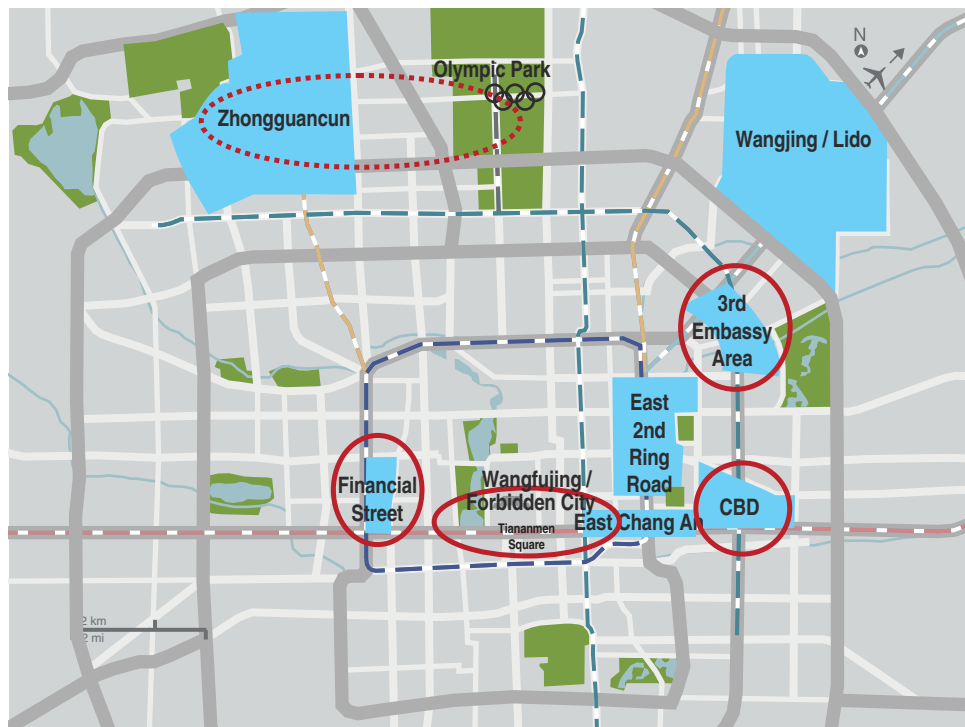
## INDUSTRY OVERVIEW

### Beijing Hotel Market

#### Overview

The majority of Beijing's internationally branded five-star hotels are located in the centre and the east side of the city. The city's hotel market loosely follows the office submarkets, but more focused in the following areas: (1) Dongcheng (including Wangfujing and East Chang'an Avenue), (2) CBD, (3) Xicheng and Financial Street, (4) Liangmaqiao (including the Second and Third Embassy Areas and along North-Eastern Third Ring Road), and (5) Northern and Zhongguancun Area. In addition to these named submarkets, additional ones are taking shape as Beijing continues to expand. However, these new submarkets remain small, from both supply and demand perspectives.

#### Major Hotel Submarkets in Beijing



Source: JLL

#### Domestic and International Tourism

In Beijing, domestic visitor growth after 2003 has been steady (an increase of approximately 6.3% on average between 2004 and 2007) although at a slower pace than international tourist arrivals, which grew by approximately 11.3% per annum on average in the same period. In 2007, domestic tourist arrivals reached approximately 142 million. Contrary to international tourist arrivals, domestic tourist arrivals in 2008 were only marginally lower (a decrease of approximately 0.7%) than the year before.

Although domestic visitor arrivals to Beijing were also affected by travel restrictions in the lead up to and during the Olympic Games, they were more resilient to global events, including but not limited to, the worldwide economic downturn. Domestic visitor arrivals saw a significant annual increase in both 2009 and 2010.

Since the significant drop in tourism demand in 2003 as a result of the outbreak of SARS, international arrivals to Beijing have grown steadily. Between 2004 and 2007, international visitor arrivals grew at an impressive double-digit rate of approximately 11.3% per annum on average as referred to above, resulting in a record volume of approximately 4 million arrivals in 2007. In 2008,

## INDUSTRY OVERVIEW

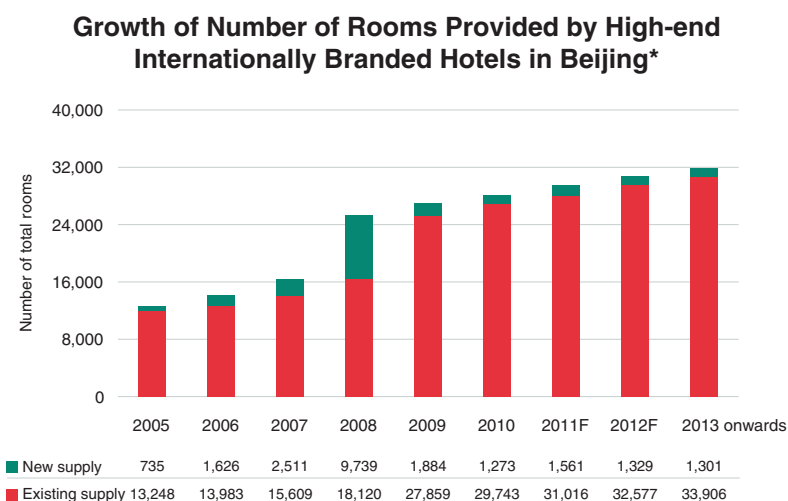
however, this dropped by approximately 13.0%. Tightened visa regulations in the lead up to and during the Olympic Games significantly limited the much anticipated international tourist flow to the city. Moreover, the global financial crisis and the consequently slowing economic development in the third and fourth quarters of 2008 put further restraints on tourist demand.

Despite the on-going impact of the weak global economy, international tourist arrivals to Beijing showed some signs of recovery by the end of 2009. With approximately 4 million arrivals, international travellers were up by approximately 8.8% over 2008. Although still lower than the record volume seen in 2007, international tourist arrivals in 2009 surpassed the number of arrivals in 2006 by approximately 5.7%, thus indicating initial signs of an upswing. Recovery started to gain further momentum in 2010, as international tourist arrivals increased by approximately 18.8% over 2009 reaching a historic record of approximately 5 million.

### **High-end Hotel Supply**

The first internationally-branded, five-star hotel to open in Beijing was the Beijing Great Wall Sheraton hotel located in the present-day Third Embassy Area. Since then, a number of internationally-branded hotels, including the China World Hotel Beijing and Hilton Beijing Hotel opened which largely cater to the growing market of in-bound visitors to Beijing. When Grand Hyatt Beijing opened in 2001, it was the largest five-star hotel to open in Beijing, and along with The Tower Offices, The Tower Apartments and The Malls, created one of the iconic-developments in Beijing.

As at end-December 2009, Beijing offered 757 star-rated hotels based on statistics published by the Beijing Tourism Administration. The graph below charts the growth of number of rooms provided by internationally branded four-and five-star hotels in Beijing:



\* As at December 2010; Source: JLL.

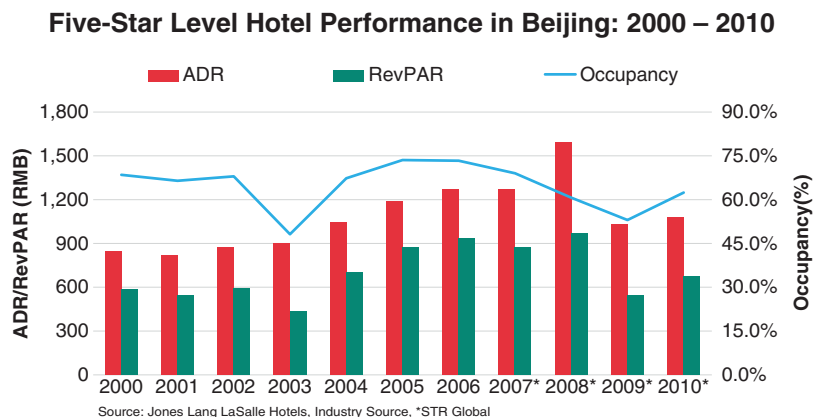
Between 2005 and 2009, Beijing's internationally branded hotel supply grew at a compound average annual change of approximately 20.8%, increasing from 13,983 rooms to 29,743 rooms at the end of 2009. 2008, the year of the Olympic Games, saw the most substantial increase in new supply with close to 10,000 guest rooms being added to Beijing's internationally branded high-end hotel room stock.

In 2009 and 2010, a total of 3,157 rooms of internationally branded high-end hotels entered the Beijing market. A minimum amount of 4,191 new guest rooms are expected to be introduced in 2011 and beyond.

## INDUSTRY OVERVIEW

### Five-Star Hotel Performance

The following chart illustrates the performance of five-star level hotels in Beijing. The sample set includes a total of 11,692 rooms in 2010.



Following a strong decline in occupancy in 2003, both ADR (Average Daily Rate) and occupancy quickly recovered and grew by an annual average of approximately 12.2% and approximately 15.0% between 2003 and 2006, respectively. RevPAR, as a consequence, increased by an average of approximately 29.1% per annum in the same period and reached a record level in 2006 at approximately RMB934.

With the opening of new hotels and consequently heightened competition, occupancy started to show first signs of pressure in 2007, having dropped by approximately 5.4 percentage points over the previous year. This trend continued in 2008, despite the Olympics and into 2009 as a result of new supply and global financial crisis. The average occupancy rate in 2009 reached a low point of approximately 53.0%.

Much of the growth in ADR in 2008 can be attributed to the Olympic Games and the premium rates achieved during the summer months. However, when excluding the impact of the Olympics in the month of August (where ADR increased by approximately 248.0% over 2007), year-end ADR and RevPAR results in 2008 recorded a decline as compared to 2007.

Strong competition caused by an influx of new supply entered the market prior to and around the Olympics and reduced travel and travel budgets as a result of the global financial crisis put pressure on Beijing's five-star hotel performance in 2009. The market achieved a full year average occupancy of approximately 53.0% in 2009, average room rates in the order of approximately RMB1,032 and a RevPAR of approximately RMB547. A strong decline in both ADR (a decrease of approximately 18.6%) and occupancy (a decrease of approximately 16.0 percentage points) resulted in a severe drop in RevPAR of approximately 37.5% over the same period in 2007.

After two years of performance decline, the Beijing hotel market finally saw an upswing in performance in 2010. With a moderate amount of hotel openings and impressive growth in international tourism arrivals (an increase of approximately 18.8%), the occupancy rate for the Beijing five-star hotel market witnessed a pronounced increase that started in January of 2010 and reached approximately 62.4% by the end of the year. Continuous improvement in occupancy has provided hoteliers much confidence in adopting more aggressive pricing strategies, which translated into room rate increases in the last two quarters of the year. With the benefit of occupancy and rate growth of approximately 9.4 percentage points and approximately 4.4% respectively, RevPAR for Beijing's five-star hotels increased a solid approximately 22.8% in 2010.

## INDUSTRY OVERVIEW

### **Market Trends and Outlook**

2009 was a challenging year for hotels in China in general and particularly for Beijing. Following the entrance of over 10,000 hotel rooms during the Olympic year, the prevailing global financial crisis caused a worldwide decline in travel demand and resulted in curtailed travel budgets, affecting particularly demand for high-end hotels. Pressure from both the demand and supply side created significant pressure on both occupancy and room rates among Beijing's hotels.

Thus far, 2010 has been a much better year with occupancy improving markedly. On the other hand, this recovery was largely from an occupancy perspective with room rates recovering to a relatively lesser extent. However, it is not uncommon for hotel operators to be cautious in increasing rates until occupancy levels experience more consistent improvements and rates are not able to increase "in time" due to time lapse in pre-committed contracts. Therefore, as mentioned earlier, hoteliers shifted to more aggressive pricing strategies only in the last two quarters of 2010 while occupancy had started to increase already in January.

In light of historical performance, the short to medium term outlook of the market appears to be positive for hotels in Beijing.

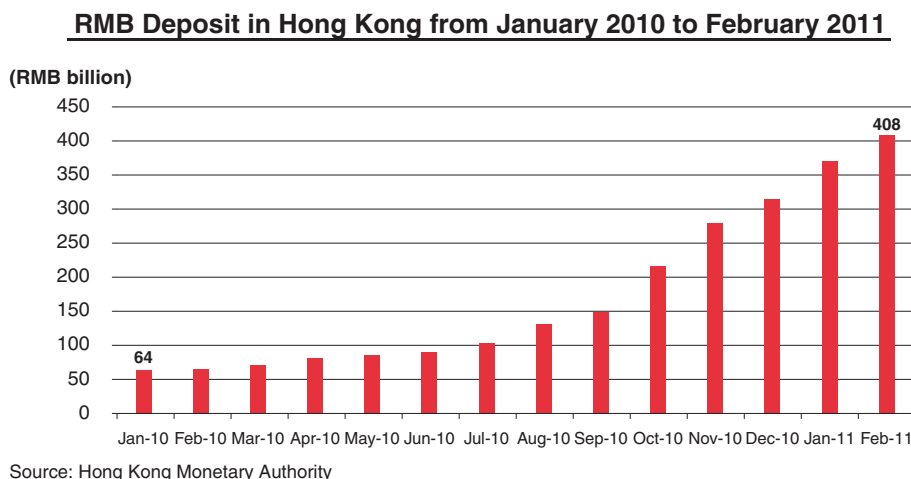
### **RMB Internationalisation**

With its rapid growing economic development, China aims to establish RMB as a global reserve currency in the long term. With the aim of internationalising the RMB, China has been implementing a series of supportive measures ranging from expanding RMB trade settlement to all countries/districts to allowing offshore RMB financial products.

In promoting the internationalisation of the RMB, Hong Kong as a financial centre has been playing a key role in developing various kinds of RMB business and is designated as the de facto settlement, clearing, trading, and investing centre of RMB.

Hong Kong's RMB business has recently made significant progress. Soon after the Chinese mainland announced the expansion of the RMB Trade Settlement Scheme, PBOC and the RMB Clearing Bank signed the Settlement Agreement. The recent PRC supportive measures support growth of RMB trade settlement and also attract more RMB deposits into Hong Kong. According to the Hong Kong Monetary Authority, RMB deposits in Hong Kong increased from approximately RMB64 billion at the end of January 2010 to approximately RMB408 billion at the end of February 2011.

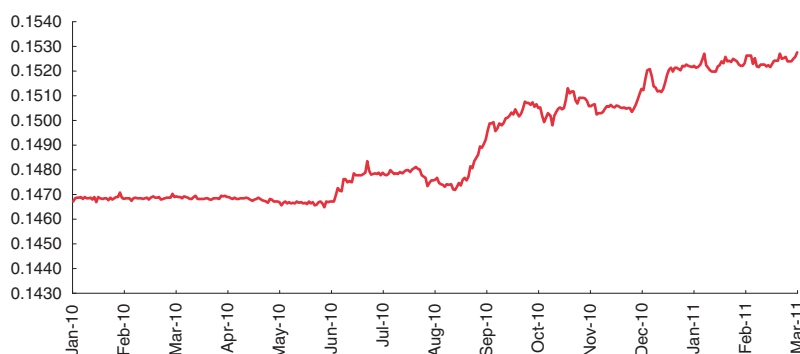
The chart below sets forth the amount of RMB deposits in Hong Kong from January 2010 to February 2011:-



## INDUSTRY OVERVIEW

Furthermore, China plans to further boost the flexibility of the RMB exchange rate and improve the RMB exchange rate mechanism. In January 2010, the exchange rate of RMB to US dollars was approximately RMB1 to US\$0.1467. The exchange rate of RMB to US dollars subsequently appreciated to approximately RMB1 to US\$0.1527 by the end of March 2011. The table sets forth the exchange rate of RMB against US dollars and HK dollars from January 2010 to March 2011.

**Exchange rate RMB:USD  
January 2010 to March 2011**



Source: Hong Kong Monetary Authority

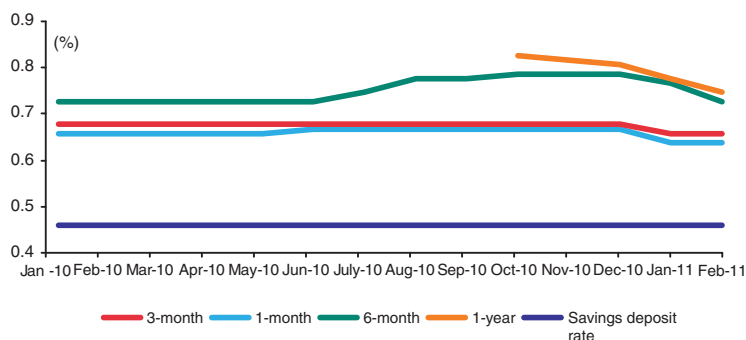
**Exchange rate RMB:HKD  
January 2010 to March 2011**



Source: Hong Kong Monetary Authority

Allowed by recent policy, Hong Kong licensed banks can invest in the China interbank bond market which offers higher yields than Hong Kong, bringing higher return rates and driving the RMB deposit rate to increase in Hong Kong. The chart below sets forth the interest rate of RMB deposits in Hong Kong from January 2010 to February 2011 :-

**RMB Deposit Rates in Hong Kong from January 2010 to February 2011**



Source: Hong Kong Monetary Authority

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## STRATEGY

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## STRATEGY

### **Principal Strategy**

The Manager's key objectives for Hui Xian REIT are to provide Unitholders with stable and sustainable distributions per Unit. The Manager's principal investment strategy is to hold and invest in high quality commercial properties in the PRC and it aims to produce stable and attractive total returns to Unitholders by managing the REIT's portfolio and maintaining a high level of investment discipline and financial flexibility. The Manager intends to hold Oriental Plaza on a long-term basis while, if opportunity arises, complementing it with additional income-producing properties through acquisitions. The implementation of the Manager's strategy can be broadly categorised as follows:-

- **Asset Management Strategy.** The Manager intends to actively manage Hui Xian REIT's property portfolio to maintain optimal occupancy levels, achieve strong rental growth and optimise net property income. The Manager will work closely with the Property Manager to drive organic growth, to build strong relationships with tenants, and to seek property enhancement opportunities.
- **Acquisition Strategy.** The Manager may consider selectively acquiring additional properties that meet its investment criteria where there are appropriate opportunities.
- **Capital Management Strategy.** The Manager will seek to optimise the capital structure and cost of capital.

### **Asset Management Strategy**

The Manager will actively manage its portfolio to optimise rental income growth, maintain an optimal tenant mix, capture property enhancement opportunities, optimise occupancy levels, and prudently control property expenses. The Manager intends to pursue the following to optimise returns:

#### ***Proactive lease management***

The Manager will formulate leasing strategies and pursue initiatives to optimise the market potential and long-term income of Hui Xian REIT's property portfolio. The Manager will set optimal rental benchmarks for each component of the property and will develop proactive marketing plans for each property component to enhance the visibility of the property and maximise tenant interest. The Manager also plans to manage lease renewals effectively and to minimise downtime arising from either lease expiries or early terminations. This may be achieved through:-

- maintaining close and harmonious business relationships with the tenants to increase tenant retention;
- monitoring and adapting to industry trends;
- advancing lease renewal negotiations with tenants in a timely manner;
- attempting to have new tenants lined up in preparation for vacant space; and
- monitoring rent arrears to minimise defaults by tenants.

#### ***Optimal tenant mix***

The Manager will actively manage lease expiries to identify opportunities to maintain an optimal tenant mix. Moreover, the Manager aims to continually evaluate the tenant quality and manage specific business sector tenancy risks in order to provide stability of rental income.

#### ***Continual asset enhancement***

The Manager will work closely with the Property Manager to continue to improve the rental income and value of Hui Xian REIT's property portfolio by undertaking asset enhancement initiatives. To the extent possible and permitted by the relevant laws and regulations, the Manager will seek to optimise

## STRATEGY

the use of space and building efficiency within Hui Xian REIT's properties. The Manager will also continually review the competitiveness of Hui Xian REIT's properties against competing properties and upgrade building facilities to maintain and enhance the competitive positioning of Hui Xian REIT's properties if necessary.

### ***Control property expenses while delivering quality services***

In order to deliver optimal returns, the Manager will work closely with the Property Manager to control property expenses without compromising quality of services to tenants. The Manager will seek to control operating expenses, in coordination with the Property Manager, through the implementation of cost control management systems.

### **Acquisition Strategy**

The Manager will from time to time consider appropriate acquisition opportunities in investment properties in the PRC that provide stable cash flow and the potential for long term capital appreciation. When evaluating acquisition opportunities, the Manager will take into account issues and qualities including, but not limited to, the following:-

- (i) Consistency with Hui Xian REIT's strategy to focus primarily on the PRC investment property market;
- (ii) Ability to provide attractive long-term cash flows and yields, as well as the potential for net asset value growth;
- (iii) Strength of existing, and the potential to improve in the future, occupancy and tenant mix relative to competing properties in the respective markets; and
- (iv) Potential to improve value through active property management. Opportunities to add value through selective renovation or other enhancements will also be assessed.

### **Capital Management Strategy**

The Manager aims to optimise returns on Hui Xian REIT's portfolio and distributions to Unitholders while maintaining appropriate levels of financial prudence. To do so, the Manager will seek to optimise the capital structure and cost of capital of BOP by using a combination of debt and equity to fund property enhancements and, when appropriate opportunities arise, future acquisitions. In relation to the use of debt, the REIT Code limits Hui Xian REIT's debt to 45.0% of its total gross asset value. Where applicable, the Manager will also seek to adopt a hedging strategy to manage the risks associated with changes in interest rates relating to its borrowings. In addition to its debt strategy, the Manager intends to capitalise on opportunities that may arise to raise additional equity capital for Hui Xian REIT through the issue of additional Units, if Hui Xian REIT has an appropriate use for such proceeds and if it is in the interest of the Unitholders.

For details of the hedging strategy of the Manager, see the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations — Hedging Strategy".

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## **ORIENTAL PLAZA AND BUSINESS**

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## ORIENTAL PLAZA AND BUSINESS

### Overview of Oriental Plaza (東方廣場)



Oriental Plaza is one of the largest and most iconic commercial complexes in the PRC. It is strategically located at No.1 East Chang'an Avenue (東長安街一號), the political and commercial heart of Beijing, the capital of the PRC. It is within the Second Ring Road (二環路) and Wangfujing (王府井). The development is in a unique position in Beijing. The location is one which is unprecedented for a large scale commercial development in the PRC.

Oriental Plaza was developed on a plot of land with a total area of approximately 100,000 sq.m.<sup>34</sup> and has a total Gross Floor Area of approximately 800,000 sq. m..

Over the past 10 years, this landmark development has enjoyed a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance. BOP has experienced a growth in both revenue and operating profit at a CAGR of approximately 14.3% and 19.3% during the period from 2002 to 2009 based on its management accounts. In terms of occupancy, the committed occupancy levels of The Malls, The Tower Offices and The Tower Apartments as at 31 March 2011 were approximately 100.0%, approximately 99.7% and approximately 95.4%, respectively, and the average occupancy rate of Grand Hyatt Beijing for the month ended 31 March 2011 was approximately 72.9%.

The following table shows a breakdown of the Gross Floor Areas of Oriental Plaza as at 31 December 2010:-

	<u>Approximate Gross Floor Area (sq. m.)</u>
<b>The Malls</b> .....	130,195
<b>The Tower Offices</b> .....	309,552
<b>The Tower Apartments</b> .....	81,603
<b>Grand Hyatt Beijing</b> .....	125,420
<b>Car parking spaces and other ancillary facilities</b> <sup>Note</sup> .....	140,289
<b>Total</b> .....	<b><u>787,059</u></b>

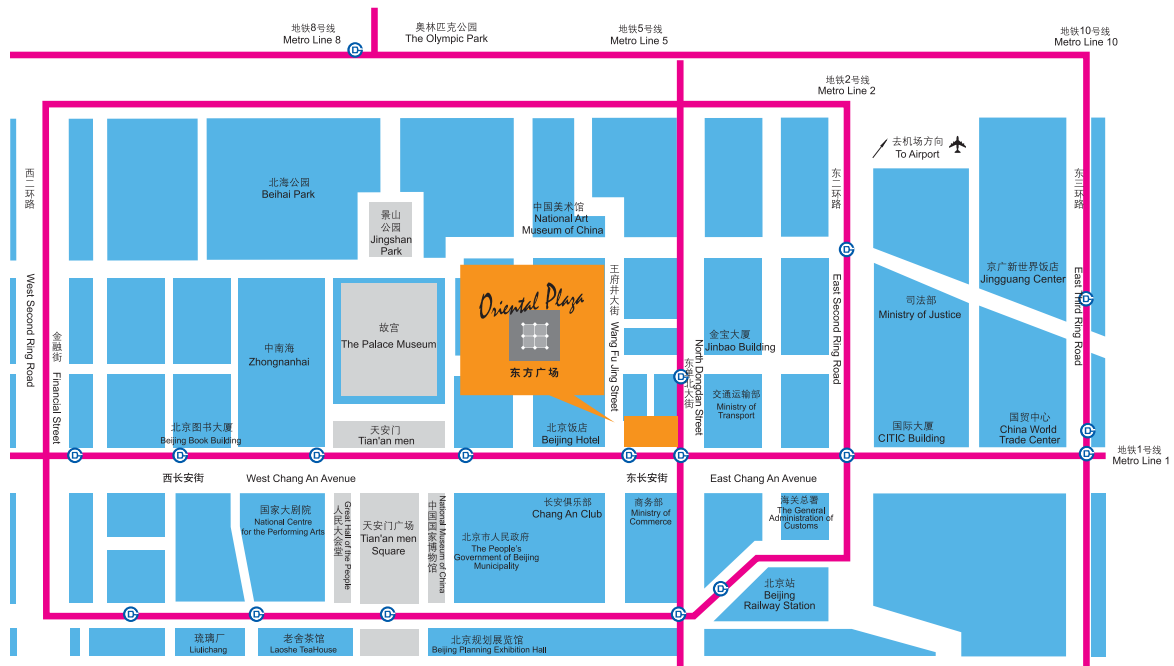
Note: The Gross Floor Area of the car parking spaces and other ancillary facilities includes the 23,577 sq. m. of civil defence shelter, which has been permitted to use as car parking spaces.

As at 31 January 2011, the aggregate area of Oriental Plaza used for generating income, comprising the Rentable Area of The Malls, The Tower Offices and The Tower Apartments, and the Gross Floor Area of Grand Hyatt Beijing, was approximately 580,000 sq.m..

<sup>34</sup> Based on the Appendix of the Construction Land Use Planning Permit issued to BOP on 10 January 2000.

## ORIENTAL PLAZA AND BUSINESS

Designed by the world renowned architectural firm Palmer & Turner, Oriental Plaza represents a modern interpretation of the traditional Chinese design, which comprises rectangular outer structures and circular courtyards.



Oriental Plaza stretches along East Chang'an Avenue (东长安街) from Wangfujing Street (王府井大街) (also known as Gold Street (金街)) in its west to North Dongdan Street (东单北大街) (also known as Silver Street (银街)) in its east with 16 entrances in total. Oriental Plaza is located in the direct vicinity of a number of important government departments of the PRC such as the Ministry of Commerce (商务部), the Ministry of Transport (交通运输部), the General Administration of Customs (海关总署) and the People's Government of Beijing Municipality (北京市人民政府). In particular, the Ministry of Transport is located at the east of Oriental Plaza across North Dongdan Street and the People's Government of Beijing Municipality is located at the south of Oriental Plaza across East Chang'an Avenue. It is also in close proximity to a number of Beijing landmarks such as the Forbidden City (紫禁城), the Great Hall of the People (人民大会堂) and Tian'anmen Square (天安门广场) which are located a few blocks to the west. Oriental Plaza enjoys the convenience of Beijing's public transportation network. It has access to Line 1 and Line 5 of the Beijing subway lines and is directly connected to the subway station. It will have access to the future Line 8 (extension works expected to commence in 2012). In addition, over 30 bus lines have bus stops in the direct vicinity of the site. Oriental Plaza is also located approximately 35 k.m. from Beijing Capital International Airport.

Oriental Plaza has adopted a "World within a World" concept. A mixed-use composite development, Oriental Plaza comprises The Malls (东方新天地), a world-class shopping centre with three levels; The Tower Offices (东方经贸城), which features eight Grade A office buildings; The Tower Apartments (东方豪庭公寓), which consists of two serviced apartment towers; Grand Hyatt Beijing (北京东方君悦大酒店), a five-star hotel with 825 guest rooms; and an enormous car park with approximately 1,900 car parking spaces (including loading / unloading spaces) located at basement levels.

The four components of Oriental Plaza complement each other and create a self-contained community which offers comprehensive facilities and services, including shopping, entertainment and recreational facilities, offices, restaurants, car parking spaces, hotel and serviced apartments.

The Malls offers a wide variety of brands, including leading international and local ones. The Tower Offices is occupied by a number of multinational companies and large domestic enterprises. The

## ORIENTAL PLAZA AND BUSINESS

Tower Apartments offers expatriates and others mid to long term accommodation; while Grand Hyatt Beijing provides luxurious hotel accommodation and world-class food and beverage services.

The synergy created by the four entities — The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing — helps to propel the rental and occupancy rates for each entity. For example, the more than 20,000 people that live and work in Oriental Plaza provide a stable client base for The Malls and Grand Hyatt Beijing<sup>35</sup>.

Over the past 10 years, this landmark development, comprising these four components, has enjoyed a solid track record of market leadership in Beijing with wide brand recognition, high occupancy and impressive financial performance. Each component of Oriental Plaza is seen as an icon, a role model and a trend-setter in its industry.

Within the Oriental Plaza vicinity, there is also a post office, police station and fire station. Located next to Oriental Plaza, they are Oriental Plaza Post Office of the East City Post Office of Beijing (北京市東區郵電局東方廣場郵電所), the Wangfujing Squadron of the Dongcheng Division of the Beijing Municipal Public Security Fire Department (北京市公安消防總隊東城支隊王府井中隊) and the Oriental Plaza Police Station of the Dongcheng Division of the Beijing Municipal Public Security Bureau (北京市公安局東城分局東方廣場派出所).

Construction of Oriental Plaza commenced in 1996 and was fully completed in 2004.

Construction of The Malls was completed in 2000 and Grand Hyatt Beijing in 2001, while The Tower Offices was completed in phases from 2000 to 2001 and The Tower Apartments from 2002 to 2004.

In recognition of its excellent construction and engineering, Oriental Plaza was awarded the PRC Construction Engineering Luban Award (National Outstanding Engineering) (中國建築工程魯班獎(國家優質工程)) by the Ministry of Construction of the PRC (中華人民共和國建設部) and the China Construction Industry Association (中國建築業協會) in 2002, Zhan Tianyou Civil Engineering Award (詹天佑土木工程獎) by the State Technology Reward Office (國家科技獎勵辦公室), as well as the Best Chinese Development and the Best Chinese Property in the Bentley International Property Awards in 2004.

Since the commencement of operations in 2000, Oriental Plaza has been smoothly and efficiently managed by a professional management team. For details of the senior management of BOP, see the section headed “Oriental Plaza and Business — Employees” in this Offering Circular. Oriental Plaza has an attractive tenant mix providing Hui Xian REIT with a diversified revenue base. Each of the components of Oriental Plaza has been proactively managed to optimise area utilisation, occupancy and boost rental rates.

<sup>35</sup> Source: Page VI-19 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing. Also see footnote on page 69 of this Offering Circular.

## ORIENTAL PLAZA AND BUSINESS

The segment revenue generated by The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing for the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010, and the unaudited segment revenue for the ten months ended 31 October 2009 are set out in the following table:-

	Year ended 31 December 2007		Year ended 31 December 2008		Year ended 31 December 2009		Ten months ended 31 October 2009		Ten months ended 31 October 2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million (unaudited)	% of total	RMB million	% of total
The Malls <sup>Note</sup>	588	28.3	695	30.6	748	38.0	617	37.8	679	39.0
The Tower Offices	614	29.6	646	28.5	669	34.0	563	34.4	542	31.2
The Tower Apartments	139	6.7	142	6.3	98	5.0	82	5.0	74	4.3
Grand Hyatt Beijing	736	35.4	786	34.6	454	23.0	372	22.8	444	25.5
<b>Total</b>	<b>2,077</b>	<b>100.0</b>	<b>2,269</b>	<b>100.0</b>	<b>1,969</b>	<b>100.0</b>	<b>1,634</b>	<b>100.0</b>	<b>1,739</b>	<b>100.0</b>

Note: The segment revenue of The Malls included that generated from the operation of car parking spaces.

Oriental Plaza is held by BOP, a cooperative joint venture enterprise established in the PRC in 1999 with Hui Xian Investment as the foreign investor and the Domestic JV Partner as the domestic investor. See the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents” in this Offering Circular. The joint venture period of BOP is 50 years from 25 January 1999 to 24 January 2049 and the remaining term is approximately 38 years. BOP was granted the Land Use Rights Certificate in respect of the piece of land on which Oriental Plaza is situated by the People’s Government of Beijing Municipality (北京市人民政府) for the period from 22 April 1999 to 21 April 2049 and the Building Ownership Certificate in respect of the buildings of Oriental Plaza by the Beijing Municipal Commission of Construction (北京市建設委員會), the predecessor of the Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會).

Upon the expiry of the joint venture period of BOP on 24 January 2049, Hui Xian Investment (and thus Hui Xian REIT) will cease to have any direct or indirect interest in Oriental Plaza or its income. As such, unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of the joint venture period of BOP, the value of Hui Xian REIT’s real estate investment will be diminishing over time and will have zero value at the end of the joint venture period.

The respective Appraised Values of The Malls, The Tower Offices, The Tower Apartments, Grand Hyatt Beijing and the basement portion of Oriental Plaza, as determined by the Independent Property Valuer as at 31 January 2011 were as follows:

	RMB million
The Malls	13,580
The Tower Offices	11,310
The Tower Apartments	2,310
Grand Hyatt Beijing	3,920
Basement portion of Oriental Plaza	290
<b>Total</b>	<b>31,410</b>

On 8 April 2011, the Trustee (as trustee of Hui Xian REIT) entered into the Reorganisation Agreement with (among others) Hui Xian Cayman pursuant to which Hui Xian Cayman has agreed to transfer and assign to the Trustee (as trustee of Hui Xian REIT) the entire issued share capital of, and the Assigned Indebtedness owing by, Hui Xian BVI which in turn holds the entire issued share capital of Hui Xian Investment. See the section headed “Reorganisation, Structure and Organisation — Reorganisation of Hui Xian BVI Group” and the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — Reorganisation Agreement” in this Offering Circular. The transfer and assignment of the Hui Xian BVI Share and the Assigned Indebtedness will be completed on or before 28 April 2011 (or such other date as may be agreed between Hui Xian Cayman and the Manager).

## ORIENTAL PLAZA AND BUSINESS

### **Oriental Plaza in Detail**

#### ***The Malls (東方新天地)***



**The Malls commands rents which are amongst the highest in Beijing.**



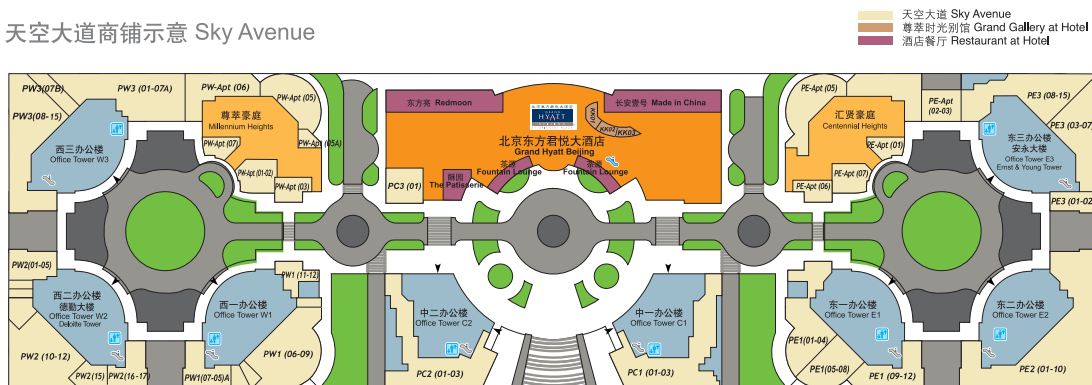
**The Malls enjoys steady patronage underpinned by the locals, expatriates and tourists who work in the Tower Offices, reside in the Tower Apartments and stay in Grand Hyatt Beijing.**



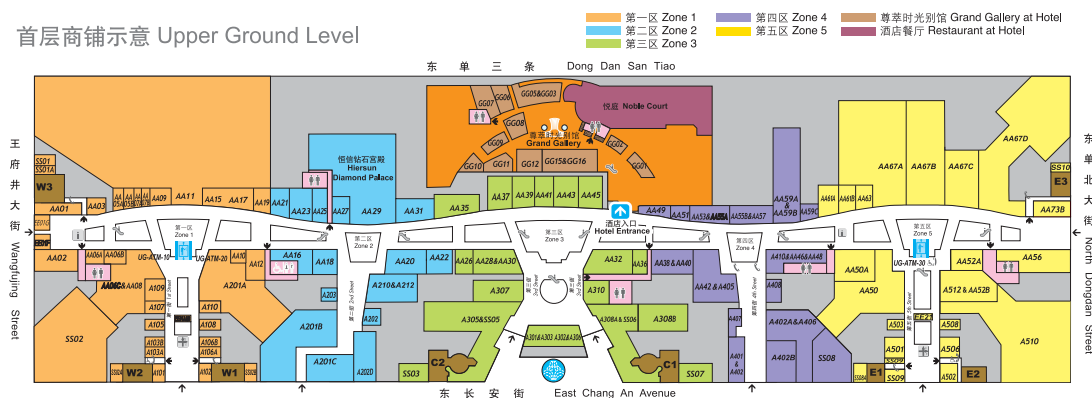
**The Malls has an occupancy level of close to 100% and a long waiting list of over 250 prospective tenants.**

## ORIENTAL PLAZA AND BUSINESS

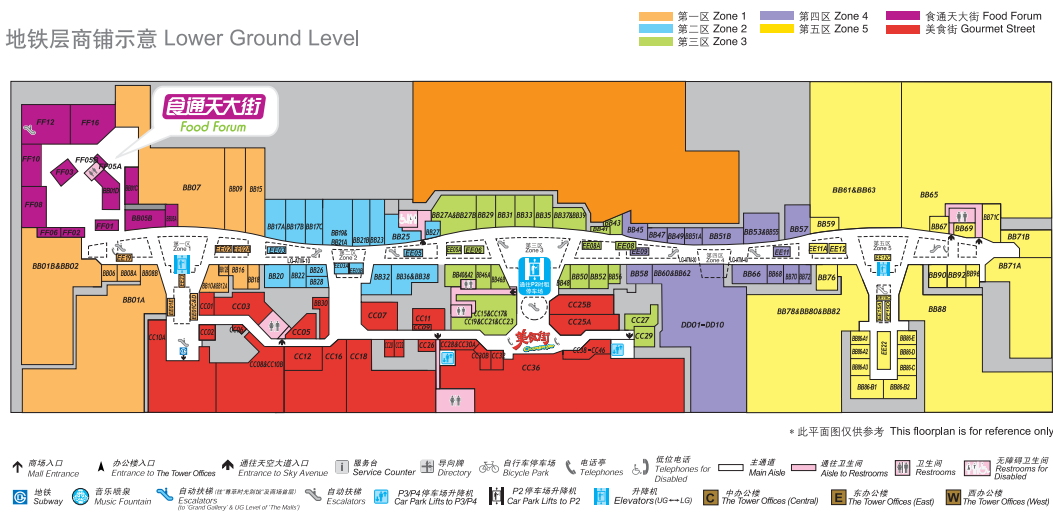
天空大道商铺示意 Sky Avenue



首层商铺示意 Upper Ground Level



地铁层商铺示意 Lower Ground Level



The Malls represents one of the largest shopping centres in the PRC. It is a popular destination for both local residents and tourists alike, and is a preferred choice for major retailers to establish a presence in Beijing. The Malls has received a number of awards, including:

- “Best One-Stop Shopping Venue” (“年度最佳一站式購物地獎”) by Beijing News (新京報) in 2010
- “Best Visual Decoration” (“年度最佳視覺裝飾”) by Life Style Media Group (精品傳媒 (集團)) in 2010
- “Fashion Pioneer in Commercial and Operational Industry” (“年度商業流通行業時尚先鋒”) by Beijing Star Daily (北京娛樂信報) in 2008

## ORIENTAL PLAZA AND BUSINESS

- “Star Billboard For Beijing Commercial Systems — 5 Stars Shopping Environment” (“年度京城商業百姓星級榜—購物環境五星級商場”) by Beijing Morning Post (北京晨報) in 2008
- “The Best Fashion Shopping Mall in China” (“中國最佳時尚商場”) by BAZAAR Magazine in 2007
- “China Top 10 Commercial Building” (“中國商業地產十大名盤”) by China Architectural Culture Center (建設部中國建築文化中心) and Economic Daily (經濟日報社) in 2005

The Malls comprises a three-level shopping mall with a total Gross Floor Area of approximately 130,195 sq. m. and a total Rentable Area of approximately 74,032 sq. m. as at 31 December 2010. The size of each of the shop units at The Malls ranged from approximately 2 sq. m. to 2,991 sq. m. as at 31 December 2010.

The Malls has a committed occupancy level of close to 100.0% and a long waiting list of over 250 prospective retail tenants who have indicated interests in renting retail spaces as at the Latest Practicable Date. The Malls is the most iconic retail project in Beijing’s Wangfujing/ East Chang’an Avenue submarket, and its success helped establish Beijing’s high-end retail property market.<sup>36</sup> Securing a space within The Malls is highly valuable, as the location provides tenants with a competitive advantage.

Wangfujing/East Chang’an Avenue is a major shopping destination in Beijing for locals, domestic tourists from within the PRC and international travellers. The customer flow of the area averages approximately 200,000 per day on weekdays, approximately 250,000 per day on weekends and approximately 300,000 on public holidays. The average customer flow ranges from approximately 70 to 90 million annually.<sup>37</sup> The Malls also enjoys steady patronage underpinned by the more than 20,000 locals, expatriates and tourists who work in The Towers Offices, reside in The Tower Apartments, and stay in Grand Hyatt Beijing<sup>38</sup>. There is also a synergy between the positioning and tenants of The Malls, the white collar employees of The Tower Offices, the residents of The Tower Apartments and the guests of the five-star Grand Hyatt Beijing.

As many of the tenants of The Tower Offices are leading multinational companies, and many residents of The Tower Apartments as well as guests of Grand Hyatt Beijing are professionals and business executives, this creates a natural and attractive catchment area for shoppers within the development.

According to DTZ, the average transacted rental of high-end retail properties in Wangfujing/East Chang’an Avenue was approximately RMB576 per net sq. m per month (in Quarter 4, 2010).<sup>39</sup> This rental is higher than the average of the whole Beijing market and currently remains the highest among all the major Beijing submarkets.<sup>40</sup> However, the average monthly rental per leased Rentable Area in sq. m. of The Malls is even higher, achieving approximately RMB835 in Quarter 4, 2010, and approximately RMB1,240 for leases on the ground floor of The Malls for December 2010.

The Malls in fact commands a rental as high as RMB4,000 per leased Rentable Area in sq. m. per month, among the highest in Beijing.

Access to The Malls is very convenient. The Malls is well-served by a comprehensive public transportation network with over 30 bus lines and it has access to Line 1 and Line 5 of the Beijing subway lines. It will have access to the future Line 8 (extension works expected to commence in 2012), which will pass through the area adjacent to Oriental Plaza. Being directly connected to the subway station, shoppers at The Malls are not affected by the harsh weather of Beijing of which snow

36 Source: Page VI-19 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

37 Source: Page VI-17 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

38 Source: Page VI-19 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

39 Source: Page VI-20 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

40 Source: Page VI-20 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

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blizzards, sandstorms and hot summers are commonplace. The approximately 1,900 car parking spaces (including loading/unloading spaces) in the basement levels of Oriental Plaza also provide convenient access to those who opt to visit The Malls by car.

The Malls is divided into seven major zones, namely Zone One to Zone Five on the Upper Ground and Lower Ground levels stretching from Gold Street to Silver Street, Grand Gallery (尊萃時光別館), and Sky Avenue (天空大道). Each zone has its own distinct identity and theme, enhancing the shopping experience for shoppers and catering to their different tastes, styles and demands. A number of major renovations, as well as continuous updates, have been undertaken over the years at The Malls to update its overall image and to keep the entire experience fresh for shoppers.

Tenants of The Malls encompass leading fashion, watch, jewellery, beauty and lifestyle brands. It is currently home to approximately 280 top international and domestic brands, including Burberry, HUGO BOSS, Tiffany, Givenchy, Dunhill, Moschino, Max Mara, Coach, Calvin Klein, Kenzo, Bally, S.T. Dupont, Kent & Curwen, Gieves & Hawkes, Agnes b, Ports 1961, DKNY, Juicy Couture, and Tommy Hilfiger.

More than 40 top international brands have chosen to locate their flagship stores at The Malls, including Trussardi, Montblanc, Cerruti 1881, A. Testoni, BMW Lifestyle, Tissot, Shanghai Tang and Blancpain.

Records have also been set for many international brands in Oriental Plaza. Examples include:

- The largest OMEGA shop in Beijing
- The only Audemars Piguet shop in Beijing
- The first Hublot store in Beijing
- The first Sony Style store in Beijing
- The only Audi Forum showroom in Asia
- The largest Nike store in Beijing
- The largest i.t. store in Beijing
- The largest Burger King restaurant in the PRC

A 500 metre luxury brand street inside The Malls stretches all the way along Chang'an Avenue, featuring preeminent luxury brands such as Glashutte, Piaget, Rolex, Vacheron Constantin, Ulysse Nardin, and IWC.

Several major banks such as Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank, China Construction Bank, China Merchants Bank and Bank of Beijing have also established branches at The Malls. To further enhance the shopping experience, The Malls contains two food streets, offering more than 50 food and beverage outlets across a wide spectrum of budgets and cuisines (including both international fare and domestic regional flavours).

Various tradeshows, exhibitions, roadshows and fairs are held regularly at the atriums (which do not form part of the Rentable Area) of The Malls. Recently such roadshows have been held by major brands such as Mercedes-Benz, Audi, Max Mara, Tissot, Calvin Klein, Swarovski, Sony, Nike, adidas, Motorola, Samsung and Vogue. These roadshows not only draw footfalls to The Malls, they also generate an additional revenue stream for The Malls.

As the cinemas at The Malls represent one of the premier cinemas in Beijing, The Malls is also a regular venue for film premieres and celebrity events, further enhancing the popularity of the destination for shoppers. For example, the movie premieres of *The Green Hornet* (青蜂俠), *Terminator Salvation* (未來戰士2018), *Ice Age 3: Dawn of the Dinosaurs* (冰河世紀3大威龍駕到) and *Casino Royale*

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(新鐵金剛智破皇家賭場) have all been held at The Malls, with many Hollywood and Chinese celebrities attending the events.

Given the improving economic environment in the PRC, the Manager expects that retail sales in Beijing, especially the high-end ones, will continue to grow. Such growth is expected to create further demand for retail premises<sup>41</sup> and The Malls is poised to benefit from this due to its high quality offering and strategic location.

Despite an increasing new supply of shopping centres in Beijing, it is not expected that there will be any negative effect on mature retail projects such as The Malls<sup>42</sup>, located in the heart of an established shopping destination.

The Malls has maintained a strong operating performance over the past years, despite major market downturns such as those brought on by the global financial crisis.

The average monthly rentals per leased Rentable Area in sq. m. of The Malls for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB588, approximately RMB665, approximately RMB732 and approximately RMB813 respectively.

The average annual rentals per leased Rentable Area in sq. m.<sup>43</sup> of The Malls for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB7,055, approximately RMB7,978, approximately RMB8,786 and approximately RMB9,760, respectively.

The committed occupancy levels of The Malls as at 31 December 2007, 2008, 2009 and 2010 were approximately 100.0%, approximately 99.9%, approximately 99.4% and approximately 100.0%, respectively. The reasons for the slight decrease in the committed occupancy level as at 31 December 2008 as compared to that as at 31 December 2007 and for the slight decrease in the committed occupancy level as at 31 December 2009 as compared to that as at 31 December 2008 were that certain Rentable Area of The Malls was reserved by BOP and was not available for leasing due to the plans of BOP to merge or reorganise certain shop units.

41 Source: Page VI-7 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

42 Source: Page VI-14 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

43 The denominator used to calculate the average annual rental per leased Rentable Area in sq. m. is the average of the leased Rentable Area as at the end of the months for such period.

## ORIENTAL PLAZA AND BUSINESS

### Tenant Profile

The Malls has a mature and attractive tenant mix to appeal to shoppers of all tastes and ages. The tenant base comprises numerous leading international and domestic brands.

As at 31 December 2010, The Malls had 233 tenants. The following table sets out certain information on, among others, the top 10 tenants of The Malls in terms of Rentable Area as at 31 December 2010 and total monthly rental income for the month ended 31 December 2010:-

	Rentable Area <sup>Note (1)</sup> (sq.m.)	Percentage of total Rentable Area <sup>Note (1)</sup>	Percentage of total monthly rental income <sup>Note (2)</sup>
Top ten tenants <sup>Note (3)</sup> .....	15,447	20.9%	25.0%
Other tenants .....	58,585	79.1%	75.0%
Total .....	<u>74,032</u>	<u>100.0%</u>	<u>100.0%</u>

Notes:-

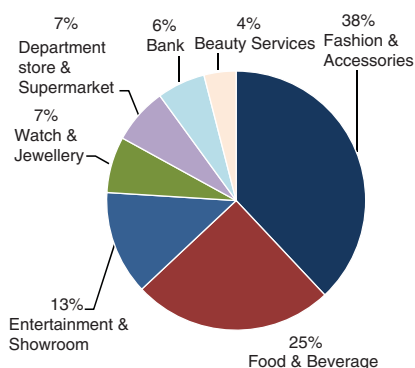
(1) As at 31 December 2010.

(2) Calculated as a percentage of the total monthly rental income for the month ended 31 December 2010.

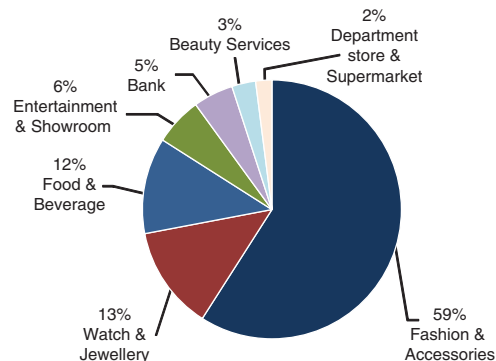
(3) Among the top ten tenants of The Malls, Bank of China Limited, Beijing Wanfujing Sub-Branch is a connected person of Hui Xian REIT under the REIT Code which rented approximately 1,497 sq. m. of The Malls, representing approximately 2.0% of total Rentable Area as at 31 December 2010 and approximately 2.4% of total monthly rental income in respect of the Malls for the month ended 31 December 2010, respectively. Save as disclosed aforesaid, none of the top ten tenants of The Malls is a connected person of Hui Xian REIT under the REIT Code.

The following charts illustrate the percentage of the total leased Rentable Area of The Malls as at 31 December 2010 occupied by tenants in each of the identified business sub-sectors based on the classification of the Manager and the percentage contribution of the tenants in these business sub-sectors to the total rental income for the month ended 31 December 2010:-

**Leased Rentable Area occupied by each business sub-sector as at 31 December 2010**



**Contribution of each business sub-sector to monthly rental income for the month ended 31 December 2010**



## ORIENTAL PLAZA AND BUSINESS

### *Expiries*

The following table sets forth details of expiries in respect of leases of The Malls as at 31 January 2011 which are scheduled to take place during the periods indicated:

<b>Period</b>	<b>Number of expiring leases<sup>(1)</sup></b>	<b>Leased Rentable Area of expiring leases (sq. m.) (Approximately)</b>	<b>Expiring leases as a percentage of total leased Rentable Area (Approximately)</b>	<b>Monthly total rental income of expiring leases<sup>(2)</sup> (RMB) (Approximately)</b>	<b>Percentage of total monthly rental income of expiring leases<sup>(3)</sup> (Approximately)</b>
Year ending 31 December 2011 . . . .	76	13,273	17.9%	12,423,489	21.2%
Year ending 31 December 2012 . . . .	110	23,701	32.0%	22,442,213	38.4%
Year ending 31 December 2013 . . . .	73	13,168	17.8%	13,076,823	22.4%
Year ending 31 December 2014 . . . .	12	11,939	16.1%	6,694,048	11.4%
Year ending 31 December 2015 . . . .	11	7,686	10.4%	3,334,100	5.7%
Year ending 31 December 2016 . . . .	3	3,272	4.4%	427,971	0.7%
Year ending 31 December 2017 . . . .	1	998	1.4%	113,200	0.2%
<b>Total . . . . .</b>	<b>286</b>	<b>74,037</b>	<b>100.0%</b>	<b>58,511,844</b>	<b>100.0%</b>

Notes:

- (1) Assuming that the options to renew (if any) are not exercised.
- (2) Total monthly rental income in respect of expiring leases for the respective periods is calculated on the basis of aggregate total monthly rental income payable under the expiring leases for the month ended 31 January 2011.
- (3) Calculated as a percentage of the total monthly rental income as at 31 January 2011.

### ***The Tower Offices (東方經貿城)***



**The Tower Offices is the largest Grade A office development in Beijing.**



**The Tower Offices has exclusive lobbies and entrances, and each tower is directly connected to The Malls.**

The Tower Offices is located at the political centre of Beijing which is in close proximity to a number of important governmental departments, such as the Ministry of Commerce (商務部), the Ministry of Transport (交通運輸部), the General Administration of Customs (海關總署) and the People's Government of Beijing Municipality (北京市人民政府).

The Tower Offices is currently the largest Grade A office development in Beijing (and has been since its opening)<sup>44</sup>, comprising eight Grade A office buildings. The Tower Offices spans a total Gross Floor Area of 309,552 sq. m., with a Rentable Area of 298,361 sq.m. as at 31 January 2011. Tower E1,

<sup>44</sup> Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

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Tower E2 and Tower E3 (which is also named “Ernst & Young Tower”) are located on the eastern side of Oriental Plaza, alongside the junction between North Dongdan Avenue and East Chang’an Avenue. Tower C1 and Tower C2 are located in the central part of Oriental Plaza alongside East Chang’an Avenue. Tower W1, Tower W2 (which is also named as “Deloitte Tower”) and Tower W3 are located on the western side of Oriental Plaza, alongside the junction between Wangfujing Street and East Chang’an Avenue.

Tower E1, Tower E2 and Tower E3 are all 18 storey buildings, while Tower C1, Tower C2, Tower W1, Tower W2 and Tower W3 have 12 storeys. The typical floor plates of the buildings range from approximately 2,500 sq. m. to 3,000 sq. m., with an efficiency rate of about 80.0%.<sup>45</sup> The layout of The Tower Offices has been designed to maximise flexibility for tenants, with movable flooring. All of the office buildings have exclusive lobbies and entrances, as well as being directly connected to The Malls which links the entire Oriental Plaza.

The Tower Offices features comprehensive information technology facilities to meet the demands of its tenants, including optical-fibre cabling, broadband internet and intranet services, VSAT, 24-hour fax and video conferencing and a multi-media network. Also available is The Towers Conference & Training Centre, which provides tenants with a facility for conducting meetings, seminars and conferences.

The Manager believes that the business of many corporations has been benefited from the synergy effect created by the four components of Oriental Plaza. Efficiency has been a key to their success here. The convenience of having suppliers and customers in the office vicinity, as well as the availability of reliable international standard support facilities such as a 5-star hotel for entertainment and visits from head office colleagues and overseas visitors; luxurious serviced apartments for the expatriate staff; and a world-class shopping mall for employees’ everyday needs — all enhance the operations of the office tenants greatly.

One important factor in the success of the Tower Offices at Oriental Plaza is the approach to customer relationships. Expansion plans of the tenants are often being taken into account when leases are negotiated so that they can be catered to as the corporations grow over time. The spirit is to work together for mutual success.

A professional property management team also ensures the utmost in security and comfort for tenants of The Tower Offices.

The Tower Offices was named the “Best Offices in Beijing” (“北京最佳寫字樓”) by Beijing Business Today (北京現代商報) in 2003, the judging panel of which included the Beijing Municipal Bureau of Commerce and the Beijing Administration for Industry and Commerce. It has also won an award of the “China Top 10 Intelligent Building” (“中國智能樓宇十大名盤”) by China Architectural Culture Center (建設部中國建築文化中心) and Economic Daily (經濟日報社) in 2005.

The committed occupancy levels of The Tower Offices as at 31 December 2007, 2008, 2009 and 2010 were approximately 97.2%, approximately 98.2%, approximately 93.8% and approximately 97.4%, respectively. The occupancy rate of The Tower Offices outperformed the average of Beijing as a whole since The Tower Offices launched in 2001.<sup>46</sup> The reason for the decrease in the committed occupancy level as at 31 December 2009 as compared to that as at 31 December 2008 was that some tenants suspended their expansion plans and did not renew their leases upon expiry in light of the global financial crisis in 2009. Due to the economic recovery from the global financial crisis, the committed occupancy level at 31 December 2010 increased as compared to that as at 31 December 2009.

The Tower Offices has a strong and diversified tenant base, which includes some of the leading multinational and domestic companies. These businesses span across such diverse industries as high

<sup>45</sup> The efficiency rate is calculated as dividing the net floor area by gross floor area.

<sup>46</sup> Source: Pages VI-26 and VI-29 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

technology, investment, securities, finance, banking, accounting, law, pharmaceuticals, media, advertising, luxury goods and fast moving consumer goods.

Three of the “big four” accounting firms, namely Ernst & Young, Deloitte Touche Tohmatsu and KPMG, have chosen to base their Beijing headquarters at The Tower Offices. These firms have expanded many times over the years, starting from less than 6,000 sq.m. and each currently occupying more than 17,000 sq.m..

The historic naming of Ernst & Young Tower in 2006 marked the first time the accounting firm had acquired naming rights for their offices in China. Ernst & Young, which first began at Oriental Plaza with 4,200 sq.m., has undergone 22 expansions since then. As at 30 November 2010, Ernst and Young occupied approximately 25,880 sq.m. (approximately 8.7% of the Rentable Area of The Tower Offices). Another office tower of Oriental Plaza which has undergone a renaming is the Deloitte Tower. Deloitte Touche Tohmatsu first moved to Oriental Plaza in 2002 and had undergone six expansions to approximately 13,000 sq.m. at the time that Deloitte Tower was named in 2008. As at 30 November 2010, Deloitte Touche Tohmatsu occupied approximately 17,500 sq.m. (approximately 5.9% of the Rentable Area of The Tower Offices).

The tenant mix also includes a number of Fortune 500 companies. Major brands, firms and organisations occupying The Tower Offices include the Hong Kong Stock Exchange, RBS, Macquarie Bank, American Express Bank, British Telecom, Vale, Rolex, Shiseido, Chanel, Fanci, Toshiba, Burson-Marsteller, CPA Australia, Merck Sharp & Dohme, Deacons Law Firm, Sidley Austin, Metlife, HSBC Insurance, the Hong Kong Tourism Board and Thailand Tourism Board.

Accounting for approximately one third of the current Grade A office buildings available in the district, The Tower Offices has a significant influence on the market and acts as a benchmark for other Grade A office buildings in the area in terms of tenant mix.<sup>47</sup>

DTZ expects the future supply of Grade A office space to be approximately 0.61 million sq.m. (gross floor area) over the next three years (from 2011 to 2013).<sup>48</sup> Naturally, there will be less pressure on the Grade A office building market in the future.<sup>49</sup> Furthermore, most of the future supply will be concentrated in the CBD area and no new completions are expected in the Wangfujing/ East Chang'an Avenue submarket over the next three years.<sup>50</sup> This indicates little market pressure on this submarket in the future.<sup>51</sup>

DTZ forecasts Beijing Grade A office buildings' rental may increase about 5.2% year-on-year over the next three years.<sup>52</sup> This reflects the positive prospects for this market.

The average monthly rentals per leased Rentable Area in sq. m. of The Tower Offices for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB157, approximately RMB160, approximately RMB167 and approximately RMB165, respectively.

The average monthly rental per leased Rentable Area in sq. m. achieved for renewals and new leases of The Tower Offices for the fourth quarter of 2010 and for the two months ended 28 February 2011 were approximately RMB183 and RMB200, respectively. In particular, the average monthly rental per leased Rentable Area in sq. m. achieved for new leases for the two months ended 28 February 2011 reached RMB229.

47 Source: Page VI-24 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

48 Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

49 Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

50 Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

51 Source: Page VI-31 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

52 Source: Page VI-28 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

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The average annual rentals per sq. m. of leased Rentable Area<sup>53</sup> of The Tower Offices for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB1,889, approximately RMB1,922, approximately RMB2,002 and approximately RMB1,979, respectively.

### Tenant Profile

As at 31 December 2010, The Tower Offices had 486 tenants. The following table sets out certain information on, among others, the top 10 tenants of The Tower Offices in terms of Rentable Area as at 31 December 2010 and total monthly rental income for the month ended 31 December 2010.

	Rentable Area <sup>Note (1)</sup> (sq.m.)	Percentage of total Rentable Area <sup>Note (1)</sup>	Percentage of total monthly rental income <sup>Note (2)</sup>
Top ten tenants <sup>Note (3)</sup> .....	97,018	32.5%	33.2%
Other tenants .....	193,613	64.9%	66.8%
Vacant .....	7,730	2.6%	N/A
Total .....	<u>298,361</u>	<u>100.0%</u>	<u>100.0%</u>

Notes:-

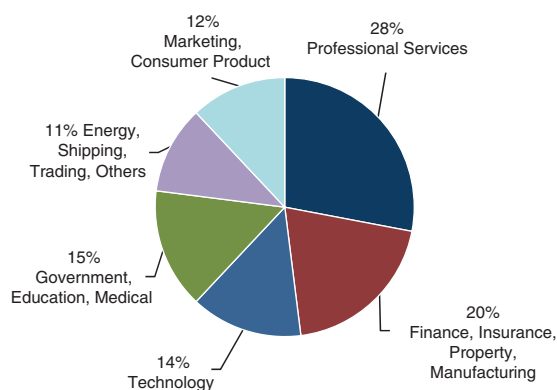
(1) As at 31 December 2010.

(2) Calculated as a percentage of the total monthly rental income for the month ended 31 December 2010.

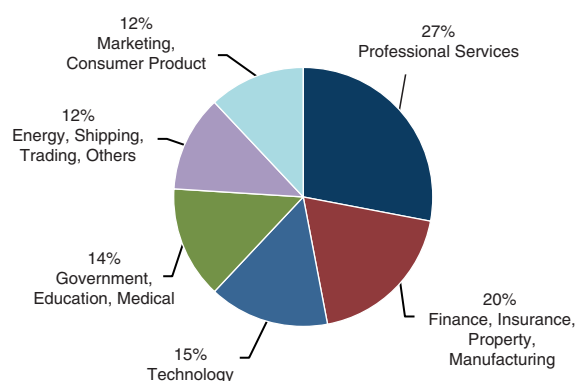
(3) Among the top ten tenants of The Tower Offices, Cheung Kong Graduate School of Business is a connected person of Hui Xian REIT under the REIT Code and rented approximately 9,046 sq. m. of The Tower Offices, representing approximately 3.0% of total Rentable Area as at 31 December 2010 and approximately 3.0% of total monthly rental income in respect of The Tower Offices for the month ended 31 December 2010, respectively. Save as disclosed aforesaid, none of the top ten tenants of The Tower Offices is a connected person of Hui Xian REIT under the REIT Code.

The following charts illustrate the percentage of the total leased Rentable Area of The Tower Offices as at 31 December 2010 occupied by tenants in each of the identified business sub-sectors based on the classification of the Manager and the percentage contribution of the tenants in these business sub-sectors to the total rental income for the month ended 31 December 2010:-

**Leased Rentable Area occupied by each business sub-sector as at 31 December 2010**



**Contribution of each business subsector to monthly rental income for the month ended 31 December 2010**



<sup>53</sup> The denominator used to calculate the average annual rental per leased Rentable Area in sq. m. is the average of the leased Rentable Area as at the end of the months for such period.

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### Expiries

The following table sets forth details of expiries in respect of leases of The Tower Offices as at 31 January 2011 which are scheduled to take place during the periods indicated:-

Period	Number of expiring leases <sup>(1)</sup>	Leased Rentable Area of expiring leases (sq. m.) (Approximately)	Expiring leases as a percentage of total leased Rentable Area (Approximately)	Monthly total rental income of expiring leases <sup>(2)</sup> (RMB) (Approximately)	Percentage of total monthly rental income of expiring leases <sup>(3)</sup> (Approximately)
Year ending 31 December 2011 .....	189	73,009	25.4%	12,997,164	26.5%
Year ending 31 December 2012 .....	254	100,602	35.1%	18,095,470	36.9%
Year ending 31 December 2013 .....	121	85,425	29.8%	14,030,472	28.6%
Year ending 31 December 2014 .....	40	27,674	9.6%	3,845,822	7.9%
Year ending 31 December 2015 .....	1	337	0.1%	62,345	0.1%
<b>Total</b> .....	<b>605</b>	<b>287,047</b>	<b>100.0%</b>	<b>49,031,273</b>	<b>100.0%</b>

Notes:

- (1) Assuming that the options to renew (if any) are not exercised.
- (2) Total monthly rental income in respect of expiring leases for the respective periods is calculated on the basis of aggregate total monthly rental income payable under the expiring leases for the month ended 31 January 2011.
- (3) Calculated as a percentage of the total monthly rental income as at 31 January 2011.

### The Tower Apartments (東方豪庭公寓)



**The Tower Apartments offers tenants housekeeping and concierge services, similar to that of a 5-star hotel.**



**Designed to exude a sense of serenity, the lobby entrances to The Tower Apartments are located on the raised podium level of the development.**



**The Tower Apartments is the largest serviced apartment development in Beijing.**

The Tower Apartments is the largest serviced apartment development in Beijing<sup>54</sup>. The development comprises two towers of serviced apartments — Millennium Heights (尊萃豪庭) and Centennial Heights (匯賢豪庭).

The Tower Apartments offers residents the utmost convenience of city living in a tranquil environment. Oriental Plaza has been architecturally designed to offer residents serenity by placing The Tower Apartments furthest away from the hustle and bustle of busy Wangfujing, and having the lobby entrances to The Tower Apartments located on the raised podium level of the development.

There are 613 serviced apartment units on offer in the two towers of The Tower Apartments with a total Rentable Area of approximately 81,098 sq. m. as at 31 December 2010. The sizes of the apartments range from approximately 31 sq. m. to 560 sq. m., offering studio units and between one

<sup>54</sup> Source: Page VII-21 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

## ORIENTAL PLAZA AND BUSINESS

and four bedrooms units. Of the 613 apartments, 13 are studio units, 317 are one-bedroom units, 249 are two-bedroom units, 29 are three-bedroom units, four are four-bedroom units and there is one presidential suite.

All of the serviced apartments are fully furnished and equipped with a modern kitchen and appliances, as well as an electronic safe. In addition, all units offer satellite television and broadband internet access.

The Tower Apartments offers tenants housekeeping and concierge services, similar to that of a 5-star hotel, as well as multi-lingual customer service support to respond to the demands of the international tenant base.

Tenants of The Tower Apartments can also enjoy a wide range of facilities, including a reading room and 24-hour access to Club Oasis at Grand Hyatt Beijing, which features a gym with extensive equipment and a 50 metre resort-style indoor pool. As an added service to tenants, a number of activities are organised regularly, such as excursions to major attractions in Beijing and wine-tasting events.

The Tower Apartments benefits from being part of Oriental Plaza, this "World within a World". A full spectrum of shops and restaurants are only minutes away in The Malls and Grand Hyatt Beijing. The Tower Apartments is also very popular with tenants that work for companies located in The Tower Offices.

In addition, tenants of The Tower Apartments can apply for membership of The Malls Club. As members, they can earn points when spending at The Malls to earn rewards. Discounts are also offered to tenants for dining outlets at The Malls and Grand Hyatt Beijing.

The average monthly rentals per leased Rentable Area in sq.m. of The Tower Apartments for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB161, approximately RMB198, approximately RMB145 and approximately RMB126, respectively.

The average annual rentals per leased Rentable Area in sq.m.<sup>55</sup> of The Tower Apartments for each of the four years ended 31 December 2007, 2008, 2009 and 2010 were approximately RMB1,934, approximately RMB2,376, approximately RMB1,745 and approximately RMB1,513, respectively.

The prospects for the serviced apartment market in Beijing are positive. In the short to medium-term as global economies improve and local markets continue to grow, demand for serviced apartments is expected to increase accordingly. Combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, occupancy and rental rate are expected to improve.<sup>56</sup>

In addition, it is expected that the tenant mix in Beijing will evolve to increase the proportion of singles and childless couples. This trend provides an opportunity for serviced apartments catering primarily to singles and small families. The Tower Apartments have traditionally catered to small-size households and is well positioned to benefit from this market trend.<sup>57</sup>

The occupancy rates of The Tower Apartments as at 31 December 2007, 2008, 2009 and 2010 were approximately 81.6%, approximately 67.6%, approximately 71.6% and approximately 79.5%, respectively. The decrease in the occupancy rate as at 31 December 2008 as compared to that as at

<sup>55</sup> The denominator used to calculate the average annual rental per leased Rentable Area in sq. m. is the average of the leased Rentable Area as at the end of the months for such period.

<sup>56</sup> Source: Page VII-31 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>57</sup> Source: Page VII-30 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

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31 December 2007 was due to the significant amount of new supply in hotels and non-serviced apartments that opened prior to and during 2009.<sup>58</sup> In addition, the global financial crisis caused many multinational companies to reduce expatriate staff in China and/or lower housing budgets.<sup>59</sup> As the economy has recovered after the global financial crisis since 2009, the occupancy rates of the Tower Apartments have gradually increased.

### *Tenant Profile*

As at 31 December 2010, The Tower Apartments had 425 tenants. The following table sets out certain information on different categories of tenants of The Tower Apartments in terms of the type of serviced apartments leased to them for the month ended 31 December 2010.

<u>Types of Units</u>	<u>Total number of tenants as at 31 December 2010</u>	<u>Total monthly rental income for the month ended 31 December 2010</u> (RMB)
Studio Units .....	10	56,388
One-bedroom Units .....	294	3,379,952
Two-bedroom Units .....	167	3,098,169
Three-bedroom Units .....	46	1,318,330
Four-bedroom Units .....	3	129,000
Presidential Suite .....	1	156,350

The following table sets out certain information on, among others, the top 10 tenants of The Tower Apartments in terms of total monthly rental income for 31 December 2010:-

	<u>Rentable Area<sup>Note (1)</sup></u> (sq.m.)	<u>Percentage of total Rentable Area<sup>Note (1)</sup></u>	<u>Percentage of total rental income<sup>Note (2)</sup></u>
Top ten tenants <sup>Note (3)</sup> .....	7,374	9.1%	13.8%
Other tenants .....	60,573	74.7%	86.2%
Vacant .....	13,151	16.2%	N/A
Total .....	<u>81,098</u>	<u>100.0%</u>	<u>100.0%</u>

Notes:-

(1) As at 31 December 2010.

(2) Calculated as a percentage of the total monthly rental income for the month ended 31 December 2010.

(3) Among the top ten tenants of The Tower Apartments, HSBC Bank (China) Company Limited, Beijing Branch, Beijing ChangLe Real Estate Development Company Limited and Beijing PoGarden Real Estates Development Company Limited are connected persons of Hui Xian REIT under the REIT Code. Save as disclosed aforesaid, none of the top ten tenants of The Tower Apartments is a connected person of Hui Xian REIT under the REIT Code.

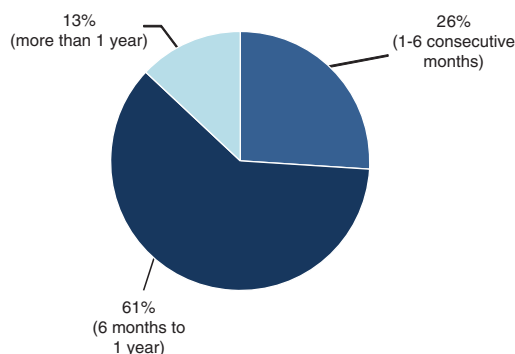
<sup>58</sup> Source: Page VII-22 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>59</sup> Source: Page VII-22 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

## ORIENTAL PLAZA AND BUSINESS

The following chart shows the length of stay profile of The Tower Apartments in terms of total rental income for the month ended 31 December 2010:-

**Length of Stay by Total Rental Income for  
the month ended 31 December 2010**



Long term stay (i.e. over six months) which comprises the bulk of the business stood at approximately 74% of total rental income. This figure is significantly higher than the long term stay sector for other serviced apartments in Beijing (which was approximately 59.9%).<sup>60</sup>

### *Expiries*

The following table sets forth details of expiries in respect of leases of The Tower Apartments as at 31 January 2011 which are scheduled to take place during the periods indicated:

Period	Number of expiring leases <sup>(1)</sup>	Leased Rentable Area of expiring leases (sq. m.) (Approximately)	Expiring leases as a percentage of total leased Rentable Area (Approximately)	Monthly total rental income of expiring leases <sup>(2)</sup> (RMB) (Approximately)	Percentage of total monthly rental income of expiring leases <sup>(3)</sup> (Approximately)
Year ending 31 December 2011 . . . .	472	61,470	86.3%	5,618,112	89.7%
Year ending 31 December 2012 . . . .	67	9,289	13.0%	606,656	9.7%
Year ending 31 December 2013 . . . .	4	522	0.7%	40,382	0.6%
<b>Total</b> . . . . .	<b>543</b>	<b>71,281</b>	<b>100.0%</b>	<b>6,265,150</b>	<b>100.0%</b>

Notes:

- (1) Assuming that the options to renew (if any) is not exercised.
- (2) Total monthly rental income in respect of expiring leases for the respective periods is calculated on the basis of aggregate total monthly rental income payable under the expiring leases for the month ended 31 January 2011.
- (3) Calculated as a percentage of the total monthly rental income as at 31 January 2011.

<sup>60</sup> Source: Page VII-25 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

**Grand Hyatt Beijing (北京東方君悅大酒店)**



**Grand Hyatt Beijing has received over 100 major international and national awards.**

Grand Hyatt Beijing is one of the leading five-star hotels in Beijing. With its close proximity to the city centre, a number of major landmarks, excellent transportation links and world-class services, Grand Hyatt Beijing is popular with business travelers, celebrities and high-ranking government officials.

Grand Hyatt Beijing enjoys a very convenient location, close to major government offices, key business addresses and tourist hotspots such as Tiananmen Square and the Forbidden City. Accordingly, Grand Hyatt Beijing attracts both leisure and corporate travellers.

Its reputation as one of the top hotels in the capital is longstanding. Grand Hyatt Beijing has received over 100 major international and national awards since opening. In 2010, the following awards have been attained:

- “Best Business Hotel in Beijing” by Business Traveller Asia-Pacific (7-time winner)
- “Best Hotel in Beijing” by Asiamoney (5-time winner)
- “Best Hotel in Beijing” by DestinAsian (for 5 consecutive years)
- “China’s Top Hotels” by Travel+Leisure (for 4 consecutive years)
- “Best Business Hotel in Beijing” by The Asset (4-time winner)
- “Best Hotel in Beijing” by Condé Nast Traveller (3-time winner)
- “Best Business Hotel in Beijing” by National Geographic Traveller China (for 2 consecutive years)
- “Top 25 Conference Hotels” by Smart Travel Asia (for 2 consecutive years)
- “Best Beijing Luxury Hotel” by Hurun Report

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Grand Hyatt Beijing is managed by the Hotel Manager, a member of Hyatt International Corporation — a renowned international hotel operator.

With 24 floors (including four basement levels), Grand Hyatt Beijing currently has a total of 825 guest rooms and suites. The types and number of guest rooms and suites are listed as follows:-

Type of guest rooms and suites	Number of room / suite
Grand Room .....	399 rooms
Grand Deluxe .....	92 rooms
Grand Deluxe — Two-bedroom .....	59 rooms
Club Room .....	107 rooms
Club Deluxe .....	49 rooms
Grand Suite .....	67 suites
Club Deluxe — Two-bedroom .....	27 suites
Grand Executive Suite .....	20 suites
Diplomat Suite .....	3 suites
Ambassador Suite .....	1 suite
Presidential Suite .....	1 suite
<b>Total .....</b>	<b>825 rooms / suites</b>

Each guest room and suite features desk space and in-room facilities, including computer data ports for broadband internet access.

Grand Hyatt Beijing offers a number of meeting spaces, food and beverage outlets and other facilities, including the following:-

Meeting spaces	Food and beverage outlets	Other facilities
<ul style="list-style-type: none"> <li>Meeting spaces include two Grand Ballrooms, five Grand Salons, five Drawing Rooms, four Residence and four Boardrooms, covering 2,924 sq. m.</li> <li>The Residence is a multi-functional residential-style facility that includes three meeting rooms, two coffee bars and a private lounge, and can accommodate up to 300 guests</li> </ul>	<ul style="list-style-type: none"> <li>Noble Court (Cantonese)</li> <li>Made in China (Chinese)</li> <li>Da Giorgio (Italian)</li> <li>Grand Café</li> <li>Redmoon Restaurant and Bar</li> <li>Fountain Lounge</li> <li>The Patisserie</li> </ul>	<ul style="list-style-type: none"> <li>50-metre resort-style indoor pool</li> <li>24-hours gymnasium with personalised LCD screens</li> <li>Steam and sauna rooms, and a whirlpool</li> <li>Fitness and well-being class</li> <li>Massage treatment room</li> <li>Business centre</li> </ul>

The food and beverage outlets at Grand Hyatt Beijing are popular with local residents and travellers in Beijing as well as hotel guests. Given their popularity, the food and beverage outlets provide Grand Hyatt Beijing with strong cashflow and a stable source of income. A number of awards have been received by Grand Hyatt Beijing's dining outlets.

"Made in China" (長安壹號), Grand Hyatt Beijing's Chinese restaurant, has earned several distinctions, including:-

- "Outstanding Contemporary Chinese Restaurant" by The Beijinger in 2010
- "Best Beijing Cuisine Restaurant" by Time Out Beijing (Chinese version) in 2009

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- “Best Restaurant Selection” by Modern Weekly in 2009
- “The Best Restaurant for Romantic Dating” by Modern Weekly in 2008
- “One of the Best 50 Restaurants in China” by Food & Wine (Chinese version) from 2006 to 2010

“Noble Court,” the hotel’s Cantonese restaurant, was also awarded “Recommended Cantonese Cuisine” by Time Out Beijing (Chinese version) in 2009.

Grand Hyatt Beijing also generates income from its outside catering service to venues within the capital city, as well as other parts of the PRC.

A comprehensive range of leisure facilities are also offered by Grand Hyatt Beijing. Club Oasis is a fully-equipped fitness centre with a unique 50-metre resort-style indoor pool, which features a lush setting of greenery and changing skylscapes.



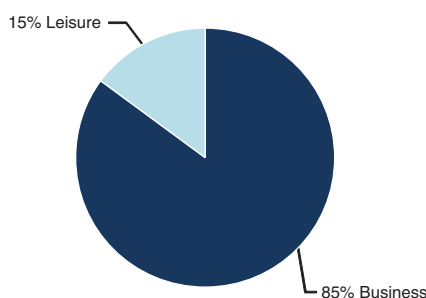
**Guests at Grand Hyatt Beijing have access to Club Oasis, a fitness centre with a breathtaking resort-style indoor pool.**

Grand Hyatt Beijing introduced the Club at the Hyatt programme (“**CATH programme**”) in 2001. As at 31 December 2010, the CATH programme had 3,600 members. Under the CATH programme, members are entitled to unique benefits including accommodation, dining and vouchers. The CATH programme helps to create a group of loyal customers for Grand Hyatt Beijing.

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As shown in the chart set out below, for the year ended 31 December 2010, business travellers and leisure travellers accounted for approximately 85% and approximately 15%, respectively, of hotel guests by number of room nights.

**Visitor Mix by Number of Room Nights  
for the year ended 31 December 2010**



Note: The visitor mix by number of room nights are statistical data collected at Grand Hyatt Beijing.

Set out below is a table which sets out average occupancy rate and other operating data relating to Grand Hyatt Beijing for the periods indicated.

	Year ended 31 December			
	2007	2008	2009	2010
Number of rooms .....	825	825	825	825
Average occupancy rate (%) .....	72.6	62.3	56.9	65.6
Average room rate <sup>Note</sup> (RMB) .....	2,029	2,736	1,470	1,552
RevPAR (RMB) .....	1,473	1,703	836	1,019

Note: Including service charge.

The decrease in average occupancy rates from 2007 to 2009 was affected by the general market conditions. Such decrease was mainly due to the oversupply of hotel rooms after the Beijing Olympics, the significant amount of new supply in hotels and non-serviced apartments that opened prior to and during 2009<sup>61</sup>, and the global financial crisis which caused a worldwide decline in travel demand and resulted in curtailed travel budgets, particularly affecting demand for high-end hotels<sup>62</sup>. The increase in average occupancy rate for the year ended 31 December 2010 was mainly due to the economic recovery from the global financial crisis which led to an increase in occupancy level and room rate.

The revenue generated from the food and beverage outlets at Grand Hyatt Beijing for each of the three years ended 31 December 2007, 2008 and 2009 and for the ten months ended 31 October 2010 were approximately RMB248 million, approximately RMB240 million, approximately RMB179 million and approximately RMB170 million, respectively.

<sup>61</sup> Source: Page VII-22 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>62</sup> Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

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For the ten months ended 31 October 2010, revenue and profit attributable to the food and beverage business and other minor departments of Grand Hyatt Beijing which are not directly related to the hotel room accommodation (the **“F&B And Other Hotel Business”**) were approximately 9.8% and approximately 4.5% of the revenue and profit for Oriental Plaza, respectively.

As BOP's interest in Grand Hyatt Beijing includes the ownership and operation of the F&B And Other Hotel Business, Hui Xian REIT's indirect investment in BOP through Hui Xian Investment also includes the ownership and operation of the F&B And Other Hotel Business. The rationale for Hui Xian REIT's retention of its indirect interest in the F&B And Other Hotel Business after the Listing Date is as follows:

- (i) The entire operation of Grand Hyatt Beijing is an integral part of Oriental Plaza. Commercially the operation of Grand Hyatt Beijing (on one hand) and the rental business of The Malls, The Tower Offices and The Tower Apartments (on the other hand) complement each other. The F&B And Other Hotel Business is regarded as a value-added service provided to the guests of Grand Hyatt Beijing and to the tenants of The Malls, The Tower Offices and The Tower Apartments.
- (ii) The Manager is of the view that since the majority of the total income or profit of BOP is attributable to the rental income of The Malls, The Tower Offices and The Tower Apartments, Hui Xian REIT as a whole is capable of providing steady returns to Unitholders even if there may be fluctuation in the F&B And Other Hotel Business, which only accounts for a small proportion of the total revenue and profit of Oriental Plaza.
- (iii) Further, substantial amendments to the existing contractual and other arrangement with the Hotel Manager in respect of the operation of Grand Hyatt Beijing would be required if the F&B And Other Hotel Business is excluded from Hui Xian REIT.

Grand Hyatt Beijing's location, being adjacent to the well-known Wangfujing shopping district, together with it being an integral part of a 800,000 square-metre mixed use complex of Grade A office buildings and retail has allowed Grand Hyatt Beijing to capture a significant amount of corporate business, including those for Meetings, Incentives, Conventions and Exhibitions (“MICE”), as well as leisure<sup>63</sup>. The large portion of high-end corporate business also contributes to the hotel's ability to achieve high room rates<sup>64</sup>.

A number of large conferences are held at Grand Hyatt Beijing annually. The attending delegates occupy hundreds of rooms, utilise almost all the function rooms, as well as generate tremendous food and beverage business.

The competitive set of Grand Hyatt Beijing includes the Peninsula Beijing, China World Hotel, the Kerry Centre Hotel, Westin Beijing Financial Street and Regent Hotel Beijing<sup>65</sup>. Against this competitive set and Beijing's five-star hotels, Grand Hyatt Beijing has consistently achieved a leading position in average room rate, occupancy and RevPAR<sup>66</sup>.

Between 2007 and 2010, Grand Hyatt Beijing has consistently achieved impressive monthly RevPAR premiums ranging from RMB280 to RMB580 against the competitive set<sup>67</sup>.

63 Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

64 Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

65 Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

66 Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

67 Source: Page VII-18 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<b>ORIENTAL PLAZA AND BUSINESS</b>
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During the period of January through December 2010, Grand Hyatt Beijing was ranked first among its direct competitors in room rate and second in occupancy.

### **Marketing and Leasing Activities**

Currently, BOP has dedicated marketing teams which identify suitable tenants in desired target groups for The Malls, The Tower Offices and The Tower Apartments. The Malls, The Tower Offices and The Tower Apartments are then actively marketed to such prospective tenants through advertisements in the print media, direct calls, flyers and property agents. The agents and prospective tenants are also regularly updated with the list of available office, apartment or retail units for rent. After the establishment of the Property Manager, such marketing functions currently undertaken by BOP will be transferred to and undertaken by the Property Manager pursuant to the Operations Management Agreement.

The Hotel Manager has a dedicated sales and marketing team with a view to maximising occupancy rates and revenue. Sales and marketing activities carried out by the team include building relationships with corporate clients, offering bulk discount rates, increasing media exposure locally and internationally, and conducting sales trips and trade shows.

### **Leases**

The leases entered into for The Malls are generally for terms ranging from two to five years. Longer lease terms are sometimes granted to tenants depending on the market practice of a particular industry and the strategy of The Malls. The terms of most leases are fixed with no option to renew.

The leases entered into for The Tower Offices are generally for terms ranging from two to five years, depending on factors such as the needs of tenants and the strategy of The Tower Offices. The terms of most leases are fixed and some have options to renew.

The leases entered into for The Tower Apartments are generally for terms ranging from one month to two years, depending on factors such as the needs of tenants and rentals. The terms of most leases are fixed with no option to renew. Longer lease terms are sometimes granted to tenants depending on the tenants' need and rentals.

At the time of entering into a lease, tenants of The Malls and The Tower Offices are generally required to pay a security deposit covering three months' rent, management charges, utility charges and deposit for fitting out. Tenants of The Tower Apartments are generally required to pay a security deposit covering two months' rent and a telephone charge deposit. Security deposits do not bear interest. Such deposits are refundable at the end of a lease subject to such deduction as may be necessary to repair and make good the premises to conditions as stipulated in the leases.

Tenants of The Malls, The Tower Offices and The Tower Apartments generally are required to pay their monthly rent in advance. Depending on market conditions, limited rent-free periods (currently around two to three months for new tenants of The Malls and The Tower Offices with a lease term of three years in general) are sometimes granted under the leases, which is generally consistent with market practice.

### **Five Year Transaction History**

There were no transactions relating to Oriental Plaza in the past five years immediately preceding the Latest Practicable Date.

### **Information Regarding the Title of Oriental Plaza**

BOP holds Oriental Plaza under a Land Use Rights Certificate (京市東港澳臺國用(2006 出)第10128號) as well as a Building Ownership Certificate (京房權證市東港澳臺字第10283號) with land use rights for a term of 50 years from 22 April 1999 to 21 April 2049.

A civil defence shelter with a Gross Floor Area of 24,474 sq.m. is located at the basement of Oriental Plaza as required by the relevant PRC laws and regulations. The ownership of the civil defence shelter belongs to the PRC government. BOP has obtained a permit allowing it to use part of the civil defence shelter with a Gross Floor Area of 23,577 sq.m. as car parking spaces for the period from 20 May 2008 to 20 May 2013.

Before its expiry, BOP may apply for renewal of such permit with the relevant civil defence authority, and when approved by the relevant civil defence authority, BOP can continue to use the civil defence shelter as car parking spaces during the renewed period as approved.

If the permit is not renewed, BOP will cease to have the right to use the civil defence shelter for car parking purpose or other authorized purpose upon expiry of the existing permit. Given that BOP had in the past been able to successfully renew such permit and, barring unforeseen events, the Manager believes that BOP should be able to obtain such renewal. However, should there be no renewal of such permit, the Manager expects that impact on BOP, and thus Hui Xian REIT, would not be material.

### **General**

#### ***Renovation and Improvement***

Oriental Plaza intends to undergo renovation in 2011. The estimated cost of such renovation is approximately RMB93 million, the majority of which, i.e. approximately RMB54 million, is planned to be used for renovating the rooms and restaurants of Grand Hyatt Beijing, while approximately RMB39 million is planned to be used for other improvement works of Oriental Plaza. Such renovation and improvement costs will be internally funded.

#### ***Employees***

As at the Latest Practicable Date, BOP, by itself and through its branch, employed a total of approximately 570 employees in the PRC to carry out and provide hotel operations, leasing, property management, and other commercial functions and services and to handle legal, regulatory and other administrative matters. In relation to Grand Hyatt Beijing, under the Hotel Management Agreement, it is provided that the employees engaged to operate the hotel would be employees of BOP, not of the Hotel Manager.

BOP has contributed to employee retirement benefits schemes, medical and social security insurance schemes and housing provident fund.

As regards the existing employees employed by the branch of BOP to perform the hotel operation functions and services under the management of the Hotel Manager (totalling approximately 390 employees as at the Latest Practicable Date), those who remain to work for Grand Hyatt Beijing, they will continue to be employed by the branch of BOP after the Listing Date. Also, new hotel-related employees subsequently engaged will be employed in a similar manner. There is not expected to be a substantial increase in the total number of directly employed hotel-related employees after the Listing Date. The reasons for the direct employment of hotel-related employees by the branch of BOP after the Listing Date include the existing contractual arrangements under the Hotel Management Agreement between BOP and the Hotel Manager which provide that the hotel-related employees are expected to be employed by BOP. Such contractual arrangements have been in place with the Hotel Manager for many years, long before the establishment of Hui Xian REIT and the Offering (for details of the Hotel Management Agreement, see the section headed "Material Agreements and Other

Documents Relating to Hui Xian REIT — Hotel Management Agreement” in this Offering Circular). Variation of the current employment arrangement in respect of the hotel-related employees will be inconsistent with the spirit of such contractual arrangement and difficulty is expected to be encountered in obtaining the Hotel Manager’s agreement to the change.

As at the Latest Practicable Date, a total of approximately 180 employees were employed by BOP to handle legal, regulatory and other administrative matters and to carry out and provide commercial functions and services, including leasing and some other property management functions and services other than the hotel operation functions and services. Except in relation to certain employees who will perform a number of selected roles and functions (the “**Core Non-Hotel Functions**”), the above existing non-hotel employees will remain employed by BOP until the expiration of their existing employment contracts or their natural cessation of employment, and after that transition period the existing non-hotel employees (if retained) will be employed by the Property Manager and/or other service providers to carry out those functions and services. After the Listing Date and after the establishment of the Property Manager, except for employees who will perform the Core Non-Hotel Functions, any new employees to be engaged to perform functions and services other than those relating to the hotel operation will not be directly employed by BOP.

The Core Non-Hotel Functions will continue to be performed by employees directly employed by BOP, notwithstanding the expiration and renewal of their existing employment contracts. Any new employees engaged subsequent to the Listing Date to perform the Core Non-Hotel Functions will also be directly employed by BOP if necessary. After the transition period referred to above, it is expected that there will be a reasonable number of employees directly employed to perform the Core Non-Hotel Functions, approximately 50. The above arrangement for BOP’s direct employment of employees to perform the Core Non-Hotel Functions after the Listing Date is because, among others, the management of Oriental Plaza and the management and operation of BOP are regulated by the relevant PRC laws and regulations and the JV Documents, and in particular, certain obligations and functions of BOP are required to be discharged and performed by BOP itself pursuant to the relevant PRC laws and regulations and the JV Documents.

The Manager has applied for a waiver from strict compliance with Rule 7.5(c)(i) of the REIT Code to allow the above employee arrangement after the Listing Date based on the following grounds, and the SFC has granted such a waiver:

- (A) the management of Oriental Plaza and the management and operation of BOP are regulated by the relevant PRC laws and regulations and the JV Documents of BOP. In particular, the employment of the hotel-related employees and the non hotel-related employees is regulated by the relevant PRC labour laws and regulations and certain obligations and functions of BOP are required to be discharged and performed by BOP itself pursuant to the relevant PRC laws and regulations and the JV Documents.
- (B) under the above arrangement, most of the direct employees of BOP will be the hotel-related employees. For each of the years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010, the total staff costs in respect of the hotel related employees represented only approximately 4.7%, approximately 4.3%, approximately 3.5% and approximately 3.6% of the total revenue of BOP for the corresponding period. Such percentage figures are relatively low, partly as a result of the fact that the hotel is only one of the multiple user types of Oriental Plaza.
- (C) pursuant to the existing contractual arrangement between BOP and the Hotel Manager, the hotel-related employees are expected to be employed by BOP. That arrangement has been in place with the Hotel Manager since the commencement of the hotel operation in 2001. Variation of the current employment arrangement in respect of the hotel-related employees will be inconsistent with the spirit of such contractual arrangement and difficulty may be expected to be encountered in obtaining the Hotel Manager’s agreement to the change.

- (D) the above employee arrangement of Hui Xian REIT will not be materially prejudicial to Hui Xian REIT because:
- (i) Under the above employee arrangement of Hui Xian REIT, after the transitional period referred to above, the number of non hotel-related employees directly employed by BOP will be reduced to not more than approximately 50. The Manager has confirmed that the total number of hotel-related employees of the branch of BOP is not expected to increase substantially after the Listing Date, and the majority of the hotel-related employees will mainly be engaged to perform day-to-day functions and services as part of the hotel operations. Based on the historical figures as mentioned in paragraph (B) above, the total staff costs in respect of the direct employees of BOP (and its branch) after the Listing Date are expected to be relatively low as compared to the total revenue of BOP. Therefore, the Manager believes that the risks of the direct employees causing significant liabilities or losses to BOP, and hence indirectly to Hui Xian REIT, are low.
  - (ii) Even if an employer outside Hui Xian REIT and its Special Purpose Vehicles is engaged to employ the relevant employees, the costs and liabilities in relation to their employment are expected to be passed to Hui Xian REIT indirectly. Additional costs and other potential liability may also arise as a result of the involvement of an outside employer. Thus, the proposed employee arrangement of Hui Xian REIT would not result in any material adverse financial liability to Hui Xian REIT as compared with other arrangements involving (or relying more heavily on) outside employer companies.

For details of the above waiver, see the section headed “Modification, Waivers and Licensing Conditions — Employees of BOP — Paragraph 7.5(c) of the REIT Code”.

In addition to BOP’s direct employment of employees, external human resources providers or agents are engaged by BOP and its branch to employ and second staff for use by BOP and its branch for the hotel and non-hotel operations. As confirmed by Commerce and Finance Law Offices, the PRC legal advisers to the Manager, no employment or labour relationship will be constituted between BOP or its branch and such staff under secondment to BOP or its branch under the relevant PRC laws on labour contracts.

The senior management of BOP comprises CHEUNG Ling Fung, Tom (General Manager of BOP), WONG, James (Deputy General Manager and Chief Corporate Affairs Officer of BOP), CHAN Yiu Lung (General Manager of Property Management of BOP), LAI Wai Yin, Agnes (Financial Controller of BOP), LEUNG Pik Sai, Charlotte (Chief Leasing Manager of The Tower Offices and The Tower Apartments of BOP) and TSE Hiu Fun, Louisa (Chief Leasing Manager of The Malls of BOP). Each of them has also been a member of the management team of the Manager since April 2011. For details of their working experience, see the section headed “The Manager and The Property Manager — Organisation and Reporting Structure of the Manager” in this Offering Circular.

### ***Competition***

The retail, office, serviced apartment and hotel property sectors in Beijing are highly competitive. Principal competitive factors include rental rates, quality and location of properties and supply of comparable retail office, serviced apartment and hotel space.

#### ***Competition of the retail property market in Beijing***

In recent years, the supply and demand of shopping centres in Beijing have both been strong. According to the research of DTZ, new retail projects will be launched in the next six months after January 2011 which will induce an increase in the vacancy rate and slow the growth rate of the rental level, thus causing fierce competition in the market.<sup>68</sup>

<sup>68</sup> Source: Page VI-16 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

*Competition in Grade A office building market in Beijing*

According to DTZ, there has been an increasing supply of Grade A office buildings since 2005.<sup>69</sup> By the end of 2010, the Grade A office buildings totalled approximately 6.6 million sq.m. (gross floor area).<sup>70</sup> Due to the global financial crisis during the fourth quarter of 2008 and 2009, the vacancy rate increased remarkably in a short period. According to DTZ, the future supply of Grade A office buildings in Beijing in the next three years (i.e. from 2011 to 2013) is predicted to be much less than the total supply in the past five years (i.e. from 2006 to 2010).<sup>71</sup> As a result, there will be little pressure for the Grade A office building market in the future.

*Competition in the serviced apartment market in Beijing*

According to the research of JLL, in 2010, the only new supply of serviced apartments in Beijing was a 407-unit Oakwood Residence located in Dongzhimenwai Xiejie.<sup>72</sup> One additional property, namely Fraser Place, is expected to have 150 units and to open in 2011.<sup>73</sup> No new supply is expected to open in the Wangfujing area before 2012.<sup>74</sup> As a result, the competitive pressure in the serviced apartment market in Beijing is likely to reduce.

*Competition in the hotel market in Beijing*

According to the research of JLL, there has been a substantial increase in the new supply of internationally branded high-end hotels in Beijing in recent years.<sup>75</sup> It is anticipated that a minimum amount of 4,191 new guest rooms are expected to be provided in 2011 and beyond.<sup>76</sup> Strong competition caused by an influx of new supply and reduced travel and travel budgets as a result of the global financial crisis have put pressure on the performance of Beijing's five-star hotels in 2009.

The Manager is of the view that certain features of Oriental Plaza protect it against current and future competition:-

- Prime location in the heart of Beijing;
- Benefits of "World within a World";
- Large and diversified asset providing regular and stable distribution;
- Future growth through active management;
- Defensive lease expiry profile;
- Minimal capital expenditure requirement;
- Highly experienced and motivated management team;
- Widely recognised brand; and
- Economic growth of Beijing.

For details, see the section headed "Competitive Strengths" in Offering Circular for more information about the competitive strengths of Oriental Plaza.

<sup>69</sup> Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>70</sup> Source: Page VI-26 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>71</sup> Source: Page VI-27 of Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

<sup>72</sup> Source: Page VII-23 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>73</sup> Source: Page VII-23 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>74</sup> Source: Page VII-23 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>75</sup> Source: Page VII-15 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

<sup>76</sup> Source: Page VII-15 of Appendix VII — Letter from JLL in relation to Serviced Apartment Property Market and Hotel Industry in Beijing.

**Insurance**

BOP has obtained insurance for Oriental Plaza that the Manager believes is adequate and in line with the industry practice in Beijing. This includes comprehensive property insurance (including insurance against fire and flood), property all risks insurance, loss of profit insurance and public liability insurance which is taken out for covering third party liability in respect of the common areas of all Oriental Plaza and the units of some part of Oriental Plaza. The deductible amounts required under such policies are in line with industry practice. There are, however, certain types of risks that are not covered by some of these insurance policies, including (among others) losses resulting from war and nuclear contamination.

**Litigation**

A former tenant instituted legal proceedings against BOP at Beijing Dongcheng District People's Court (北京市東城區人民法院) claiming damages in the total amount of approximately RMB906,000 in relation to a lease entered into between BOP and the said tenant. BOP has counterclaimed against the former tenant claiming, among others, forfeiture of security deposit paid by such tenant and damages together amounted to approximately RMB2.4 million. The proceedings was still pending as at the Latest Practicable Date.

An employee of a staffing firm who was assigned to provide service at Oriental Plaza instituted arbitration against BOP at Labour Arbitration Committee of Beijing Xicheng District (北京市西城勞動爭議仲裁委員會) claiming damages in the total amount of approximately RMB8,900 in relation to a labour dispute. The arbitration proceedings was still pending as at the Latest Practicable Date.

Save as disclosed, none of Hui Xian REIT, the Manager and BOP is currently involved in any material claims, disputes or litigation nor, to the best of the Manager's knowledge, is any material claim, dispute or litigation currently threatened or contemplated against any of Hui Xian REIT, the Manager and BOP, that could materially affect Hui Xian REIT or the proposed listing of it.

**Legal and Regulatory Compliance**

The Manager has been advised by Commerce and Finance Law Offices, its PRC legal advisers that BOP has obtained all relevant approvals, permits, licences and certificates for its holding of the land use rights and the building ownership rights over Oriental Plaza and for it to conduct its current businesses and that BOP has complied with the relevant PRC laws and regulations in all material respects.

See Appendix IX — Overview of Relevant Laws and Regulations in the People's Republic of China and Comparison of Certain Aspects of its Property Law with the Laws of Hong Kong for the applicable law and regulation to which Hui Xian REIT will be subject to.

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## FINANCIAL INFORMATION AND FORECASTS

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<b>SELECTED FINANCIAL INFORMATION</b>
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## SELECTED FINANCIAL INFORMATION

The following is a summary of Hui Xian REIT's audited consolidated results for the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010 and the unaudited consolidated results for the ten months ended 31 October 2009, as extracted from the accountants' report set out in Appendix I to this Offering Circular. Potential investors should read this summary with the accountant's report and not merely rely on the information contained in this summary.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Revenue . . . . .	2,077	2,269	1,969	1,634	1,739
Rental related income . . . . .	61	72	77	48	40
Other income . . . . .	24	33	17	14	25
Foreign currency exchange gain . . . . .	273	197	84	84	18
Hotel inventories consumed . . . . .	(56)	(56)	(45)	(35)	(42)
Staff costs . . . . .	(135)	(141)	(107)	(91)	(95)
Depreciation and amortisation . . . . .	(133)	(138)	(134)	(111)	(112)
Other operating expenses . . . . .	(659)	(484)	(544)	(439)	(460)
(Decrease) increase in fair value of investment properties . . . . .	(65)	923	(16)	(27)	8,756
Finance costs . . . . .	(159)	(83)	(82)	(70)	(53)
<b>Profit before taxation . . . . .</b>	<b>1,228</b>	<b>2,592</b>	<b>1,219</b>	<b>1,007</b>	<b>9,816</b>
Income tax expense . . . . .	(276)	(625)	(346)	(280)	(2,489)
<b>Profit for the year/period . . . . .</b>	<b>952</b>	<b>1,967</b>	<b>873</b>	<b>727</b>	<b>7,327</b>
<b>Other comprehensive income (expense)</b>					
Exchange difference on translation of financial statements . . . . .	444	425	(54)	(58)	107
<b>Total comprehensive income for the year/period . . . . .</b>	<b>1,396</b>	<b>2,392</b>	<b>819</b>	<b>669</b>	<b>7,434</b>

<b>SELECTED FINANCIAL INFORMATION</b>
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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
<b>Non-current assets</b>				
Investment properties .....	11,332	11,258	11,242	19,998
Property, plant and equipment .....	2,184	2,124	2,045	1,984
Land and related costs .....	2,251	1,810	1,772	1,740
	<u>15,767</u>	<u>15,192</u>	<u>15,059</u>	<u>23,722</u>
<b>Current assets</b>				
Hotel inventories .....	17	20	16	17
Land and related costs .....	41	38	38	38
Trade and other receivables .....	111	76	82	72
Bank balances and cash .....	1,416	1,685	732	1,157
	<u>1,585</u>	<u>1,819</u>	<u>868</u>	<u>1,284</u>
<b>Current liabilities</b>				
Trade and other payables .....	(792)	(779)	(773)	(765)
Other payable .....	(121)	(1,570)	—	—
Loan from ultimate holding company .....	(7,302)	(6,832)	(6,143)	(6,019)
Tax payable .....	(359)	(229)	(125)	(96)
Bank borrowings .....	(756)	(707)	(846)	(405)
	<u>(9,330)</u>	<u>(10,117)</u>	<u>(7,887)</u>	<u>(7,285)</u>
<b>Net current liabilities</b> .....	<u>(7,745)</u>	<u>(8,298)</u>	<u>(7,019)</u>	<u>(6,001)</u>
<b>Total assets less current liabilities</b> .....	<u>8,022</u>	<u>6,894</u>	<u>8,040</u>	<u>17,721</u>
<b>Non-current liabilities</b>				
Bank borrowings .....	(1,661)	(847)	(1,100)	(1,100)
Trade and other payables .....	(558)	(520)	(518)	(507)
Other payable .....	(2,988)	—	—	—
Deferred tax liabilities .....	(597)	(917)	(993)	(3,251)
	<u>(5,804)</u>	<u>(2,284)</u>	<u>(2,611)</u>	<u>(4,858)</u>
	<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>
<b>Capital and reserves</b>				
Share capital .....	—	—	—	—
Exchange reserve .....	441	866	812	919
Retained profits .....	1,777	3,744	4,617	11,944
	<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>

<b>SELECTED FINANCIAL INFORMATION</b>
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## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
<b>Operating activities</b>					
Profit before taxation	1,228	2,592	1,219	1,007	9,816
Adjustments for:					
Decrease (increase) in fair value of investment properties	65	(923)	16	27	(8,756)
Exchange differences	(273)	(202)	(86)	(84)	(18)
Loss on disposal of property, plant and equipment	3	1	—	—	1
Depreciation and amortisation	133	138	134	111	112
Interest income	(23)	(24)	(13)	(10)	(8)
Finance costs	159	83	82	70	53
Operating cash flows before movements in working capital	1,292	1,665	1,352	1,121	1,200
(Increase) decrease in hotel inventories	(2)	(3)	4	—	(1)
Decrease (increase) in trade and other receivables	21	35	(6)	(30)	8
Increase (decrease) in trade and other payables	134	(125)	(4)	(20)	(19)
Cash generated from operations	1,445	1,572	1,346	1,071	1,188
Profits tax paid	(409)	(475)	(350)	(321)	(269)
<b>Net cash from operating activities</b>	<u>1,036</u>	<u>1,097</u>	<u>996</u>	<u>750</u>	<u>919</u>
<b>Investing activities</b>					
Repayments of other payable	—	—	(1,570)	(1,570)	—
Additions of property, plant and equipment	(45)	(49)	(21)	(10)	(20)
Interest received	23	24	13	10	8
<b>Net cash used in investing activities</b>	<u>(22)</u>	<u>(25)</u>	<u>(1,578)</u>	<u>(1,570)</u>	<u>(12)</u>
<b>Financing activities</b>					
Repayments of bank loans	(574)	(714)	(707)	(434)	(433)
Interest paid	(158)	(81)	(81)	(63)	(48)
Repayments to ultimate holding company	—	—	(683)	(683)	—
New bank loans raised	—	—	1,100	1,100	—
<b>Net cash used in financing activities</b>	<u>(732)</u>	<u>(795)</u>	<u>(371)</u>	<u>(80)</u>	<u>(481)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	282	277	(953)	(900)	426
<b>Effect of changes in foreign exchange rate</b>	(7)	(8)	—	—	(1)
<b>Cash and cash equivalents at the beginning of the year/period</b>	<u>1,141</u>	<u>1,416</u>	<u>1,685</u>	<u>1,685</u>	<u>732</u>
<b>Cash and cash equivalents at the end of the year/period, represented by bank balances and cash</b>	<u>1,416</u>	<u>1,685</u>	<u>732</u>	<u>785</u>	<u>1,157</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the "Selected Financial Information" and audited financial statements and notes thereto included in Appendix I to this Offering Circular.*

### Basis of Discussion and Principal Accounting Policies

The Manager sets out below a discussion of the historical operating results of Hui Xian REIT for the financial years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010 and the unaudited results for the ten months ended 31 October 2009. For details of the principal accounting policies, see the accountants' report set out in Appendix I to this Offering Circular.

### Components of Results of Operations

#### Revenue

Hui Xian REIT generated revenue mainly from the four operating segments of Oriental Plaza, namely The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing.

The following table sets forth a breakdown of the revenue for the periods indicated:-

	Year ended 31 December						Ten months ended 31 October			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million (unaudited)	% of total	RMB million	% of total
The Malls <sup>Note</sup> . . . . .	588	28.3	695	30.6	748	38.0	617	37.8	679	39.0
The Tower Offices . . . .	614	29.6	646	28.5	669	34.0	563	34.4	542	31.2
The Tower Apartments . . . . .	139	6.7	142	6.3	98	5.0	82	5.0	74	4.3
Grand Hyatt Beijing . . .	736	35.4	786	34.6	454	23.0	372	22.8	444	25.5
Total . . . . .	<u>2,077</u>	<u>100.0</u>	<u>2,269</u>	<u>100.0</u>	<u>1,969</u>	<u>100.0</u>	<u>1,634</u>	<u>100.0</u>	<u>1,739</u>	<u>100.0</u>

Note: The revenue generated from the operation of car parking spaces is included in the revenue of The Malls of the above table.

#### Rental Related Income

Rental related income comprises service income (including utilities charge, leasing of telecommunication cables and air conditioning charges etc), income from various tradeshow, exhibitions, roadshows and fairs held at the atriums of The Malls, forfeited tenant deposits, renovation income from tenants, interest income from tenants and other rental related income.

#### Other Income

Other income comprises bank interest income, government incentives and other miscellaneous receipts.

#### Foreign Currency Exchange Gain

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>
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***Hotel Inventories Consumed***

Hotel inventories consumed represents the costs of food and beverage incurred by Grand Hyatt Beijing.

***Staff Costs***

Staff costs represents the salary and other benefit costs of the staff employed by BOP for the management and operation of Oriental Plaza.

***Depreciation and Amortisation***

Depreciation and amortisation mainly represents the depreciation of The Tower Apartments and Grand Hyatt Beijing and the amortisation of the prepaid lease payments for land.

***Other Operating Expenses***

Other operating expenses include business tax, lease agency fee, property management fees, urban real estate tax, utilities and repair and maintenance and other miscellaneous expenses.

***Change in Fair Value of Investment Properties***

The Malls, The Tower Offices and the basement portion of Oriental Plaza are accounted for as investment properties. Investment properties are properties held to earn rentals and for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the profit and loss account for the period in which they arise.

The investment properties were revalued as at 31 December 2007, 2008, 2009 and 31 October 2010 by DTZ Debenham Tie Leung Limited, an independent property valuer, having appropriate professional qualifications and experience in the valuation of commercial properties in Beijing and similar properties in other cities of China. The valuation of the investment properties performed by DTZ Debenham Tie Leung Limited represents their market values being the estimated amount at which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation of the investment properties was arrived at using the investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the investment properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

The fair value of the investment properties as at 31 December 2007, 2008 and 2009 and 31 October 2010 were approximately RMB11.3 billion, RMB11.3 billion, RMB11.2 billion and RMB20.0 billion, respectively. This translated into a decrease of approximately RMB65 million in 2007, an increase of approximately RMB923 million in 2008, a decrease of approximately RMB16 million in 2009 and an increase of approximately RMB8.8 billion for the ten months ended 31 October 2010, respectively, which was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group.

In 2008, BOP and the Domestic JV Partner entered into supplemental agreements to the JV Documents and agreed on the Relevant Amount. For details, see the section headed "Materials Agreements and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular. The agreement of the Relevant Amount with the Domestic Partner led to a cost adjustment on

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>
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the carrying amount of the investment properties. As a result, a change in the fair value of the investment properties was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group for the year ended 31 December 2008.

For the ten months ended 31 October 2010, there was an increase in the fair value of investment properties of approximately RMB8.8 billion that was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group. This increase was primarily due to a reduction in the respective capitalisation rates (from 10.5% to 8.0% and from 9.0% to 7.0% for The Malls and The Tower Offices, respectively), which are the yields expected by the market for comparable properties. These capitalisation rates were applied in the re-valuation of the investment properties and was supplemented by increases in the monthly rental rates of The Malls and The Tower Offices on the back of an economic recovery in Beijing following the global financial crisis. The Malls recorded an increase in the average monthly rental per leased Rentable Area in sq. m. from approximately RMB764 as at 31 December 2009 to approximately RMB815 as at 31 October 2010, while the average monthly rental per leased Rentable Area in sq. m. of The Tower Offices increased from approximately RMB160 as at 31 December 2009 to RMB163 as at 31 October 2010. In addition, the average monthly contracted rental per leased Rentable Area achieved for new leases and/or renewals commenced in the six months preceding 31 October 2010 are set out as follows:

	Average monthly contracted rental (RMB/sq.m.)	Percentage of total Rentable Area <sup>Note</sup>
The Malls .....	1,264	20.3%
The Tower Offices .....	182	28.0%

Note: As at 31 October 2010.

Furthermore, the PRC government implemented various policies to stimulate domestic consumption and relaxed restrictions on PRC insurance companies on investing in commercial properties. This, together with the continued appreciation of the RMB and high inflation levels, attracted investors to the PRC property market for both investment and hedging purposes, resulting in a growing demand for income-generating commercial properties and a general increase in capital values, implying a reduction in capitalisation rates. It is noted that the market prices of comparable properties per sq.m. on a Gross Floor Area basis referenced by DTZ Debenham Tie Leung Limited in its valuation of The Malls increased from a range of approximately RMB62,000 to RMB72,000 as at 31 December 2009 to a range of approximately RMB90,000 to RMB149,000 as at 31 October 2010. The market prices of comparable properties per sq.m. on a Gross Floor Area basis referenced by DTZ Debenham Tie Leung Limited in its valuation of The Tower Offices increased from a range of approximately RMB35,000 to RMB40,000 as at 31 December 2009 to a range of approximately RMB39,000 to RMB60,000 as at 31 October 2010. As such, the anticipated rental growth, the expected investment return and the perceived industry risk based on the professional judgment of DTZ Debenham Tie Leung Limited was captured in the reduction in the applied capitalisation rates by approximately 22%-23% for the investment properties which, together with the increase in monthly rental rates, resulted in the increase of the fair value of investment properties to RMB20 billion as at 31 October 2010.

### **Finance Costs**

Finance costs represent the interest expense on secured bank loans.

### **Income Tax Expense**

PRC enterprise income tax was provided at the applicable enterprise income tax rate of 33.0% on the estimated assessable profits of BOP for the year ended 31 December 2007.

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law") promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises has been unified at the

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rate of 25.0% effective from 1 January 2008. For details, see the section headed "Taxation" in this Offering Circular.

## **Results of Operation**

### **Ten months ended 31 October 2010 compared against ten months ended 31 October 2009**

#### ***Revenue***

Total revenue increased from approximately RMB1,634 million for the ten months ended 31 October 2009 to approximately RMB1,739 million for the ten months ended 31 October 2010 by approximately RMB105 million, or approximately 6.4%.

Revenue generated from The Malls (including that generated from car parking spaces) increased by approximately RMB62 million, or approximately 10.0%, from approximately RMB617 million for the ten months ended 31 October 2009 to approximately RMB679 million for the ten months ended 31 October 2010, mainly because tenants were willing to pay a premium to stay at The Malls in anticipation of a recovery in consumer confidence post the global financial crisis, leading to an increase in rental rate. The average occupancy rate of The Malls for the ten months ended 31 October 2010 slightly decreased to approximately 97.8% as compared to that for the ten months ended 31 October 2009 of approximately 98.3%. Such decrease was mainly because certain Rentable Area of The Malls was held back by BOP for shop merging or reorganizing, or changing of tenant mix.

Revenue generated from The Tower Offices decreased by approximately RMB21 million, or approximately 3.7%, from approximately RMB563 million for the ten months ended 31 October 2009 to approximately RMB542 million for the ten months ended 31 October 2010. The average occupancy rate of The Tower Offices for the ten months ended 31 October 2010 decreased to approximately 90.4% as compared to that for the ten months ended 31 October 2009 of approximately 93.3%. The main reason for the decrease was that many office tenants suspended their expansion plans as a result of the global financial crisis in 2009 leading to a decrease in demand for office spaces. Further, some tenants did not renew their tenancies upon expiry.

Revenue generated from The Tower Apartments decreased by approximately RMB8 million, or approximately 9.8%, from approximately RMB82 million for the ten months ended 31 October 2009 to approximately RMB74 million for the ten months ended 31 October 2010. The decrease was due primarily to the continued limited demand for serviced apartments after the global financial crisis and the increase in the overall supply of serviced apartments in Beijing which led to a more competitive market, although the average occupancy rate of The Tower Apartments for the ten months ended 31 October 2010 increased to approximately 69.8% as compared to that for the ten months ended 31 October 2009 of approximately 66.2%.

Revenue generated from Grand Hyatt Beijing increased by approximately RMB72 million, or approximately 19.4%, from approximately RMB372 million for the ten months ended 31 October 2009 to approximately RMB444 million for the ten months ended 31 October 2010. The average occupancy rate of Grand Hyatt Beijing for the ten months ended 31 October 2010 increased to approximately 66.3% as compared to that for the ten months ended 31 October 2009 of approximately 56.6%. The increase was mainly due to the economic recovery from the global financial crisis which led to an increase in occupancy level and room rate.

#### ***Rental Related Income***

Rental related income decreased by approximately RMB8 million, or approximately 16.7%, from approximately RMB48 million for the ten months ended 31 October 2009 to approximately RMB40 million for the ten months ended 31 October 2010. The drop was mainly due to the reduced renovation income and the decrease in the amount of early termination compensation received from tenants for the ten months ended 31 October 2010.

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***Other Income***

Other income increased by approximately RMB11 million, or approximately 78.6%, from approximately RMB14 million for the ten months ended 31 October 2009 to approximately RMB25 million for the ten months ended 31 October 2010. The increase was mainly due to the write back of construction payables in 2010, notwithstanding that this was partly offset by the decreased interest income in the same period.

***Foreign Currency Exchange Gain***

Foreign currency exchange gain decreased by approximately RMB66 million, or approximately 78.6%, from approximately RMB84 million for the ten months ended 31 October 2009 to approximately RMB18 million for the ten months ended 31 October 2010 as certain exchange gains were realised upon repayment of shareholder's loan in year 2009.

***Hotel Inventories Consumed***

Hotel inventories consumed increased by approximately RMB7 million, or approximately 20.0%, from approximately RMB35 million for the ten months ended 31 October 2009 to approximately RMB42 million for the ten months ended 31 October 2010 due to the increased consumption of food and beverages which was in line with the increase in revenue of the restaurants operated by Grand Hyatt Beijing.

***Staff Costs***

Staff costs slightly increased by approximately RMB4 million, or approximately 4.4%, from approximately RMB91 million for the ten months ended 31 October 2009 to approximately RMB95 million for the ten months ended 31 October 2010.

***Depreciation and Amortisation***

Depreciation and amortisation increased by approximately RMB1 million, or approximately 0.9%, from approximately RMB111 million for the ten months ended 31 October 2009 to approximately RMB112 million for the ten months ended 31 October 2010.

***Other Operating Expenses***

Other operating expenses increased by approximately RMB21 million, or approximately 4.8%, from approximately RMB439 million for the ten months ended 31 October 2009 to approximately RMB460 million for the ten months ended 31 October 2010 primarily due to the increase in contracted labour cost.

***Change in Fair Value of Investment Properties***

The increase in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) was approximately RMB8,756 million for the ten months ended 31 October 2010 compared to a decrease of approximately RMB27 million for the ten months ended 31 October 2009. The significant increase in the fair value of investment properties for the ten months ended 31 October 2010 was mainly due to improving economic conditions in Beijing, resulting in rising property values and rising rents. For details, see the sub-section headed "Components of Results of Operations — Change in Fair Value of Investment Properties" above.

***Finance Costs***

Finance costs decreased by approximately RMB17 million, or by approximately 24.3%, from approximately RMB70 million for the ten months ended 31 October 2009 to approximately RMB53

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million for the ten months ended 31 October 2010. The decrease was mainly attributable to the decrease of effective interest rates as well as the reduction of bank borrowings.

***Income Tax Expense***

Income Tax expenses increased by approximately RMB2,209 million, or by approximately 788.9%, from approximately RMB280 million for the ten months ended 31 October 2009 to approximately RMB2,489 million for the ten months ended 31 October 2010. The increase was primarily due to the increase in deferred taxation charge as a result of the increase in fair value of investment properties in total revenue.

***Profit***

Profit increased by approximately RMB6,600 million, or by approximately 907.8%, from approximately RMB727 million for the ten months ended 31 October 2009 to approximately RMB7,327 million for the ten months ended 31 October 2010 mainly as a result of the cumulative effect of the factors described above.

**Financial Year ended 31 December 2009 compared against Financial Year ended 31 December 2008**

***Revenue***

Total revenue decreased by approximately RMB300 million, or approximately 13.2%, from approximately RMB2,269 million for the year ended 31 December 2008 to approximately RMB1,969 million for the year ended 31 December 2009.

Revenue generated from The Malls (including the revenue generated from car parking spaces) increased by approximately RMB53 million, or approximately 7.6%, from approximately RMB695 million for the year ended 31 December 2008 to approximately RMB748 million for the year ended 31 December 2009. Despite the global financial crisis in 2009, the average occupancy rate of The Malls for the year ended 31 December 2009 only slightly decreased to approximately 98.3% from approximately 99.7% for the year ended 31 December 2008. Such decrease was mainly because certain Rentable Area of The Malls was reserved by BOP and was not available for leasing due to BOP's plan to merge or re-organise certain shop units. After certain areas in The Malls were renovated in 2009, the shops concerned were leased with higher rental rates, resulting in the increase in the overall revenue generated from The Malls.

Revenue generated from The Tower Offices increased by approximately RMB23 million, or approximately 3.6%, from approximately RMB646 million for the year ended 31 December 2008 to approximately RMB669 million for the year ended 31 December 2009. The average occupancy rate of The Tower Offices for the year ended 31 December 2009 slightly decreased to approximately 92.9% from approximately 93.1% for the year ended 31 December 2008. Even though the global financial crisis took place in late 2008, its impact on the rental rate of office space had not fully materialised in 2009 because many tenancies had already been entered into before the crisis.

Revenue generated from The Tower Apartments decreased by approximately RMB44 million, or approximately 31.0%, from approximately RMB142 million for the year ended 31 December 2008 to approximately RMB98 million for the year ended 31 December 2009 due to the combined impact of post Beijing Olympics and the global financial crisis. The average occupancy rate of The Tower Apartments for the year ended 31 December 2009 also decreased to approximately 67.1% from approximately 72.2% for the year ended 31 December 2008. 2008 was an exceptional year where both the occupancy and rental rates were historically high due to the Beijing Olympics. Thereafter, coupled with the global financial crisis, many expatriates in Beijing did not renew their tenancies upon expiry

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and new demand was limited. These adversely affected the rental rate and occupancy level of The Tower Apartments because most of its units were occupied by expatriates working in Beijing.

Revenue generated from Grand Hyatt Beijing decreased by approximately RMB332 million, or approximately 42.2%, from approximately RMB786 million for the year ended 31 December 2008 to approximately RMB454 million for the year ended 31 December 2009. The average occupancy rate of Grand Hyatt Beijing for the year ended 31 December 2009 also decreased to approximately 56.9% from approximately 62.3% for the year ended 31 December 2008. After the Beijing Olympics took place in 2008, there was an oversupply of hotel rooms in Beijing. Combined with the impact of the global financial crisis in 2009, Grand Hyatt Beijing experienced a substantial decrease in revenue.

***Rental Related Income***

Rental related income increased slightly by approximately RMB5 million, or approximately 6.9%, from approximately RMB72 million for the year ended 31 December 2008 to approximately RMB77 million for the year ended 31 December 2009. The increase was mainly due to increased forfeited tenant deposits during 2009.

***Other Income***

Other income decreased by approximately RMB16 million, or approximately 48.5%, from approximately RMB33 million for the year ended 31 December 2008 to approximately RMB17 million for the year ended 31 December 2009. The decrease was mainly attributable to decreased interest income which was a result of reduced bank balances as well as reduced interest rates.

***Foreign Currency Exchange Gain***

Foreign currency exchange gain decreased by approximately RMB113 million, from approximately RMB197 million for the year ended 31 December 2008 to approximately RMB84 million for the year ended 31 December 2009, or approximately 57.4% due to the reduction of US Dollar denominated bank borrowings as well as the slower appreciation of RMB during the period.

***Hotel Inventories Consumed***

Hotel inventories consumed decreased by approximately RMB11 million, or approximately 19.6%, from approximately RMB56 million for the year ended 31 December 2008 to approximately RMB45 million for the year ended 31 December 2009 due to decreased consumption of food and beverages which was in line with the decrease in revenue of restaurants operated by Grand Hyatt Beijing.

***Staff Costs***

Staff costs decreased by approximately RMB34 million, or approximately 24.1%, from approximately RMB141 million for the year ended 31 December 2008 to approximately RMB107 million for the year ended 31 December 2009. Both headcount and average salary rates dropped in 2009.

***Depreciation and Amortisation***

Depreciation and amortisation slightly decreased by approximately RMB4 million, or approximately 2.9%, from approximately RMB138 million for the year ended 31 December 2008 to approximately RMB134 million for the year ended 31 December 2009.

***Other Operating Expenses***

Other operating expenses increased by approximately RMB60 million, or approximately 12.4%, from approximately RMB484 million for the year ended 31 December 2008 to approximately RMB544

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million for the year ended 31 December 2009. Other operating expenses were relatively low in 2008 mainly as a result of an overprovision made in prior years. But for such overprovision, other operating expenses in 2009 would have been lower than those in 2008.

***Change in Fair Value of Investment Properties***

There was a decrease in the fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) of approximately RMB16 million for the year ended 31 December 2009 compared to an increase of approximately RMB923 million for the year ended 31 December 2008. The substantial increase in the fair value of investment properties for the year ended 31 December 2008 was due to the cost adjustment on the carrying amount of investment properties as a result of the Relevant Amount (as defined in the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT— JV Documents" in this Offering Circular) agreed with the Domestic JV Partner. For details, see the section headed "Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents" in this Offering Circular and the sub-section headed "Components of Result of Operations — Change in Fair Value of Investment Properties" above.

***Finance Costs***

Finance costs decreased slightly by approximately RMB1 million, or by approximately 1.2%, from approximately RMB83 million for the year ended 31 December 2008 to approximately RMB82 million for the year ended 31 December 2009 as the decrease in the effective interest rate was largely offset by increased bank borrowings in year 2009.

***Income Tax Expense***

Income tax expenses decreased by approximately RMB279 million, or by approximately 44.6%, from approximately RMB625 million for the year ended 31 December 2008 to approximately RMB346 million for the year ended 31 December 2009. The decrease was primarily due to the decrease in taxable income as a result of the decrease in total revenue.

***Profit***

Profit decreased by approximately RMB1,094 million, or by approximately 55.6%, from approximately RMB1,967 million for the year ended 31 December 2008 to approximately RMB873 million for the year ended 31 December 2009, mainly as a result of the cumulative effect of the factors described above.

**Financial Year ended 31 December 2008 compared against Financial Year ended 31 December 2007**

***Revenue***

Total revenue increased by approximately RMB192 million, or approximately 9.2%, from approximately RMB2,077 million for the year ended 31 December 2007 to approximately RMB2,269 million for the year ended 31 December 2008.

Revenue generated from The Malls (including the revenue generated from car parking spaces) increased by approximately RMB107 million, or approximately 18.2%, from approximately RMB588 million for the year ended 31 December 2007 to approximately RMB695 million for the year ended 31 December 2008. After certain areas in The Malls were renovated in 2007, the shops concerned were leased with higher rental rates, resulting in the increase in the overall revenue generated from The Malls in late 2007 and 2008. The average occupancy rate of The Malls for the year ended 31 December 2008 also increased to approximately 99.7% from approximately 96.6% for the year ended 31 December 2007.

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Revenue generated from The Tower Offices slightly increased by approximately RMB32 million, or 5.2%, from approximately RMB614 million for the year ended 31 December 2007 to approximately RMB646 million for the year ended 31 December 2008. The average occupancy rate of The Tower Offices for the year ended 31 December 2008 also increased to approximately 93.1% from approximately 90.1% for the year ended 31 December 2007. Due to the Beijing Olympics in 2008, measures were adopted by the Beijing Government to monitor and restrict construction work in Beijing for safety reasons, resulting in limiting the overall supply of office space in Beijing, leading to an increase in rental rate and occupancy levels of The Tower Offices in 2008.

Revenue generated from The Tower Apartments slightly increased by approximately RMB3 million, or approximately 2.2%, from approximately RMB139 million for the year ended 31 December 2007 to approximately RMB142 million for the year ended 31 December 2008. Due to the increase in demand for serviced apartments as a result of the Beijing Olympics in 2008, the rental rate of The Tower Apartments increased. This was partly offset by the decrease in the average occupancy rate of The Tower Apartments from approximately 87.0% for the year ended 31 December 2007 to approximately 72.2% for the year ended 31 December 2008 which was mainly due to the decrease in the number of tenants after the Beijing Olympics and the global financial crisis.

Revenue generated from Grand Hyatt Beijing increased by approximately RMB50 million, or approximately 6.8%, from approximately RMB736 million for the year ended 31 December 2007 to approximately RMB786 million for the year ended 31 December 2008. The average occupancy rate of Grand Hyatt Beijing for the year ended 31 December 2008 decreased to approximately 62.3% from approximately 72.6% for the year ended 31 December 2007. Due to the Beijing Olympics in 2008, the average room rate was high and its positive effect on revenue was more than enough to offset the impact of decreased average occupancy during the year.

***Rental Related Income***

Rental related income increased by approximately RMB11 million, or approximately 18.0%, from approximately RMB61 million for the year ended 31 December 2007 to approximately RMB72 million for the year ended 31 December 2008 due to the increase in renovation income paid or payable by tenants in 2008.

***Other Income***

Other income increased by approximately RMB9 million, or approximately 37.5%, from approximately RMB24 million for the year ended 31 December 2007 to approximately RMB33 million for the year ended 31 December 2008 which was mainly attributable to the government incentives received in 2008.

***Foreign Currency Exchange Gain***

Foreign currency exchange gain decreased by approximately RMB76 million, or approximately 27.8%, from approximately RMB273 million for the year ended 31 December 2007 to approximately RMB197 million for the year ended 31 December 2008 due to the decrease of US Dollar denominated bank borrowings during the period.

***Hotel Inventories Consumed***

Hotel inventories consumed remained at approximately RMB56 million for the years ended 31 December 2007 and 31 December 2008.

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**Staff Costs**

Staff costs slightly increased by approximately RMB6 million, or approximately 4.4%, from approximately RMB135 million for the year ended 31 December 2007 to approximately RMB141 million for the year ended 31 December 2008.

**Depreciation and Amortisation**

Depreciation and amortisation increased by approximately RMB5 million, or approximately 3.8%, from approximately RMB133 million for the year ended 31 December 2007 to approximately RMB138 million for the year ended 31 December 2008.

**Other Operating Expenses**

Other operating expenses decreased by approximately RMB175 million, or approximately 26.6%, from approximately RMB659 million for the year ended 31 December 2007 to approximately RMB484 million for the year ended 31 December 2008. Other operating expenses in 2008 were at a relatively low level mainly as a result of an overprovision made in prior years. But for such overprovision, other operating expenses in 2008 would have been higher than those in 2007.

**Change in Fair Value of Investment Properties**

Increase in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) was approximately RMB923 million for the year ended 31 December 2008 compared to a decrease of approximately RMB65 million for the year ended 31 December 2007. The increase in fair value of investment properties for the year ended 31 December 2008 was due to the cost adjustment on the carrying amount of investment properties as a result of the Relevant Amount agreed with the Domestic JV Partner. For details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular and the sub-section headed "Components of Result of Operations — Change in Fair Value of Investment Properties" above.

**Finance Costs**

Finance costs decreased by approximately RMB76 million, or by approximately 47.8%, from approximately RMB159 million for the year ended 31 December 2007 to approximately RMB83 million for the year ended 31 December 2008. This was mainly due to a decrease in bank borrowings coupled with the decrease in interest rates.

**Income Tax Expense**

Income tax expense increased by approximately RMB349 million, or by approximately 126.4% from approximately RMB276 million for the year ended 31 December 2007 to approximately RMB625 million for the year ended 31 December 2008. The increase was primarily due to the increase in taxable income as a result of the increase in total revenue.

**Profit**

Profit increased by approximately RMB1,015 million, or by approximately 106.6% from approximately RMB952 million for the year ended 31 December 2007 to approximately RMB1,967 million for the year ended 31 December 2008, mainly as a result of the cumulative effect of the factors described above.

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**Liquidity and Capital Resources**

The principal sources of funding for the management of Oriental Plaza and asset enhancement initiatives have historically been from internally generated funds and loan facilities from various banks.

**Indebtedness**

As at 28 February 2011, the loan from the holding company and bank borrowings amounted to approximately RMB6,387 million, including the BOC Term Loan of approximately RMB500 million, of which RMB200 million and RMB100 million were repaid in March 2011 and April 2011, respectively. As at 28 February 2011, approximately 7.8% of the aggregate amount of the loan from the holding company and bank borrowings were interest bearing, with interest rates of 5.6% per annum.

**Hedging Strategy**

As at the Listing Date, based on the unaudited pro forma statement of financial position of Hui Xian REIT set out in Appendix II to this Offering Circular, the aggregate amount of the existing borrowings will represent no more than 1.0% of the total gross asset value of Hui Xian REIT. Should the Facility be fully drawn, the aggregate amount of the existing borrowings and borrowings drawn under the Facility will represent no more than 5.0% of the total gross asset value of Hui Xian REIT. BOP receives almost all of its revenue in RMB and the BOC Term Loan and the Loan Facility are also in RMB. Further, the Manager expects that the BOC Term Loan will be repaid within two years from the listing of Hui Xian REIT. In light of the foregoing, the Manager does not consider that there is a significant risk associated with changes in interest rates or exchange rates relating to the borrowings of Hui Xian REIT that need to be hedged.

The Manager does not have any immediate plans to enter into any hedging strategies with respect to the borrowings. The Manager will review the appropriateness of hedging risks relating to Hui Xian REIT's borrowings regularly. If a hedging strategy is adopted, the Manager intends to primarily use plain vanilla interest rate swaps to hedge any interest rate risks associated with the borrowings of Hui Xian REIT.

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### Valuation Reconciliation

The following table sets forth the reconciliation of the properties of Hui Xian REIT from the Accountants' Report as at 31 October 2010 to the Property Valuation in Appendix V to this Offering Circular.

	<u>RMB million</u>
Valuation of properties as at 31 January 2011, as set out in the Property Valuation in Appendix V to this Offering Circular .....	<u>31,410</u>
Net book value as at 31 October 2010:	
Property, plant and equipment (note (1)) .....	1,885
Land and related costs (note (2)) .....	1,778
Investment properties .....	19,998
Total .....	23,661
Less: Amortisation of land use rights and depreciation of Grand Hyatt Beijing and The Tower Apartments during the period from 1 November 2010 to 31 January 2011 .....	<u>(26)</u>
Net book value of properties of the Group as at 31 January 2011, as set out in the Property Valuation in Appendix V to this Offering Circular .....	23,635
Revaluation surplus and differences between net book values and fair values of the properties, before corporate income tax and LAT .....	<u>7,775</u>
	<u>31,410</u>

Note:

- (1) Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate. Approximately RMB99 million of the other fixed assets, which consisted of furniture and fixture and computer equipment, was excluded from the valuation in Appendix V to this Offering Circular and was therefore also excluded from this reconciliation.
- (2) Land and related costs are stated at cost less accumulated amortisation.

Revaluation surplus and differences between net book values and fair values of the properties of approximately RMB7,775 million comprised (i) the revaluation surplus of The Malls and The Tower Offices of approximately RMB5,182 million and (ii) the differences between the net book value and fair value of the Tower Apartments and Grand Hyatt Beijing of approximately RMB2,593 million.

The revaluation surplus of The Malls and The Tower Offices of approximately RMB5,182 million was mainly due to the increase in the Appraised Value of The Malls and The Tower Offices assessed as at 31 January 2011 compared to that of The Malls and The Tower Offices as at 31 October 2010. In determining the valuation of The Malls and The Tower Offices as at 31 January 2011, the Independent Valuer has taken into account the changes of the monthly rental rates of The Malls and The Tower Offices. As at 31 January 2011, The Malls recorded an increase in the average monthly rental per leased Rentable Area in sq.m. from approximately RMB815 as at 31 October 2010 to approximately RMB882 as at 31 January 2011, while the average monthly rental per leased Rentable Area in sq. m. of The Tower Offices was approximately RMB163 as at 31 October 2010 and remained unchanged as at 31 January 2011. The average monthly rental rate per sq. m. of leased Rentable Area of The Malls increased mainly due to the willingness of existing tenants to pay a premium to stay at The Malls in anticipation of a recovery in consumer confidence after the recent global financial crisis. For The Tower Offices, apart from the unexpired leases entered into before 2010 which were still charged at lower monthly rental rates, the monthly rental rates achieved for renewals and new leases have been steadily growing. Meanwhile, the capital values of the income-generating commercial properties in China have also increased as a result of a combination of rising rents, higher occupancies and growing demand for such properties. The asking/alleged transaction prices of properties per sq.m on a gross floor area ranged from approximately RMB80,000 to RMB190,000 for The Malls and approximately RMB34,000 and RMB46,000 for The Tower Offices, respectively, as at 31 January 2011. Having

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considered that Oriental Plaza is a high quality mixed use development located in the prime location of Beijing, and taking into account the market rental, the expected investment return and the perceived industry risk of the PRC commercial property market, the Independent Property Valuer has assessed the aggregate revalued value of The Malls and The Tower Offices as at 31 January 2011 to be approximately RMB24,890 million leading to the revaluation surplus of approximately RMB5,182 million.

Since the services provided to customers by The Tower Apartments and Grand Hyatt Beijing, unlike The Malls and The Tower Offices which are held to earn rental income and/or for capital appreciation, are significant to the arrangement as a whole and generate cash flows that are attributable not only to property, but also to other assets used in the provision of service process, The Tower Apartments and Grand Hyatt Beijing are classified under "property, plant and equipment" and are stated at net book values in the books and records of Hui Xian BVI Group. For purpose of listing, The Tower Apartments and Grand Hyatt Beijing were revalued. As at 31 January 2011, the valuation of The Tower Apartments and Grand Hyatt Beijing assessed by the Independent Property Valuer were approximately RMB6,230 million which resulted in the difference between net book value and fair values of the properties of approximately RMB2,593 million.

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*After the Acquisitions, there will be certain changes to Hui Xian REIT's cost structure, level of indebtedness and operations. As a result, the following discussion has been prepared to assist prospective investors' evaluation of the Acquisitions and the factors which may affect Hui Xian REIT's future results of operations.*

The audited financial statements of Hui Xian BVI Group set forth in Appendix I to this Offering Circular and other historical financial information have been prepared based on the historical operations of Hui Xian BVI Group. Following the transfer of Hui Xian BVI Group to Hui Xian REIT, the cost and capital structure of Hui Xian REIT are expected to differ from those previously adopted with respect to Hui Xian BVI Group prior to the Listing Date. These variations are discussed below.

Further, the presentation format of Hui Xian REIT's financial information may differ from that of the audited financial information set forth in Appendix I to this Offering Circular. Set forth below are details of the primary income statement items and other financial statement items of Hui Xian BVI Group that may be affected after the Listing Date.

#### **ADDITIONAL COST ITEMS**

Hui Xian REIT will incur fees and expenses associated with the REIT structure that were not previously incurred by Hui Xian BVI Group prior to the Listing Date. Set out below are certain such additional cost items.

##### ***Manager's Base Fee***

The Manager shall be entitled to receive, commencing on and from and including the date immediately after the date of the Completion, for its own account out of the Deposited Property in arrear the amount of the Base Fee accrued to it and remaining unpaid. The Manager shall be entitled to alter the rate of the Base Fee to some smaller percentage than the current level of 0.3% per annum of the Property Values by notice to the Trustee in writing provided that the Manager shall give written notice of any alteration of such rate to a higher percentage within the permitted limit to all Unitholders and the Trustee, not less than three months prior to the date of effect thereof. For a detailed description of the Manager's fees, see the sections headed "The Manager and The Property Manager" of this Offering Circular.

##### ***Manager's Variable Fee***

With effect from and including the date immediately after the date of the Completion, the Manager shall be entitled to receive for its own account out of the Deposited Property a Variable Fee for each financial year in respect of each real estate asset held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle. The Variable Fee payable to the Manager in respect of each real estate (whether held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle) shall be an annual amount equal to 3.0% per annum of the NPI of that real estate (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's fee) provided however that in respect of Oriental Plaza and as from the date the Property Manager is appointed pursuant to the Operations Management Agreement and for so long as the Property Manager to which the Manager has delegated the property management functions in respect of Oriental Plaza is a subsidiary of the Manager and with effect from the date on which the Property Manager is appointed, such rate shall be reduced to 2.0% (instead of 3.0% as stated above) per annum. For a detailed description of the Manager's fees, see the sections headed "The Manager and The Property Manager" of this Offering Circular.

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***Manager's Acquisition Fee and Divestment Fee***

In addition to the Base Fee and Variable Fee, the Manager is also entitled to receive an acquisition fee not exceeding the rate of 1.0% (and being 1.0% as at the date of the Trust Deed) of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired). The acquisition fee is payable as soon as practicable after completion of the acquisition.

Further, the Manager is entitled to receive a Divestment Fee not exceeding the rate of 0.5% (and being 0.5% as at the date of the Trust Deed) of the sale price of any real estate in the form of land sold or divested directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate sold). The Divestment fee is payable as soon as practicable after completion of the divestment. For a detailed description of the Manager's fees, see the sections headed "The Manager and The Property Manager" of this Offering Circular.

***Property Manager's Fee***

According to the proposed terms of the Operations Management Agreement, it is proposed that the Property Manager will be entitled to receive from BOP a Property Manager's fee of 1.0% per annum of NPI before deduction therefrom of the Variable Fee and the Property Manager's fee. In addition, the Property Manager will be fully reimbursed by BOP for the employment costs and remuneration of the employees of the Property Manager engaged solely and exclusively for the provision of its services relating to Oriental Plaza to BOP. For a detailed description of the Property Manager's fee, see the section headed "The Manager and The Property Manager — Fees, Costs and Expenses of the Manager and the Property Manager" in this Offering Circular.

***Trustee's Fee***

Hui Xian REIT will pay the Trustee a one time inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as is agreed between the Manager and the Trustee from time to time of not more than 0.02% of the Property Values as at the end of such financial year (which may be increased without obtaining Unitholders' approval to a maximum of 0.06% per annum of the Property Values by giving at least one month's prior written notice to the Manager and the Unitholders), subject to a minimum amount of RMB56,000 per month. Such remuneration of the Trustee shall be payable out of the Deposited Property semi-annually in arrear. For a detailed description of the Trustee's fees, see the section headed "The Trust Deed" in this Offering Circular.

***Trust related-Expenses***

The recurring trust-related expenses in respect of Hui Xian REIT include annual listing fees, share registrar fees, audit and tax adviser's fees, costs associated with the preparation and distribution of reports to the Unitholders and other miscellaneous expenses.

***CHANGE IN NATURE OF EXISTING COSTS******Finance Costs***

Historically, the finance costs relating to Hui Xian BVI Group consisted of interest payments on external borrowings. Hui Xian Investment has in place the Facility from Hui Xian Holdings in the aggregate amount of RMB1,400 million (For details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular).

***Income Tax***

Distributions to Unitholders will, subject to compliance with applicable legal and regulatory requirements, be declared and paid in RMB. Under the PRC Enterprise Income Tax Law

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FUTURE RESULTS OF OPERATIONS</b>
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(中華人民共和國企業所得稅法) and its implementation rules that became effective on 1 January 2008, a uniform income tax rate of 25.0% should be applied to foreign invested enterprises as well as PRC domestic enterprises, and dividends earned after 1 January 2008 paid by PRC foreign invested enterprises to their non-PRC parent companies will be subject to a 10.0% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25.0% or more interest in the PRC enterprise, such tax rate may be lowered to 5.0%, subject to approvals by relevant PRC tax authorities. However, according to a circular issued by the PRC State Administration of Taxation in October 2009, tax treaty benefits will be denied to "conduit companies" or shell companies without business substance.

## **LIQUIDITY AND CAPITAL RESOURCES**

Upon completion of the Offering, net cash received from the operations of Oriental Plaza will be Hui Xian REIT's primary source of liquidity to fund cash distributions to the Unitholders (which the Manager intends to be 100.0% of Hui Xian REIT's total Annual Distributable Income for the period from the Listing Date to 31 December 2011 and the financial year ending 31 December 2012), and thereafter at least 90.0% of Hui Xian REIT's total Annual Distributable Income for each financial year), debt servicing, repairs and maintenance and other recurring operating and capital costs. Where appropriate, Hui Xian REIT may also seek to issue further Units and raise new credit facilities (under the REIT Code, Hui Xian REIT is only allowed to borrow up to 45.0% of total gross asset value), particularly in relation to any proposal to acquire further properties.

The Manager will only seek to incur non-maintenance capital expenditures or other expenses that will enhance Oriental Plaza to improve the yield or long term value of Oriental Plaza either by improving rental rates or occupancy rates or otherwise increasing the total Rentable Area of Oriental Plaza. Such enhancements should both increase the cash flows from Oriental Plaza and increase the value of Oriental Plaza which may allow the Manager further flexibility to borrow in accordance with the REIT Code.

The Property Consultants' building condition survey report prepared by Savills Project Consultancy Limited set out in Appendix VIII to this Offering Circular includes a summary of cost estimates for remedial works as detailed in the ten-year forecasts of maintenance and capital expenditure.

As at 31 October 2010, BOP did not have any contractual commitments or obligations to make any capital expenditures.

## **WORKING CAPITAL STATEMENT**

Taking into consideration the financial resources available to Hui Xian REIT, including its internally generated funds, the Facility and the estimated net proceeds of the Offering, the Manager believes that Hui Xian REIT has sufficient liquid assets to meet its working capital and operating requirements for the 12 calendar months following the Listing Date. To the extent that Hui Xian REIT makes any acquisitions, it would be required to rely on external borrowings and equity or debt securities offerings to finance such acquisitions. The issue of additional equity or equity-linked securities may result in dilution to Unitholders.

## **NO MATERIAL ADVERSE CHANGE**

The Manager confirms that, having performed reasonable due diligence on Hui Xian REIT, there has been no material adverse change in Hui Xian REIT's financial or trading position or prospects since 31 October 2010, which is the end of the period covered by the Accountants' Report included in Appendix I to this Offering Circular.

## PROFIT FORECAST

*Statements contained in this profit forecast section that are not historical facts may be forward looking statements. Such statements are based on the assumptions set forth in this section and are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected. See the section headed “Risk factors — Risks relating investing in the Units — Forward looking information in this Offering Circular may prove inaccurate” in this Offering Circular.*

*The profit forecast (including the underlying assumptions), for which the Manager is solely responsible, has been approved by the Board. The forecast has been prepared on the bases and assumptions set out below and in accordance with the Hong Kong GAAP and is consistent in all material respects with those accounting policies adopted in the accountants’ report set out in Appendix I to this Offering Circular. The profit forecast has been prepared on a consolidated basis, reflecting the forecast consolidated profit and loss accounts of Hui Xian REIT for the period from the Listing Date to 30 June 2011. This forecast assumes that the Listing Date will be on 29 April 2011 and will vary if the Listing Date is different.*

*There will be an interim audit of the results of Hui Xian REIT for the period from the Listing Date to 30 June 2011 such that the forecast can be compared with the actual results for the period from the Listing Date to 30 June 2011.*

*Investors are cautioned that the profit forecast is prepared for the period from the Listing Date to 30 June 2011 only. The audited financial results in this Offering Circular only cover the three years ended 31 December 2009 and ten months ended 31 October 2010. The financial information relating to Oriental Plaza for the period from 1 November 2010 to the Listing Date has not been prepared by the Manager and the financial results of Oriental Plaza for such period have neither been audited nor reviewed. In preparing the profit forecast, the Manager has made certain assumptions with respect to the operations of Hui Xian REIT as set out below.*

*Investors should note that for reasons stated herein, no assumption has been made by the Manager for property valuation movements in arriving at the consolidated forecast profit. Should market values of Oriental Plaza at the date of completion of the Acquisition drop below or increase above the Appraised Value, such net deficit or surplus, which is non-cash in nature, along with any associated deferred taxation, would be charged or credited to the income statement.*

*Investors should also note that the format and individual line items in Hui Xian REIT’s future financial reports and statements may differ from those used for the purposes of this forecast and such line items should not be viewed as individual forecasts but form part of the bases and assumptions used in arriving at the distributable income for the period from the Listing Date to 30 June 2011. The profit forecast should be read together with the letters set out in Appendix III and Appendix V headed “Profit Forecast” and “Independent Property Valuer’s Valuation Report”, respectively, to this Offering Circular and the principal bases and assumptions set out below.*

*Hui Xian REIT will incur expenses at the trust level (such as the Manager’s fees, Trustee’s fees and annual listing fees), which expenses were not incurred before the Listing Date (see the section headed “Management Discussion and Analysis of Future Results of Operations” in this Offering Circular).*

*Having regard to the various factors noted above, investors should exercise caution in relying on this profit forecast generally and, in particular, (i) investors should exercise the highest caution in making any comparison, whether as to individual line items or overall financial performance, as between the Manager’s projected income statement appearing below and any historic financial results, and (ii) investors should not treat any individual line item in the Manager’s projected income statement as a forecast in its own right.*

## PROFIT FORECAST

### Profit Forecast for the period from the Listing Date to 30 June 2011

The Manager forecasts that, in the absence of unforeseen circumstances and on the bases and assumptions set out below, the profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 will be not less than RMB140 million.

	Historical		Forecast
	Year ended 31 December 2009	Ten months period ended 31 October 2010	Period from the Listing Date to 30 June 2011
	RMB million	RMB million	RMB million
Revenue .....	1,969	1,739	404
Rental related income .....	77	40	7
Other income .....	17	25	—
Foreign currency exchange gain .....	84	18	—
Hotel inventories consumed .....	(45)	(42)	(10)
Staff costs .....	(107)	(95)	(16)
Depreciation and amortisation .....	(134)	(112)	(36)
Other operating expenses .....	(544)	(460)	(118)
(Decrease) / increase in fair value of investment properties <sup>(1)</sup> .....	(16)	8,756	—
Finance costs .....	(82)	(53)	(2)
REIT expenses .....	—	—	(24)
<b>Profit before taxation</b> .....	<b>1,219</b>	<b>9,816</b>	<b>205</b>
Income tax expense .....	(346)	(2,489)	(65)
<b>Profit for the year / period<sup>(2)</sup></b> .....	<b>873</b>	<b>7,327</b>	<b>140</b>
Adjustments <sup>(3)</sup> .....			53
<b>Income available for distribution</b> .....			<b>193</b>

	Forecast	
	Period from the Listing Date to 30 June 2011	
Offer Price (RMB) <sup>(4)</sup> .....	5.24	5.58
Number of Units in issue (million) <sup>(5)</sup> .....	5,000	5,000
<b>Distribution per Unit for the period from the Listing Date to 30 June 2011</b>		
<b>(RMB)</b> .....	0.0386	0.0386
Annualised forecast distribution yield <sup>(6)</sup> .....	4.26%	4.00%

Notes:

- (1) The Manager considers that there is no reasonable basis to arrive at the market values for the Oriental Plaza as at 30 June 2011. Accordingly, the Manager has made no assumption in regard to changes in property value in arriving at the profit forecast for the period from the Listing Date to 30 June 2011.
- (2) The profit for the year ended 31 December 2009 and the ten months ended 31 October 2010, excluding the increase or decrease in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) and the related tax effect, is approximately RMB885 million and approximately RMB760 million, respectively.

## PROFIT FORECAST

(3) Refers to adjustments to eliminate the effects of the following:

	<b>Forecast</b>
	<b>Period from the Listing Date to 30 June 2011</b>
	<b>RMB million</b>
Manager's base fee in units .....	13
Depreciation and amortisation .....	36
Deferred tax in respect of accelerated tax depreciation .....	4
<b>Total Adjustments</b> .....	<b>53</b>

- (4) Assuming an Offer Price range of RMB5.24 and RMB5.58 per Unit, being the Minimum Offer Price and Maximum Offer Price, respectively.
- (5) Number of Units in issue is the number of Units assumed to be outstanding as at 30 June 2011. The forecast DPU for the period from the Listing Date to 30 June 2011 is based on the number of Units assumed to be outstanding as at 30 June 2011, and does not include the Units to be issued in lieu of Management Fees payable up to 30 June 2011 which shall not be issued to the Manager until after the Record Date for such distribution.
- (6) The annualised forecast distribution yields are provided for illustrative purposes only. The annualised actual distribution yield may differ from the annualised forecast distribution yields based on the actual DPU for the period from the Listing Date to 30 June 2011. The annualised forecast distribution yields have been calculated with reference to the Minimum Offer Price and Maximum Offer Price only.

**As the annualised forecast distribution yields are based on the DPU for the Forecast Period which only covers the period from the Listing Date to 30 June 2011, they do not represent the annualised distribution yields derived from Hui Xian REIT's results for its financial year ending 31 December 2011. The annualised forecast distribution yields will vary for investors who purchase the Units in the secondary market at a price different from the maximum and minimum subscription prices of the Offer Price range (excluding other transaction costs).**

### Revenue

Revenue from The Malls mainly refers to rental income, management fee and promotional levy, which is a fee charged to tenants for promotional activities in relation to The Malls. Revenue from The Tower Offices mainly refers to rental and management fee. Revenue from The Tower Apartments mainly refers to rental, management fee and incidentals such as telephone and laundry charges. Revenue from Grand Hyatt Beijing mainly refers to revenue from hotel rooms, food and beverage revenue from sale of food and beverage in the hotel premises and other revenue such as those from the rental of conference rooms, business centres and other facilities. The historical and forecast contribution of the revenue of the four major segments in Hui Xian REIT's business is as follows:

#### *Revenue Breakdown by Segment*

	<b>Contribution to Revenue</b>		
	<b>Year ended 31 December 2009</b>	<b>Ten months ended 31 October 2010</b>	<b>Period from the Listing Date to 30 June 2011</b>
	%	%	%
The Malls .....	38.0	39.0	36.9
The Tower Offices .....	34.0	31.2	29.3
The Tower Apartments .....	5.0	4.3	4.3
Grand Hyatt Beijing .....	23.0	25.5	29.5
<b>Total</b> .....	<b>100.0</b>	<b>100.0</b>	<b>100</b>

### Rental Income

Rental income comprises rental income due from tenants of The Malls, The Tower Offices and The Tower Apartments. Most rents paid under lease agreements for The Malls are on a step-up basis with a lease period of 3 to 5 years. Rents are generally fixed for a period of 2 to 3 years for The Tower Offices. Leases for The Tower Apartments generally have fixed rents and a duration of between 1 to 24 months.

## PROFIT FORECAST

### The Malls

For the Forecast Period, approximately 99.4% of the projected rental income comprises contracted rental on signed leases while the remaining projected rental income is based on the manager's expectations. A tenant-by-tenant analysis has been conducted on the likelihood of renewal for each expiring lease using factors such as historical performance and ongoing dialogue with the relevant tenant.

#### *Occupancy rate assumptions*

The occupancy rate of The Malls for the Forecast Period is forecasted to be approximately 98.9%, which is comparable to the historical occupancy rates of The Malls.

Vacancy periods of between 0 to 1 month between leases have also been taken into account in arriving at the forecast.

#### *Rental rates assumptions*

The Malls' rental rates during the Forecast Period are based on the actual rental rate of the agreed leases and projected rental rates.

Projected rental rates are calculated as an average of the monthly effective rent per leased square metre. Effective rent is defined as total rental income, as adjusted to amortise the effect of any rent-free period offered to tenants over the lease period.

The historical and forecast average monthly rental per leased Rentable Area in sq.m. for The Malls is as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Period from the Listing Date to 30 June 2011
	RMB	RMB	RMB
The Malls .....	732	813	844

### The Tower Offices

For The Tower Offices, the forecast rental income is calculated based on the contracted rents receivable under existing leases plus expected income on new lettings.

A tenant-by-tenant analysis has been conducted on the likelihood of renewal for each expiring lease using factors such as the market situation and ongoing dialogue with the relevant tenants.

The following table sets forth a breakdown of projected rental income from The Tower Offices attributable to the different categories of tenants from the Listing Date to 30 June 2011:

<u>Categories of tenants</u>	<u>Percentage of Rental Income from the Listing Date to 30 June 2011</u>
	%
Existing lease commitments .....	98.2
Expected tenancy renewals during the Forecast Period .....	1.5
Expected new tenancies entered during the Forecast Period .....	0.3

#### *Occupancy rate assumptions*

The occupancy rate of The Tower Offices for the Forecast Period is forecasted to be approximately 95.2%, which is comparable to the historical occupancy rates of The Tower Offices.

## PROFIT FORECAST

### *Rental rates assumptions*

No increment on rental rates was assumed upon the renewal of existing leases. These leases were originally entered into a few years ago during a period of relatively high office rents when the supply of office space in Beijing was limited due to a general restriction on construction works prior to the 2008 Beijing Olympics. For new tenancies, factors such as the rental rates transacted for units recently leased out in the properties or units recently leased out in comparable properties, with adjustments made to reflect the specific attributes of individual units, were taken into account in the forecast. The historical and forecast average monthly rental per leased Rentable Area in sq.m. for the Tower Offices are as follows:

	Year ended 31 December 2009	Year ended 31 December 2010	Period from the Listing Date to 30 June 2011
	RMB	RMB	RMB
The Tower Offices .....	167	165	165

### **The Tower Apartments**

#### *Occupancy rate assumptions*

For the period from the Listing Date to 30 June 2011, an occupancy rate of approximately 80.2% has been assumed. The occupancy rates for The Tower Apartments for the year ended 31 December 2009 and the year ended 31 December 2010 were approximately 67.0% and approximately 71.0% respectively.

#### *Average monthly rental assumption*

Taking into account the overall market outlook and supply and demand situation for serviced apartments in Beijing, an average monthly rental per Leased Rentable Area in sq.m. similar to that achieved in 2010 has been assumed for the Forecast Period.

### **Grand Hyatt Beijing**

Revenue from Grand Hyatt Beijing is generated primarily from (i) room revenue, (ii) food & beverage ("F&B") revenue and (iii) other revenue. Room revenue is derived from revenue from room rental relating to the operation of Grand Hyatt Beijing and is recognised when the relevant services have been rendered while F&B revenue is derived from the sale of F&B items on the hotel premises including room service, hotel restaurants, banquets and catering for corporate and personal events or meetings. Other revenue is generally derived from hotel-related businesses such as the provision of ancillary services to hotel customers, including revenue from business centre services, rental of conference facilities, charges for laundry services, telephone charges, fitness centre fees and sales in the lobby shop.

#### *Room revenue*

The forecast of the room revenue has been prepared by considering expected occupancy rates and average room rates based on the following factors:

- (i) Grand Hyatt Beijing's operating performance history
- (ii) Seasonality — As Grand Hyatt Beijing is positioned as a business hotel, the peak season for Grand Hyatt Beijing (when occupancy and average room rates are higher) is from April to June and September to November, while the low season is from December to January. The remaining months of March, July and August, make up the shoulder season when occupancies and room rates are generally moderate.
- (iii) Estimated average room rate charged by competitors.

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For the Forecast Period, average occupancy and room rates for Grand Hyatt Beijing are projected based on the anticipated market outlook for the hospitality sector in Beijing.

*F&B revenue*

Increase in F&B revenue for the Forecast Period has been assumed based on the anticipated increase in the number of guests of Grand Hyatt Beijing.

*Other revenue*

The increase in other revenue for the Forecast Period is assumed based on the anticipated increase in revenue from ancillary services as a result of the expected increase in average occupancy rate during the Forecast Period.

**Rental related income**

Rental related income for the Forecast Period has been assumed to remain at a similar level to the previous year.

**Foreign currency exchange gain**

No assumption has been made as to any change in the foreign exchange rate during the Forecast Period as there is no reliable basis for determining such rate as at any future date.

**Hotel inventories consumed**

A stable profit margin has been assumed throughout the Forecast Period. For the Forecast Period, increase in hotel inventories has been assumed which is in line with the assumed increase in forecast revenue from food & beverage over the same period.

**Staff costs**

The decrease in staff costs over the Forecast Period is mainly due to the expiry of the employment contracts of existing permanent staff for the same period. Since 2008, BOP has been recruiting contract employees through recruitment agencies upon expiry of employment contracts of existing permanent staff. The Manager expects that no directors' emolument for the Directors will be paid over the Forecast Period.

**Depreciation and amortisation**

Depreciation is forecasted to increase because capital expenditure for Grand Hyatt Beijing has been planned for the Forecast Period and depreciation is provided for property, plant and equipment based on American Appraisal's valuation as at 31 January 2011.

It has been assumed that Hui Xian REIT's capital expenditure programmes will be implemented on schedule and there will be no material disposals of property, plant and equipment.

**Business tax, municipal maintenance tax, and education surcharge**

Business tax is charged at 5.0% on the total income of the REIT. Before 1 December 2010, neither municipal maintenance tax nor education surcharge would apply to foreign-invested enterprises. However, starting from 1 December 2010, according to the Notice on Relevant Issues for Municipal Maintenance Tax and Education Surcharge Imposed on Foreign-invested Enterprises (Caishui [2010] No. 103), and the Notice of the State Council on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-invested Enterprises and Individuals

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(Guofa [2010] No. 35), the State Council has decided to unify the policies of municipal maintenance tax and education surcharges for foreign-invested enterprises, foreign individuals and domestic enterprises. Therefore, both municipal maintenance tax and education surcharge became applicable to foreign-invested enterprises calculated on business tax incurred as from 1 December 2010.

#### **Leasing agency fee**

A commission equivalent to 1-2 months of effective rent is paid to agents for securing new tenants for The Malls, The Tower Offices and The Tower Apartments. For Grand Hyatt Beijing, a commission of 10.0% is paid for room bookings made through agents. Leasing agency fees are forecasted to increase during the Forecast Period on the assumption that more business will be referred through these agents.

#### **Property management fee**

The property management fee is projected to increase during the Forecast Period, and it is assumed for the purpose of the forecast that the Property Manager will be officially established upon listing. The Property Manager will provide business advisory and management services, marketing and leasing management services and property management co-ordination services in relation to Oriental Plaza (excluding Grand Hyatt Beijing) to BOP and will, in return, receive from BOP a Property Manager's fee of 1.0% per annum of NPI (before deduction therefrom of the Variable Fee and the Property Manager's fee). It is also assumed that the hotel management fee payable to the Hotel Manager will increase during the Forecasted Period based on the increase in business operation of Grand Hyatt Beijing for the same period.

#### **Repair and maintenance and other miscellaneous expense**

Repair and maintenance and other miscellaneous expenses are estimated based on the contracted repair and maintenance charges and those maintenance expenses that are expected to be incurred in the Forecast Period. Repair and maintenance expense is expected to increase in the Forecast Period as some repair and maintenance expenditure was held back in the first half of 2010 after the economic downturn in 2009.

#### **Urban real estate tax**

Urban real estate tax represents tax paid on the Property. Upon issuance of Cai Shui [2010] No.121 in December 2010, land cost being the cost of obtaining the land use right or construction cost incurred for land, will be included in the tax base for the calculation of urban real estate tax. Land cost is included in the calculation of urban real estate tax in the Forecasted Period.

#### **Change in fair value of investment properties**

The Appraised Value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) is RMB25,180 million as at 31 January 2011 as assessed by the Independent Property Valuer. No assumption has been made as to any change in the market value of investment properties during the Forecast Period as there is no reliable basis for determining the market value for the investment properties as at any future date.

#### **Finance costs**

The forecast financial expenses are estimated based on the expected level of borrowings at the current rates of interest.

The amount represents the interest expense accrued on bank loans at 90.0% of the prevailing interest rate quoted by the People's Bank of China, being 5.598% per annum effectively, as per the terms of the bank loan agreement. As at 31 October 2010, BOP had a US dollars loan of

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US\$60.46 million and an RMB loan of RMB1.1 billion. The reduction in the total finance costs in the Forecast Period is due to the full repayment of the US Dollar loan in November 2010 and the partial repayment of RMB600 million, RMB200 million, and RMB100 million of the RMB loan in December 2010, March 2011 and April 2011 respectively, leaving an assumed balance of the RMB loan of approximately RMB200 million for the Forecast Period.

It is assumed that the Manager will obtain the Facility during the Forecast Period to finance the distribution and working capital of Hui Xian REIT.

#### **REIT expenses**

REIT expenses comprises Manager's fee, Trustee's fee and trust expenses.

##### *Manager's fee*

Manager's fee comprises base and variable fees. Base fee is calculated at 0.3% of the Appraised Value of Oriental Plaza as at 31 January 2011 while the variable fee portion is calculated at 2.0% of NPI of the REIT before such fees for the Forecast Period.

##### *Trustee's fee & expense*

For the Forecast Period, the trustee is entitled to receive a remuneration of 0.01% per annum of the Appraised Value of Oriental Plaza as at 31 January 2011.

Trust expenses comprise recurring operating expenses of the REIT including annual listing fees, registrar fees, accounting fees and tax adviser's fees, costs associated with the preparation and distribution of reports to Unitholders and other miscellaneous expenses.

#### **Income tax expense**

Income tax expense mainly represents PRC Enterprise Income Tax arising from BOP. BOP is subject to PRC Enterprise Income Tax of 25.0%.

Distributions from the subsidiaries in PRC to the holding companies are assumed to be subject to a withholding tax of 5.0%.

Deferred tax mainly arises from accelerated tax depreciation and withholding tax on profits to be distributed by BOP.

#### **Exchange difference on translation on financial statements**

No assumption has been made as to any change in the foreign exchange rate during the Forecast Period as there is no reliable basis for determining such rate as at any future date.

#### **Accounting Standards**

The Manager has assumed no change in the applicable accounting standards or any other financial reporting requirements that may have a material effect on the forecast profit over the period from the Listing Date to 30 June 2011.

#### **Other Assumptions**

The following are other assumptions relating to the forecasts:

- There will be no material change in the existing political, legal, fiscal, market or economic conditions in Hong Kong or the PRC;

## PROFIT FORECAST

- There will be no change in legislation, regulation or rule in Hong Kong or the PRC, or any other country or territory which materially adversely affects the business of Hui Xian REIT;
- Hui Xian REIT's operation and business will not be severely interrupted by any force majeure events, unforeseeable factors, or unforeseeable reasons that are beyond the control of the Manager, including the occurrence of natural disasters, catastrophes (such as earthquakes, floods and typhoons), epidemics or serious accidents;
- Interest rates will not differ materially from those presently prevailing;
- There will be no material change in the bases or applicable rates of taxation in the countries in which Hui Xian REIT operates or in the countries in which Hui Xian REIT or its subsidiaries were incorporated;
- There will be no change to the REIT Code;
- Forecast other income is not expected to be significant;
- Forecast expenditure other than financial expenses is estimated by reference to the actual expenditure of the last financial year, after taking into account an allowance for expansion of operations;
- No interest income for the proceeds of the offering is taken into account for the Forecast Period;
- There will be no further capital raising within the Forecast Period after the listing;
- All leases and licenses are enforceable and will be performed in accordance with their terms;
- Hui Xian REIT will continue to enjoy its existing banking and credit facilities at the prevailing interest rates, terms and conditions;
- Hui Xian REIT's operations will not be adversely affected by interruptions of the supplies of materials (e.g., food & beverage items, renovation materials), labour disputes, commercial litigation, or for any reasons that are beyond the control of the Manager;
- Hui Xian REIT's operations, results and financial condition will not be materially and adversely affected by the risk factors set out in the "Risk Factors" section in the Offering Circular;
- The property portfolio remains unchanged throughout the Forecast Period;
- There will be no material change in the physical condition of Oriental Plaza;
- The Manager will distribute 100.0% of Annual Distributable Income to Unitholders for the Forecast Period, and as a result, distribution reinvestment arrangement will not be triggered; and
- Hui Xian REIT will not make use of any financial instruments during the Forecast Period.

### Distribution Reinvestment Arrangement

Pursuant to the Trust Deed, the Manager may advise Unitholders from time to time in writing that the Unitholders may on terms specified in the notice participate in an arrangement under which Unitholders may request that all or a proportion of specific distributions due to them be applied to the issue of further Units.

### Sensitivity Analysis

The profit forecast and projected distributions included in this Offering Circular are based on a number of assumptions which are outlined in this section and are subject to a number of risks as outlined in the section headed "Risk Factors" in this Offering Circular. Prospective investors should be

## PROFIT FORECAST

aware that future events cannot be predicted with any certainty and deviations from the figures forecast in this Offering Circular are to be expected.

In order to assist prospective investors in assessing the impact of some but not all assumptions on the distribution, the following tables demonstrate the sensitivity of the DPU to certain changes in assumptions as set forth below. It should also be noted that DPU as discussed below assumes that the Manager will distribute to Unitholders 100.0% of Distributable Income for the period from the Listing Date to 30 June 2011 and will distribute no additional amounts out of capital. Accordingly, the sensitivity illustrations are based exclusively on movements in Distributable Income resulting from the circumstances considered.

Prospective investors should be aware that the sensitivity analysis is not intended to be exhaustive and is limited in scope in that not all principal assumptions or other assumptions which are relevant to the figures forecast or projected in this Offering Circular have been examined or reviewed in this sensitivity analysis.

Care should be taken in interpreting these sensitivities. These sensitivities treat each movement in the variables in isolation whereas, in practice, the movements could be interdependent. The effects of movements may offset or compound each other. Accordingly, the effect on the profit forecast presented for each sensitivity is not intended to indicate the likely range of outcomes with respect to each sensitivity. No attempt is made to identify the cause of any potential variation, or to identify or quantify any consequential or related changes or variations in other lines.

Results of a sensitivity analysis of the impact of changes in revenue and rental related income, operating expenses and fair value of investment properties of Hui Xian REIT in forecast profit are as follows:

The following data is extracted from Hui Xian REIT's distributed data for the Forecast Period, which is from the Listing Date to 30 June 2011.

	<u>RMB Million</u>	
<b>Distribution data:</b>		
Profit for the period .....		140
Adjustments .....		53
Income available for distribution .....		<u>193</u>
Number of Units in issue .....		5,000
Distribution per Unit (RMB) .....		0.0386
	<u>Changes in Annualised profit per unit</u>	<u>Changes in Annualised DPU</u>
	%	%
<i>Revenue and rental related income</i>		
5.0% increase in revenue and rental related income .....	10.0	7.0
5.0% decrease in revenue and rental related income .....	-10.0	-7.0
<i>Operating expenses</i>		
5.0% increase in operating expenses .....	-2.0	-2.0
5.0% decrease in operating expenses .....	2.0	2.0
<i>Property valuation</i>		
5.0% increase in fair value of the investment properties of Oriental Plaza (approximately RMB26,439 million) .....	116.0	—
5.0% decrease in fair value of the investment properties of Oriental Plaza (approximately RMB23,921 million) .....	-116.0	Note (1)

Note:

(1) A 5.0% decrease in the fair value of the investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) may reduce the annualised distributable income to nil.

<b>PROFIT FORECAST</b>
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However, where the net profit of Hui Xian REIT is reduced in consequence of non-cash items such as a decrease in fair value of investment properties, cashflow for the period in question may potentially exceed Annual Distributable Income. Investors should note that the Manager may (but is not obliged to) distribute any excess cash resulting from non-cash costs reducing earnings such as those arising from a decrease in fair value of investment properties.

<b>STATEMENT OF DISTRIBUTIONS</b>
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None of Hui Xian REIT, the Manager, the Trustee and the Underwriters guarantees the performance of Hui Xian REIT, the repayment of capital or the payment of any (or any particular) return on the Units.

**Period from the Listing Date to 30 June 2011**

Unitholders will be paid, in the absence of unforeseen circumstances, a total DPU of RMB0.0386 in respect of the period from the Listing Date to 30 June 2011, representing an annualised distribution yield of 4.00% based on the Maximum Offer Price (excluding other transaction costs) and 4.26% based on the Minimum Offer Price (excluding other transaction costs) and which is not restricted from being paid out of the capital of Hui Xian REIT in the event this exceeds the distributable income for the period.

**Bases and Assumptions**

The above projected distribution yields are calculated based on the Maximum Offer Price and Minimum Offer Price (excluding other transaction costs). The distribution yield obtained by investors who purchase Units in the secondary market at a market price that differs from the Maximum Offer Price or Minimum Offer Price (excluding other transaction costs), calculated using such secondary market purchase price, will accordingly differ from the distribution yields stated above.

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## **STRUCTURE, MANAGEMENT AND AGREEMENTS**

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## REORGANISATION, STRUCTURE AND ORGANISATION

Hui Xian REIT was constituted by the Trust Deed entered into on 1 April 2011 between Hui Xian Cayman, the Manager and the Trustee.

### Reorganisation of Hui Xian BVI Group

The reorganisation of Hui Xian BVI Group has partly been effected, and is expected to be fully effected, in the manner described below:

- (i) Shareholder's loan and other intra-group amounts owing by Hui Xian Investment or Hui Xian BVI (on one hand) to Hui Xian Cayman or Hui Xian Holdings (on the other hand) were rearranged so that Hui Xian BVI will be indebted to Hui Xian Cayman for the Existing Borrowings prior to Completion.
- (ii) Hui Xian REIT was constituted by the Trust Deed executed on 1 April 2011 between Hui Xian Cayman, the Manager and the Trustee.
- (iii) On 7 April 2011, Hui Xian BVI declared a distribution of surplus in the amount of RMB7,300 million (being the Pre-Listing Distribution) to its then sole shareholder, Hui Xian Cayman, after the revaluation of Hui Xian BVI's assets. As at the Latest Practicable Date, the amount of the Pre-Listing Distribution remained unpaid by Hui Xian BVI to Hui Xian Cayman. Prior to Completion, Hui Xian BVI Group will be indebted to Hui Xian Cayman in the total amount of the Existing Indebtedness, comprising the Existing Borrowings and the amount of the above distribution which is expected to remain unpaid.
- (iv) On 8 April 2011, the Trustee (as trustee of Hui Xian REIT), the Manager, Hui Xian Cayman and Hui Xian Holdings entered into the Reorganisation Agreement, pursuant to which Hui Xian Cayman has agreed to transfer and assign to the Trustee (as trustee of Hui Xian REIT) the Hui Xian BVI Share and interests in the Assigned Indebtedness. Completion will take place on or before 28 April 2011 (or such other date as may be agreed between Hui Xian Cayman and the Manager). The consideration for the transfer and assignment of the Hui Xian BVI Share and the Assigned Indebtedness will be satisfied by the issuance of 2,700,000,000 Units (or such other number of Units as may be agreed between Hui Xian Cayman and the Manager), representing all the Units in issue as at the time of Completion, to Hui Xian Cayman. After Completion, Hui Xian Investment will be indirectly wholly-owned by the Trustee (as trustee of Hui Xian REIT), through its 100.0% interest in Hui Xian BVI. After Completion and prior to the completion of the Offering, all the Units in Hui Xian REIT will be owned by Hui Xian Cayman. See the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — Reorganisation Agreement" in this Offering Circular for further details of the Reorganisation Agreement.
- (v) Upon Completion, Hui Xian BVI will be indebted to Hui Xian Cayman in the total amount of the Existing Indebtedness less the amount of the Assigned Indebtedness. Following completion of the Offering, the proceeds (net of all fees and charges) from the Offering will be used for lending to Hui Xian BVI for repaying the Existing Indebtedness (less the Assigned Indebtedness) owing by Hui Xian BVI to Hui Xian Cayman immediately on the Listing Date.

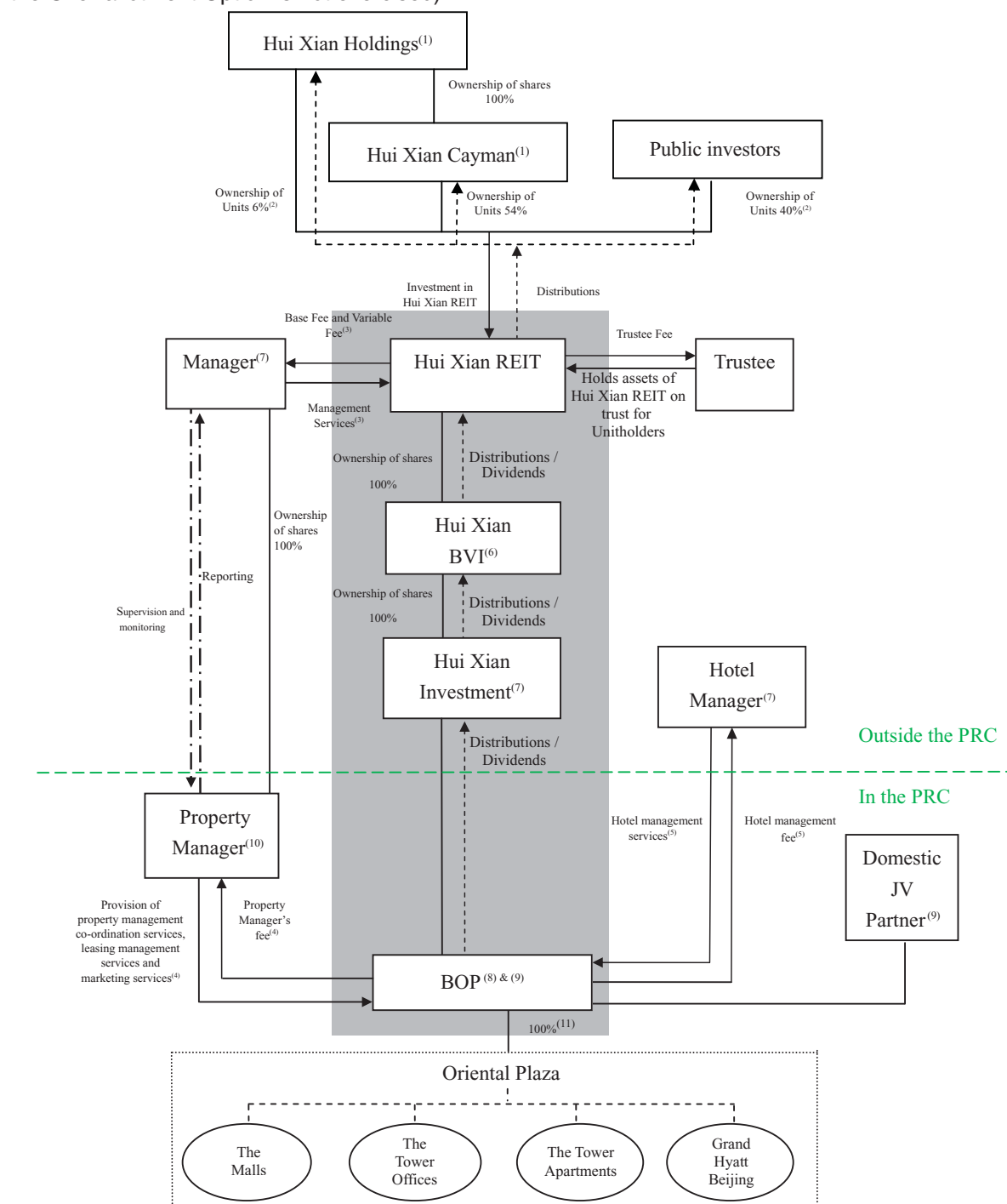
### Subscription by Hui Xian Holdings

On 8 April 2011, Hui Xian Holdings entered into a subscription agreement with the Manager pursuant to which it has agreed to subscribe at the Offer Price for 300,000,000 Units, representing 6.0% of the Units following completion of the Hui Xian Holdings Subscription and the Offering.

## REORGANISATION, STRUCTURE AND ORGANISATION

### Ownership Structure and Primary Contractual Relationships

The following diagram depicts the ownership structure of Hui Xian REIT and the primary structural and contractual relationships between, among others, Hui Xian REIT, the Unitholders, the Manager, the Trustee, the Property Manager and the Hotel Manager, upon completion of the Offering (assuming the Over-allotment Option is not exercised).



## REORGANISATION, STRUCTURE AND ORGANISATION

### Notes:

- (1) Hui Xian Cayman is a direct wholly-owned subsidiary of Hui Xian Holdings which in turn is ultimately owned by a consortium of six investors. These investors are Cheung Kong (as to approximately 33.4%), HWL (as to approximately 17.9%), BOC (as to approximately 19.8%), OOIL (as to approximately 7.9%), China Life (as to approximately 19.8%) and Cranwood (as to approximately 1.2%). Cheung Kong, HWL, BOC, OOIL and China Life together hold approximately 98.8% of the issued share capital of Hui Xian Holdings, representing all the voting shares of Hui Xian Holdings. The remaining issued share capital (approximately 1.2%) of Hui Xian Holdings consists of non-voting shares and such shares are owned by Cranwood. Cranwood is an associated company of HWL (within the meaning of the REIT Code) because of companies in which each of them has shareholding. Notwithstanding that, as the Manager understands, Cranwood is not a connected person of Hui Xian REIT. See the section headed “Information about Hui Xian Cayman” in this Offering Circular for further information concerning Hui Xian Cayman.
- (2) Pursuant to the Unit Borrowing Agreement to be entered into, the Units of Hui Xian Holdings to be subscribed for under the Hui Xian Holdings Subscription Agreement (which will be equivalent to 6.0% of the issued Unit capital of Hui Xian REIT as enlarged by the Hui Xian Holdings Subscription and the Offering) may be borrowed from Hui Xian Holdings to cover any over-allocations in the International Offering. Taking any such over-allocations into consideration, the Unitholding of investors (other than Hui Xian Cayman and Hui Xian Holdings) upon completion of the Offering may be greater than 40.0%, up to a maximum of 46.0%. Further, in the event that the Over-allotment Option is exercised, Hui Xian Holdings’ holding of Units will be reduced. In the event that the Over-allotment Option is exercised in full, Hui Xian Holdings will cease to hold any Units. See the section headed “Structure of the Offering — Over-allotment Option and Stabilisation” in this Offering Circular for further details.
- (3) The Manager will provide management services to Hui Xian REIT and will, in return, receive the Base Fee and Variable Fee from Hui Xian REIT.
- (4) The Property Manager will provide business advisory and management services, marketing and leasing management services and property management co-ordination services in relation to Oriental Plaza (excluding Grand Hyatt Beijing) to BOP and will, in return, receive a Property Manager’s fee from BOP.
- (5) The Hotel Manager provides hotel management services to BOP and, in return, receives hotel management fee from BOP.
- (6) Incorporated in BVI.
- (7) Incorporated in HK. The Manager is wholly-owned by World Deluxe Enterprises Limited, which in turn is owned by CSI REITs Investment Management Company Limited, Wealth Finder Limited and ARA Hui Xian (Holdings) Limited, being the indirect wholly-owned subsidiaries of CITIC Securities International, Cheung Kong and ARA, respectively. For details, see the section headed “The Manager and the Property Manager” in this Offering Circular.
- (8) Established in the PRC as a Sino-foreign co-operative joint venture company.
- (9) For a summary of the key rights and obligations of Hui Xian Investment and the Domestic JV Partner, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents” in this Offering Circular.
- (10) The Property Manager is in the course of being established in the PRC as a wholly-owned subsidiary of the Manager.
- (11) BOP holds the land use rights and building ownership rights in respect of Oriental Plaza for a term of 50 years until 21 April 2049.

### **Control over the Management of BOP and Title to Oriental Plaza**

BOP is a Sino-foreign co-operative joint venture company established in the PRC in January 1999 by Hui Xian Investment (as the foreign joint venture partner) and the Domestic JV Partner.

Pursuant to the JV Documents, BOP was established for a finite term of 50 years (expiring in 2049) for the sole purpose of holding the land use rights and building ownership rights in Oriental Plaza which have a remaining term of about 38 years and operating Oriental Plaza. It is the understanding of Hui Xian Investment that using a Sino-foreign co-operative joint venture structure and partnering with a PRC domestic party was probably the only viable and practical option to acquire the land use rights and building ownership rights at the time of the establishment of BOP, taking the size and strategic location of Oriental Plaza into consideration. It was not within the control of Hui Xian Investment to dictate, at the time when BOP was established, that a wholly-foreign owned enterprise could obtain the land use rights and building ownership rights. The Manager also believes that it would be very difficult, and certainly not within the control of Hui Xian Investment, for the holding structure of BOP or Oriental Plaza to be changed to a wholly-foreign owned structure.

After the Completion, Hui Xian REIT will directly or indirectly hold a number of layers of Special Purpose Vehicles, including Hui Xian Investment and BOP. Hui Xian REIT will indirectly own the entire issued share capital of Hui Xian Investment but it will not have any interest in the Domestic JV Partner.

## REORGANISATION, STRUCTURE AND ORGANISATION

Pursuant to the JV Documents, the Domestic JV Partner is entitled to receive the Relevant Amount from BOP. Hui Xian Investment has contributed to the registered capital of BOP (being US\$600 million) in full. The Domestic JV Partner has received in full the Relevant Amount. Accordingly, Hui Xian Investment is entitled to all profit distributions of BOP for the remainder of the term of BOP, and the Domestic JV Partner no longer has any entitlement to receive distribution from or has any financial interest in BOP except after the expiry or early termination of the joint venture period. When BOP's joint venture term expires in 2049 (unless extended), after the discharge of the liabilities of BOP and the liquidation of BOP, and after the repatriation to Hui Xian Investment of Hui Xian Investment's original capital investment, the fixed assets of BOP (including Oriental Plaza) will pass to and belong to the Domestic JV Partner for no consideration and that any remaining assets (other than the fixed assets) of BOP will be distributed between Hui Xian Investment (as to 60.0%) and the Domestic JV Partner (as to 40.0%). The registered capital injected by Hui Xian Investment to BOP amounted to US\$600 million. Accordingly, until after the expiry or early termination of the joint venture term of BOP when the fixed assets and the remaining assets will be distributed, the Domestic JV Partner has no entitlement to receive any financial benefits from BOP. As at 28 February 2011, the total amount owed by BOP to Hui Xian Investment is RMB1,655 million.

As advised by Commerce and Finance Law Offices, the PRC legal advisers to the Manager, Hui Xian Investment has control over the management of BOP. First of all, Hui Xian Investment is entitled to nominate 9 out of 12 directors to the board of BOP. Secondly, the day-to-day operations of BOP vest entirely with Hui Xian Investment. Pursuant to the JV Documents, the Domestic JV Partner is obliged to assist Hui Xian Investment in the business and operation of BOP (see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents — Initial roles" for further details) and it has undertaken to actively support all resolutions proposed for decision at the board of BOP, so as to enable the business of BOP to be implemented and developed smoothly, so long as the legal existence of BOP and the ownership by the Domestic JV Partner of the fixed assets of BOP after the expiry of the joint venture term and the right of the Domestic JV Partner to receive the distribution of the remaining assets of BOP after the expiry of the joint venture term are not jeopardised. Furthermore, pursuant to the JV Documents, the directors as nominated by Domestic JV Partner is regarded as agreeing to any board resolutions passed at a board meeting of BOP if such directors are absent from, and they fail to appoint a representative to attend, such meeting, so long as BOP has duly performed its obligation of meeting notification.

There are only a few specified important matters of BOP for which unanimous approval of directors of BOP present at a meeting is required. Those matters include: (i) amendments of the articles of association, (ii) increase, reduction or transfer of registered capital, (iii) termination or dissolution, (iv) mortgage of assets, (v) merger, demerger or change in organisation structure, (vi) matters involving the right to use the properties of BOP (including Oriental Plaza) and other fixed assets ancillary to it beyond the expiration of the joint venture term in 2049, and (vii) dealings with the ownership rights of the properties of BOP (including Oriental Plaza) and other fixed assets ancillary to it. The Manager understands that those matters are stipulated under PRC law, except for items (vi) and (vii) above. The Manager does not believe that the unanimous approval requirement of those matters would materially adversely affect Hui Xian REIT's control over the day-to-day operations of BOP or the divestment of Hui Xian REIT's indirect investment in Oriental Plaza as such divestment can take the form of sale of Hui Xian REIT's interest in Hui Xian BVI or Hui Xian Investment, as to which the PRC legal advisers to the Manager have advised the Manager that a change in the shareholding of Hui Xian BVI or a change in the shareholding of Hui Xian Investment, and thus the sale of such interest in Hui Xian BVI or Hui Xian Investment, does not require the consent of the Domestic JV Partner or the approval of any PRC authorities or the consent of any other third parties pursuant to any existing contracts entered into by BOP. The PRC legal advisers to the Manager have also advised the Manager that no such consent or approval is required in respect of the listing of the Units.

Given the entitlement of Hui Xian Investment to all the profit distributions for the remainder of BOP's joint venture term, its directors nomination right and the control that Hui Xian Investment can exert over the day-to-day operations of BOP, the Manager considers that Hui Xian REIT will through

## REORGANISATION, STRUCTURE AND ORGANISATION

Hui Xian Investment have majority ownership and control over BOP and that BOP, in substance, can be considered as a Special Purpose Vehicle as contemplated under Rule 7.5 of the REIT Code.

The Manager is advised by Commerce and Finance Law Offices, its PRC legal advisers, that the JV Documents are legal, valid, binding and enforceable.

The Manager is also advised by its PRC legal advisers that BOP is the sole owner of the land use rights and building ownership rights of Oriental Plaza, and that such rights are free from encumbrances other than the existing mortgages and tenancies. As Hui Xian REIT, through Hui Xian Investment, has majority ownership and control over BOP, the requirements under Rule 7.7 of the REIT Code relating to property title are regarded as complied with.

The land use rights and building ownership rights in Oriental Plaza have a remaining term of about 38 years until 2049. The valuation of Oriental Plaza is prepared by the Independent Property Valuer on the basis of capitalisation of the net income generated or to be generated from the tenancies and the operation of Grand Hyatt Beijing for the remaining term of the land use rights and building rights. The length of such remaining term has thus been taken into account in the valuation and substantial value is attached to Oriental Plaza by the Independent Property Valuer. As the Manager understands, in preparing the valuation report, the Independent Property Valuer has not attached a substantial discount to the valuation of Oriental Plaza, solely due to the fact that BOP is a Sino-foreign cooperative joint venture.

The factual information and legal status of BOP, Oriental Plaza and the JV Documents set out in this section above is confirmed by the legal opinion of Commerce and Finance Law Offices, the Manager's PRC legal advisers.

See the section headed "Material Contracts and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular for further details.

### **Certain Salient Information about BOP as a Sino-foreign Cooperative Joint Venture**

#### ***Legal Form of BOP and Title in respect of Oriental Plaza***

Oriental Plaza is held by BOP, a cooperative joint venture enterprise established in the PRC in 1999 with Hui Xian Investment as the foreign investor and the Domestic JV Partner as the domestic investor (see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular). The joint venture period of BOP is 50 years from 25 January 1999 to 24 January 2049 and the remaining term is approximately 38 years. BOP was granted the Land Use Rights Certificate in respect of the piece of land on which Oriental Plaza is situated by the People's Government of Beijing Municipality (北京市人民政府) for the period from 22 April 1999 to 21 April 2049 and the Building Ownership Certificate in respect of the buildings of Oriental Plaza by the Beijing Municipal Commission of Construction (北京市建設委員會), the predecessor of Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會).

Upon the expiry of the joint venture period of BOP on 24 January 2049, Hui Xian Investment (and thus Hui Xian REIT) will cease to have any direct or indirect interest in Oriental Plaza or income generated from it. As such, unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of the joint venture period of BOP, the value of the Hui Xian REIT's real estate investment will be diminishing over time and will have zero value at the end of the joint venture period in January 2049. For details, see the section headed "Risk Factors — The joint venture period of BOP is of limited duration, and BOP will be dissolved and Hui Xian REIT's interest in Oriental Plaza will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049." in this Offering Circular.

Pursuant to the JV Documents, the Domestic JV Partner is entitled to receive the Relevant Amount and Hui Xian Investment shall contribute to the registered capital of BOP. The Domestic JV Partner

## REORGANISATION, STRUCTURE AND ORGANISATION

has received the Relevant Amount in full and Hui Xian Investment has contributed to the registered capital of BOP in full. Accordingly, Hui Xian Investment is entitled to all profit distributions of BOP for the remainder of the term of BOP.

Hui Xian Investment is entitled to nominate nine out of 12 directors to the board of BOP and the day-to-day operations of BOP vest entirely with Hui Xian Investment.

For further information regarding the entitlements to profit distributions of BOP, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents — Profit distributions” and for further information regarding the management control over BOP and BOP’s title to Oriental Plaza, see the section headed “Reorganisation, Structure and Organisation — Control over the Management of BOP and Title to Oriental Plaza”.

### ***Termination of the Joint Venture Period of BOP***

#### **(i) Grounds of termination**

The joint venture period of BOP:

- (a) will expire on 24 January 2049 at the end of the joint venture period as stated in the JV Documents (unless extended but potential investors should assume there will not be any extension (see the risk factor under the section headed “Risk Factors — The joint venture period of BOP will expire before the expiry date of the existing term of the land use rights and building ownership rights, and thus Hui Xian REIT will not benefit from any extension of such term”)); or
- (b) will terminate prior to the expiration of the joint venture period as a result of (i) force majeure or difficulty in carrying out the terms of the JV Documents, or BOP suffers from years of losses and with the unanimous approval of the board of directors of BOP and upon the approval of the relevant PRC approving authority, (ii) upon the approval of the relevant PRC approving authority on the application by the non-defaulting party on the ground of non-performance or serious breach by Hui Xian Investment or the Domestic JV Partner (as the case may be) of its obligations under the JV Documents resulting in BOP being unable to continue to operate or the operating purpose provided under the JV Documents cannot be achieved; or (iii) the unanimous approval of the dissolution of BOP by the directors present at a meeting of the board of directors of BOP and with the approval of the relevant PRC approving authority. To the knowledge of the Manager, as at the Latest Practicable Date, there was no non-compliance or breach by Hui Xian Investment or the Domestic JV Partner of their respective obligations under the JV Documents which will entitle the Domestic JV Partner or Hui Xian Investment, as applicable, to apply for an early termination of the joint venture period of BOP.

#### **(ii) Asset distribution upon termination**

Depending on the circumstances upon which the joint venture period of BOP is terminated, the assets of BOP to be distributed to Hui Xian Investment and the Domestic JV Partner upon early termination and upon expiry of the joint venture period may be different.

Under the JV Documents and relevant PRC laws and regulations, after the discharge of liabilities of BOP (including the repayment of shareholder’s loan owing by BOP) and the liquidation of BOP, the remaining assets of BOP will be distributed as mentioned below:

##### **(a) *Expiration of the joint venture period***

Upon the expiration of the joint venture period of BOP, the capital injected into BOP by Hui Xian Investment (to the extent not already repatriated to it) will be repatriated to Hui Xian Investment out of the assets of BOP (including its fixed assets). The registered capital

## REORGANISATION, STRUCTURE AND ORGANISATION

injected by Hui Xian Investment to BOP amounted to US\$600 million. Up to the Latest Practicable Date, there had been no repatriation of the registered capital injected to BOP by Hui Xian Investment. After such repatriation of injected capital to Hui Xian Investment, the fixed assets of BOP (including Oriental Plaza) will pass to and belong to the Domestic JV Partner for no consideration. After that, any remaining assets of BOP will be distributed between Hui Xian Investment (as to 60.0%) and the Domestic JV Partner (as to 40.0%). If the assets (other than fixed assets) of BOP are insufficient for the repatriation of Hui Xian Investment's injected capital, part of BOP's fixed assets will be realised and the proceeds thereof will be used to pay Hui Xian Investment for the shortfall.

- (b) *Early termination on the ground of force majeure or difficulty in carrying out the terms of the JV Documents other than due to the default of any joint venture party*

Upon the termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of force majeure or difficulty in carrying out the terms of the JV Documents, other than due to the default of Hui Xian Investment or the Domestic JV Partner, Hui Xian Investment will be entitled to receive repatriation of the capital injected by it to BOP (to the extent not already repatriated to it) plus a return on the amount of the capital injected by Hui Xian Investment giving an annual rate of return of, if the termination occurs within the first 15 years of the joint venture period, 16.5% or, if the termination occurs after the 15th anniversary of the joint venture period, 16.5% for the first 15 years of the joint venture period and 10.0% for the period after the first 15 years period. As the Domestic JV Partner had been paid the Relevant Amount in full, if the remaining assets of BOP are not sufficient for paying Hui Xian Investment the aforesaid amounts in full, all such remaining assets will belong to Hui Xian Investment; and if the assets of BOP are more than sufficient for paying the aforesaid amounts to Hui Xian Investment in full, the excess shall be distributed between Hui Xian Investment and the Domestic JV Partner in the proportions of 60.0% and 40.0% respectively.

- (c) *Early termination on the ground of the default of Hui Xian Investment*

Upon the termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of the default of Hui Xian Investment, Hui Xian Investment will be entitled to receive repatriation of the capital injected by it to BOP (to the extent not already repatriated to it). Since the Domestic JV Partner has already received the Relevant Amount in full, any assets (including any fixed assets) of BOP remaining after the repatriation of injected capital to Hui Xian Investment mentioned aforesaid will be distributed between Hui Xian Investment and the Domestic JV Partner in the proportions of 60.0% and 40.0% respectively; however, if Hui Xian Investment or BOP acts in a manner contrary to the terms of the JV Documents and the entitlement of the Domestic JV Partner to receive the fixed assets of BOP upon expiry of the joint venture period is jeopardised as a result thereof, Hui Xian Investment shall compensate the Domestic JV Partner.

- (d) *Early termination on the ground of default of the Domestic JV Partner*

Upon termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of the default of the Domestic JV Partner, all remaining assets (including any fixed assets) will belong to Hui Xian Investment which shall have the full right to dispose of such assets.

- (e) *By unanimous approval at a board meeting of BOP*

All remaining assets will be distributed in such manner as Hui Xian Investment and the Domestic JV Partner may agree and as approved by the relevant approving authority.

## **REORGANISATION, STRUCTURE AND ORGANISATION**

For further details, see the sections headed “Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents — Expiration of the joint venture period”, “Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents — Early termination of the joint venture period” of, and the paragraph headed “PRC Laws Regarding Sino-foreign Cooperative Joint Ventures — Termination” in Appendix IX to, this Offering Circular.

## THE MANAGER AND THE PROPERTY MANAGER

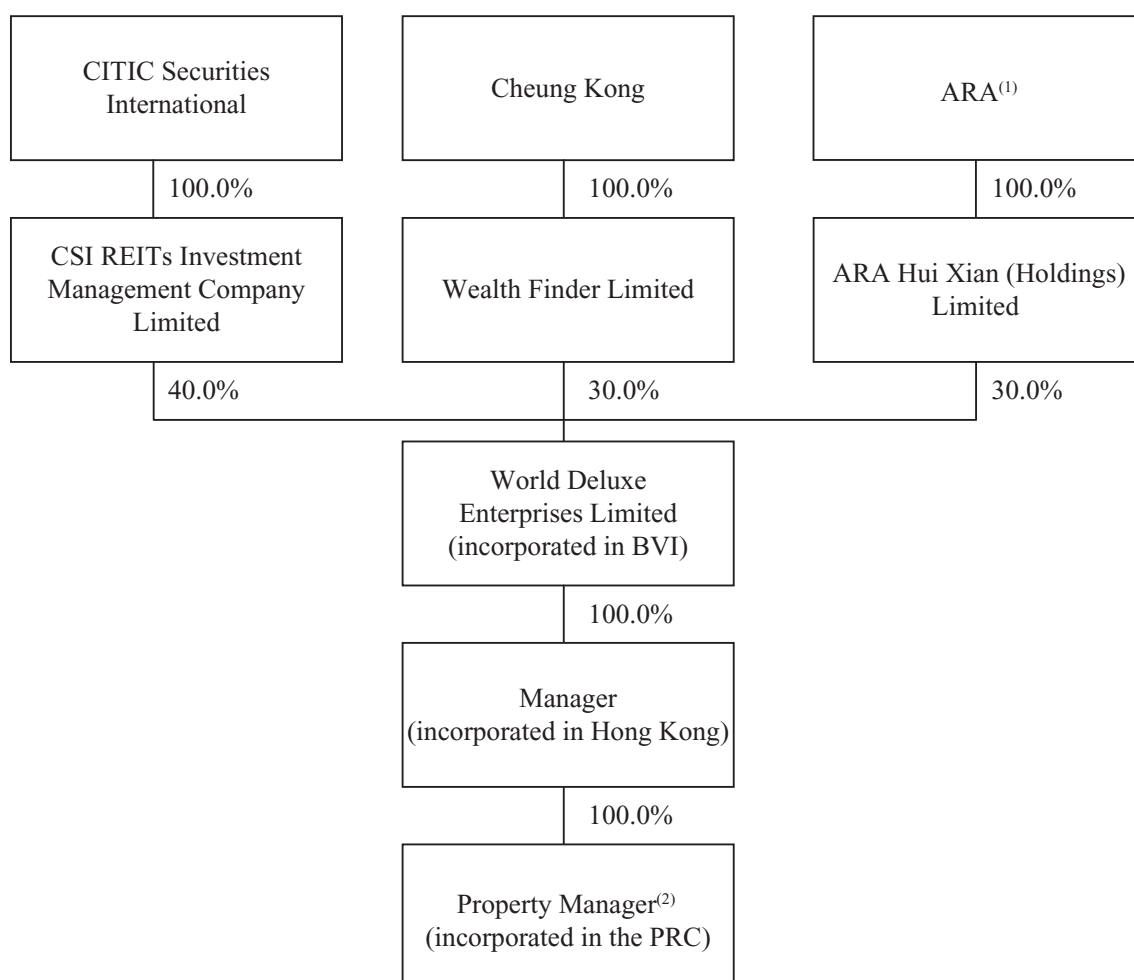
Hui Xian REIT is organised and managed in a manner which is consistent with the provisions and requirements of the REIT Code, subject to those as described in the section headed “Modifications, Waivers and Licensing Conditions” in this Offering Circular. The Manager is independent of the Trustee and possesses the skill and resources to discharge its functions in relation to Hui Xian REIT effectively and responsibly. In discharging such functions, the Manager is required to observe high standards of corporate governance. For details of the corporate governance policies and procedures of the Manager, see the section headed “Corporate Governance” in this Offering Circular.

### The Management of Hui Xian REIT

#### *The Manager*

The Manager, Hui Xian Asset Management Limited, was incorporated in Hong Kong on 26 October 2010 for the sole purpose of managing Hui Xian REIT. The Manager has a paid-up capital of HK\$5 million and its registered office is located at Unit 1203, 12/F, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

The simplified shareholding structure of the Manager as at the Latest Practicable Date is set out below:



Notes :

(1) The issued shares in ARA were held as to 15.6% by the Cheung Kong Group and two out of seven directors of ARA are nominees of the Cheung Kong Group as at the Latest Practicable Date. The nominees of Cheung Kong group on ARA’s board are non-executive directors of ARA and do not participate in the day-to-day management of ARA. These Cheung Kong group nominated directors are also required to abstain from voting on resolutions proposed at board meetings of ARA in which they or Cheung Kong group have material interest.

(2) In the process of being established.

<b>THE MANAGER AND THE PROPERTY MANAGER</b>
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***The Property Manager***

The Property Manager (to be named as 北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited (for identification purposes only))), which will be wholly-owned by the Manager, is in the course of being established in the PRC to take up certain functions and services relating to the management of Oriental Plaza (other than Grand Hyatt Beijing which is managed by the Hotel Manager pursuant to the Hotel Management Agreement (see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — Hotel Management Agreement” in this Offering Circular)) which are currently performed by BOP and which will be performed by the Property Manager pursuant to the Operations Management Agreement after its establishment and the Operations Management Agreement is entered into, and will be a delegate of the Manager. The Property Manager, which will have a local presence in the PRC, will be able to facilitate the management of Oriental Plaza (other than Grand Hyatt Beijing) for the Manager. As the Property Manager will be a wholly-owned subsidiary of the Manager, the Manager will have the overall management and supervision of the Property Manager in respect of its performance of the functions and services pursuant to the Operations Management Agreement.

As at the Latest Practicable Date, it is expected that the business licence of the Property Manager will be issued by the State Administration for Industry and Commerce in mid-April or thereabouts, and the Property Manager will be officially established after the issuance of that licence. The Property Manager will become fully operational after completing the relevant administrative registrations.

The relevant information regarding the establishment of the Property Manager will be included in the interim and/or annual report of Hui Xian REIT after Listing.

**Duties of the Manager and the Property Manager*****Duties of the Manager***

The Manager has general power of management over the assets of Hui Xian REIT. The Manager's main responsibility is to manage the assets of Hui Xian REIT for the benefit of the Unitholders and to provide Unitholders with stable distributions per Unit. The Manager is not involved in any other REIT. The Manager will set the strategic direction and risk management policies of Hui Xian REIT and give directions to the Trustee on the acquisition, divestment or enhancement of assets of Hui Xian REIT in accordance with its stated investment strategy. The Manager will manage the assets of Hui Xian REIT in accordance with the Manager's investment strategy as stated in the section headed “Strategy” in this Offering Circular and in accordance with the provisions of the Trust Deed and the compliance procedures set forth in this Offering Circular. The Manager is licensed by the SFC to conduct the regulated activity of asset management, as required by the REIT Code.

Further, the Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of Hui Xian REIT's assets.

The Manager will be responsible for appointing (with the approval of the Trustee) and reviewing the performance and eligibility of the auditors of Hui Xian REIT and the auditors for Special Purpose Vehicles.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the REIT Code, the SFO, the Listing Rules, the Trust Deed, all relevant contracts and all other relevant laws, rules and regulations. The Manager will be responsible for all regular communications with Unitholders.

## THE MANAGER AND THE PROPERTY MANAGER

The Manager may at its sole and absolute discretion whenever it considers necessary or beneficial to Hui Xian REIT require in writing the Trustee to borrow and raise moneys on behalf of Hui Xian REIT either directly or through Special Purpose Vehicles (upon such terms and conditions as the Manager thinks fit and in particular by charging or mortgaging all or any part of the investments). However, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that Hui Xian REIT's total borrowings exceed 45.0% (or such other higher or lower percentage as maybe permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the total gross asset value of the Deposited Property as set out in Hui Xian REIT's latest audited accounts immediately prior to such borrowing being effected (as adjusted by (a) the amount of any distribution proposed by the Manager in such audited accounts and any distribution declared by the Manager since the publication of such accounts; and (b) where appropriate the latest published valuation of the assets of Hui Xian REIT if such valuation is published after the publication of such accounts).

### ***Duties of the Property Manager***

It is proposed that, after its establishment, the Property Manager will enter into the Operations Management Agreement with BOP and pursuant to which, it will be appointed to provide certain services in relation to Oriental Plaza (other than Grand Hyatt Beijing) for BOP, including but not limited to the following which will be provided solely and exclusively for BOP:

- *Business advisory and management services.* These include, among others, provision of consultancy and advisory services by the Property Manager in relation to the business and management of BOP, in particular in relation to the operation and management of Oriental Plaza (other than Grand Hyatt Beijing).
- *Marketing and leasing management services.* These include, among others, acting as a non-exclusive advertising and promotional agent in relation to Oriental Plaza, supporting and co-ordinating the advertising and promotional activities for Oriental Plaza, and advising on market conditions. The leasing management services also include collection of rents and other payments from tenants on behalf of and in the name of BOP; tenants' expansion and tenancy related matters; and preparing property leasing reports. The Property Manager may also engage leasing agents to identify tenants for vacant units, if necessary.
- *Property management co-ordination services.* To identify, select and recommend suitable service providers for engagement by BOP to provide property management services such as facilitating the hand-over/taking over of premises, co-ordinating tenants' fitting out requirements, management of customer relationship and maintenance management, to monitor and supervise on behalf of BOP the performance of the service providers and procure the service providers to regularly and directly report to the Property Manager and (if required by BOP) to BOP and where required by BOP, to act as agent of BOP to enter into service contracts with service providers.

For a summary of certain proposed major terms of the Operations Management Agreement, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular.

Under the REIT Code, even though some functions of the Manager will be delegated to the Property Manager, the responsibilities and obligations of the Manager will not be delegated and shall remain the responsibilities and obligations of the Manager. Under the Trust Deed, the Manager shall be fully liable to the Trustee (in its capacity as trustee of Hui Xian REIT), for all losses, liabilities, damages, costs and expenses suffered or incurred by Hui Xian REIT arising from all the acts and omissions of its delegates and agents (including delegates or agents appointed by the Trustee at the direction of the Manager) as if the relevant act or omission had been performed by the Manager itself.

## THE MANAGER AND THE PROPERTY MANAGER

### Management of the Manager

#### *The Board*

The Board is responsible for the overall governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of Hui Xian REIT, including a system of internal control and business risk management processes.

The Board currently comprises nine Directors comprising two executive Directors, four non-executive Directors, and three INEDs. All executive Directors and the chief financial officer of the Manager are licensed by the SFC as Responsible Officers of the Manager for the purposes of the SFO.

For further information on the Board and its committees, see the section headed “Corporate Governance” in this Offering Circular.

#### *Directors*

The Board is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the Directors:

Name	Age	Position
<i>Chairman and Non-executive Director</i>		
KAM Hing Lam .....	64	Chairman and Non-executive Director
<i>Executive Directors</i>		
CHU Stephen Henry .....	50	Chief Executive Officer
KWAN Man Fai, Louis .....	43	Chief Investment Officer
<i>Other Non-executive Directors</i>		
IP Tak Chuen, Edmond .....	58	Non-executive Director
LIM Hwee Chiang .....	53	Non-executive Director
YIN Ke .....	47	Non-executive Director
<i>Independent Non-executive Directors</i>		
CHENG Hoi Chuen, Vincent .....	62	Independent Non-executive Director
LEE Chack Fan .....	65	Independent Non-executive Director
CHOI Koon Shum, Jonathan .....	53	Independent Non-executive Director

Information on the business and working experience of the Directors is set out below:

#### *Chairman and Non-executive Director*

**KAM Hing Lam**, aged 64, has been the founding Chairman of the Manager since 21 December 2010. He is also the founding Chairman of BOP and the founding Chairman of all the Hui Xian companies, including Hui Xian BVI, Hui Xian Cayman, Hui Xian Holdings and Hui Xian Investment.

Since the early 1990's, Mr. Kam has overseen the development of Oriental Plaza from the initial planning, design and construction stages to its present state of being one of the leading commercial complexes in Asia. He has been personally very involved in strategic development, general management, as well as leasing activities of Oriental Plaza and has frequently travelled to Beijing — about three times a month over the past ten years — to oversee and monitor the business. Under Mr. Kam's leadership, Oriental Plaza now boasts an experienced management team strong in tenant mix planning, lease negotiation as well as marketing and promotion.

Mr. Kam has been the Deputy Managing Director of Cheung Kong (Holdings) Limited since 1993. Mr. Kam possesses extensive experience in the real estate sector in Hong Kong and PRC. He was responsible for the innovative and successful sales and marketing campaigns of Kingswood Villas, the

## THE MANAGER AND THE PROPERTY MANAGER

largest residential development estate in Hong Kong in the 1990's and was the Chairman of Hong Kong Property Services (Agency) Holdings Limited from 1996 to 2000.

In the PRC, beyond Oriental Plaza, Mr. Kam has considerable involvement with similar mixed-use developments in a number of cities. In Beijing, he is also the Deputy Chairman of Lido Hotel Co. Ltd., which owns Lido Place, the first complex in Beijing to feature offices, serviced apartments, a shopping mall, hotel, clubhouse and international schools. The development has a site area of around 100,000 sq. m., approximately the same size as Oriental Plaza. In Shanghai, Mr. Kam is a Director of Shanghai Westgate Mall Co., Ltd., which owns the Westgate Mall Shanghai (featuring offices and a shopping mall). In Chongqing, he is a Director of Hutchison Enterprises (Chong Qing) Limited, which owns the Metropolitan Plaza Chongqing (featuring offices, a shopping mall and hotel).

Mr. Kam is also a Director and Deputy Chairman of Beijing Po Garden Real Estates Development Co., Ltd., which owns the 445,000 sq. m. Le Grande Ville residential development in Beijing.

Mr. Kam is the Chairman of Shenyang Lido Business Co. Ltd. and Chengdu Changtian Co. Ltd., which own Sheraton Shenyang Lido Hotel and Sheraton Chengdu Lido Hotel respectively. Similar to Grand Hyatt Beijing at Oriental Plaza, both Sheraton Shenyang Lido Hotel and Sheraton Chengdu Lido Hotel have been voted the best hotels in their respective cities by a number of tourism-related organisations for a number of consecutive years.

Mr. Kam's wide breadth of experience in the PRC also extends to his role as Group Managing Director of Cheung Kong Infrastructure. He was instrumental in the company's listing in 1996, and since then has continued to direct the company's business projects, including those in China.

In addition, Mr Kam is the President and Chief Executive Officer of CK Life Sciences, and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Ltd., all of which are listed on the main board of Hong Kong Stock Exchange. Prior to joining the Cheung Kong Group, he had more than 20 years of experience in a senior and regional capacity at several major US multinational companies, including Managing Director of Johnson and Johnson (Hong Kong) Limited; Vice President, Marketing & Sales of American Express International Inc; and General Manager of Franklin Mint Ltd.

Mr. Kam is a member of the 11th Beijing Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He is also an Honourable Citizen of Shenyang, Jiangmen, Foshan and Nanhai.

Mr. Kam holds a Bachelor of Science degree in Engineering from the University of Hong Kong and a Master's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Kam previously held directorships in CrossCity Motorway Pty Ltd, CrossCity Motorway Nominees No. 1 Pty Ltd, CrossCity Motorway Nominees No. 2 Pty Ltd, CrossCity Motorway Holdings Pty Ltd and CrossCity Motorway Finance Pty Ltd (collectively the "CrossCity companies") (*all resigned on 22 December 2006*), all incorporated in Australia. The principal business of the CrossCity companies was the design, construction and operation of the Cross City Tunnel in Sydney, Australia. A voluntary administrator and a receiver and manager were appointed in respect of the CrossCity companies on 27 December 2006 as they were insolvent. Following a competitive tender process, ownership of the project contracts in respect of the Cross City Tunnel was transferred to a new consortium formed by ABN AMRO and Leighton Contractors, under sale contracts which were executed on 19 June 2007 and completed on 27 September 2007.

### **Executive Directors**

**CHU Stephen Henry**, aged 50, has been a Director since 21 December 2010. He is also the Chief Executive Officer and a Responsible Officer of the Manager. Prior to joining the Manager, Mr. Chu was

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the chief executive officer and a director of ARA Asset Management (Prosperity) Limited, the manager of Prosperity REIT, where he was responsible for the performance and direction of Prosperity REIT. He was the chief executive officer of ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited), the manager of Fortune REIT prior to joining ARA Asset Management (Prosperity) Limited.

Mr. Chu has more than 20 years of international property experience in the fields of leasing, sales, facility and property management and marketing work covering the retail, residential, hotel, and commercial sectors of the real estate market.

**KWAN Man Fai, Louis**, aged 43, has been a Director since 21 December 2010. He is also the Chief Investment Officer and a Responsible Officer of the Manager. Mr. Kwan received a Master degree of Business Administration in Financial Management from the University of Exeter in the United Kingdom in 1993. He further obtained a Master of Arts in Quantitative Analysis for Business from the City University of Hong Kong in 1997. Mr. Kwan began his career as a research/investment analyst, focusing on Hong Kong property sector and stocks, in Goodwill Research Services Limited, South China Research Limited and MeesPierson Securities (Asia) Limited from January 1994 to February 1998.

From February 1998 to June 2006, Mr. Kwan worked with the First Shanghai group. He was a director of First Shanghai Asset Management Limited (from 1998 to 2006) and also a director of First Shanghai Investment Management Limited (from 2001 to 2006), responsible for making direct investments, analysing target companies for investment and monitoring the performance of the investment portfolio, many of which were PRC investments. For the period from February 2002 to June 2006, Mr. Kwan was responsible for establishing and managing the portfolio of the China Alpha Fund, a fund focusing on PRC investments, for which First Shanghai Investment Management Limited acted as the investment adviser.

When he was with the First Shanghai group, Mr. Kwan also took part in a number of PRC direct investment projects of the listed parent company, First Shanghai Investments Limited, including a property development project in Pudong, Shanghai and a hotel development in Kunshan, Jiangsu Province. For those projects, he was mainly responsible for preparing earnings projections, valuation models, investment proposals and market analyses.

From June 2006 to May 2008, Mr. Kwan was the deputy managing director of CCB International Asset Management Limited (CCBI) and was responsible for equity portfolio management, SFC authorised fund establishment and QDII product design, including funds and other products focusing on or investing in the PRC. During that period, as a member of the Investment Committee of CCBI's Private Equity Division, Mr. Kwan also participated in the Division's high level decisions in relation to a number of PRC property-related investments.

Since May 2008 and until he joined the Manager, Mr. Kwan had been the managing director of the Investment Management Division of CITIC Securities International Company Limited. He supervised the Investment Management Division and was responsible for monitoring the operation and performance of the funds invested by CITIC Securities International Company Limited and its associated companies, including funds with investments in the PRC.

### ***Non-executive Directors***

**IP Tak Chuen, Edmond**, aged 58, has been a Director since 21 December 2010. Mr. Ip has been an executive director of Cheung Kong since 1993 and deputy managing director since 2005, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. He has been an executive director of Cheung Kong Infrastructure since its incorporation in 1996 and deputy chairman since 2003, and the senior

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vice president and chief investment officer of CK Life Sciences since 2002. He oversees matters relating to corporate finance, strategic acquisition and investment of both Cheung Kong Infrastructure and CK Life Sciences. Mr. Ip is also a non-executive director of TOM Group Limited (“**TOM**”), AVIC International Holding (HK) Limited (“**AVIC**”), Excel Technology International Holdings Limited (“**Excel**”), Ruinian International Limited (“**Ruinian**”) and Shougang Concord International Enterprises Company Limited (“**Shougang**”). Cheung Kong, Cheung Kong Infrastructure, CK Life Sciences, TOM, AVIC, Ruinian, and Shougang are listed on the Main Board of Hong Kong Stock Exchange. Excel is listed on the Growth Enterprise Market of Hong Kong Stock Exchange.

He is also a non-executive director of ARA and ARA Asset Management (Fortune) Limited (manager of Fortune REIT), and a director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Both ARA and Suntec REIT are listed on the Main Board of SGX-ST. Fortune REIT is listed on the Main Board of SGX-ST and Hong Kong Stock Exchange.

Prior to joining Cheung Kong, Mr. Ip held a number of senior financial positions in major financial institutions and has extensive experience in the Hong Kong financial market covering diverse activities such as banking, capital markets, corporate finance, securities brokerage and portfolio investments.

Mr. Ip holds a Bachelor of Arts degree in Economics from Ripon College, United States, and a Master of Science degree in Business Administration from University of British Columbia, Canada.

Mr. Ip previously held directorships in CrossCity Motorway Pty Ltd, CrossCity Motorway Nominees No. 1 Pty Ltd, CrossCity Motorway Nominees No. 2 Pty Ltd, CrossCity Motorway Holdings Pty Ltd and CrossCity Motorway Finance Pty Ltd (collectively the “CrossCity companies”) (*all resigned on 22 December 2006*), all incorporated in Australia. The principal business of the CrossCity companies was the design, construction and operation of the Cross City Tunnel in Sydney, Australia. A voluntary administrator and a receiver and manager were appointed in respect of the CrossCity companies on 27 December 2006 as they were insolvent. Following a competitive tender process, ownership of the project contracts in respect of the Cross City Tunnel was transferred to a new consortium formed by ABN AMRO and Leighton Contractors, under sale contracts which were executed on 19 June 2007 and completed on 27 September 2007.

**LIM Hwee Chiang**, aged 53, has been a Director since 21 December 2010. He is the Group Chief Executive Officer and Executive Director of ARA. He has been the Group Chief Executive Officer and Executive Director of ARA since its establishment. He is also a director of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT), ARA Trust Management (Suntec) Limited (the manager of Singapore-listed Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), Am ARA REIT Managers Sdn. Bhd. (the manager of Malaysia-listed AmFIRST REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Singapore-listed Cache Logistics Trust), and the chairman of APM Property Management Pte. Ltd., and Suntec Singapore International Convention & Exhibition Services Pte. Ltd. In addition, Mr Lim is an independent director and member of the audit committee of Singapore-listed Teckwah Industrial Corporation Limited. He is also the vice president of the Hong Kong-Singapore Business Association, the senior vice president of the Asian Public Real Estate Association, a council member of the Singapore Chinese Chamber of Commerce & Industry and a member of the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has close to 30 years of experience in real estate. Prior to founding ARA, from 1997 to 2002, he was an executive director of GRA (Singapore) Pte. Ltd., a wholly-owned subsidiary of Prudential (US) Real Estate Investors. From 1996 to 1997, he founded and was the managing director of The Land Managers (S) Pte. Ltd., a Singapore-based property and consulting firm specialising in feasibility studies, marketing and leasing management in Singapore, Hong Kong and the PRC. He was the general manager of the Singapore Labour Foundation Management Services Pte. Ltd. from 1991 to 1995, and was with DBS Land Limited (now part of CapitaLand Limited) from 1981 to 1990.

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

**YIN Ke**, aged 47, has been a Director since 21 December 2010. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited. He is also a executive director and vice chairman of CITIC Securities Co., Ltd., a PRC company listed on the Shanghai Stock Exchange. Moreover, he is a non-executive director of CITIC Pacific Ltd., Dah Chong Hong Holdings Limited and CITIC Dameng Holdings Limited, companies listed on the Main Board of the Hong Kong Stock Exchange. Mr. Yin began his career as an assistant to the chief executive officer of the Shenzhen Stock Exchange. He has previously served as executive director of Jun An Securities Limited, an executive director of Guo Tai Jun An Securities Company Limited, the executive director and president of China United Securities Limited, a director of ACT 360 Solutions Limited, a director of CCB Principal Asset Management Company Limited, a director & deputy chief executive officer of CITIC Capital Holdings Limited and a director of Zhongxing Shenyang Commercial Building Group Company Limited. Mr. Yin has extensive investment banking experience in both the PRC and overseas. He is also actively involved in various professional associations including the Securities Association of China and the Securities Association of Shenzhen. Mr. Yin graduated with a bachelor degree in electrical engineering and a master degree in Economics from Zhejiang University.

### ***Independent Non-executive Directors***

**CHENG Hoi Chuen, Vincent**, aged 62, has been an Independent Non-executive Director since 4 April 2011. He is also chairman of HSBC Bank (China) Company Limited, chairman of HSBC Bank (Taiwan) Limited and an executive director of HSBC Holdings plc. He was previously chairman and a director of The Hongkong and Shanghai Banking Corporation Limited and HSBC Global Asset Management (Hong Kong) Limited. He is also an independent non-executive director of Great Eagle Holdings Limited and MTR Corporation Limited, and a non-executive director of Swire Properties Limited.

Mr. Cheng is a career banker with extensive international business experience particularly in Asia. He is Vice President of the Hong Kong Institute of Bankers and Vice Chairman of the China Banking Association. He is also Chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the Hong Kong Government. He was previously Chairman of the Process Review Panel for the SFC, Chairman of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government, and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority.

Mr. Cheng is a member of the National Committee of the 11th People's Political Consultative Conference of the PRC (the "CPPCC") and a senior advisor to the 11th Beijing Municipal Committee of the CPPCC. He was also a member of the Executive Council from 1995 to 1997, Hong Kong Affairs Advisor to the People's Republic of China from 1994 to 1997 as well as a member of the Legislative Council from 1991 to 1995. He is also Chairman of the Council of The Chinese University of Hong Kong.

Mr. Cheng was awarded the Gold Bauhinia Star by the Hong Kong Government in 2005. He was conferred the degree of Doctor of Social Science, *honoris causa*, by The Chinese University of Hong Kong and the degree of Doctor of Business Administration, *honoris causa*, by The Open University. Mr. Cheng holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland.

**LEE Chack Fan**, aged 65, has been an Independent Non-executive Director since 4 April 2011. Professor Lee is the Chair Professor of Geotechnical Engineering and Director of the School of Professional and Continuing Education, The University of Hong Kong. He is an Academician of

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Chinese Academy of Engineering. He is also an independent non-executive director of Paul Y. Engineering Group Limited.

Professor Lee is an internationally renowned expert in geotechnical engineering. Professor Lee served as a consultant and technical adviser to numerous energy and infrastructure projects in China and overseas, including the construction of the Three Gorges Dam of the Yangtze River. He worked for Ontario Hydro in Canada for more than 20 years before he joined The University of Hong Kong in 1994. He participated in the design of many massive dams and nuclear power stations. He has served as a specialist consultant or an advisor to many international bodies such as the United Nations Development Plan, World Bank and Asian Development Bank on numerous energy and infrastructure projects in many parts of the world.

Professor Lee is the Chairman of the Council of the Lord Wilson Heritage Trust, Chairman of the Hong Kong Institute for Promotion of Chinese Culture, and the President of the Fu Hui Charity Foundation. He is a member of Board of the West Kowloon Cultural District Authority. He is a past Chairman of the Harbourfront Enhancement Committee, and past Chairman of the Veterinary Surgeons Board. He previously also served on the Commission on Strategic Development and the Cultural and Heritage Commission.

Professor Lee's eminent achievement in civil engineering has been highly recognized. He was awarded the K Y Lo Medal in 2000 by the Engineering Institute of Canada and was elected the Academician of the Chinese Academy of Engineering in 2003 in recognition of his contributions to the engineering profession. He was appointed as Justice of the Peace by the Hong Kong Government in 2003 and was awarded the Silver Bauhinia Star in 2005.

Professor Lee graduated from The University of Hong Kong with a Bachelor degree in civil engineering and received his Master's degree from The University of Hong Kong and a Doctor of Philosophy degree from The University of Western Ontario, Canada, in the field of geotechnical engineering. He served as a Fullbright Distinguished Scholar in 2005, and was awarded an Honorary Doctorate of Science by The University of Western Ontario, Canada, in 2006. He was awarded the Gold Medal of the Hong Kong Institution of Engineers (HKIE) in 2009 and elected to the Hall of Fame of the HKIE in 2010.

**CHOI Koon Shum, Jonathan**, aged 53, has been an Independent Non-executive Director since 4 April 2011. He is also Chairman of the Sun Wah Group, Chairman of Sunwah International Limited, formerly known as Kingsway International Holdings Limited, Chairman of SW Kingsway Capital Holdings Limited and Chairman of Sun Wah Hi-Tech Group. Dr. Choi has extensive experience in the financial services business, food industry, real estate development, international trade and technology.

Dr. Choi is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of public positions including Chairman of the Hong Kong Chinese General Chamber of Commerce, Standing Committee Member of the All-China Federation of Industry and Commerce, an Economic Advisor to the President of the Chinese Academy of Sciences, PRC, a Council Member of the Hong Kong Trade Development Council, Chairman of the Hong Kong-Japan Business Co-operation Committee, Chairman of the Hong Kong-Vietnam Chamber of Commerce, Chairman of the China-India Software Association, and Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center. Dr. Choi is also a Court/Council Member of a number of universities including United College of The Chinese University of Hong Kong, The Hong Kong University of Science and Technology, The Hong Kong Polytechnic University, Fudan University, Nanjing University and Northeastern University in Liaoning.

Dr. Choi was elected on 25 July 2003 and officially appointed on 29 July 2003 as a director of VinaCapital Vietnam Opportunity Fund Limited (listed on the AIM Market of the London Stock Exchange). His resignation was effective in 2010.

Dr. Choi is a Justice of Peace and has been awarded the Bronze Bauhinia Star by the Hong Kong SAR Government. He has also received the World Outstanding Chinese Award by the United World

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Chinese Association and is an Honorary Citizen or Advisor of Guangzhou, Shenyang, Wuhan, Jinggangshan and Changjiajie.

In 2005, Dr. Choi was conferred the Honorary Doctor of Humanities by Michigan State University in the United States. He became a University Fellow of The Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by The University of Glamorgan in the United Kingdom in 2009.

***Independence of Directors***

In assessing the independence of a non-executive Director, the Audit Committee and the Board will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the Director:

- (a) holds more than 1.0% of the total issued Units or more than 1.0% of the total issued share capital of the Manager. Any candidate for appointment as an INED who holds an interest of more than 1.0% must satisfy the Board, prior to such appointment, that the candidate is independent. A candidate holding an interest of 5.0% or more will normally not be considered independent. When calculating the 1.0% limit, the Board must take into account the total number of Units held legally or beneficially by the Director, together with the total number of Units which may be issued to the Director or his nominee upon the exercise of any outstanding options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of Units;
- (b) has received an interest in any Units as a gift, or by means of other financial assistance, from a connected person of Hui Xian REIT or Hui Xian REIT itself (however, subject to the limit set out in paragraph (a) above). The Director will still be considered independent if he receives an interest in Units (but not from connected persons of Hui Xian REIT) as part of his Director's fee or pursuant to any option schemes established by Hui Xian REIT or the Manager;
- (c) is a director, partner or principal of a professional adviser which currently provides (or has, within one year immediately prior to the date of his proposed appointment, provided) services, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:
  - (i) Hui Xian REIT or any connected persons of Hui Xian REIT; or
  - (ii) any person who was a significant holder or, where there was no such significant holder, any person who was the Chief Executive Officer or a Director (other than an INED), of the Manager within one year immediately prior to the date of the proposed appointment, or any of their associates;
- (d) has a material interest in any principal business activity of, or is involved in any material business dealings with, Hui Xian REIT or with any connected persons of Hui Xian REIT;
- (e) is on the Board specifically to protect the interests of an entity whose interests are not the same as those of the Unitholders as a whole;
- (f) is or was connected with a Director or the Chief Executive Officer of the Manager or with a significant holder of Hui Xian REIT within two years immediately prior to the date of his proposed appointment;
- (g) is, or has at any time during the two years immediately prior to the date of his proposed appointment been, an executive or Director (other than an INED) of the Manager or of any other connected persons of Hui Xian REIT; or
- (h) is financially dependent on Hui Xian REIT or any connected persons of Hui Xian REIT.

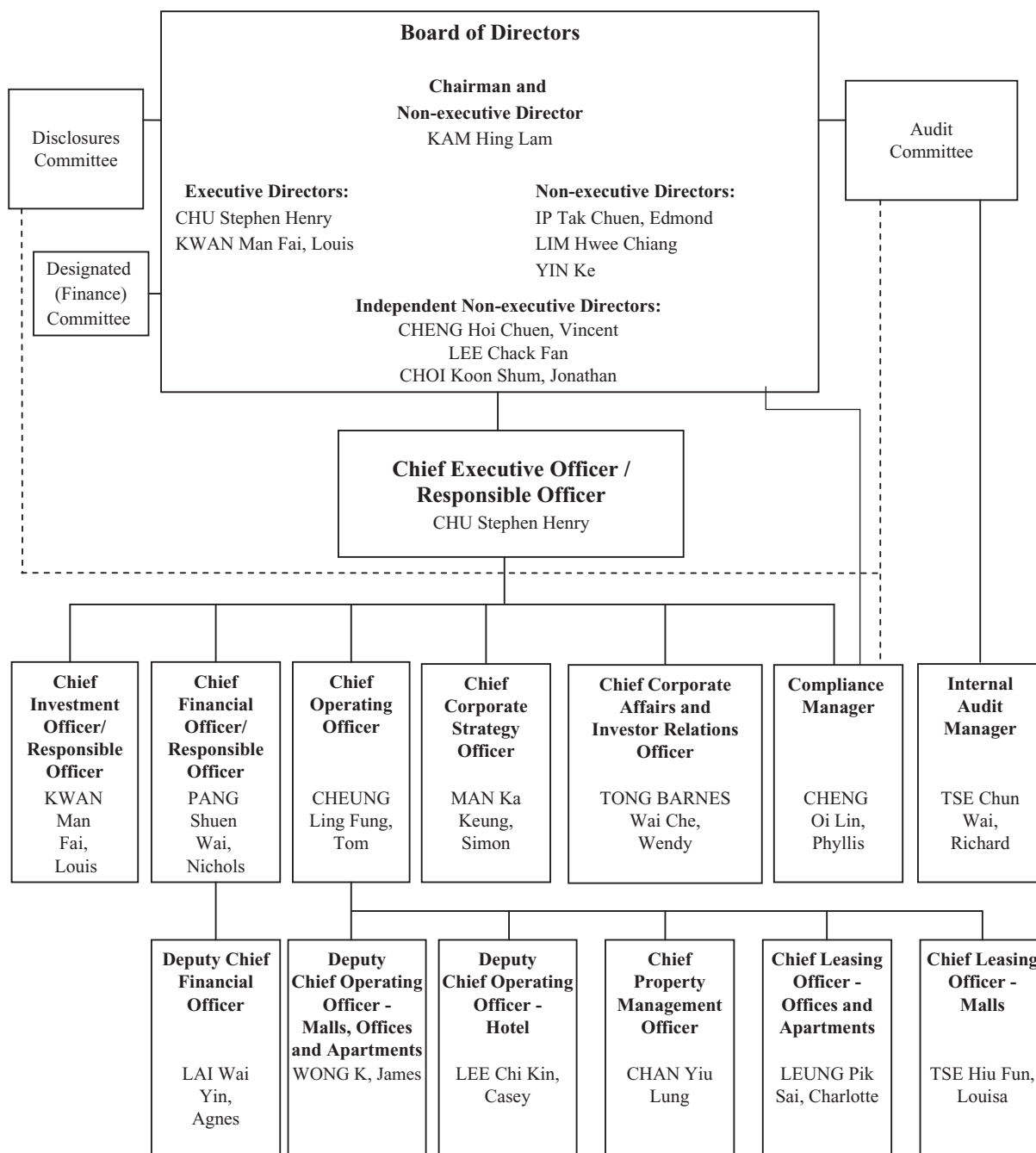
The factors set out above are included for guidance only and are not intended to be exhaustive. Any factors relevant to a particular case in assessing independence may be taken into account.

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Investors should refer to the full details of the assessment of the independence of non-executive Directors set out in the corporate governance policy of the Manager (a copy of which is available for inspection as referred to in Appendix X to this Offering Circular).

### Organisational and Reporting Structure of the Manager

The following diagram sets forth the organisation and reporting structure of the Manager:



Dotted lines represent ad hoc reporting on a case by case basis.

### **Roles of the Executive Officers of the Manager**

The **Chief Executive Officer** of the Manager is responsible for working with the Board to determine the strategy for Hui Xian REIT. The Chief Executive Officer will work with the other members of the

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Manager's management team to ensure that Hui Xian REIT is operated in accordance with the Manager's stated investment strategy, policies and applicable regulations. Additionally, the Chief Executive Officer is responsible for planning the strategic development of Hui Xian REIT. The Chief Executive Officer is also responsible for overseeing the day-to-day operations of the Manager and will work with the Manager's management team in meeting the strategic, investment and operational objectives of Hui Xian REIT.

The **Chief Financial Officer** is primarily responsible for the financial management of Hui Xian REIT. The Finance and Accounts Team led by the Chief Financial Officer will ensure effective and efficient financial management, including statutory reporting, financial and management accounting, taxation, and cash flow management. The Chief Financial Officer's responsibilities include projecting rental returns, accounting for rental collections and operating expenses incurred in the course of managing and operating the properties of Hui Xian REIT, ensuring that accounting records are prepared, maintained and reported in accordance with international financial reporting standards, and overseeing the preparation of budgets. The Chief Financial Officer will be also responsible for recommending to the Chief Executive Officer proposals relating to financial investments of Hui Xian REIT. The Chief Financial Officer will also maintain capital expenditure controls by overseeing the development of annual plans, monitoring approved expenditures against the plans and ensuring that the assets of Hui Xian REIT are regularly valued according to market practice and in accordance with the regulatory requirements.

The **Chief Operating Officer** is responsible for (i) formulating the business plans of Hui Xian REIT's properties with short, medium and long-term objectives and with a view of maximising the rental income of Hui Xian REIT via active asset management; (ii) formulating asset enhancement strategies and plans with the Property Manager; (iii) planning and developing strategies to meet profit targets of the properties in Hui Xian REIT on its rental premises with the Property Manager; (iv) setting budgets for the performance of the portfolio and working with the asset and leasing management and development management teams to ensure delivery against these budgeted results; (v) formulating and implementing leasing policies, guidelines, terms and conditions for all rental premises with the Property Manager; (vi) working with the Property Manager to implement the leasing and marketing strategies to ensure that objectives are achieved at the properties; and (vii) monitoring progress of asset enhancement projects.

The **Chief Investment Officer** is responsible for identifying, researching and evaluating potential acquisitions with a view to enhancing Hui Xian REIT's portfolio or divestments where a property is no longer strategic, fails to enhance the value of Hui Xian REIT's portfolio or fails to be yield accretive. The Chief Investment Officer analyses the impact on the portfolio of acquisition and development opportunities and their financing and ensures that Hui Xian REIT's exposure to risk is appropriately managed. The Chief Investment Officer also oversees due diligence process in potential acquisitions or disposals of real estate assets and manages the raising of debt and equity finance for asset acquisitions.

The **Chief Corporate Strategy Officer** is responsible for (i) formulating business strategies of the Manager with short, medium and long-term objectives and with a view of maximising the return to the shareholders; (ii) identifying and evaluating potential business opportunities with a view to enhance the growth and profitability of the Manager; (iii) directing the implementation of business development plans with other senior management; (iv) setting targets for the performance of the Manager and working with other senior management to ensure achievement of the targets; (v) directing the development and implementation of marketing strategies and business development plans with the Property Manager; (vi) formulating customer service strategy and standards with the Property Manager; (vii) working with the Property Manager to ensure the quality of the management service providers meets the agreed standard; (viii) dealing with customer services / tenant relations; (ix) vetting the leasing guidelines of the Property Manager prior to implementation (having regard to any special procedures in relation to connected party transactions) which must be complied with by the leasing staff of the Property Manager; (x) making recommendations as to the engagement of the Property Manager and principal valuer and monitoring their performance; and (xi) ensuring the properties of Hui

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Xian REIT are regularly valued according to market practice and in accordance with the required procedures and regulatory requirements.

The **Chief Corporate Affairs and Investor Relations Officer** is responsible for (i) assisting the Chief Executive Officer by facilitating and co-ordinating the formulation of strategic plans, promoting and marketing Hui Xian REIT and the Manager; (ii) developing public relations strategies to promote positive image and perceptions of Hui Xian REIT and the Manager; (iii) managing relationships with the media and answering their enquiries; (iv) dealing with all external communications; (v) dealing with all communications with Unitholders and other key stakeholders to provide regular and transparent disclosures and other communications to Unitholders and the market; and (vi) preparing and producing the annual and semi-annual reports as well as other marketing material in conjunction with the Finance and Accounts Team and the Compliance Team.

The **Internal Audit Manager** is responsible for (i) reviewing the accuracy and completeness of records of all operations and transactions of Hui Xian REIT; (ii) ensuring that the Manager's internal control system functions properly; (iii) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operational functions of the Manager; and (iv) reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effectiveness and accuracy of the reporting of irregularities and infringements of the Manager's operational and compliance procedures.

The **Compliance Manager** is primarily responsible for (i) ensuring that in managing the affairs of Hui Xian REIT, the Manager shall comply with, among others, the Trust Deed, the REIT Code, the relevant Listing Rules, the relevant SFC codes under the SFO, the Takeovers Code and other applicable laws, regulations and rules; (ii) ensuring that the Manager is kept up-to-date with any changes in applicable rules and regulations that relate to compliance matters; (iii) establishing an effective compliance framework and conducting regular compliance reviews to monitor its implementation; and (iv) identifying contingency events and escalating them to the appropriate level within the Manager.

The **Deputy Chief Financial Officer** is primarily responsible for assisting the Chief Financial Officer in the financial management of Hui Xian REIT. As a key member of the Finance and Accounts Team, the Deputy Chief Financial Officer will assist the Chief Financial Officer in discharging his/her responsibilities such as ensuring effective and efficient financial management. The Deputy Chief Financial Officer will also assist in ensuring accounting records are prepared, maintained and reported in accordance with international financial standards, overseeing the preparation of budgets, monitoring approved expenditures against the plans and ensuring that the assets of Hui Xian REIT are regularly valued according to market practice and in accordance with the regulatory requirements.

The **Deputy Chief Operating Officer — Malls, Offices and Apartments** is primarily responsible for (i) assisting the Chief Operating Officer in carrying out his responsibility in respect of The Malls, The Tower Offices and The Tower Apartments and (ii) overseeing and monitoring the Property Manager in the management and operation of those three components of Oriental Plaza.

The **Deputy Chief Operating Officer — Hotel** is primarily responsible for (i) assisting the Chief Operating Officer in carrying out his responsibility in respect of Grand Hyatt Beijing and (ii) overseeing and monitoring the Hotel Manager in the management and operation of Grand Hyatt Beijing.

The **Chief Property Management Officer** is primarily responsible for assisting the Chief Operating Officer in the property management of Oriental Plaza, including setting budgets for major renovation and improvement, repair and maintenance, monitoring the performance of the Property Manager and liaising with the Hotel Manager in respect of the overall property management of Oriental Plaza.

The **Chief Leasing Officer — Offices and Apartments** is primarily responsible for assisting the Chief Operating Officer in the formulation and implementation of the leasing strategies and policies,

## THE MANAGER AND THE PROPERTY MANAGER

liaising with existing and potential tenants, and monitoring the rental collection in respect of the leases of The Tower Offices and The Tower Apartments.

The **Chief Leasing Officer — Malls** is primarily responsible for assisting the Chief Operating Officer in the formulation and implementation of the leasing strategies and policies, liaising with existing and potential tenants and monitoring the rental collection in respect of the leases of The Malls.

### *Executive Officers*

Information on the working experience of the executive officers of the Manager is set out below:

**CHU Stephen Henry** is the Chief Executive Officer of the Manager. Details of his working experience are set out in the sub-section headed “Directors — Executive Directors” above.

**PANG Shuen Wai, Nichols** is the Chief Financial Officer and a Responsible Officer of the Manager. Prior to joining the Manager, Mr. Pang was the executive director of the Investment Management Division of CITIC Securities International, and has acquired more than 20 years of experience in the property and investment sectors, both in Hong Kong and the PRC. He began his career as a research analyst of the property sector for the Greater China region in various financial institutions including, among others, ING Baring Securities (HK) Limited and Nomura International (Hong Kong) Limited. He then joined Icapital Limited, an SFC licensed investment adviser and a specialist in China’s industry and business intelligence as a supervisory director and founder in 1999. In 2002, he joined CU Investment Management Limited, an SFC licensed investment adviser to two listed closed-end funds of which the shares are being traded on the Main Board as a responsible officer. In 2006, Mr. Pang joined G.S. Financial Investment Co., Ltd, the investment arm of the holding company of Glorious Sun Enterprises Limited (a company listed on the Main Board) as an investment director and was responsible for conducting strategic investment analysis for acquisitions and constructing investment portfolios. Mr. Pang then joined Striker Capital Management Limited in 2007 as the portfolio manager and was responsible for managing the portfolios of Asian equities for the company. In 2008, Mr. Pang operated 率然翰林諮詢（北京）有限公司 (Striker Research (Beijing) Limited) which was set up for supporting the investment activities of Striker Capital Management Limited and performed investment research and sourced investment opportunities for the company in the PRC. Mr. Pang holds a Bachelor degree in Law, a Master degree in Business Administration, a Master degree in Applied Finance and a Doctor of Philosophy degree in Business and Management.

**CHEUNG Ling Fung, Tom** is the Chief Operating Officer of the Manager and the General Manager of BOP. Mr. Cheung is primarily responsible for supervising the day-to-day operations of Oriental Plaza, as well as overseeing the leasing activities of The Malls, The Tower Offices and The Tower Apartments. He is also a member of BOP’s Executive Committee.

Over the past decade, Mr. Cheung’s managerial duties have rotated him around several departments. He began his career at BOP as General Manager of The Tower Apartments in 2001 and assumed the role of General Manager of The Tower Offices in 2005. He became General Manager of Business Development for the entire complex in 2006, before adopting the position of General Manager of BOP in 2009. As a result of his extensive experience in several different departments, Mr. Cheung is very familiar with all aspects of the development.

Prior to joining BOP, Mr. Cheung spent seven years in Shanghai, where, as General Manager, he set up the first Mainland China branch in Shanghai for CB Richard Ellis, one of the world’s leading international property consultants. He has over 19 years of experience in real estate, encompassing office, retail and residential properties. Mr. Cheung was previously involved in the sales, leasing and marketing of over 20 real estate projects located throughout Mainland China, including Shanghai, Guangzhou, Shenzhen, Hangzhou and Huizhou.

He holds a Bachelor of Business Administration in Finance and a Master’s degree in Business Administration.

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**KWAN Man Fai, Louis** is the Chief Investment Officer of the Manager. Details of his working experience are set out in the sub-section headed “Directors — Executive Directors” above.

**MAN Ka Keung, Simon** is the Chief Corporate Strategy Officer of the Manager. Mr. Man has taken part in the budget process, financial reporting and operation review of BOP since its establishment. Mr. Man joined Cheung Kong Group in December 1987. He is Director, Corporate Strategy Unit, and Chief Manager, Accounts Department, of Cheung Kong and Alternate Director to IP Tak Chuen, Edmond, the Deputy Chairman and an Executive Director of Cheung Kong Infrastructure. He is also a director of Harbour Plaza Hotel Management Limited, a hotel manager in Hong Kong and the PRC. Mr. Man has over 30 years of experience in accounting, tax, finance and auditing. He holds a Bachelor’s degree in Economics and is an associate member of The Institute of Chartered Accountants in Australia.

**TONG BARNES Wai Che, Wendy** is the Chief Corporate Affairs and Investor Relations Officer of the Manager. Mrs. Tong Barnes has been working on the Oriental Plaza project since 1993. From 1993 to 1999, Mrs. Tong Barnes was working as a public relations consultant, planning and implementing pre-opening and pre-leasing marketing communications activities for the project while she was the Managing Director of Bozell Tong Barnes PR (formerly known as Bozell PR). After joining Cheung Kong in 1999, Mrs. Tong Barnes continued to work on the Oriental Plaza project, initially on promotions, advertising and public relations activities for opening and leasing; and subsequently for day-to-day business operations. Mrs. Tong Barnes is also the Chief Corporate Affairs Officer of Cheung Kong, Cheung Kong Infrastructure and CK Life Sciences. She has over 25 years of experience in public relations, marketing communications and corporate affairs. She holds a Bachelor’s degree in Business Administration.

**TSE Chun Wai, Richard** is the Internal Audit Manager of the Manager. Mr. Tse joined Cheung Kong Group in January 2009 and has been a Senior Manager in the Internal Audit Department of Cheung Kong Group. He has over 19 years of experience in auditing. He holds a Master degree in Business Administration, a Master of Science degree in Information Systems Management and a Master of Science degree in Investment Management. He is a fellow member of The Association of Chartered Certified Accountants, an associate member of The Chartered Institute of Management Accountants and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

**CHENG Oi Lin, Phyllis** is the Compliance Manager of the Manager. Ms. Cheng has over 17 years of experience in legal and compliance work. She has been working in the Legal Department of Cheung Kong where she is primarily responsible for commercial legal works including joint venture matters, sales and purchases of shares, and property transaction related matters. Prior to joining Cheung Kong, Ms. Cheng had been a solicitor in private practice for more than six years. Ms. Cheng holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong. She was admitted as a solicitor in Hong Kong in 1993.

**LAI Wai Yin, Agnes** is the Deputy Chief Financial Officer of the Manager and the Financial Controller of BOP. She joined BOP as Finance Manager in 2000 and was promoted as Senior Finance Manager in 2006. She has been the Financial Controller of BOP since 2008. Her primary responsibilities involve managing finances and taxation requirements, arranging bank loans, handling treasury functions, supervising rent collections and establishing internal finance controls, as well as accounting, reporting and budgeting. Ms. Lai is a member of BOP’s Executive Committee.

Ms. Lai has over 21 years of experience in accounting and auditing. Prior to joining BOP, she worked at firms such as Arthur Andersen in Hong Kong, as well as Saatchi & Saatchi in Beijing.

Ms. Lai holds a Bachelor’s degree in Business Administration. She is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

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**WONG K, James** is the Deputy Chief Operating Officer — Malls, Offices and Apartments of the Manager and has been the Deputy General Manager and Chief Corporate Affairs Officer of BOP since 1998. Mr. Wong is responsible for handling budget and operations matters, as well as conducting regular meetings with hotel management. He also handles corporate affairs for BOP, which includes managing stakeholder relations with shareholders, partners, government organisations and media. Mr. Wong is a member of BOP's Executive Committee.

Mr. Wong currently serves as the Chairman of Beijing Citybase Century Property Management Limited and Beijing Goodwell Century Property Management Limited. Mr. Wong has also been the Manager of Business Development for Cheung Kong (Holdings) Limited, as well as Chief Representative of the company's Beijing office since 1994. Prior to that, he worked for Hutchison Whampoa (China) Limited in the capacity of Marketing Executive and Business Manager.

Mr. Wong holds a Masters degree in Management Science.

**LEE Chi Kin, Casey** is the Deputy Chief Operating Officer — Hotel of the Manager. He has joined the Cheung Kong Group since 1998. His duties include assessing new hotel and related properties development opportunities in China, liaising with local PRC authorities, working with banks in respect of project financing and financial restructuring and overseeing the operation of various hotels in the group. He is also responsible for the Cheung Kong Group's investment in Sheraton Shenyang Lido Hotel.

Mr. Lee has over 23 years of experience in management and operations in the hotel industry. Prior to joining the Cheung Kong Group, he worked for various hotel management groups, as well as Coopers and Lybrand.

Mr. Lee holds a Bachelor's degree in Social Sciences. He is a member of The Institute of Chartered Accountants in England and Wales, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. He is also a member of the Chinese People's Political Consultative Conference (Shenyang).

**CHAN Yiu Lung** is the Chief Property Management Officer of the Manager and the General Manager of Property Management of BOP. He joined the Cheung Kong Group in 1987 and began working as Project Manager on the construction of Oriental Plaza in 1994. Mr. Chan's current responsibilities as General Manager of Property Management of BOP comprise both the property management side and the property engineering side. His duties in property management involve budgeting, liaising with government authorities, manpower planning, outlining property management policies, purchasing functions and handling complaints, as well as managing security, the fire service, the car park and the basement. For property engineering, Mr. Chan is responsible for basic budgeting and organisation, reviewing contractors, as well as overseeing repairs and maintenance. He is a member of BOP's Executive Committee.

Mr. Chan has over 25 years of experience in construction management, as well as eight years in property management. Prior to joining the Cheung Kong Group, he worked for various private contractors throughout Hong Kong and Mainland China, specialising in engineering works.

Mr. Chan holds a diploma in Civil Engineering and is a member of the American Society of Civil Engineers.

**LEUNG Pik Sai, Charlotte** is the Chief Leasing Officer — Offices and Apartments of the Manager. She joined BOP in 2001 and is the Chief Leasing Manager of The Tower Offices and The Tower Apartments. She is responsible for all the leasing matters of The Tower Offices, The Tower Apartments, the car park and the training centre, as well as the setup and implementation of leasing and marketing strategies to maximise the portfolio's rental income.

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Ms. Leung began working at BOP in the capacity of Leasing Manager of The Tower Offices in 2001, where she was mainly responsible for recruiting tenants and increasing occupancy in the early stages of the development. She became Chief Leasing Manager of The Tower Offices in 2007.

Ms. Leung has over 16 years of experience in the property industry, mainly in commercial property leasing. Prior to joining BOP, she was the Assistant Retail Leasing Manager for Wharf China, responsible for the marketing and leasing of its shopping malls in Beijing. Prior to that, Ms. Leung worked for various property developers and international surveyor firms in Hong Kong, specialising in the areas of office, retail and residential sales and leasing.

She holds a Bachelor of Science degree in Land Management and an Executive Master of Business Administration.

**TSE Hiu Fun, Louisa** is the Chief Leasing Officer — Malls of the Manager and has been Chief Leasing Manager of The Malls of BOP since 2006. She is primarily responsible for overall retail leasing, brand and tenant management, as well as overseeing daily operations, generating promotions, coordinating lease negotiations and implementing renovation measures. She also assists the General Manager of BOP in defining business strategy for the development.

Ms. Tse has over ten years of experience in retail property leasing. She began her career at BOP in 2000 as Business Development Manager of The Malls, where she was primarily responsible for handling leasing activities, supervising contract negotiations, executing sales and marketing plans and coordinating promotions.

Prior to joining BOP, Ms. Tse was the General Manager of Kamstin Development Company Limited, a foreign-owned food and beverage sales and marketing company, where she was responsible for the distribution and marketing of alcoholic beverages in the Beijing and Northern China markets. Prior to that, she worked in similar capacities for firms located in Hong Kong and Beijing.

Ms. Tse holds a Bachelor of Arts degree in Literature.

### ***Personnel of the Property Manager***

It is proposed that, after the establishment of the Property Manager, the executive officers of the Property Manager will be the same as the members of the senior management of BOP. For details of the employment arrangement of BOP, see the section headed “Oriental Plaza and Business — General — Employees” in this Offering Circular for details of their working experience.

## **Fees, Costs and Expenses of the Manager and the Property Manager**

### ***Fees, Costs and Expenses of the Manager***

The Manager is entitled to the following management fees:

- (i) a Base Fee not exceeding 0.3% per annum (and being 0.3% as at the date of the Trust Deed) of the Property Values; and
- (ii) a Variable Fee of 3.0% per annum of NPI (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's fee) in respect of each real estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle provided however that in respect of Oriental Plaza and as from the date on which the Property Manager is appointed under the Operations Management Agreement and pursuant to which the Manager is delegated certain functions in respect of Oriental Plaza as detailed below, for so long as the Property Manager is a subsidiary of the Manager and with effect from the date on which the Property Manager is appointed, such rate shall be reduced to 2.0% (instead of 3.0% as stated above) per annum.

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In addition, the Manager is entitled to be reimbursed all liabilities, fees, costs, charges and expenses properly suffered or incurred by the Manager in the proper performance of its obligations or the proper exercise of its powers under the Trust Deed.

### **Base Fee**

The Manager shall be entitled to receive, commencing on and from and including the date immediately after the date of the Completion, for its own account out of the Deposited Property in arrears the amount of the Base Fee accrued to it and remaining unpaid. The Manager shall at the end of each quarter of each financial year compute the Base Fee for the quarter, based on management accounts of Hui Xian REIT (if that real estate is directly owned by the Trustee) or the relevant Special Purpose Vehicle (if the real estate is owned by a Special Purpose Vehicle) and the Base Fee shall be paid to the Manager quarterly, subject to adjustment according to the Trust Deed. The Base Fee shall not exceed the rate of 0.3% (and being 0.3% as at the date of the Trust Deed) per annum of the Property Values. For the purpose of calculating the Base Fee, the Property Values shall be taken as the valuation as at the latest published interim report (if any) of Hui Xian REIT or the latest published audited annual accounts available at the time that the calculation in question is made. If the aggregate of the Base Fee paid quarterly to the Manager exceeds the Base Fee due to the Manager in respect of the relevant financial year calculated based on the audited annual accounts for that financial year, then the Manager shall pay Hui Xian REIT the difference within 30 days after the publication of such audited annual accounts. If the aggregate of the Base Fee paid quarterly to the Manager is less than the Base Fee due to the Manager in respect of the relevant financial year calculated based on the audited annual accounts for that financial year, then Hui Xian REIT shall pay the Manager the difference within 30 days after the publication of such audited annual accounts in cash. An announcement will be made by the Manager in relation to such adjustment (if any).

The Manager shall be entitled to alter the rate of the Base Fee to some smaller percentage than that provided by notice to the Trustee in writing provided that the Manager shall give written notice of any alteration of such rate to a higher percentage within the permitted limit to all Holders and the Trustee, not less than three months prior to the date of effect thereof.

Any increase in the rate of the Base Fee above the permitted limit or any change in the structure of the Base Fee shall not be implemented without the approval of a Special Resolution at a meeting of Unitholders, duly convened and held in accordance with the provisions of the Trust Deed. The Manager may lower the rate of the Base Fee to some smaller percentage than the relevant permitted limit specified in the Trust Deed or, where relevant, such other maximum percentage as approved by a Special Resolution in the manner mentioned in the Trust Deed. The Manager may increase the rate of the Base Fee to a higher percentage that the Manager proposes to charge from time to time provided that it is within the relevant permitted limit specified in the Trust Deed or, where relevant, such other maximum percentage as approved by a Special Resolution in the manner mentioned in the Trust Deed by giving at least one month's prior written notice to all Unitholders and the Trustee.

For the period from and including the date immediately after the date of the Completion until 31 December 2011, the Base Fee, only to the extent that it is referable to Oriental Plaza, shall be paid to the Manager as to 80% in the form of Units and as to 20% in the form of cash. The Base Fee referable to Oriental Plaza for the period after 31 December 2011 and the Base Fee referable to any real estate other than Oriental Plaza shall be paid in the form of cash and/or Units (as the Manager may elect). The Manager shall make the aforesaid elections for the payment of the Base Fee in cash and/or Units, and (if applicable) the respective percentages of the Base Fee to be paid in cash and/or Units, annually on or before 15 January of each calendar year by way of notice in writing to the Trustee and an announcement to the Unitholders, such election to be irrevocable during the calendar year in which it was made. In the event that the Manager fails to make such an election in any calendar year, the most recent valid election made by the Manager in a prior calendar year (if any) shall apply and, if there is no such prior calendar year election by the Manager, the Base Fee shall be paid in cash.

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### **Variable Fee**

With effect from and including the date immediately after the date of the Completion, the Manager shall be entitled to receive for its own account out of the Deposited Property a Variable Fee for each financial year in respect of each real estate held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle. The Variable Fee payable to the Manager in respect of each real estate (whether held directly by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle) shall be an annual amount equal to 3.0% per annum of the NPI of that real estate (before deduction therefrom of the Variable Fee and, where the Property Manager is a subsidiary of the Manager, the Property Manager's fee) provided however that in respect of Oriental Plaza and as from the date of the Property Manager is appointed pursuant to the Operations Management Agreement and for so long as the Property Manager is a subsidiary of the Manager and with effect from the date on which the Property Manager is appointed, such rate shall be reduced to 2.0% (instead of 3.0% as stated above) per annum. Any increase in the Variable Fee payable to the Manager above the rate aforesaid or any change in the structure of the Variable Fee shall be subject to the approval of the Unitholders by a Special Resolution at a meeting of Unitholders, duly convened and held in accordance with the Trust Deed.

The Variable Fee referable to such real estate shall be paid to the Manager in the form of cash or, at the election of the Manager, entirely in the form of Units or partly in cash and partly in the form of Units in accordance with the provisions in the Trust Deed. The Manager shall make the aforesaid elections for the payment of the Variable Fee in cash and/or Units, and (if applicable) the respective percentages of the Variable Fee to be paid in cash and/or Units, annually on or before 15 January of each calendar year by way of notice in writing to the Trustee and an announcement to the Unitholders, such election to be irrevocable during the calendar year in which it was made. In the event that the Manager fails to make such an election in any calendar year, the most recent valid election made by the Manager in a prior calendar year (if any) shall apply and, if there is no such prior calendar year election by the Manager, the Variable Fee shall be paid in cash.

The Manager shall at the end of each quarter of each financial year compute the Variable Fee for the quarter, based on management accounts of Hui Xian REIT (if that real estate is directly owned by the Trustee) or the relevant Special Purpose Vehicle (if the real estate is owned by a Special Purpose Vehicle), and the Variable Fee shall be paid to the Manager (in the form of cash and/or Units, as the case may be) quarterly, subject to adjustment according to the provision of the Trust Deed. An announcement will be made by the Manager in relation to such adjustment (if any).

Notwithstanding the aforesaid, where any part of the Base Fee or the Variable Fee is to be paid in Units in respect of the last calendar quarter of any distribution period or financial year for which an interim distribution or final distribution (as the case may be) will be paid, such Units shall not be issued to the Manager until after the Record Date for such interim distribution or final distribution (as the case may be). Where any such distribution period is shorter than three months, all Units to be issued by way of payment of the Base Fee or the Variable Fee to the extent referable to such distribution period shall not be issued until after the Record Date for such distribution.

When the Base Fee and/or the Variable Fee is (are) paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Base Fee or the Variable Fee (as the case may be) at the prevailing Market Price at the time of the issue of such Units as determined in accordance with the Trust Deed rounded down to the nearest whole number of Units, provided that, in the event payment is to be made in the form of Units and (i) the relevant thresholds for the issuance of outstanding Units without Unitholders' approval (including the threshold of 20% (or such other percentage as permitted by the REIT Code) of outstanding Units that the Manager may issue in each financial year without Unitholders' approval pursuant to the REIT Code, and any other limit or threshold specified in any waiver from strict compliance with the REIT Code granted by the SFC) are exceeded and Unitholders' approval is not obtained, or (ii) any thresholds for triggering a mandatory offer under the Takeovers Code will be reached as a result, then payment of that excess part of the Base Fee or the Variable Fee (as the case may be) shall be paid in the form of

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cash instead of Units. The amount of the Base Fee and Variable Fee payable to the Manager shall be net of all applicable goods and services tax, value added tax or other similar tax and all other applicable sales tax, governmental impositions, duties and levies whatsoever imposed thereon by the relevant authorities in Hong Kong or elsewhere.

***Acquisition Fee and Divestment Fee***

The Manager is also entitled to receive:

- (i) An acquisition fee not exceeding the rate of 1.0% (and being 1.0% as at the date of the Trust Deed) of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired). The acquisition fee is payable as soon as practicable after completion of the acquisition. The Manager shall give the Unitholders at least one month's prior written notice of any increase in the rate of the Acquisition Fee that the Manager proposes to charge from time to time up to (but not exceeding) the permitted limit. Any increase in the Acquisition Fee above the permitted limit or any change in the structure of the Acquisition Fee shall be approved by a Special Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. The Manager may lower the rate of the Acquisition Fee to some smaller percentage than the permitted limit, or, where relevant, such other maximum percentage as approved by a Special Resolution by giving the Unitholders at least one month's prior written notice of any decrease in the rate of the Acquisition Fee that the Manager proposes to charge from time to time. The Acquisition Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee at the same issue price of Units used to finance or part finance the acquisition in respect of which the Acquisition Fee is payable or, where Units are not issued to finance or part finance such acquisition, at the issue price that is equal to the highest of the average closing price of Units in the ten trading days of the Hong Kong Stock Exchange immediately prior to the earliest of the following events: (a) the entry into of the agreement for the acquisition of the real estate, (b) the announcement in respect of the acquisition of the real estate, and (c) the completion of the acquisition of the real estate, in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash. No Acquisition Fee is payable in relation to the acquisition of the Special Purpose Vehicles for the IPO; and
- (ii) A Divestment Fee not exceeding the rate of 0.5% (and being 0.5% as at the date of the Trust Deed) of the sale price of any real estate in the form of land sold or divested directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate sold). The Divestment fee is payable as soon as practicable after completion of the divestment. The Manager shall give the Unitholders at least one month's prior written notice of any increase in the rate of the Divestment Fee that the Manager proposes to charge from time to time up to (but not exceeding) the permitted limit. Any increase in the Divestment Fee above the permitted limit or any change in the structure of the Divestment Fee shall not be implemented without the approval of a Special Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. The Manager may lower the rate of the Divestment Fee to some smaller percentage than the permitted limit, or, where relevant, such other maximum percentage as approved by a Special Resolution by giving the Unitholders at least one month's prior written notice of any decrease in the rate of the Divestment Fee that the Manager proposes to charge from time to time. The Divestment Fee will be paid to the Manager in the form of cash or, at the election of the Manager and with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased at the issue price that is equal to the highest of the average closing price of Units in the ten trading days of the Hong Kong Stock

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Exchange immediately prior to the earliest of the following events: (a) the entry into of the agreement for the divestment of the real estate, (b) the announcement in respect of the divestment of the real estate, and (c) the completion of the divestment of the real estate, in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash.

Any payment to third party agents or brokers in connection with the acquisition or divestment of any real estate for Hui Xian REIT shall be paid by the Manager to such persons out of the Acquisition Fee or Divestment Fee received by the Manager, and not additionally out of the Deposited Property or the assets of the relevant Special Purpose Vehicle.

The Trustee, acting in consultation with the Manager, may rely on the recommendation of tax advisers, and authorise the payment of any Acquisition Fee or Divestment Fee, either at the level of Hui Xian REIT or if relevant, at the level of the Special Purpose Vehicle.

### ***Property Manager's Fees***

According to the proposed terms of the Operations Management Agreement, it is proposed that the Property Manager will be entitled to receive from BOP a Property Manager's fee of 1.0% per annum of NPI (before deduction therefrom of the Variable Fee and the Property Manager's fee).

### ***Operating Expenses of the Property Manager***

In addition to its fees, the Property Manager will be fully reimbursed by BOP for the employment costs and remuneration of the employees of the Property Manager, if any, engaged solely and exclusively for the provision of its services relating to the management of Oriental Plaza (other than Grand Hyatt Beijing) to BOP.

The Property Manager, as an agent for BOP, may, at the request of BOP, enter into contracts with third party service providers on arm's length normal commercial terms for the provision of cleaning, maintenance, security, car park management and other services for Oriental Plaza, and the costs and expenses under such contracts will form part of the operating expenses to be paid by BOP.

### ***Retirement or Removal of the Manager***

The Manager may retire as manager of the Trust at any time after giving 60 days written notice, or any other period of notice as agreed to by the Trustee, to the Trustee provided that, and subject to:

- (i) the Manager selecting a new manager duly qualified under the REIT Code, licensed under the SFO and acceptable to the Trustee, the SFC and the Hong Kong Stock Exchange;
- (ii) the requirement in the REIT Code that such retirement will not adversely affect the interests of the Unitholders in any material respect.

The retirement of the Manager will not be effective until the appointment of the new manager (which is subject to the approval of Unitholders by way of an Ordinary Resolution) is effective pursuant to a deed of retirement and appointment among the Trustee, the Manager and the new manager.

The Manager shall be subject to removal by prior notice in writing given by the Trustee in any of the following events (except in relation to (iii) below which requires 30 days' prior notice in writing from the Trustee to the Manager):

- (i) if the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or a judicial manager is appointed in respect of the Manager (or any such analogous process occurs or any analogous person is appointed in respect of the Manager);

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- (ii) if the Manager ceases to carry on business;
- (iii) if the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy an material obligation imposed on the Manager by the Trust Deed;
- (iv) if an Ordinary Resolution is passed to dismiss the Manager (all Unitholders are entitled to vote on such Ordinary Resolution in respect of the Units);
- (v) if for good and sufficient reason the Trustee is of the opinion, and so states in writing such reason and opinion, that a change of Manager is desirable in the interests of the Unitholders; or
- (vi) if the SFC withdraws its approval of the Manager to act as the manager of Hui Xian REIT.

#### **Exclusion of Liability of the Manager**

In the absence of fraud, negligence, wilful default or breach of the Trust Deed or other constitutive documents of Hui Xian REIT or breach of the REIT Code or other relevant laws and regulations by the Manager, the Manager shall not incur any liability by reason of any error of judgement or any matter or thing done or suffered or omitted to be done by it in good faith under the Trust Deed.

The Manager shall not be under any liability except such liability as may be assumed by it under the Trust Deed nor, in the absence of fraud, negligence, wilful default or breach of the Trust Deed or other constitutive documents of Hui Xian REIT, or breach of the REIT Code or any other relevant laws and regulations by the Manager, shall the Manager (save as otherwise provided in the Trust Deed) be liable for any act or omission of the Trustee, the Hong Kong Unit Registrar or the principal valuer.

#### **Right of Indemnity of the Manager**

Pursuant to the Trust Deed and subject as expressly provided therein and without prejudice to any right of indemnity at law given to the Manager, the Manager shall be entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager to have recourse to the Deposited Property or any part thereof, save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Trust Deed or other constitutive documents of Hui Xian REIT, the REIT Code or applicable laws or regulations by the Manager and any director, employee, servant, agent or delegate of the Manager.

#### **Manager's Right of Delegation**

The Manager may to the extent permitted by applicable regulatory requirements, delegate to any person as it thinks fit, or appoint any agent to carry out, specific aspects (but not the whole) of the management and the administration of the investment and any of the rights, trusts and discretions granted to the Manager by the Trust Deed, provided always that the Manager shall be fully liable to the Trustee (in its capacity as trustee of Hui Xian REIT) for all losses, liabilities, damages, costs and expenses suffered or incurred by Hui Xian REIT arising from all the acts and omissions of its delegates and agents (including delegates or agents appointed by the Trustee at the direction of the Manager) as if the relevant act or omission had been performed by the Manager itself.

#### **Trade Mark Licence**

On 8 April 2011, Hui Xian BVI and the Manager entered into the Deed of Hui Xian Trade Mark Licence, pursuant to which Hui Xian BVI has agreed to grant the Manager (in its capacity as the manager of Hui Xian REIT) a non-exclusive right and licence to use the Hui Xian Trade Marks in connection with the operation, business or affairs of Hui Xian REIT in the PRC and Hong Kong free of any royalty or other payments in accordance with the instructions and directions of Hui Xian BVI. The aforesaid right and licence commenced from the date of the Deed of Hui Xian Trade Mark Licence and shall terminate forthwith upon, among others, the cessation of the Manager to be the manager of Hui Xian REIT or three months' written notice to terminate given by Hui Xian BVI to the Manager or vice versa.

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On 8 April 2011, BOP and the Manager entered into the Deed of BOP Trade Mark Licence, pursuant to which BOP has agreed to grant the Manager (in its capacity as the manager of Hui Xian REIT) a non-exclusive right and licence to use the BOP Trade Marks in connection with the operation, business or affairs of Hui Xian REIT in the PRC and Hong Kong free of any royalty or other payments. The aforesaid right and licence commenced from the date of the Deed of BOP Trade Mark Licence and shall terminate forthwith upon, among others, the cessation of the Manager as the manager of Hui Xian REIT or three months' notice to terminate given by BOP to the Manager or vice versa.

It is proposed that pursuant to the Operations Management Agreement, BOP will also grant to the Property Manager a licence to use the BOP Trade Marks.

## INFORMATION ABOUT HUI XIAN CAYMAN

Immediately after the completion of the Offering, Hui Xian Cayman and Hui Xian Holdings will hold approximately 54.0% and 6.0% of Hui Xian REIT, respectively. In the event that the Over-allotment Option is exercised in full, Hui Xian Holdings will cease to hold any Units. Hui Xian Cayman is a company incorporated in the Cayman Islands on 1 June 1994 and a direct wholly-owned subsidiary of Hui Xian Holdings. Hui Xian Holdings is a company incorporated in Hong Kong on 15 July 1993 and is ultimately owned by a consortium of six investors. These investors are Cheung Kong (as to approximately 33.4%), HWL (as to approximately 17.9%), BOC (as to approximately 19.8%), OOIL (as to approximately 7.9%), China Life (as to approximately 19.8%) and Cranwood (as to approximately 1.2%). Cheung Kong, HWL, BOC, OOIL and China Life together hold approximately 98.8% of the issued share capital of Hui Xian Holdings, representing all the voting shares of Hui Xian Holdings. The remaining issued share capital (approximately 1.2%) of Hui Xian Holdings consists of non-voting shares and such shares are owned by Cranwood. Cranwood is an associated company of HWL (within the meaning of the REIT Code) because of companies in which each of them has shareholding. Notwithstanding that, as the Manager understands, Cranwood is not a connected person of Hui Xian REIT.

### Overview of Cheung Kong Group

The Cheung Kong Group is engaged principally in property development and investment in Hong Kong. The Cheung Kong Group develops high quality and large-scale properties for sale and investment in the residential, retail, office, hotel and industrial sectors.

The Cheung Kong Group has extensive property leasing, property sales and property management experience. The Cheung Kong Group also has substantial interests and operations in life sciences, information technology and the Internet business.

The Cheung Kong Group, through its investment in HWL, is also involved in ports and related services, property and hotels, retail and manufacturing, energy, infrastructure, finance and investments, and telecommunications businesses.

Cheung Kong was first listed on Hong Kong Stock Exchange in 1972 and had a market capitalisation of approximately HK\$298 billion as the Latest Practicable Date.

### Overview of HWL

HWL (49.9% owned by Cheung Kong) is a multinational conglomerate with businesses spanning the globe, with operations in 53 countries. HWL operates and invests in five core businesses: (i) ports and related services; (ii) telecommunications; (iii) property and hotels; (iv) retail and manufacturing; and (v) energy and infrastructure. HWL was first listed on Hong Kong Stock Exchange in 1978 and had a market capitalisation of approximately HK\$397 billion as at the Latest Practicable Date.

### Overview of BOC

BOC is one of the major financial conglomerates in the PRC engaged in the provision of a range of banking and related financial services, including commercial banking, investment banking and insurance business. BOC was first listed on Hong Kong Stock Exchange in 2006 and had a market capitalisation of approximately HK\$1,163 billion as at the Latest Practicable Date.

### Overview of OOIL

OOIL is a conglomerate principally engaged in container transport and logistics and property investments. It was first listed on Hong Kong Stock Exchange in 1992 and had a market capitalisation of approximately HK\$52 billion as at the Latest Practicable Date.

### Overview of China Life

China Life is a PRC state-owned enterprise established in the PRC and is principally engaged in financial and insurance business.

## CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Hui Xian REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted having due regard to the requirements under Appendix 14 of the Listing Rules and will be followed by the Manager and Hui Xian REIT. Such policies may be amended with the approval of a simple majority of all the Directors.

### Authorisation Structure

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The SFC does not take any responsibility for the financial soundness of Hui Xian REIT or for the correctness of any statements made or opinions expressed in this document and other documents relating to Hui Xian REIT. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code, namely the two executive Directors and the Chief Financial Officer. The Chief Executive Officer was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

### Roles of the Trustee and Manager

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

### Functions of the Board

The Board currently comprises nine members, three of whom are INEDs.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board exercises its general powers within the limits defined by the Articles of Association, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

### Board Composition

Pursuant to the Manager's corporate governance policy, INEDs must be individuals who fulfil the independence criteria set out in the compliance manual adopted by the Manager.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director;
- the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and

## CORPORATE GOVERNANCE

- at least one-third of the Board should comprise INEDs, with a minimum of three INEDs (which, based on the current composition of the Board, will require the Manager to have at least three INEDs).

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

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

### **Board Committees**

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

### ***Audit Committee***

The Audit Committee is appointed by the Board from among its members who are non-executive Directors. A majority of the members of the Audit Committee shall be INEDs and at least one member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Offering Circular, the members of the Audit Committee are CHENG Hoi Chuen, Vincent, LEE Chack Fan and CHOI Koon Shum, Jonathan, all of whom are INEDs, and IP Tak Chuen, Edmond and YIN Ke, who are non-executive Directors. CHENG Hoi Chuen, Vincent has been appointed as the Chairman of the Audit Committee.

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

The Audit Committee's responsibilities also include:

- (1) reviewing dealings of the Manager and the Directors on a half-yearly basis;
- (2) making recommendations on persons for appointment and reappointment as Directors to, and propose Directors for removal from, the full Board;
- (3) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to supply non-audit services;
- (4) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;

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- (5) assisting the Board in its monitoring of the entities' overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- (6) periodically reviewing and monitoring all connected party transactions and related party transactions; and
- (7) reviewing the Manager and Hui Xian REIT's compliance with legal and regulatory requirements on a regular basis.

***Disclosures Committee***

The Disclosures Committee comprises the Chief Executive Officer, two non-executive Directors, one of whom should be an INED. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the disclosure of information is accurate, complete and not misleading. As at the date of this Offering Circular, the members of the Disclosures Committee are CHU Stephen Henry, IP Tak Chuen, Edmond and LEE Chack Fan. CHU Stephen Henry has been appointed as the Chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

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

***Designated (Finance) Committee***

The Designated (Finance) Committee comprises the Chief Executive Officer and two non-executive Directors, one of whom should be an INED. The role of the Designated (Finance) Committee is to review matters relating to hedging strategies, financing and re-financing arrangements, and transactions involving derivative instruments for hedging purposes. As at the date of this Offering Circular, the members of the Designated (Finance) Committee are YIN Ke, CHU Stephen Henry and CHOI Koon Shum. YIN Ke has been appointed as the Chairman of the Designated (Finance) Committee.

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

### **Conflicts of Interest**

All conflicts of interest shall be managed by the Board in accordance with the articles of association of the Manager and applicable laws, rules and regulations. The Manager shall ensure that all conflicts of interest relating to Hui Xian REIT shall be managed and avoided. The following measures are taken in that regard:

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

For details on the conflicts of interest relating to Hui Xian REIT, see the risk factors under the section headed (i) “Risk Factors — There are potential conflicts of interest between Hui Xian REIT, the Manager, the Cheung Kong Group, Fortune REIT and Prosperity REIT”, (ii) “Risk Factors — The Manager is an associated company of ARA. There are potential conflicts of interest between Hui Xian REIT and REITs and private real estate funds managed by ARA for property acquisition and leasing opportunities”, and (iii) “Risk Factors — The Manager is an associated company of CITIC Securities International. There are potential conflicts of interest between Hui Xian REIT, the Manager and CITIC Securities Group”.

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share. After the Listing Date, where required under the REIT Code, the Takeovers Code or the applicable provisions of the Listing Rules, the Manager and its connected persons shall abstain from voting in relation to the relevant issuance of new Units. The Manager and its connected persons shall also abstain from voting in relation to any proposal on the termination or merger of Hui Xian REIT if such proposal is recommended by the Manager, and the Manager and connected persons related to it hold interests in the Units and their interest (at the sole determination of the Trustee) in the termination or merger of Hui Xian REIT is different from that of all other Unitholders.

It is also provided in the Trust Deed that as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time or upon request in writing by the Manager, the Trustee shall take actions or commence proceedings on behalf of Hui Xian REIT as necessary, including against any connected persons of the Trustee in relation to any transactions or agreements entered into by the Trustee for and on behalf of Hui Xian REIT with such persons provided that in the event of any action against the connected persons of the Trustee, the Trustee shall act upon the Manager’s request and instructions. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach by a connected person of the Trustee of any agreement or transaction entered into by Hui Xian REIT (or by the Trustee or the Manager for and on behalf of Hui Xian REIT) with such connected

person and the Manager may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders.

### **General Meetings**

Hui Xian REIT will in each calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders in Hong Kong at such time or place as they may think fit and propose resolutions for consideration at such meeting. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the Units for the time being in issue and outstanding. In respect of an annual general meeting, not less than 20 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders. In respect of any meeting of Unitholders other than an annual general meeting, not less than 10 days' notice, or not less than 20 days' notice where a Special Resolution is proposed for consideration at the relevant meeting, (in each case, exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders. Without prejudice to the aforementioned notice requirements, at least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Unitholders where a Special Resolution is proposed for consideration at such meeting. The notice for each of the above meetings shall specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10.0% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25.0% of the Units in issue and outstanding. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

### **Reporting and Transparency**

Hui Xian REIT will prepare its accounts in accordance with HKFRS with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and accounts for Hui Xian REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year end.

The Manager shall ensure that a full valuation of each of Hui Xian REIT's real estate in the form of land (whether held directly by the Trustee or indirectly through a Special Purpose Vehicle) shall be conducted by a principal valuer appointed in accordance with the Trust Deed at least once a year, and may require the principal valuer to carry out additional valuations or inspections at such other dates as the Manager may determine in its sole discretion, except that the next valuation of Hui Xian REIT's real estate in the form of land following the establishment of Hui Xian REIT will be effected no later than or as at the end of the relevant financial year (the first valuation to be effected at the end of the financial year in which the IPO is completed). The Manager shall also ensure that the principal valuer shall produce a valuation report (i) on real estate to be acquired or sold by Hui Xian REIT or (ii) on non-cash consideration in the nature of real estate which is to be received for the issue of Units in accordance with the Trust Deed or (iii) in any other circumstance prescribed by the REIT Code.

## CORPORATE GOVERNANCE

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Hui Xian REIT will be made on a timely basis in order to keep Unitholders apprised of the position of Hui Xian REIT.

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

### Issues of Further Units Post-Listing

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20.0% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an Ordinary Resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

Hui Xian REIT is also subject to certain restrictions in respect of the Units held by it, the details of which are set out in the section headed "The Offering" in this Offering Circular.

### Interests of, and Dealings in Units by, Directors, the Manager or the Significant Holders

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this code, all Directors, senior executives, officers and other employees of the Manager, subsidiaries of the Manager or the Special Purpose Vehicles who, because of his/her office or employment in the Manager, the relevant subsidiaries of the Manager or the relevant Special Purpose Vehicles, is likely to be in possession of unpublished price sensitive information in relation to the securities of Hui Xian REIT ("**Management Persons**") wishing to deal in the Units must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions applied to the securities of Hui Xian REIT.

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

A Management Person must not deal in any of the Units on any day on which Hui Xian REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the code containing rules on dealings by the Management Person adopted by the Manager.

## CORPORATE GOVERNANCE

The Manager is subject to the same dealing requirements as the Directors (*mutatis mutandis*).

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

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue, and the directors and chief executive of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in Hui Xian REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager. For further details of the Trust Deed, see the section headed "The Trust Deed" in this Offering Circular.

Subject to the provisions of the Trust Deed and without in any way affecting the generality of the provisions of the Trust Deed, where the Trustee or the Manager believes that a Unitholder may be a significant holder (as defined in the Trust Deed), each of the Trustee (on the instructions of the Manager in writing) and the Manager shall have the powers and legal capacity of a natural person or a corporation acting in his / her or its own capacity and have full and absolute powers in relation to the Deposited Property of requiring the Unitholder to promptly disclose to the Trustee and the Manager all of the legal, beneficial and equitable interests in Units held by the Unitholder and such other persons whose holdings of Units would be taken into account in determining whether the Unitholder is a significant holder (as defined in the Trust Deed). Without prejudice to the above, the Trustee shall have the power to require any Unitholder to promptly disclose to the Trustee all of the Unitholder's beneficial interests in Units.

### **Matters to be decided by Unitholders by Special Resolution**

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. For further details of such matters, see the section headed "The Trust Deed — Meeting of Unitholders" in this Offering Circular.

### **Appointment of Principal Valuer**

The Manager shall select and recommend one or more property valuers to the Trustee and the Trustee will appoint at its discretion a property valuer as the principal valuer recommended by the Manager to make a valuation of real estate, subject to the REIT Code. In appointing the property valuer, the Trustee shall at all times act in accordance with the provisions of the Trust Deed and may exercise discretion in refusing to appoint any principal valuer recommended by the Manager which the Trustee considers to be insufficiently qualified or in respect of whose integrity the Trustee is not satisfied. Where any property valuer recommended by the Manager is not appointed by the Trustee in such circumstances, the Manager shall recommend an alternative property valuer subject to the provision of the Trust Deed. The Manager when making such recommendations to the Trustee, shall have regard to the particular type or types of authorised investments, the subject of such valuation, recommendation or report, provided that in relation to an investment which is real estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, the person so recommended shall be a property valuer that carries on the business of valuing real estate in Hong Kong, shall meet the criteria of independence as set out in the REIT Code, and have key personnel who are fellow or associate members of the Hong Kong Institute of Surveyors and who are qualified to perform property valuations in accordance with the REIT Code. The Manager shall, upon the request by the Trustee, provide such information about the property valuer recommended by the Manager, which would assist the Trustee in exercising its discretion in the selection of property valuers under the provision of the Trust Deed. The remuneration of the principal

<b>CORPORATE GOVERNANCE</b>
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valuer appointed for the purposes of the IPO shall be determined on an arm's length basis by the Manager. Thereafter, the remuneration of the principal valuer (which shall be payable out of the Deposited Property) shall be determined by the Manager with the approval of the Trustee and disclosed in the annual financial statements of Hui Xian REIT. The Trustee shall not be liable for the acts or omissions of the principal valuer provided that the Trustee has acted in good faith and without negligence or wilful default in the appointment of such valuer.

## THE TRUST DEED

*The Trust Deed is a complex document and the following is a summary only. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of Hui Xian REIT. The Trust Deed is available for inspection at the registered office of the Manager at Unit 1203, 12/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.*

The Trustee of Hui Xian REIT is DB Trustees (Hong Kong) Limited, a company incorporated in Hong Kong and registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment scheme authorised under the SFO pursuant to the REIT Code.

### The Trust Deed

Hui Xian REIT is a real estate investment trust constituted by the Trust Deed and regulated by the SFO, the REIT Code, Chapter 20 of the Listing Rules and the Listing Agreement.

The Trust Deed was entered into on 1 April 2011 between Hui Xian Cayman as the settlor of Hui Xian REIT, Hui Xian Asset Management Limited as the manager of Hui Xian REIT and DB Trustees (Hong Kong) Limited as the trustee of Hui Xian REIT. Hui Xian REIT was constituted by the Trustee holding HK\$100 in cash as Deposited Property (settled by Hui Xian Cayman on the date of the Trust Deed) on trust and for the benefit of the Hui Xian Cayman, pending the issuance of Units, at which time Hui Xian Cayman shall cease to have any interest of any nature whatsoever in such Deposited Property (or any income arising therefrom).

The terms and conditions of the Trust Deed and any supplemental deed are binding on the Trustee and the Manager, who are signatories thereto, as well as each Unitholder (and all persons claiming through or under such Unitholder) as if such Unitholder and such person had been a party to and had thereby covenanted for such Unitholder and all such other persons to observe and be bound by all the provisions of the Trust Deed and had authorised the Manager and the Trustee, respectively, to do all such acts and things as the Trust Deed may require the Trustee or the Manager (as the case may be) to do.

The provisions of the REIT Code prescribe certain terms of the Trust Deed and certain rights, duties and obligations of the Manager, the Trustee and the Unitholders under the Trust Deed.

### REIT Structure

Hui Xian REIT is established in the form of a unit trust under Hong Kong law to invest primarily in real estate (either directly or indirectly through special purpose vehicles). The Manager must manage Hui Xian REIT so that the principal investments of Hui Xian REIT are real estate. For further details of the investment objectives and policies of the Manager, see the section headed "Strategy" in this Offering Circular. The assets of Hui Xian REIT and income arising from those assets separately will be held by the Trustee on trust for the benefit of Hui Xian Cayman initially and thereafter upon issuance of Units the Unitholders *pari passu* according to the number of Units held by each Unitholder, subject to the terms and conditions of the Trust Deed.

### The Units and Unitholders

The rights and interests of Unitholders are set out in the Trust Deed. Under the Trust Deed, the Trustee must exercise all due diligence and vigilance in protecting the rights and interests of Unitholders.

The beneficial interest in Hui Xian REIT is divided into Units. However, a Unitholder is not entitled to interfere or seek to interfere with or question the rights, powers, obligations, authority or discretion of the Trustee or the Manager to the extent those rights, powers, obligations, authority or discretion are properly exercised or performed under the Trust Deed. In addition, a Unitholder is not entitled to claim or exercise any right in respect of the Deposited Property or any part of the Deposited Property or lodge any caveat or other notice affecting the Deposited Property or any part of the Deposited Property. Further, a Unitholder is not entitled to require that any of the Deposited Property or any part thereof be transferred to the Unitholder.

## THE TRUST DEED

### Issue of Units and Issue Price

The Units will be listed and quoted in RMB. The following is a summary of the provisions of the Trust Deed relating to the issue of Units.

The Manager has the exclusive right to effect for the account of Hui Xian REIT, the creation and issue of Units and/or Convertible Instruments in accordance with the Trust Deed and subject to the provisions of the REIT Code and any other applicable laws and regulations provided that after Completion and before any listing of the Units, except for the issuance of new Units as disclosed in this Offering Circular, no issuance of Units and/or Convertible Instruments shall be made by the Manager without the prior written approval of Hui Xian Cayman and for the avoidance of doubt, on or after the Listing Date, no such approval of Hui Xian Cayman, in its capacity as the settlor in connection with the setting up of Hui Xian REIT, shall be required for any issuance of new Units and/or Convertible Instruments (including the issuance of new Units as disclosed in this Offering Circular). On Completion, the Units shall be issued to Hui Xian Cayman pursuant to the Reorganisation Agreement and the issue of such Units shall be at an issue price to be determined and agreed between the Manager and Hui Xian Cayman. The issue of Units on the Listing Date for the purpose of the Offering shall be at an issue price determined on the basis disclosed in this Offering Circular.

After the Listing Date, new Units and/or Convertible Instruments may be offered on a pro rata basis as a rights issue without the prior approval of Unitholders other than where any such issue together with such Convertible Instruments (assuming full conversion) would increase the market capitalisation of Hui Xian REIT by more than 50.0%, in which case such issue shall require the prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed.

Subject to certain restrictions in the Trust Deed on issue of new Units to a connected person and the REIT Code, after the Listing Date, Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any financial year (whether directly or pursuant to any Convertible Instruments), otherwise than on a pro rata basis to all existing Unitholders, without the approval of Unitholders, if:

- (a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that financial year pursuant to this paragraph, without taking into account:
  - (i) any new Units issued or issuable in that financial year pursuant to any Convertible Instruments issued (whether in that or any prior financial year) pursuant to and in compliance with this paragraph, to the extent that such new Units are covered by the aggregate number of new Units contemplated under paragraph (b) below at the Relevant Date applicable to the relevant Convertible Instruments;
  - (ii) such number of new Units issued or issuable pursuant to any such Convertible Instruments or any agreement referred to in sub-paragraph (a)(iii) below, in each case as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;
  - (iii) any new Units issued in that financial year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under this sub-paragraph (a) (whether in that or any prior financial year) at the Relevant Date applicable to that agreement;
  - (iv) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and in respect of which the specific prior approval of Unitholders in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the REIT Code) has been obtained; and/or
  - (v) any new Units issued or agreed to be issued in that financial year pursuant to any reinvestment of distributions made in accordance with the Trust Deed;

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plus:

- (b) (i) the maximum number of new Units issuable at the Initial Issue Price (as defined below) pursuant to any Convertible Instruments issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Unitholders and whose Relevant Date falls within that financial year; and
- (ii) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the Manager in good faith and using its best endeavours and based on such assumptions as may be considered appropriate by the Manager and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or sub-division or re-designation of Units),

does not increase the number of Units that were outstanding at the end of the previous financial year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first financial year, the number of Units that were outstanding as at the Listing Date) by more than 20.0% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC) (the “**Percentage Threshold**”), provided that such threshold in terms of number of Units shall in the event of any consolidation or sub-division or re-designation of Units during that financial year be proportionally adjusted to give effect to such consolidation, sub-division or re-designation of Units.

Any issue of, or any agreement (whether conditional or unconditional) to issue, new Units exceeding the Percentage Threshold shall require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed, except that agreements to issue new Units exceeding such Percentage Threshold which are conditional upon specific approval of Unitholders by Ordinary Resolution may be entered into without first obtaining such prior approval.

Any issue, grant or offer of Units or Convertible Instruments to a connected person shall require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed, unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Unitholders’ approval will be required):

- (i) prior to the Listing Date;
- (ii) pursuant to the IPO;
- (iii) pursuant to a right issue or as part of any offer made to all Unitholders on a pro rata basis (provided that such issue will not increase the market capitalisation of Hui Xian REIT by more than 50.0%);
- (iv) a capitalisation issue (in so far as such issue is offered to the Unitholders on a pro rata basis) (provided that such issue will not increase the market capitalisation of Hui Xian REIT by more than 50.0%);
- (v) the connected person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Unitholder (provided that such issue will not increase the market capitalisation of Hui Xian REIT by more than 50.0%);
- (vi) Units are issued to a connected person under the Trust Deed in or towards the satisfaction of the Base Fee and Variable Fee pursuant to a waiver granted by the SFC, one of the conditions thereof is that in respect of each financial year, the maximum number of Units that may be issued to the Manager as payment of all or part of the Base Fee and Variable Fee for that financial year shall be limited to such number of Units as represents 3.0% of the total number

## THE TRUST DEED

of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisition of real estate by Hui Xian REIT. For details, see the section headed “Modifications, Waivers and Licensing Conditions” in this Offering Circular;

- (vii) an issue of Units in respect of re-investment of distribution to Unitholders;
- (viii) unless expressly provided in the Trust Deed or otherwise pursuant to any exemption or waiver granted by the SFC, an issue of new Units and/or Convertible Instruments to a connected person within 14 days after such connected person has executed an agreement to reduce its holding of Units and/or that class of Convertible Instruments by placing such Units and/or that class of Convertible Instruments to a third person or third persons who is/are not its associate(s) other than any person or entity who/which is an associate of the relevant connected person solely by virtue of the operation of paragraphs (b), (c), and/or (k) (in the case of paragraph (k), other than a related corporation covered under paragraph (a) of the definition of “related corporation” in Schedule 1 of the SFO) of the definition of “associate” in Schedule 1 of the SFO (provided that (A) such new Units and/or that class of Convertible Instruments must be issued at a price not less than the placing price (which issue price may however be adjusted for the expenses of the placing); (B) the number of new Units and/or that class of Convertible Instruments issued to the connected person must not exceed the number of Units and/or that class of Convertible Instruments placed by it;
- (ix) in certain circumstances when a connected person acts as underwriter or sub-underwriter of an issue of new Units and/or Convertible Instruments by Hui Xian REIT;

provided that under each of the circumstances mentioned in (iii) or (iv) above, such issue shall not increase the market capitalisation of Hui Xian REIT by more than 50.0% and under the circumstance mentioned in (vi) above, such issue is made pursuant to, and in compliance with the conditions for, any waiver granted by the SFC, or is otherwise permitted under REIT Code; or unless such issue without such prior approval is not prohibited under the REIT Code or is otherwise permitted by any waivers or exemptions from the operation of or strict compliance with the REIT Code granted by the SFC from time to time.

After the Listing Date, and for so long as the Units are admitted for trading on the Hong Kong Stock Exchange, the Manager, subject to the provisions in the Trust Deed and the REIT Code, may effect or agree to effect the issue of Units on behalf of Hui Xian REIT (whether directly, or pursuant to any Convertible Instruments issued by Hui Xian REIT) on any business day (as defined in the Trust Deed) at an Issue Price per Unit that is (i) equal to the Market Price; or (ii) in its discretion, at a discount to the Market Price of no more than 20.0% (or such other percentage as may, from time to time, be prescribed by the SFC under applicable circumstances (if any)) or at a premium (of any amount) to the Market Price; or (iii) where approval by way of an Ordinary Resolution is obtained as mentioned below, on the pricing basis as authorised in such Ordinary Resolution. The Issue Price shall, in the case of any Convertible Instruments, mean the initial price per Unit at which Units are to be issued pursuant to the exercise of any conversion, exchange or subscription or similar rights under such Convertible Instruments, before any adjustments which may apply thereunder (the “**Initial Issue Price**”). An issue of, or agreement (whether conditional or unconditional) to issue, new Units at an Issue Price or Initial Issue Price (as the case may be) that is at a discount of more than 20.0% (or such other percentage as may, from time to time, be prescribed by the SFC) to the Market Price shall require specific prior approval of Unitholders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed, and such approval may be subject to such conditions as the Unitholders may approve, including without limitation stating the basis of pricing, or authorising the Manager to determine the pricing basis on such terms as are authorised under that Ordinary Resolution. The restrictions regarding Issue Price mentioned in this paragraph do not apply to (a) any rights issue, any capitalisation issue or bonus issue (in each case on a pro-rata basis), provided that such issue will not increase the market capitalisation of Hui Xian REIT by more than 50.0% (or such other percentage allowed by the SFC); or (b) any issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed if such issuance is made pursuant to, and in

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compliance with the conditions for, any waiver granted by the SFC, or is otherwise permitted under the REIT Code; or (c) any issue of Units for cash consideration where the Manager can satisfy the SFC that Hui Xian REIT is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves an issue of Units at a discount of more than 20.0% (or such other percentage as may, from time to time, be prescribed by the SFC) to the Market Price or that there are other exceptional circumstances as permitted by the SFC under the applicable circumstances, in such cases the Issue Price shall be determined by the Manager in its discretion. For these purposes, "Market Price" shall mean the price as determined by the Manager, being the higher of:

- (a) the closing price of the Units on the Hong Kong Stock Exchange on the date of the relevant agreement or other instrument for (i) for the proposed issue of Units; or (ii) the proposed issue of any Convertible Instruments; and
- (b) the volume weighted average price for a Unit for all trades in Units on the Hong Kong Stock Exchange ("Unit VWAP") for the period of ten trading days immediately preceding the earliest of:—
  - (i) the date of announcement of (A) the proposed issue of Units, or (B) the proposed issue of any Convertible Instruments;
  - (ii) the date of the relevant agreement or other instrument for (A) the proposed issue of Units, or (B) the proposed issue of any Convertible Instruments; and
  - (iii) the date on which the Issue Price is fixed.

### **Repurchase and Redemption of Units**

Unitholders have no right to demand for the repurchase or redemption of their Units.

The Manager must not repurchase or redeem any Units unless it is permitted to do so by the relevant codes and guidelines issued by the SFC from time to time (including but not limited to the Code on Share Repurchases and the circular to management companies of SFC-authorized REIT titled "On-market Unit Repurchases by SFC-authorized REITs" dated 31 January 2008). Any such repurchase or redemption of Units by the Manager must be effected in accordance with such codes and guidelines.

### **Minimum prescribed public holdings**

After the Listing Date and for so long as the Units are listed on the Hong Kong Stock Exchange, the Manager shall use best efforts to ensure that a minimum of 25% (or such lower percentage as may be permitted by the SFC) of the outstanding Units are held in public hands. In the event that the Manager becomes aware that such percentage has fallen below 25% (or such lower percentage as may be permitted by the SFC) of outstanding Units, the Manager shall use its best efforts to restore the percentage of Units held in public hands to a minimum of 25% (or such lower percentage as may be permitted by the SFC) of outstanding Units. The Manager shall adopt proper internal procedures for monitoring the public float and shall notify the Trustee and the SFC promptly if such percentage falls below 25% (or such lower percentage as may be permitted by the SFC) of the outstanding Units and issue an announcement regarding the same.

### **Rights and Liabilities of Unitholders**

The key rights of Unitholders include rights to:

- (1) receive income and other distributions attributable to the Units held;
- (2) receive audited financial statements and annual reports of Hui Xian REIT; and
- (3) participate in the distribution of assets on the termination of Hui Xian REIT by receiving a share of all net cash proceeds derived from the sale or realisation of the assets of Hui Xian REIT less any liabilities, in accordance with their proportionate interests in the Units at the date of termination of Hui Xian REIT in accordance with the provision of the Trust Deed.

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No Unit shall confer on any Unitholder or person claiming under or through him any interest or share in any part of the Deposited Property, but a Unitholder shall have the right to have Hui Xian REIT administered in accordance with the Trust Deed.

Unitholders shall not give any directions to the Manager or the Trustee (whether at a meeting of Unitholders convened pursuant to the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- (a) Hui Xian REIT ceasing to comply with the REIT Code or the Listing Rules; or
- (b) the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either the Trustee or the Manager or both of them; provided that nothing in this paragraph shall limit the right of a Unitholder to require the proper operation of Hui Xian REIT in accordance with the Trust Deed or the compliance by the Trustee or the Manager with their respective obligations under the Trust Deed.

A Unitholder shall not be liable to the Manager or the Trustee to make any further payments to Hui Xian REIT after he has fully paid the consideration to acquire his Units and no further liability shall be imposed on such Unitholder in respect of his Units.

### **Investment Restrictions**

Subject to the restrictions and requirements of the REIT Code, the Manager shall ensure that the following investment restrictions are complied with:-

- (a) subject as provided in the Trust Deed, no investment shall be made by Hui Xian REIT which would result in non-compliance with the REIT Code, and applicable investment restrictions in the Listing Rules (if any), applicable laws and regulations and the Trust Deed;
- (b) Hui Xian REIT may only invest in authorised investments as provided in the Trust Deed;
- (c) Hui Xian REIT shall not invest in vacant land or engage or participate in any property development activities (excluding, for the avoidance of doubt, refurbishment, retrofitting and renovations);
- (d) Hui Xian REIT shall not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person, nor shall any part of the Deposited Property be used to secure the indebtedness of any person or any obligations, liabilities or indebtedness, without the prior written consent of the Trustee;
- (e) Hui Xian REIT shall not acquire any investment which involves the assumption of any liability that is unlimited; and
- (f) Hui Xian REIT shall hold each investment (which is in the nature of a real estate or shares in any Special Purpose Vehicle holding interest in a real estate) for a period of at least two years, unless the Manager has clearly communicated to the Unitholders the rationale for disposal prior to the expiry of such period and the Unitholders approve the disposal of such investment by Special Resolution at a meeting to be convened by the Manager in accordance with the Trust Deed.

The Manager shall ensure that each Special Purpose Vehicle shall comply with the requirements set out in the preceding paragraph.

### **Valuation of Investment**

The Manager shall ensure that all valuations made by principal valuers pursuant to the Trust Deed shall be carried out in good faith in accordance with market practice on such basis as the principal valuers respectively may determine to be appropriate, subject always to the terms of the Trust Deed and the provisions of the REIT Code. The valuation methodology shall follow the "Valuation Standards

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on Properties” published from time to time by the Hong Kong Institute of Surveyors or the International Valuation Standards issued from time to time by the International Valuation Standards Committee, the REIT Code or any applicable code of practice for asset valuations. Once adopted, the same valuation standards shall be applied consistently to all valuations of properties of Hui Xian REIT.

The Manager shall determine the net asset value of the Deposited Property based upon the principal valuer’s valuation of real estate (as defined in the Trust Deed), the value of cash (as defined in the Trust Deed) and cash equivalent items (as defined in the Trust Deed) comprised in the assets of Hui Xian REIT and other Deposited Property less liabilities.

The Trustee shall take all reasonable care to ensure that the net asset value of the Deposited Property and net asset value of the Deposited Property per Unit (being the net asset value of the Deposited Property divided by the number of Units then in issue) is calculated by the Manager in accordance with the Trust Deed as and when an annual valuation report of Hui Xian REIT’s real estate is issued by the principal valuer for the relevant period, and that such net asset value of the Deposited Property and net asset value of the Deposited Property per Unit shall be published in the annual report for Hui Xian REIT.

### **Modification of the Trust Deed**

The Trustee and the Manager shall be entitled by any supplemental deed and with the prior approval of the SFC to amend, vary, modify, alter or add to the provisions of the Trust Deed in such manner and to such extent as they may consider expedient for any purpose, provided that:

- (a) unless the Trustee shall certify in writing that, in its opinion, such amendment, variation, modification, alteration or addition:
  - (i) does not materially prejudice the interests of the Unitholders, if so required, and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders under the Trust Deed and does not increase the costs and charges payable from the Deposited Property (other than the costs, charges, fees and expenses incurred in connection with the supplemental deed);
  - (ii) is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law) including, without limitation, requirements under the SFO, the REIT Code, the Listing Rules and any other applicable rules of any other relevant specified stock exchange on which Hui Xian REIT may be listed; or
  - (iii) is necessary to correct a manifest error,no such amendment, variation, modification, alteration or addition shall be made without the sanction of a Special Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed; and
- (b) no such amendment, variation, modification, alteration or addition shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

### **Meeting of Unitholders**

The Manager shall at least once in every calendar year convene a general meeting of Unitholders as the annual general meeting thereof in addition to any other meetings in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held at such time and place as the Manager shall appoint and not less than 20 days’ notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders.

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The Trustee or the Manager may respectively (and the Manager shall at the request in writing of not less than two Unitholders registered as together holding not less than 10.0% of the Units for the time being in issue and outstanding) at any time convene a meeting of Unitholders at such time or place in Hong Kong, subject to the provisions of the Trust Deed, as the Trustee or the Manager (as the case may be) may think fit and propose resolutions for consideration at such meeting. In respect of any meeting of Unitholders other than an annual general meeting, not less than 10 days' notice, or not less than 20 day's notice where a Special Resolution is proposed for consideration at the relevant meeting, (in each case, exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders.

At any meeting of Unitholders, the Manager or a person nominated by the Manager (if present) shall be the Chairman of the meeting.

Without prejudice to the aforementioned notice requirements, at least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to Unitholders in the manner as provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Unitholders where a Special Resolution is proposed for consideration at such meeting. The notice shall specify the place, day and hour of meeting and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent by post to the Trustee, unless the meeting is convened by the Trustee in which case a copy of the notice shall be sent by post to the Manager. The accidental omission to give notice to or the non-receipt of notice by any of the Unitholders shall not invalidate the proceedings at any meeting.

At any meeting of Unitholders, two or more Unitholders present in person or by proxy registered as holding together not less than 10.0% of the Units for the time being in issue and outstanding shall form a quorum for the transaction of business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution shall be two or more Unitholders present in person or by proxy registered as holding together not less than 25.0% of the Units for the time being in issue and outstanding. No business shall be transacted at any meeting unless the requisite quorum is present at the commencement of business. Split proxies shall, for the avoidance of doubt, be permitted. Notwithstanding the aforesaid, at any time prior to the Listing Date, if Hui Xian REIT has only one Unitholder, the sole Unitholder present in person or by proxy shall be a quorum of a meeting of Hui Xian REIT; and if such sole Unitholder takes any decision that may be taken by Hui Xian REIT in general meeting and that has effect as if agreed by Hui Xian REIT in general meeting, such sole Unitholder shall provide the Manager with a written record of that decision within seven days after the decision is made. The written record shall be sufficient evidence of the decision having been taken by such sole Unitholder.

Subject to the relevant provision of the Trust Deed, Unitholders shall be prohibited from voting their own Units at, or being counted in the quorum for, a meeting at which they have a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager (where the Unitholder(s) concerned is (are) connected persons of the Manager) or the Trustee (where the Unitholder(s) concerned is (are) not connected persons of the Manager), if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase his holdings of the Units by more than his pro rata share.

Notwithstanding any other provision of the Trust Deed, where a resolution is proposed for the removal or appointment of any person who (as the case may be) is, or is proposed to be, the manager of Hui Xian REIT in accordance with relevant provisions of the Trust Deed, all Unitholders, including (insofar as they are Unitholders) the outgoing manager, the proposed new manager of the Hui Xian REIT and their respective associates, shall be entitled to vote and be counted in the quorum for the purposes of passing such resolution.

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At any meeting, a resolution put to the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. On a poll, 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 provided such Units are fully paid-up. Votes passed by a Unitholder in contravention of the REIT Code or Listing Rules shall not be counted. On a poll, votes may be given either personally or by proxy. The form of the instrument of proxy used shall be in accordance with the form illustrated in the Trust Deed or in any other form which the Trustee shall approve. 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.

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.

HKSCC Nominees (or any successor thereto) may appoint more than one proxy or corporate representative to attend and vote at Unitholders' meetings as if they were individual Unitholders and such representatives shall not be required to produce any documents of title or notarized authorisation in respect of such appointment. Where a Unitholder is a recognised clearing house (within the meaning of the SFO) or its nominees, it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Unitholders' meeting or any class of Unitholders, provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of the Units in respect of which each such person is so authorised.

### **Matters to be approved by Special Resolutions and Ordinary Resolutions**

In accordance with the Trust Deed, a meeting of Unitholders will be convened to pass Special Resolutions when decisions with respect to certain matters require the prior approval of Unitholders by way of Special Resolution. Such matters include, without limitation: (a) change in the Manager's investment policies or strategies for Hui Xian REIT; (b) disposal of any land or an interest, option or right over any of the land forming part of the assets of Hui Xian REIT or shares in any company holding such land, option or right over any of the land for Hui Xian REIT within two years of the acquisition of such land; (c) any increase in the rate of the Base Fee above the permitted limit or any change in the structure of the Base Fee; (d) any increase in the Variable Fee payable to the Manager above the rate stated in the Trust Deed or any change in the structure of the Variable Fee; (e) any increase in the Acquisition Fee above the permitted limit or any change in the structure of the Acquisition Fee; (f) any increase in the Divestment Fee above the permitted limit or any change in the structure of the Divestment Fee; (g) any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee; (h) amendment, variation, modification, alteration or addition to the provisions of the Trust Deed; (i) termination of Hui Xian REIT; and (j) merger of Hui Xian REIT. Unitholders may also, by way of Special Resolution, (i) remove Hui Xian REIT's auditors and appoint other auditors or (ii) remove the Trustee.

Any decisions to be made by resolution of Unitholders other than the above shall be made by Ordinary Resolution, unless a Special Resolution is required by the REIT Code. Such matters requiring approval by way of Ordinary Resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the Listing Date which would increase the market capitalisation of Hui Xian REIT by more than 50.0%; (c) any issue of the Units during any financial year that would increase the total number of the Units from the number of the Units that were outstanding at the end of the previous financial year by more than 20.0% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed, an issue of Units in respect of re-investment of distribution to Unitholders, or a rights issue, an issue of new Units to a connected person (other than as part of an offer made to all Unitholders on a pro rata basis); and (e) the election by the Manager for the Acquisition Fee or the Divestment Fee, which is to

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be paid to the Manager in the form of cash, to be paid in the form of the Units or partly in cash and partly in the form of the Units. The appointment of a new manager of Hui Xian REIT by the Trustee upon the dismissal or retirement of the Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an Ordinary Resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of Ordinary Resolution, dismiss the Manager and any principal valuer appointed by the Trustee on behalf of Hui Xian REIT in accordance with the Trust Deed.

### **Powers, Duties and Obligations of the Trustee**

Under the Trust Deed, the powers and duties of the Trustee include (but are not limited to):

- (1) carrying out the instructions of the Manager in respect of investments unless they are in conflict with this Offering Circular, the Trust Deed or other constitutive documents of Hui Xian REIT, the REIT Code or under general law;
- (2) ensuring that the Deposited Property is properly segregated and held for the benefit of the Unitholders in accordance with the provisions of the Trust Deed;
- (3) overseeing the activities of the Manager for compliance with the Trust Deed, other relevant constitutive documents of Hui Xian REIT and the regulatory requirements applicable to Hui Xian REIT; and
- (4) ensuring that all the investment activities carried out by the Manager are in line with the investment objective and policy of Hui Xian REIT and the constitutive documents of Hui Xian REIT and are in the interests of the Unitholders.

Where the Trustee is required to act upon the Manager's instructions under the Trust Deed, the Trustee shall nevertheless be subject to the overriding fiduciary duties it owes to Hui Xian REIT. The Trustee shall exercise all due diligence and vigilance in carrying out its functions and duties, and in protecting the rights and interests of Unitholders.

Subject to the relevant provision of the Trust Deed and the REIT Code, the Manager may at its sole and absolute discretion whenever it considers necessary or beneficial to Hui Xian REIT require in writing the Trustee to borrow or raise moneys on behalf of Hui Xian REIT either directly or through Special Purpose Vehicle (upon such terms and conditions as the Manager thinks fit and in particular by charging or mortgaging all or any of the investments) and the Trustee shall give effect to such requisition (including, where requested by the Manager, by way of giving guarantees out of the Deposited Property on behalf of Hui Xian REIT).

No new borrowing or money raising shall be requisitioned by the Manager under the relevant provision of the Trust Deed or made by the Trustee at the instruction or consent of the Manager under the relevant provision of the Trust Deed if upon the effecting of such borrowing or raising the amount thereof together with the aggregated amount of all other raisings or borrowings made by the Trustee at the requisition of the Manager under the relevant provision of the Trust Deed or made by the Trustee at the instruction or consent of the Manager under the relevant provision of the Trust Deed (in each case, whether directly or indirectly through a Special Purpose Vehicle), and still remaining to be repaid would thereupon in the aggregate exceed 45.0% (or such other higher or lower percentage as may be permitted by the REIT Code or as may be specifically permitted by the relevant authorities) of the total gross asset value of the Deposited Property as set out in Hui Xian REIT's latest published audited accounts immediately prior to such borrowing being effected (as adjusted by (i) the amount of any distribution proposed by the Manager in such audited accounts and any distribution declared by the Manager since the publication of such accounts; and (ii) where appropriate the latest published valuation of the assets of Hui Xian REIT if such valuation is published after the publication of such accounts).

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### **Trustee's Right to Reimbursement**

The Trustee is entitled to apply, or to be reimbursed from, the assets of Hui Xian REIT (at such times and over such periods as the Trustee and the Manager may determine in any particular case) for all liabilities or any other expenses that may be properly incurred or suffered by the Trustee in the performance of its obligations or the exercise of its powers under the Trust Deed, or otherwise arising out of or in connection with the Trust Deed or other constitutive documents of Hui Xian REIT.

### **Limitation of Trustee's Liability**

In the absence of fraud, negligence, wilful default or breach of the Trust Deed or other constitutive documents of Hui Xian REIT to which the Trustee is a party, or breach of the REIT Code or any other relevant laws and regulations or breach of trust by the Trustee, the Trustee shall have no liability for any act or omission of the Manager, the Hong Kong Unit Registrar (if the Trustee is not the unit registrar), any principal valuer or any Special Purpose Vehicles or any directors of the foregoing.

In the absence of fraud, negligence, wilful default, breach of the Trust Deed or other constitutive documents of Hui Xian REIT to which the Trustee is a party, breach of the REIT Code or other relevant laws and regulations or a breach of trust, the Trustee shall not be in any way responsible to Hui Xian REIT, the Unitholders, the Manager or any person for any loss, costs, damage or inconvenience that may result from the exercise or non exercise of its powers.

Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of Hui Xian REIT over which the Trustee has recourse provided that the Trustee had acted without fraud, negligence, wilful default, breach of the Trust Deed or other constitutive documents to which Hui Xian REIT is a party, breach of trust, breach of the REIT Code or breach of any applicable law and regulation.

### **Trustee's Right of Indemnity of Deposited Property**

Subject to the provisions of the Trust Deed and without prejudice to any right of indemnity at law given to the Trustee, the Trustee and any director, employee, servant agent or delegate of the Trustee shall be indemnified out of, and shall be entitled for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Trustee and as any director, employee, servant agent or delegate of the Trustee to have recourse to the Deposited Property or any part thereof save where such actions, costs, claims, damages, expenses or demands are occasioned by fraud, negligence, wilful default or breach of the Trust Deed, breach of trust, breach of the constitutive documents of Hui Xian REIT, or breach of the REIT Code or other applicable laws or regulations by the Trustee or any director, employee, servant agent or delegate of the Trustee.

### **Retirement and Removal of the Trustee**

The Trustee may retire or be removed under the following circumstances:

- (a) The Trustee shall not be entitled to retire voluntarily except upon the appointment (with, for so long as Hui Xian REIT is authorised by the SFC, the prior written consent of the SFC) of a new trustee. The retirement of the Trustee shall take effect at the same time as the new trustee takes up office as the trustee of Hui Xian REIT.
- (b) The Trustee may be removed by prior notice in writing to the Trustee by the Manager in any of the following events:
  - (i) if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee (or any such analogous process occurs or any analogous person is appointed in respect of the Trustee);

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- (ii) if the Trustee ceases to carry on business; and
- (iii) if the Unitholders by a Special Resolution duly passed at a meeting of Unitholders held in accordance with the provisions of the Trust Deed and of which not less than 21 days' notice has been given to the Trustee and the Manager shall so decide.

#### **Trustee's Fee**

Hui Xian REIT will pay the Trustee a one-off inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as agreed between the Manager and the Trustee from time to time of not more than 0.02% of the Property Values as at the end of such financial year (which may be increased without obtaining Unitholders' approval to a maximum of 0.06% per annum of the Property Values by giving at least one month's prior written notice to the Manager and the Unitholders), subject to a minimum amount of RMB56,000 per month. Such remuneration of the Trustee shall be payable out of the Deposited Property semi-annually in arrears, subject to adjustment according to the Trust Deed.

Based on the agreed arrangement between the Trustee and the Manager as at the Latest Practicable Date and the Appraised Value of Oriental Plaza of RMB31,410 million as at 31 January 2011, the rate of the above annual fee is expected to be 0.01% on the Listing Date.

The remuneration payable to the Trustee for a broken period shall be pro-rated on a time basis.

The Trustee shall give at least one month's prior written notice to the Manager and the Unitholders of any increase in the rate of the remuneration of the Trustee that the Trustee proposes to charge from time to time up to (but not exceeding) the permitted limit. Any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee shall be approved by a Special Resolution of a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

#### **Termination of Hui Xian REIT**

Hui Xian REIT shall terminate in the event that, for any reason, there is no Manager under Hui Xian REIT for a period of more than 60 calendar days or such longer period as the Trustee considers appropriate. Otherwise, Hui Xian REIT shall continue until the expiration of 80 years less one day from the date of commencement of Hui Xian REIT as provided in the Trust Deed, or until it is terminated or merged in the manner described below or as set out in the sub-section headed "Merger of Hui Xian REIT" below.

Under the provisions of the Trust Deed, Hui Xian REIT may be terminated by Special Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed unless it is wound up by a court order or is otherwise terminated by the operation of law.

Where the proposal to terminate Hui Xian REIT is recommended by the Manager, the Manager and connected persons related to it shall abstain from voting if they hold interests in the Units and if their interest (at the sole determination of the Trustee) in terminating Hui Xian REIT is different from that of all other Unitholders. The Trustee shall have no liability for any consequence arising out of such termination recommended by the Manager and approved by Special Resolution in the absence of fraud, bad faith, willful default or negligence. The Manager shall inform Unitholders as soon as reasonably practicable of the intention to terminate Hui Xian REIT by way of announcement.

The Manager shall serve on the Unitholders, within 21 days of the announcement of the termination of Hui Xian REIT (or such other period permitted under the REIT Code), a circular containing the following information:

- (a) the rationale for the termination of Hui Xian REIT;
- (b) the effective date of the termination;

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- (c) the manner in which the Deposited Property is to be dealt with;
- (d) the procedures and timing for the distribution of the proceeds of the termination;
- (e) a valuation report of Hui Xian REIT prepared by an principal valuer which is dated not more than three months before the date of the circular;
- (f) the alternatives available to the Unitholders (including, if applicable, a right to switch without charge into another unit trust scheme);
- (g) the estimated costs of the termination and who is expected to bear such costs; and
- (h) such other material information that the Manager determines that the Unitholders should be informed of.

Upon the Unitholders' approval of the termination of Hui Xian REIT, no further Units shall be created, issued, cancelled or sold. No transfer of Units may be registered and no other change to the register may be made without the sanction of the Trustee following the announcement referred to above. No further investments may be made by Hui Xian REIT upon its termination and the obligations of the Trustee, the Manager and the property valuer shall continue until the completion of the liquidation of the assets and termination of Hui Xian REIT.

Upon approval of the proposal to terminate Hui Xian REIT, the Trustee shall oversee the realization of the investments by the Manager (which the Manager shall effect as soon as practicable) and shall ensure that the Manager shall repay out of the Deposited Property any outstanding borrowings effected by or for the account of Hui Xian REIT (together with any interest thereon but remaining unpaid) and shall ensure the proper discharge of all other obligations and liabilities of Hui Xian REIT.

All investments shall be disposed of through public auction or any form of open tender. The disposal shall be conducted at arm's length and conducted in the best interests of the Unitholders. The disposal price shall be the best available price obtained through public auction or open tender. Subject as aforesaid, such sale and repayment shall be carried out and completed in such manner and within such period after the termination of Hui Xian REIT as the Manager in its absolute discretion deems advisable provided that, unless otherwise permitted by the REIT Code, such period may not exceed twenty-four months and where it exceeds twelve months, it must be in the interests of Unitholders and Unitholders shall be informed by way of announcement. Subject to the provisions of the Trust Deed, any net cash proceeds derived from the sale or realization of such investments shall (at such time or times as the Trustee shall deem convenient) be distributed to the Unitholders pro rata to the number of Units held or deemed to be held by them respectively at the date of the termination of Hui Xian REIT provided that if the liquidation of Hui Xian REIT exceeds six months from the date of termination of Hui Xian REIT, an interim distribution shall be made in respect of any net proceeds derived from the sale or realisation of investments.

Upon the completion of the liquidation of the assets of Hui Xian REIT, the following shall be prepared:

- (a) a Manager's review and comment on the performance of Hui Xian REIT and an explanation as to how the investments have been disposed of and the transaction prices and major terms of disposal;
- (b) a Trustee's report that the Manager has managed and liquidated the assets of Hui Xian REIT in accordance with the REIT Code and the provisions of the Trust Deed;
- (c) financial statements of Hui Xian REIT which shall be distributed to the Unitholders by the Manager within three months of completion of the liquidation of the assets of Hui Xian REIT and a copy filed with the SFC; and
- (d) an auditors' report.

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Following the disposal of the assets of Hui Xian REIT and the distribution of the net proceeds derived from the sale or realization of the assets of Hui Xian REIT (if any), Hui Xian REIT will terminate.

### **Merger of Hui Xian REIT**

The merger of Hui Xian REIT shall require specific prior approval by Special Resolution at a meeting to be convened by the Manager in accordance with the provisions of the Trust Deed.

Where the proposal to merge Hui Xian REIT is recommended by the Manager, the Manager and connected persons related to it shall abstain from voting if they hold interests in the Units and if their interests (at the sole determination of the Trustee) in merging Hui Xian REIT is different from that of all other Unitholders. Where upon such merger the Trustee retires, any deed effecting the merger by which the Deposited Property and liabilities of Hui Xian REIT are so merged shall include indemnification of the Trustee to its satisfaction. The Trustee shall cease to be liable for obligations and liabilities of Hui Xian REIT subsisting at the time of merger to the extent such obligations and liabilities are subsequently discharged from and out of the merged entity, and shall have no other liability for the consequences arising out of any merger of Hui Xian REIT recommended by the Manager and approved by Special Resolution other than any liability arising from the fraud, wilful default, bad faith or negligence of the Trustee.

The Manager shall inform Unitholders as soon as reasonably practicable of the intention to merge Hui Xian REIT by way of announcement. The Manager shall serve on the Holders within 21 days of such announcement (or such other period permitted under the REIT Code), a circular containing the following information:

- (a) the rationale for the merger of Hui Xian REIT;
- (b) the effective date of the merger;
- (c) the manner in which the Deposited Property is to be dealt with;
- (d) the procedures and timing for the issuance or exchange of new Units arising from the merger;
- (e) a valuation report of Hui Xian REIT prepared by an principal valuer which is dated not more than three months before the date of the circular;
- (f) the alternatives available to the Unitholders (including, if applicable, a right to switch without charge into another unit trust scheme);
- (g) the estimated costs of the merger and the bearer of such costs; and
- (h) such other material information that the Manager determines that the Unitholders should be informed of.

Any merger pursuant to the provisions of the Trust Deed may only take effect upon the successor entity assuming responsibility for the performance and discharge of all obligations and liabilities of Hui Xian REIT subsisting at the time of merger.

Upon the completion of the merger of Hui Xian REIT, the following shall be prepared:

- (i) a Manager's review and comment on the performance of Hui Xian REIT and an explanation as to how the investments have been accounted for in the merged scheme;
- (ii) a Trustee's report that the Manager has managed and merged Hui Xian REIT in accordance with the REIT Code and the provisions of the Trust Deed;
- (iii) financial statements of Hui Xian REIT which shall be distributed to Unitholders by the Manager within three months of the completion of the merger and a copy filed with the SFC; and
- (iv) an auditors' report.

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### Deemed Application of Part XV of the SFO

After the Listing Date, the provision of Part XV of the SFO (other than sections 328 and 351), and all relevant guidelines and interpretation notes on Part XV of the SFO issued by the SFC from time to time, shall have effect, *mutatis mutandis*, and shall be binding on the Manager, the directors and chief executive of the Manager, the Manager and on each Unitholder and all persons claiming through or under him (including, without limitation, each participant) as if:

- (a) Hui Xian REIT is a “listed corporation” for the purposes of Part XV of the SFO;
- (b) the reference in Part XV of SFO to the “relevant share capital” of such listed corporation are references to: (a) the Units which are issued and outstanding from time to time; and (b) the Units which Hui Xian REIT has agreed to issue, either conditionally or unconditionally, from time to time;
- (c) a Unit is a share comprised in the relevant share capital of such listed corporation and the Unitholder is a holder of a share in the relevant share capital of such listed corporation;
- (d) a person who is interested in a Unit is interested in a share in the relevant share capital of such listed corporation;
- (e) the Manager itself is a director of such listed corporation;
- (f) the directors and chief executive of the Manager are the directors and chief executive respectively of such listed corporation;
- (g) “**percentage level**”, in relation to a notifiable interest, means the percentage figure found by expressing the aggregate number of the Units in which the person is interested immediately before or, as the case may be, immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number;
- (h) “**percentage level**”, in relation to a short position, means the percentage figure found by expressing the aggregate number of the Units in which the person has a short position immediately before or, as the case may be, immediately after the relevant time as a percentage of all the Units in issue at the relevant time as published by the Manager and rounding that figure down (if it is not a whole number) to the next whole number; and
- (i) in addition and without prejudice to any notification required to be given to the Hong Kong Stock Exchange by virtue of the deemed application of Part XV of the SFO, any notification with respect to interests in Units required to be given to the listed corporation by the operation of the relevant provisions in the Trust Deed shall be given by the relevant parties to the Manager and the Manager shall send copies of the notifications received by it to the Trustee promptly.

A reference to:

- (a) an interest in Units of a person shall be construed in the same manner as an interest in shares under section 322 of the SFO;
- (b) a short position in Units of a person shall be construed in the same manner as a short position in shares under sections 308 and 322 of the SFO;
- (c) an interest in Units of the Manager or a director or chief executive of the Manager (as the case may be) shall be construed in the same manner as an interest in shares under section 346 of the SFO;
- (d) a short position in Units of the Manager or a director or chief executive of the Manager (as the case may be) shall be construed in the same manner as a short position in shares under sections 308 and 346 of the SFO;
- (e) the Manager shall not be construed as a controlled corporation of the Trustee for the purposes of section 316 of the SFO solely to the extent and for so long as the Trustee interests in the Manager arise in its capacity as trustee of Hui Xian REIT.

## THE TRUST DEED

Subject to the above:

- (a) the provision of Divisions 2 to 4 of Part XV of the SFO (other than section 328) shall apply to a person who (i) is interested in the Units, or who acquires an interest in or who ceases to be interested in the Units; or (ii) has a short position in the Units, or who comes to have or ceases to have a short position in the Units. Accordingly, a duty of disclosure shall arise under the Trust Deed in relation to that person on the occurrence of the relevant events described in section 310 of the SFO in the circumstances specified in section 313 of the SFO; and
- (b) the provision of Divisions 7 to 9 of Part XV of the SFO (other than section 351) shall apply to each of the Manager itself and director and chief executive of the Manager who (i) is interested in the Units, or who acquires an interest in or who ceases to be interested in the Units, or (ii) has a short position in the Units, or who comes to have or ceases to have a short position in the Units. Accordingly, a duty of disclosure shall also arise under the Trust Deed in relation to the Manager and a director or chief executive of the Manager (as the case may be) on the occurrence of the relevant events described in section 341 of the SFO in the circumstances specified in that section.

Where a duty of disclosure arises on the occurrence of the relevant events described under section 310 or 341 of the SFO by virtue of the relevant provisions of the Trust Deed, the relevant person shall give notice to the Manager and the Hong Kong Stock Exchange in accordance with the provisions of Part XV of the SFO. The Manager shall promptly send a copy of the notification received by it to the Trustee.

If a person who has a duty of disclosure under the code for disclosure of interests in the Units adopted by the Manager and the relevant provisions of the Trust Deed fails to make notification in accordance with the relevant provisions of the Trust Deed, irrespective of whether that person is a Unitholder or not, the Units in which that person is (or is deemed to be) interested in (the “**Affected Units**”) shall be subject to the relevant provisions of the Trust Deed. When the person interested in the Affected Units is a person other than the Manager, the Manager may, in its absolute discretion, take any or all of the following actions in respect of any or all of the Affected Units:

- (a) declare that the voting rights attached to any or all of the Affected Units to be suspended (and, upon such declaration, such voting rights shall be suspended for all purposes in connection with Hui Xian REIT);
  - (b) suspend the payment of any distributions in respect of any or all of the Affected Units (and, upon such suspension, any such distributions shall be retained in a trust account in the name of the Trustee (as trustee of Hui Xian REIT) pending the application of such distribution);
  - (c) impose an administrative fee of up to HK\$0.10 per Affected Unit for each day of non-compliance from the date on which disclosure is due to be made by the person; and/or
  - (d) suspend registration and/or decline to register any transfer of part or all of the Affected Units,
- until the relevant provisions of the Trust Deed are fully complied with to the satisfaction of the Manager.

The administrative fee referred to above shall be retained by the Manager for its use as it sees fit. If such fee is not paid by the relevant Unitholder or any other person, the Manager may (in its absolute discretion) withhold and deduct such fee from any distributions to be made in respect of the relevant Affected Units (and, pending the recovery of such fee, the Manager may (in its absolute discretion) exercise any of its rights set out above). To the extent that any money is held in the trust account referred to above, the Manager may apply such money against any such fee imposed in respect of the relevant Affected Units.

Irrespective of whether any Unitholder is in default of the provisions of the code for disclosure of interests in the Units adopted by the Manager and the relevant provisions of the Trust Deed, each Unitholder shall be bound by the decision of the Manager and each Unitholder's Units shall be bound by such decision if the Manager declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

<b>THE TRUST DEED</b>
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Where the person interested in the Affected Units is the Manager:

- (a) the Trustee may exercise the powers of the Manager under sub-paragraphs (a)-(d) above in respect of any or all of the Affected Units;
- (b) the Trustee may exercise the powers of the Manager above to retain the administrative fee for the benefit of Hui Xian REIT and to take action if the fee is not paid; and
- (c) irrespective of whether the Manager is in default of the relevant provisions of the Trust Deed, the Manager shall be bound by the decision of the Trustee and its Units shall be bound by such decision if the Trustee declares (in its absolute discretion) that any or all of such Units are (or are deemed to be) Affected Units.

Under the Trust Deed, each Unitholder and all persons claiming through or under him expressly acknowledge and agree to the grant of the rights and powers set out above to the Manager and the Trustee and agree to be bound by any action taken by the Manager or the Trustee, as the case may be, pursuant to the Trust Deed in good faith.

<p style="text-align: center;"><b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b></p>
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*The following is a summary of the material terms of the material agreements and other documents relating to Hui Xian REIT. The documents marked with an asterisk were executed prior to the date of this Offering Circular and are available for inspection free of charge at the office of Woo, Kwan, Lee & Lo at 26/F Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to the Listing Date.*

#### **JV Documents\***

On 16 November 1998, Hui Xian Investment entered into a joint venture contract and an articles of association with the Domestic JV Partner to set up BOP. The aforesaid joint venture contract and articles of association were amended and supplemented by supplemental agreements thereto respectively entered into between the parties on 13 June 2008.

#### ***The joint venture period of BOP***

The joint venture period of BOP is 50 years from 25 January 1999 to 24 January 2049. With the agreement of both Hui Xian Investment and the Domestic JV Partner and the unanimous consent of the board of directors of BOP, BOP can apply to the relevant PRC approving authority for extension of the joint venture period 6 months before the expiry of the said period. The extension, if granted, will become effective upon the grant of approval by the relevant PRC approving authority.

#### ***Total investment amount and registered capital of BOP***

The total investment amount and the registered capital of BOP are US\$1,950 million and US\$600 million respectively. The registered capital of BOP was contributed entirely by Hui Xian Investment. Hui Xian Investment is responsible for arranging finance to meet the capital requirement of BOP to the extent of the difference between the total investment amount of BOP and the registered capital of BOP.

#### ***Initial roles***

Pursuant to the JV Documents, the Domestic JV Partner was responsible for, among other things, assisting BOP in (i) its application for the grant of land use rights of a site located in Dongcheng District, Beijing for a term of 50 years for the development of Oriental Plaza; and (ii) the demolition of structures at and clearance of such site in the application for the required approvals; and (iii) applying for permits and preferential treatment (including that on tax); and (iv) its employment of both local and expatriate employees. On the other hand, Hui Xian Investment was responsible for, among other things, contributing the entire capital of BOP (including paying the entire registered capital of, and providing loans to, BOP) and managing and operating Oriental Plaza. The land use rights of the site on which Oriental Plaza is located were granted to BOP for a term of 50 years until 21 April 2049, and the registered capital of BOP was contributed solely by Hui Xian Investment.

#### ***Profit distributions***

Before the supplemental agreements were signed in 2008 (which has been approved by the relevant PRC authority), the Domestic JV Partner was originally entitled under the original joint venture contract and articles of association of BOP to a specified annual payment from BOP throughout the term of joint venture as a compensation for clearing the relevant site for the development of Oriental Plaza. Following the amendments made pursuant to the aforesaid supplemental arrangements, the Domestic JV Partner would be entitled to (and has received in full) certain payments (the “**Relevant Amount**”) from BOP in replacement of the aforesaid annual payment. The Relevant Amount, totalling approximately US\$319 million, comprises approximately US\$48 million being certain annual payments made to the Domestic JV Partner up to 2006, and a lump sum in the amount of approximately US\$271 million which was fully settled in January 2009. Save and except the Relevant Amount and the

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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Domestic JV Partner's right to distribution of assets of BOP (if any) after the expiry or early termination of the joint venture period of BOP, the Domestic JV Partner is not entitled to any profit distributions of BOP.

From January 2009 onwards, Hui Xian Investment is entitled to all the profit distributions of BOP for the remainder of the joint venture period of BOP.

***Share of risks***

Throughout the joint venture period, any guarantees required in connection with loans to BOP are to be given by Hui Xian Investment. In addition, Hui Xian Investment is responsible for all the loans, risks and guarantees of BOP, and the Domestic JV Partner is not responsible for any of these.

***Assignment***

Unless specified by the JV Documents or unless prior written approval of the other joint venture party and unanimous consent of the board of directors of BOP have been obtained, no joint venture party shall assign, sell or otherwise dispose of any of its injected capital in BOP or any of its interests in the registered capital of BOP to any third party.

***Roles***

Under the JV Documents, the main duties of Hui Xian Investment include, among others, (a) negotiating the terms and conditions of loans to BOP with banks or other financial institutions and signing the relevant loan agreements on behalf of BOP provided that the legal existence of BOP is not jeopardised and the legitimate interests of the Domestic JV Partner in BOP is not affected; (b) operating and managing BOP and its projects; and (c) handling other matters entrusted by the board of directors of BOP.

On the other hand, the major duties of the Domestic JV Partner include, among others, assisting BOP in certain aspects of its business and operation including employing local staff, handling matters in relation to the application for visa and working permit by foreign staff and any other matters entrusted by the board of directors of BOP.

***The board of directors of BOP***

According to the JV Documents, the board of directors of BOP shall be the body having the highest power, and shall decide on all important matters of BOP.

***(i) Composition of the board***

The board of BOP consists of 12 directors. Hui Xian Investment is entitled to nominate 9 out of the 12 directors to the board of BOP and the Domestic JV Partner is entitled to nominate the remaining 3 directors to the board of BOP. A waiver has been granted by the SFC from strict compliance with paragraph 7.5(f) of the REIT Code so as to allow certain directors of BOP not to be appointed by the Trustee. For details of such waiver, see the section headed "Modifications, Waivers and Licensing Conditions — Nomination Right for Directors in BOP" in this Offering Circular.

***(ii) Board meetings***

The quorum of board meetings of BOP shall be two-thirds of the directors of BOP. In the event that a board meeting is adjourned for being inquorate and the number of directors present at the adjourned meeting is still less than two-thirds of the directors of BOP, then the directors present at the adjourned meeting shall form a quorum of the adjourned meeting, and if any director who does not attend and has not appointed a representative to attend the board meeting, the director shall be regarded as having consented to the resolutions passed by the other directors at the meeting.

<p style="text-align: center;"><b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b></p>
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Notice of any board meeting shall be duly served on all the three directors nominated by the Domestic JV Partner in the manner set out in the JV Documents, otherwise any resolutions passed at the relevant meeting shall be invalid.

Except for the matters which may affect the interests and rights of the Domestic JV Partner or Hui Xian Investment in BOP after the expiration of the term of the joint venture or specified by the relevant PRC laws and regulations, and a few important matters of BOP specified in the JV Documents and as mentioned below for which unanimous approval of directors of BOP present at a meeting is required, the board of directors of BOP will make its decisions by simple majority of directors present at the meeting. The specified important matters requiring unanimous approval of the directors of BOP present at a meeting referred to above are (i) amendment to the articles of association of BOP; (ii) increase, reduction or transfer of the registered capital of BOP; (iii) termination and dissolution of BOP; (iv) mortgage of assets of BOP; (v) merger, demerger or change in organisation structure of BOP; (vi) matters involving the right to use Oriental Plaza and other fixed assets ancillary to Oriental Plaza beyond 24 January 2049; and (vii) dealings with ownership in Oriental Plaza and other fixed assets ancillary to Oriental Plaza, and that resolutions regarding the matters mentioned in (vi) and (vii) above shall only become effective upon stamping with the company chop of Hui Xian Investment and the Domestic JV Partner.

In addition, under the JV Documents, the Domestic JV Partner undertakes that, so long as the legal existence of BOP is not jeopardised and the ownership by the Domestic JV Partner of the fixed assets as well as its interests in the distribution of the remaining assets of BOP after the expiration of the joint venture term is not affected, the Domestic JV Partner shall actively support all resolutions proposed for decision at the board meeting of BOP, so as to enable the business of BOP to be implemented and developed smoothly, and provided that notice of meeting of the board of BOP has been duly given in the manner as aforesaid, the Domestic JV Partner will procure the directors nominated by it to attend the board meeting and support the relevant resolutions.

***Expiration of the joint venture period***

According to the JV Documents, prior to the expiration of the joint venture period of BOP, BOP shall first use all its current assets (but not fixed assets) to discharge its liabilities which are secured by mortgage or charge on Oriental Plaza and other fixed assets ancillary to Oriental Plaza. If such current assets are not sufficient for the discharge of these liabilities of BOP, Hui Xian Investment shall be responsible for the shortfall so that the relevant mortgage or charge can be released.

Upon the expiration of the joint venture period of BOP (i.e. 24 January 2049 unless extended), after the discharge of the liabilities of BOP (including the repayment of shareholder's loan owing by BOP) and the liquidation of BOP, the capital injected to BOP by Hui Xian Investment will be repatriated to Hui Xian Investment out of the assets of BOP (including its fixed assets). After such repatriation of injected capital to Hui Xian Investment, the fixed assets of BOP (including Oriental Plaza) will pass to and belong to the Domestic JV Partner for no consideration. After that, any remaining assets of BOP will be distributed between Hui Xian Investment (as to 60.0%) and the Domestic JV Partner (as to 40.0%). If the assets (other than fixed assets) of BOP are insufficient for the repatriation of Hui Xian Investment's injected capital, the JV Documents provide that BOP is to realise part of its fixed assets upon the expiration of the joint venture term of BOP and use the proceeds to pay Hui Xian Investment for the shortfall. BOP will be dissolved after the expiration of the joint venture term.

***Early termination of the joint venture period***

***(i) Force majeure or difficulty***

Upon the termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of force majeure or difficulty in carrying out the terms of the JV Documents other than due to the default of Hui Xian Investment or the Domestic JV Partner, and such early termination occurs

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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within the first 15 years of the joint venture period of BOP (including the 15th year), after discharging its liabilities and liquidation, all the assets of BOP will be distributed in the following manners :-

- (a) the Domestic JV Partner will be paid, out of the assets of BOP, the Relevant Amount that it is entitled to receive from the date of the early termination up to the 15th anniversary of the joint venture period of BOP; and
- (b) the capital injected to BOP by Hui Xian Investment will be repatriated to Hui Xian Investment, out of the assets of BOP, and be paid the return of such injected capital for the first 15 years of the joint venture. The relevant annual rate of return shall be 16.5%.

If the assets of BOP are insufficient for the payments to the Domestic JV Partner and Hui Xian Investment mentioned in the immediate preceding paragraph, the Domestic JV Partner and Hui Xian Investment will each be distributed the assets of BOP in proportion to the aforesaid amount they are entitled to receive respectively. If the assets of BOP are more than sufficient for the payments to the Domestic JV Partner and Hui Xian Investment mentioned in the immediate preceding paragraph, any remaining assets (including fixed assets, if any) of BOP will be distributed between Hui Xian Investment and the Domestic JV Partner in the proportions of 60.0% and 40.0% respectively.

However, if the aforesaid early termination occurs after the 15th anniversary of the joint venture period of BOP, after discharging the liabilities and liquidation, all the assets of BOP will be distributed in the following manners :-

- (a) the Domestic JV Partner will be paid, out of the assets of BOP, the Relevant Amount that it is entitled to receive from the date of the early termination up to the earlier of the 25th anniversary of the joint venture of BOP and the expiration of the joint venture period; and
- (b) the capital injected to BOP by Hui Xian Investment will be repatriated to Hui Xian Investment, out of the assets of BOP and be paid the return of such injected capital for the first 15 years of the joint venture period. The relevant annual rate of return shall be 16.5%. In addition, Hui Xian Investment will be paid an additional return of the capital injected to BOP by it at the annual rate of 10.0% for the period from the 16th anniversary of the issue of the business licence of BOP up to the relevant anniversary date in the year of the early termination of the joint venture period.

If the assets of BOP are insufficient for the payments to the Domestic JV Partner and Hui Xian Investment as mentioned in the immediately preceding paragraph, the Domestic JV Partner and Hui Xian Investment will each be distributed the assets of BOP in proportion to the aforesaid amount they are entitled to receive respectively. If the assets of BOP are more than sufficient for the payments to the Domestic JV Partner and Hui Xian Investment as mentioned in the immediate preceding paragraph, any remaining assets of BOP will be distributed between Hui Xian Investment and the Domestic JV Partner in the proportions of 60.0% and 40.0% respectively.

***(ii) Default of Hui Xian Investment***

Upon the termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of the default of Hui Xian Investment, after discharging its liabilities and liquidation, BOP will distribute to the Domestic JV Partner, out of its assets, an amount equal to present value of the Relevant Amount which the Domestic JV Partner is entitled to receive up to the expiration of the joint venture. After that, the capital injected to BOP by Hui Xian Investment will be repatriated to Hui Xian Investment. Thereafter, any remaining assets (including fixed assets, if any) of BOP will be distributed between Hui Xian Investment and the Domestic JV Partner in the proportions of 60.0% and 40.0% respectively. However, if the assets of BOP are insufficient for the aforesaid payment of the Relevant Amount to the Domestic JV Partner, Hui Xian Investment has guaranteed for the payment of the shortfall and each shareholder of Hui Xian Investment shall contribute to the payment of such shortfall in proportion to its respective shareholding in Hui Xian Investment. However, if Hui Xian Investment or

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BOP acts in contrary to the terms of the JV Documents and the entitlement of the Domestic JV Partner to receive the fixed assets of BOP upon expiry of the joint venture period is jeopardised as a result thereof, Hui Xian Investment shall compensate the Domestic JV Partner.

***(iii) Default of the Domestic JV Partner***

Upon the termination of the joint venture period of BOP prior to the expiry of the joint venture period as a result of the default of the Domestic JV Partner, BOP, Hui Xian Investment or any shareholder of Hui Xian Investment will not have to pay the Domestic JV Partner the Relevant Amount that the Domestic JV Partner was entitled to receive including and after the year of early termination of the joint venture period of BOP. After the repayment of liabilities of BOP, all assets of BOP (including fixed assets, if any) will belong to Hui Xian Investment which shall have the full right to dispose of such assets.

As stated above, since the Relevant Amount has already been fully paid to the Domestic JV Partner, as such the Domestic JV Partner is not entitled to receive again any of the aforesaid Relevant Amount upon expiration or early termination of the joint venture period of BOP.

**Reorganisation Agreement\***

***Transfer of Hui Xian BVI***

On 8 April 2011, the Trustee (as trustee of Hui Xian REIT) and the Manager entered into the Reorganisation Agreement with Hui Xian Cayman and Hui Xian Holdings pursuant to which Hui Xian Cayman has agreed to transfer and assign to the Trustee (as trustee of Hui Xian REIT) the Hui Xian BVI Share and interests in the Assigned Indebtedness.

***Pro Forma Completion Balance Sheet for Hui Xian BVI Group***

Under the Reorganisation Agreement, a pro forma completion balance sheet for Hui Xian BVI Group (“**Pro Forma Completion Balance Sheet**”) will be prepared, stating the “Adjusted Asset Value” of Hui Xian BVI Group as at Completion, which shall be the transfer value of Oriental Plaza for the transaction, with adjustments to be made for the other assets and liabilities of Hui Xian BVI Group as at Completion. For the purpose of preparing the Pro Forma Completion Balance Sheet and calculating the Adjusted Asset Value, the transfer value of Oriental Plaza is to be determined with reference to the market value of Oriental Plaza. Such transfer value, which will be within the range from RMB26,554 million to RMB28,237 million, shall be notified by Hui Xian Cayman to the Trustee and the Manager, and any deferred tax liability or deferred tax asset in respect of change in valuation of Oriental Plaza and capital allowance/depreciation (if any) will not be taken into account.

***Assignment of the Assigned Indebtedness***

The Assigned Indebtedness in respect of Hui Xian BVI Group is part of the Existing Indebtedness, of a principal amount of RMB1,000 million (or such other principal amount as may be agreed between Hui Xian Cayman and the Manager which shall be within the range from RMB700 million to RMB1,550 million). The Assigned Indebtedness will be assigned by Hui Xian Cayman to the Trustee (as trustee of Hui Xian REIT) on Completion.

The Trustee (as trustee of Hui Xian REIT), being the sole shareholder of Hui Xian BVI after Completion, will therefore in effect be extending shareholder loans to Hui Xian BVI on Completion, corresponding to the amount of the Assigned Indebtedness which will be assigned to the Trustee on Completion.

For further information relating to the Assigned Indebtedness, please refer to the “Use of Proceeds” section of this Offering Circular.

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***Consideration, adjustment of payments and Completion***

The consideration for the transfer and assignment of the Hui Xian BVI Share and the Assigned Indebtedness will be satisfied by the issuance of 2,700,000,000 Units (or such other number of Units as may be agreed between Hui Xian Cayman and the Manager), representing all the Units in issue as at the time of Completion, to Hui Xian Cayman. After Completion, a review of the Pro Forma Completion Balance Sheet will be conducted by auditors, and adjustment payments are to be made between Hui Xian Cayman and the Trustee (as trustee of Hui Xian REIT), to address any overstatement or understatement (as the case may be) of the assets and liabilities of Hui Xian BVI Group as at Completion as shown in the Pro Forma Completion Balance Sheet, provided that the amount of the Adjustment Payment payable by the Trustee to Hui Xian Cayman shall not exceed RMB50,000,000. Such adjustment payments (if any) shall be made in cash within fourteen days of the receipt of the adjustment statement which has been confirmed as to its accuracy by the auditors. If the Pro Forma Completion Balance Sheet or the adjustment (if any) to that balance sheet contains any price sensitive information, the Manager will make an announcement in relation to such price sensitive information. Also, if there is such adjustment, the Manager will make an announcement in relation to such adjustment.

The Reorganisation Agreement provides for Hui Xian Cayman to procure that prior to Completion, Hui Xian BVI Group must (i) dispose of all assets of Hui Xian BVI Group, other than Oriental Plaza and associated plant, equipment and chattels (if any) and the assets which are to be reflected in the unaudited completion management accounts of Hui Xian BVI Group and any other assets which are required to be kept by Hui Xian BVI Group under relevant laws and regulations; (ii) discharge all liabilities of Hui Xian BVI Group, other than (a) the Existing Indebtedness and inter-company liabilities within Hui Xian BVI Group, (b) the liabilities which are to be reflected in the Pro Forma Completion Balance Sheet, (c) any deferred tax liability which is to be reflected in the unaudited completion management accounts of Hui Xian BVI Group and (d) any other liabilities as agreed by the Trustee in writing; and (iii) duly perform and discharge its obligations in accordance with its contractual and other arrangements, and must pay and repay its creditors when due. The Reorganisation Agreement also contains restrictions on declaration of dividends or other distributions by Hui Xian BVI (except the Pre-Listing Distribution) during the period before Completion and restrictions on repayment of amounts owing by Hui Xian BVI Group to Hui Xian Cayman and on discharge or reduction of any liabilities of Hui Xian BVI Group, if the financial position or condition of Hui Xian BVI Group would as a result be materially and adversely affected.

Completion of the transfer of Hui Xian BVI Share to the Trustee (as trustee of Hui Xian REIT) will take place on or before 28 April 2011 (or such other date as may be agreed between Hui Xian Cayman and the Manager).

***Warranties and limitations on liabilities***

The Reorganisation Agreement contains certain representations and warranties made by Hui Xian Cayman in respect of, among other things, the Hui Xian BVI Share, the Assigned Indebtedness, the accounts, taxation, finance, business, litigation and assets of Hui Xian BVI Group, Oriental Plaza and the tenancy agreements for Oriental Plaza. A copy of the Reorganisation Agreement is available for inspection as referred to in Appendix X to this Offering Circular. Hui Xian Holdings has guaranteed Hui Xian Cayman's obligations to complete the transfer of Hui Xian BVI Share and the assignment of the Assigned Indebtedness under the Reorganisation Agreement and Hui Xian Cayman's obligations to pay the adjustment payment to address any overstatement of the assets and liabilities of Hui Xian BVI Group as at Completion as shown in the Pro Forma Completion Balance Sheet.

The Reorganisation Agreement also sets out limitations on the liability of Hui Xian Cayman in respect of any breach of representations and warranties.

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The aggregate maximum liability of Hui Xian Cayman and Hui Xian Holdings in respect of all claims under the Reorganisation Agreement (in aggregate with all claims under any other agreements which may be entered into between Hui Xian Cayman and the Trustee (as trustee of Hui Xian REIT) and/or other person(s) in relation to Hui Xian BVI Group, whether on or after the Reorganisation Agreement) shall not exceed an amount equal to the “Adjusted Asset Value” of Hui Xian BVI Group as at Completion as shown on the Pro Forma Completion Balance Sheet and as adjusted after the auditors’ review of that balance sheet.

The limitation period for claims in connection with those warranties or claims under the Reorganisation Agreement relating to the employment of BOP’s employees or prior employees shall be four years after the date of Completion and the limitation period for all other claims under or in respect of any breach of the Reorganisation Agreement shall be seven years after the date of Completion.

### **Deed of Tax Covenant**

Before the Listing Date, the Deed of Tax Covenant will be entered into by Hui Xian Cayman in favour of the Trustee (in its capacity as trustee of Hui Xian REIT) and Hui Xian BVI, covenanting to indemnify Hui Xian BVI (for itself and on behalf of and as trustee for Hui Xian Investment and BOP) and the Trustee (in its capacity as trustee of Hui Xian REIT and for the benefit of Hui Xian REIT) in respect of:

- (i) any liability for taxation falling on any company in the Hui Xian BVI Group or the Trustee (in its capacity as trustee of Hui Xian REIT) resulting from or by reference to any transactions, events, matters or things occurred or effected before the Listing Date or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued or received by any company in the Hui Xian BVI Group before the Listing Date which is not provided for in the Pro Forma Completion Balance Sheet (subject to any audit adjustments to that balance sheet which have been settled and which is not the subject matter of a claim covered by and already satisfied by Hui Xian Cayman or Hui Xian Holdings under or pursuant to the Reorganisation Agreement);
- (ii) any and all liability of any company in the Hui Xian BVI Group or the Trustee (in its capacity as trustee of Hui Xian REIT) for or in respect of taxation resulting from the transfer of any share(s) in the issued share capital of Hui Xian BVI, assignment of any interest in loans owing by Hui Xian BVI, the Offering and listing of Units on the Listing Date, the repayment of indebtedness by Hui Xian BVI using the proceeds of the Offering, or any transactions of Hui Xian Cayman effected on or before the Listing Date; and
- (iii) all actions, claims, losses, damages, costs (including all legal costs), charges, expenses, interests, penalties or other liabilities to which any company in the Hui Xian BVI Group or the Trustee (in its capacity as trustee of Hui Xian REIT) is or may be subject or which any of those companies or the Trustee (in its capacity as trustee of Hui Xian REIT) may reasonably and properly incur in connection with: (a) any investigation, assessment or the contesting of any claim for any of (i) or (ii) above; (b) the settlement of any claim for any of (i) or (ii) above; (c) any legal proceedings or actions in which the Trustee (in its capacity as trustee of Hui Xian REIT) or any company in the Hui Xian BVI Group claims under or in respect of the Deed of Tax Covenant and in which judgment is given in favour of the Trustee (in its capacity as trustee of Hui Xian REIT) or any company in the Hui Xian BVI Group; or (d) the enforcement of any such settlement or judgment.

In this connection, Hui Xian BVI and the Trustee shall take or procure any company in the Hui Xian BVI Group to take such action relating to any taxation claim covered by the Deed of Tax Covenant as Hui Xian Cayman may reasonably request, subject, *inter alia*, to an indemnity for costs from Hui Xian Cayman and other provisions.

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The maximum aggregate liability for all claims under the Deed of Tax Covenant (in aggregate with all claims under the Reorganisation Agreement) will not exceed an amount equal to the “Adjusted Asset Value” of Hui Xian BVI Group as at Completion as shown on the Pro Forma Completion Balance Sheet and as adjusted after the auditors’ review of that balance sheet.

The limitation period for claims under the Deed of Tax Covenant is seven years after the Listing Date. The right of claim pursuant to the Deed of Tax Covenant is not prejudiced by any taxation action or proceeding in respect of the relevant tax liability which is the subject matter of the claim not being finally resolved before expiry of the applicable limitation period.

#### **Hui Xian Holdings Subscription Agreement\***

Hui Xian Holdings has entered into a subscription agreement with the Manager pursuant to which it has agreed to subscribe at the Offer Price for 300,000,000 Units, representing 6.0% of the Units following completion of the Hui Xian Holdings Subscription and the Offering. The subscription price will be satisfied by setting off the same amount which Hui Xian REIT will lend to Hui Xian BVI and which Hui Xian BVI will in turn apply towards repayment of the Existing Indebtedness (less the Assigned Indebtedness) to Hui Xian Cayman (and ultimately Hui Xian Holdings). The Units to be subscribed for by Hui Xian Holdings will rank pari passu in all respects with the fully paid Units in issue upon completion of such subscription and the Offering.

#### ***Conditions***

Pursuant to the Hui Xian Holdings Subscription Agreement, the rights and obligations of the Manager and Hui Xian Holdings are conditional upon:

- the Hong Kong Stock Exchange granting the listing of, and permission to deal in, all the Units in issue and to be issued upon the terms and conditions set out in this Offering Circular;
- the SFC having authorised Hui Xian REIT and this Offering Circular in connection with the Offering, pursuant to the SFO; and
- the Underwriting Agreements having become unconditional (including as a result of the waiver of any conditions thereunder, excluding the requirement for the Hui Xian Holdings Subscription Agreement to be unconditional) and not having been terminated pursuant to their respective terms on or prior to the date on which the Units are issued at settlement under the Offering.

#### ***Completion***

Subject to the abovementioned conditions having been fulfilled (or otherwise waived by Hui Xian Holdings and the Manager) on or before 29 April 2011 (or such later date as Hui Xian Holdings and the Manager may agree in writing), completion of the Hui Xian Holdings Subscription is expected to take place on the Listing Date and prior to the commencement of trading of the Units on the Hong Kong Stock Exchange.

#### ***Hui Xian Holdings’ Lock-up Undertaking***

Hui Xian Holdings has undertaken to the Manager in the Hui Xian Holdings Subscription Agreement that, in respect of the Units to be issued to it pursuant to the Hui Xian Holdings Subscription Agreement and any Units which may be returned to it under the Unit Borrowing Agreement, it will not, whether conditionally or unconditionally, during the period starting from the Listing Date and ending on and including the date which is six months after the Listing Date:

- dispose of any such Units held by it or
- offer or agree or announce any intention to do the foregoing,

provided that these restrictions do not apply to (a) any sale or transfer of Units by Hui Xian Holdings pursuant to any exercise of the Over-Allotment Option; (b) any transfer of Units pursuant to the Unit

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Borrowing Agreement; (c) any use by Hui Xian Holdings of any such Units as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan; or (d) any sale or transfer of Units by (i) Hui Xian Holdings to any of its wholly-owned subsidiaries or vice versa, or (ii) a wholly-owned subsidiary of Hui Xian Holdings to any other wholly-owned subsidiary of Hui Xian Holdings, provided that each such subsidiary has executed and delivered to the Manager an undertaking to comply with the above restrictions and must transfer such Units back to Hui Xian Holdings or another wholly-owned subsidiary of Hui Xian Holdings in the event such subsidiary ceases to be a wholly-owned subsidiary of Hui Xian Holdings.

### **Hotel Management Agreement\***

The Hotel Manager currently manages Grand Hyatt Beijing under the Hotel Management Agreement, the principal terms of which are summarised below.

#### ***General***

BOP and the Hotel Manager entered into a hotel management agreement on 27 July 2001 in respect of the management of the business of Grand Hyatt Beijing and two supplemental agreements to such management agreement on 13 September 2002 and 28 March 2011 respectively.

#### ***Operating term***

The term of the Hotel Management Agreement commenced from the date on which the Hotel Management Agreement was approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC and shall expire on 31 December 2019.

#### ***Operation of Grand Hyatt Beijing***

##### ***Control of hotel operation***

The Hotel Manager shall, through the Hotel General Manager, operate Grand Hyatt Beijing (a) on behalf of and for the benefit and interest of Grand Hyatt Beijing, (b) under standards comparable to those prevailing in first class international deluxe hotels; and (c) under standards comparable to those prevailing in “Grand Hyatt” hotels. The Hotel Manager shall conduct all activities of Grand Hyatt Beijing in a manner that is customary and usual to such an operation, and shall conduct the operations of Grand Hyatt Beijing in accordance with the laws of the PRC and, insofar as feasible and in its opinion advisable, local character and traditions. The Hotel General Manager shall have control and discretion with respect to the operations of Grand Hyatt Beijing, subject to the terms of the Hotel Management Agreement.

##### ***Leases and concessions***

The Hotel Manager shall, through the Hotel General Manager, operate in Grand Hyatt Beijing all facilities and provide all services and shall not lease or grant concessions in respect of such services or facilities.

The retail and commercial space and the recreational center developed by BOP on the same site are not to be considered as part of Grand Hyatt Beijing. BOP shall have the right to lease or grant concessions in respect of such retail and commercial space and the rentals or other payments received by BOP under such lease or concession shall not be included in the revenue derived from the operation of Grand Hyatt Beijing.

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*Hotel management services*

During the operating term, the Hotel Manager shall, through the Hotel General Manager in consideration of its fees and subject to reimbursements of its expenses as provided in the Hotel Management Agreement, inter-alia:

- (a) Ask for, demand, collect and give receipts for all charges, rents and other amounts due from guests, patrons, tenants, sub-tenants, concessionaires and other third parties providing services to guests of Grand Hyatt Beijing and, when desirable or necessary, cause notices to be served on such guests, patrons, tenants, sub-tenants and concessionaires to quit and surrender space occupied or used by them;
- (b) Arrange for association with one or more credit card systems in conformity with Hyatt International's general policy in such regard;
- (c) Recruit, interview, and hire employees of Grand Hyatt Beijing and pay all salaries, wages, taxes thereon as appropriate, and social benefits (Note: The employer of the employees of Grand Hyatt Beijing shall be BOP, but not the Hotel Manager. For details of the employee arrangement of Grand Hyatt Beijing, see sub-section headed "Employees" below);
- (d) Establish purchasing policy for the selection of suppliers and negotiate supply contracts to assure purchases on the best available terms;
- (e) Arrange for the purchase of utilities (through BOP), and other services necessary for the operation of Grand Hyatt Beijing, and for the purchase of all food, beverages and such other services and merchandise necessary for the proper operation of Grand Hyatt Beijing;
- (f) Provide appropriate sales and marketing services;
- (g) Provide appropriate advertising and promotional services;
- (h) Cause its affiliates to furnish the sales and marketing services and centralised reservation services as provided for in the Hotel Management Agreement;
- (i) Make available its own and its affiliated companies' personnel in general for the purpose of eliminating operational problems or improving operations;
- (j) Establish and implement training and motivational programmes for employees;
- (k) Arrange for reasonable and adequate insurance coverage (comparable to the coverage required by other international five-star hotel management companies) to be maintained by the Hotel Manager, including: (i) public liability insurance for personal injury/bodily injury, property damage, innkeeper's liability and advertising liability, automobile liability; and crime insurance including employee fidelity in such amounts as the Hotel Manager shall deem necessary; (ii) workmen's compensation, employers' liability or other such insurance as may be required under applicable laws or which the Hotel Manager shall deem advisable; (iii) use and occupancy (business interruption) insurance covering loss of profits of BOP and fees of the Hotel Manager resulting from loss due to perils covered under standard fire and boiler and machinery policies, and such other perils as the Hotel Manager deems necessary; and (iv) such other insurance as the Hotel Manager shall deem necessary for protection against claims, liabilities and losses, wherever asserted, determined or incurred, arising from the operation of Grand Hyatt Beijing; and comply with the terms of all applicable insurance policies;
- (l) Recommend to BOP that appropriate lawsuits in connection with the operation of Grand Hyatt Beijing be instituted, and assist BOP in the conduct of such lawsuits, provided that BOP shall be responsible for any consequence of not instituting such lawsuits;
- (m) Install and maintain the accounting books and records and other information systems required for the efficient operation of Grand Hyatt Beijing;

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- (n) Subject the accounting books and records and operations systems of Grand Hyatt Beijing to review by internal auditors of Hyatt International or its affiliates; and
- (o) Maintain and enhance the computer software for Grand Hyatt Beijing operations management system.

#### *Employees*

The Hotel Manager shall, on behalf of and after consulting with BOP, select and appoint or remove the Hotel General Manager and the executive committee members of Grand Hyatt Beijing. Persons nominated to become the Hotel General Manager or executive committee members of Grand Hyatt Beijing shall be current employees either of the Hotel Manager, companies affiliated with the Hotel Manager or existing Hyatt International hotels. BOP shall also be consulted on the respective remuneration and benefit packages of the Hotel General Manager and the executive committee members of Grand Hyatt Beijing and Hotel Manager shall, in good faith, consider BOP's reasonable opinions & recommendations thereon prior to the confirmation of his/her appointment.

The Hotel General Manager shall, on behalf of BOP, and subject to the terms of the Hotel Management Agreement, select and appoint or remove all local employees of Grand Hyatt Beijing. Each employee of Grand Hyatt Beijing, including the Hotel General Manager and the executive committee members shall be the employee of BOP and not the Hotel Manager, which shall not be liable to such employees for their wages or compensation.

As at the Latest Practicable Date, BOP, through its branch, employed approximately 390 employees to perform hotel operation functions and services. After the Listing Date, they will continue to be employed by the branch of BOP, and that new hotel related employees subsequently engaged will be employed in a similar manner. There is not expected to be a substantial increase in the total number of directly employed hotel-related employees after the Listing Date. For details of the employee arrangement, see the section headed "Oriental Plaza and Business — General — Employees" in this Offering Circular.

#### ***Hotel Management Fees***

##### *Basic hotel management fee*

The Hotel Manager is entitled to receive monthly as a preliminary installment of its basic management fee an amount equal to 2.0% of the cumulative revenue of Grand Hyatt Beijing during the current calendar year, after deducting from such basic management fee all basic management fees previously paid to the Hotel Manager during such calendar year.

##### *Incentive fee*

The Hotel Manager is entitled to receive an incentive fee during the operating term. Under the current arrangement, during the remainder of the operating term and any extension thereof, the Hotel Manager shall be entitled to receive monthly, as preliminary installments of its incentive fee, an amount equal to 5.0% of the cumulative Gross Operating Profit of Grand Hyatt Beijing during the current fiscal year, after deducting from such incentive fee payment all incentive fees previously paid to the Hotel Manager during such fiscal year.

##### *Final installment*

Within sixty days after the end of each calendar year during the operating term, the Hotel Manager is entitled to a final installment based upon the relevant percentages of revenue and Gross Operating Profit for the entire calendar year, after deducting therefrom, the amount of the preliminary installments of the basic management fee and incentive fee paid as set out in the above.

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*Payment of fees*

The basic management fee and incentive fee mentioned above shall be determined in RMB and shall be payable in US dollars at the official rate of exchange prevailing on such dates as such fees shall be remitted. However, if exchange control regulations of the PRC delay the conversion of fees of the Hotel Manager into US dollars, the Hotel Manager may elect to receive and retain such fees in RMB during the period of such delay.

***Repairs and changes***

*Normal repairs and maintenance*

Subject to the provision of adequate working capital by BOP pursuant to the Hotel Management Agreement, the Hotel Manager shall, through the Hotel General Manager (save for certain legally required or essential repairs, changes and replacements which shall be made by BOP), repair and maintain Grand Hyatt Beijing in good order and condition, ordinary wear and tear excepted.

*Replacements of and additions to Hotel Furnishings and Equipment*

An amount ranging from 2.0% to 3.5% of the revenue during the first fiscal year to the fourth fiscal year of the operating term and commencing with the fifth fiscal year and continuing for the remaining fiscal years of the operating term, an amount equal to 4.0% of the revenue, as a provision for the replacements of and additions to Hotel Furnishings and Equipment and all proceeds from the sale of certain Hotel Furnishings and Equipment no longer needed or in a condition appropriate for the operation of Grand Hyatt Beijing, shall be credited to a reserve for replacements of and additions to Hotel Furnishings and Equipment (the “**Replacement Reserve**”). The relevant amount shall be transferred monthly from the operating bank account(s) of Grand Hyatt Beijing into another bank account under the exclusive control of the Hotel Manager but for the benefit of Grand Hyatt Beijing (the “**Replacement Fund**”) bearing interest, which interest, less any income taxes assessed there against, shall be credited to the Replacement Reserve and accumulated in the Replacement Fund or, if the parties so mutually agree, otherwise invested. The Hotel Manager or the Hotel General Manager shall, in accordance with the approved budget, be entitled to withdraw from the Replacement Fund and shall charge against the Replacement Reserve any amounts required to make all replacements of and additions to Hotel Furnishings and Equipment deemed by it to be necessary (save for certain legally required or essential repairs, changes and replacements which shall be made by BOP) or desirable, which Hotel Furnishings and Equipment shall be and become, forthwith upon acquisition and installation and without further act or action, the property of BOP.

***Damage to and destruction of Grand Hyatt Beijing***

If Grand Hyatt Beijing or any portion thereof shall be damaged or destroyed at any time or times during the operating term by fire or any insured casualty, BOP shall, at its cost and expense and with due diligence, repair, rebuild or replace the same so that after such repairing, rebuilding or replacing, Grand Hyatt Beijing shall be substantially the same as prior to such damage or destruction. If BOP fails to undertake such work within a reasonable period of time after the fire or other casualty, or shall fail to complete the same diligently, the Hotel Manager may, but shall not be obligated to, undertake or complete such work for the account of BOP and shall be entitled to be repaid. BOP’s obligations shall be limited to the extent of the relevant insurance proceeds.

***Condemnation***

If the whole of Grand Hyatt Beijing shall be taken or condemned in any eminent domain, condemnation, compulsory acquisition or like proceeding by any competent authority for any public or quasi-public use or purpose, or if such portion thereof shall be taken or condemned so as to make it imprudent or unreasonable, in the Hotel Manager’s reasonable opinion, to use the remaining portion as

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a hotel of the type and class immediately preceding such taking or condemnation, then the operating term shall terminate as at the date of such taking or condemnation.

If only a part of Grand Hyatt Beijing shall be taken or condemned and the taking or condemnation of such part does not make it unreasonable or imprudent, in the Hotel Manager's reasonable opinion, to operate the remainder as a hotel of the type and class immediately preceding such taking or condemnation, the Hotel Management Agreement shall not terminate, but so much of any award made to BOP shall be made available as shall be reasonably necessary for making alterations or modifications of Grand Hyatt Beijing, or any part thereof, so as to make it a satisfactory architectural unit as a hotel of similar type and class prior to the taking or condemnation.

***Defaults***

*Events of default*

The following events shall constitute events of default:

- (i) The failure of either party to make any payment to the other provided for in the Hotel Management Agreement for a period of thirty calendar days after such payment is payable (other than any delay caused by the foreign exchange requirements and procedures of the PRC);
- (ii) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy or similar law by either party;
- (iii) The consent to an involuntary petition in bankruptcy or insolvency or for reorganization or the failure to vacate within sixty calendar days from the date of entry thereof of any order approving an involuntary petition by either party;
- (iv) The appointment of a receiver for all or any substantial portion of the property of either party;
- (v) The entering of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either party as bankrupt or insolvent or approving a petition seeking reorganization in bankruptcy or insolvency or appointing a receiver, trustee, or liquidator of all or a substantial part of such party's assets, and such order, judgment or decree shall continue unstayed and in effect for any period of one hundred twenty consecutive calendar days;
- (vi) The failure by BOP substantially to build, equip, furnish and decorate Grand Hyatt Beijing in accordance with the plans, specifications, and designs approved by the Hotel Manager pursuant to the Hotel Management Agreement or to cure within a reasonable time major defects or deficiencies of which the Hotel Manager shall notify BOP under the Hotel Management Agreement;
- (vii) The failure by either party to perform, keep or fulfil any of the other material covenants, undertakings, obligations or conditions set forth in the Hotel Management Agreement, and the continuance of any such default for a period of thirty calendar days after notice of the said failure;
- (viii) The occurrence of any event as described under paragraph (ii), (iii), (iv) or (v) above to Hyatt International in which event the Hotel Manager shall be deemed to be the defaulting party.

In any of the above events of default, the non-defaulting party may give to the defaulting party notice of intention to terminate the Hotel Management Agreement after the expiration of a period of fifteen calendar days from the date of such notice, and upon the expiration of such period, the Hotel Management Agreement shall terminate. If, however, upon receipt of such notice, the defaulting party shall promptly and substantially cure the default, then such notice shall be of no force and effect or, when such default is not susceptible of being cured within fifteen calendar days, if the defaulting party shall take action to cure such default with all due diligence, then the effective date of the termination

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notice shall be extended for such reasonable time as shall be required for the defaulting party to cure such default.

*Force majeure*

Except as otherwise provided in the Hotel Management Agreement, should either party be delayed in or prevented, in whole or in part, from performing any obligation or condition hereunder with the exception of the payment of money, or from exercising its rights by reason or as a result of any force majeure, such party shall be excused from performing such obligations or conditions while such party is so delayed or prevented and for thirty days thereafter.

The term “force majeure” means acts of God, acts of government, strikes, lockouts, or other industrial disturbances, acts of a public enemy, blockades, wars, insurrections or riots, epidemics, landslides, fires, storms, floods, explosions or other similar causes beyond the control of such party.

***Termination of the Hotel Management Agreement by the Hotel Manager***

The Hotel Manager shall have the right, which may be exercised notwithstanding any claim of force majeure by BOP, to terminate the Hotel Management Agreement if:

- (1) BOP shall not have obtained, within a reasonable time, all necessary government approvals decrees, acts, orders, consents, licenses and permits to enable BOP to construct and the Hotel Manager, through the Hotel General Manager, to operate Grand Hyatt Beijing in accordance with the terms of the Hotel Management Agreement; or
- (2) BOP shall not, before 30 June 2002, have substantially completed the construction, equipping, furnishing and decorating of Grand Hyatt Beijing.

***Trade name***

During the operating term, Grand Hyatt Beijing shall at all times be known and designated as “Grand Hyatt Beijing at Oriental Plaza” in English and “東方君悅大酒店” in Chinese, except as may otherwise be mutually agreed by BOP and the Hotel Manager.

During the operating term, the Hotel Manager and its affiliates shall not own, manage or operate another hotel under the trade name “Grand Hyatt” in English and/or “君悅” in Chinese in Beijing.

***Successors and assigns***

The Hotel Manager shall have the right to assign its rights and obligations under the Hotel Management Agreement to any one or more wholly-owned subsidiaries of Hyatt International, provided that the Hotel Manager shall continue to be liable under the Hotel Management Agreement to the same extent as though such assignment had not been made. Any fees or expenses incurred in connection with such an assignment shall be borne entirely by the Hotel Manager, and there shall be no adverse cost impact on BOP. Save for the above, the Hotel Manager shall not assign the Hotel Management Agreement without the prior consent of BOP.

***The Tower Apartments***

The Tower Apartments adjacent to Grand Hyatt Beijing shall be operated by BOP. If BOP requires housekeeping and maintenance services from the Hotel Manager for The Tower Apartments, the Hotel Manager shall cause Grand Hyatt Beijing to provide such services and Grand Hyatt Beijing shall charge BOP the cost (plus 10.0% or such other percentage as may be agreed) of providing such services.

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**Facility Agreement\***

Hui Xian Investment has in place the Facility from Hui Xian Holdings in the aggregate amount of RMB1,400 million, comprising a RMB1,300 million revolving credit facility and a RMB100 million revolving credit facility.

The RMB100 million revolving credit facility under the Facility will be used to finance the general working capital requirements and general corporate funding of Hui Xian REIT and its Subsidiaries, and is available for multiple drawings on a revolving basis from the Listing Date until one month before and not including its final maturity date which falls on the expiry of 18 months of the date of the Facility Agreement (or such later date as Hui Xian Holdings and Hui Xian Investment may extend by mutual agreement in writing from time to time).

The RMB1,300 million revolving credit facility under the Facility will be used to support Hui Xian REIT's making of distributions in RMB and is available for multiple drawings on a revolving basis from the Listing Date until one month before and not including its final maturity date which falls on the expiry of 42 months of the date of the Facility Agreement (or such later date as Hui Xian Holdings and Hui Xian Investment may extend by mutual agreement in writing from time to time).

If at any time prior to the day when the notice of drawdown for the first advance shall have been given to Hui Xian Holdings the aggregate of the available RMB100 million revolving credit facility and the available RMB1,300 million revolving credit facility shall exceed 40% of the open market value of Oriental Plaza as set forth in the valuation report in respect of Oriental Plaza issued by a qualified appraisal firm of independent property valuers appointed by the Trustee and/or the Manager in compliance with the relevant requirement of the REIT Code (the "Property Valuation Report") which is dated no earlier than 180 days prior to the first advance made under the Facility Agreement and made available to Hui Xian Holdings under the Facility Agreement, the RMB100 million revolving credit facility and the RMB1,300 million revolving credit facility shall be reduced with immediate effect to the extent such that the aggregate of the available RMB100 million revolving credit facility and the available RMB1,300 million revolving credit facility so reduced shall not exceed 40% of such open market value of Oriental Plaza, provided that the available RMB1,300 million revolving credit facility shall be reduced in priority to the available RMB100 million revolving credit facility.

The Facility is subject to certain condition precedents being satisfied, including but not limited to, the provision of duly executed security (as stated below) and all other documents required to perfect such security.

Each loan under the Facility will bear interest at the rate of 1.0% per annum above the HSBC Standard RMB Rate. The HSBC Standard RMB Rate shall be determined based on the rate appearing under the heading "CNH DEPO" on the Reuters Page HSBCRMB (or if the Reuters page HSBCRMB is not available, its successor page as Hui Xian Holdings may determine) for a period comparable to the required period as Hui Xian Holdings may determine, at or about 11 a.m. on the first date of each interest period.

Hui Xian Investment may prepay the whole or any part of any advance or advances under the Facility, together with accrued interest on the amount prepaid, by giving not less than 15 business days' prior written notice to Hui Xian Holdings. The prepayment shall be made in a minimum amount of RMB3 million or an integral multiple of RMB1 million in case of an advance under the RMB100 million revolving credit facility, or in a minimum amount of RMB50 million and an integral multiple of RMB5 million in case of an advance under the RMB1,300 million revolving credit facility. According to the terms of the Facility Agreement, Hui Xian Investment may cancel the undrawn amount of the Facility. The Facility may also become prepayable in the event it is or becomes unlawful for an Obligor (as defined below) or the Trustee to perform or comply with any of its obligations under any Finance Document to which it is a party.

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### ***Events of Default***

The Facility contains customary events of default, the occurrence of which would allow Hui Xian Holdings to demand immediate repayment of the outstanding advances made under the Facility, together with accrued interest, fees and other sums, and cancel the lender's commitments under the Facility. Such events include, among others (subject to certain agreed exceptions):

- (i) failure to pay any sum payable under the Facility Agreement or any Finance Document on its due date; a breach by Hui Xian Investment, Hui Xian BVI and all other parties to the Finance Documents other than Hui Xian Holdings and the Trustee (collectively the "Obligors", and each an "Obligor") or the Trustee of their respective obligations under any of the Finance Documents and such default, if capable of remedy, is not remedied to the satisfaction of Hui Xian Holdings within 21 days; a breach of any of the representations made by any Obligor or the Trustee under any Finance Document and such default, if capable of remedy, is not remedied to the satisfaction of Hui Xian Holdings within 21 days;
- (ii) a default or acceleration in any indebtedness of Hui Xian Investment or BOP in respect of borrowed monies in an aggregate amount exceeding RMB10,000,000;
- (iii) the insolvency of any Obligor; a distress, attachment, execution or other legal process being levied, enforced or sued out on or against any material part of the assets of any Obligor and is not discharged or stayed within 21 days or bona fide proceedings with full disclosure to the satisfaction of Hui Xian Holdings to contest or discharge the same are not commenced within 21 days;
- (iv) any present or future encumbrance (other than Permitted Encumbrance (as defined in the Facility Agreement)) on or over all or any material part of the assets of any Obligor becoming enforceable and any step is taken to enforce that encumbrance which is not discharged or stayed within 21 days or bona fide proceedings with full disclosure to the satisfaction of Hui Xian Holdings to contest or discharge the same are not commenced within 21 days;
- (v) any step being taken by any person for the winding up of any Obligor, except such step is not commenced by such Obligor or its holding company and such step is either disputed or contested by such Obligor in good faith with full disclosure to the satisfaction of Hui Xian Holdings or discharged, stayed or dismissed within 21 days of its commencement;
- (vi) an order being made for the winding up of the Trustee and a replacement trustee of Hui Xian REIT is not appointed in accordance with the terms of the Trust Deed;
- (vii) all or a material part of the assets of any Obligor or the Trustee being seized, compulsorily acquired, expropriated or nationalised by any agency of any state and such seizure, compulsory acquisition, expropriation or nationalisation continues for a period of 21 days;
- (viii) the obligations of any Obligor or the Trustee under any Finance Document becoming illegal, invalid or unenforceable;
- (ix) Hui Xian Holdings in its reasonable opinion determining that there exists any event or circumstance which may have a material adverse effect on the ability of any Obligor or the Trustee to perform or comply with its obligations under any Finance Document or has a material adverse effect on such Obligor or the Trustee taken as a whole and such event or circumstance, if capable of remedy, is not remedied to the satisfaction of Hui Xian Holdings within 21 days of its occurrence;
- (x) Hui Xian Investment or any other Obligor or the Trustee ceasing or proposing to cease to carry on all or a substantial part of its business, provided that, in the case of the Trustee, it shall not be an event of default if a replacement or substitute trustee of Hui Xian REIT is appointed in accordance with the terms of the Trust Deed prior to such cessation; and

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- (xi) listing or trading of the units in Hui Xian REIT being suspended for more than 14 consecutive days (other than temporary suspensions arising from or as a result of Hui Xian REIT seeking necessary regulatory approvals for any proposed and voluntary transaction) or being ceased.

### **Covenants**

The Facility contains customary covenants that restricts Hui Xian Investment (subject to certain agreed exceptions), from, among other things, creating security on its property, revenue or other assets. Affirmative covenants provide that Hui Xian Investment shall, among other things:-

- (i) obtain and comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents required in or by applicable laws and regulations to enable it lawfully to enter into and perform its obligations under any Finance Documents or to ensure the legality, validity, enforceability or admissibility in evidence in Hong Kong and/or BVI of such Finance Documents;
- (ii) after the delivery of any notice of drawdown and before the proposed making of the advance requested therein, notify Hui Xian Holdings of the occurrence of any event which results in or may reasonably be expected to result in any of the representations made under the Facility Agreement being untrue, inaccurate or misleading in any material respect at or before the time of the proposed making of such advance;
- (iii) notify Hui Xian Holdings of the occurrence of any Event of Default (as defined in the Facility Agreement) or Potential Event of Default (as defined in the Facility Agreement) immediately upon becoming aware of it and will from time to time on reasonable request deliver to the Hui Xian Holdings a certificate confirming that no Event of Default or Potential Event of Default has occurred;
- (iv) notify Hui Xian Holdings of details of any litigation, arbitration or administrative proceeding which, if it had been current or pending or, to its knowledge, threatened at the date of the Facility Agreement, would have rendered the representation made under the Facility Agreement untrue, inaccurate or misleading in any material respect, provided that Hui Xian Investment shall not be required to disclose any information the disclosure of which is prohibited by any applicable law or regulation;
- (v) ensure that its obligations under any Finance Document shall constitute its direct, unconditional and unsubordinated obligations and that the claims of Hui Xian Holdings against it under such Finance Document shall rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors of Hui Xian Investment;
- (vi) notify Hui Xian Holdings promptly if there is any change to the authorised signatories;
- (vii) continue to remain and be a direct or indirect wholly owned Subsidiary of Hui Xian REIT and Hui Xian BVI, and shall ensure and procure BOP shall continue to remain and be a sino-foreign co-operative joint venture established in the PRC with Hui Xian Investment as the sole foreign investor;
- (viii) ensure and procure all proceeds (net of expenses) arising or deriving as a result of or consequential upon sale, transfer or disposal of Hui Xian Investment's rights, title and interests in and to BOP and all or any part of the assets thereof shall promptly be applied in full towards the prepayment of the Facility (or any part thereof), provided that such obligation shall be (a) subject to the application of the relevant proceeds towards the mandatory repayment of the loans owing by BOP to BOC pursuant to the BOC Term Loan Agreement and the BOC Revolving Facility Agreement and (b) to the maximum extent that such proceeds are or may be validly distributable by BOP to Hui Xian Investment under applicable laws;
- (ix) ensure and procure, in respect of Hui Xian REIT, that each of the Trustee and the Manager, respectively, shall not be changed or removed from office;

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- (x) ensure and procure BOP shall maintain valid and effective insurance policy or policies with reputable insurer or insurers covering all risks for Oriental Plaza and any part thereof at replacement cost and for rental loss of not less than 12 months aggregate rentals;
- (xi) ensure and procure that Hui Xian REIT shall comply all applicable laws, rules and regulations including, without limitation, the SFO, the REIT Code and the Listing Rules in all material respects.

The Facility contains the following financial covenants:-

- (A) total borrowings of Hui Xian Investment and BOP shall not exceed 20.0% of the aggregate open market value of Oriental Plaza making up (a) in respect of the investment property portion of Oriental Plaza, the value or amount of that portion as set forth in the then latest available Property Valuation Report or the then latest published financial statements of Hui Xian REIT, whichever is the later; or (b) in respect of the non-investment property portion of Oriental Plaza, the value or amount of that portion as set forth in the then latest available Property Valuation Report;
- (B) earnings before interest, tax, depreciation and amortisation of Hui Xian REIT in respect of a financial year or the first six months of a financial year shall not be less than 3 times the total consolidated interest expenses of Hui Xian REIT; and
- (C) Hui Xian REIT shall ensure that total consolidated borrowings of it shall not exceed 45.0% of the consolidated gross asset value of Hui Xian REIT or any such other percentage which the REIT Code may from time to time permit,

provided that, in each case, the relevant ratio shall be determined in a manner which is consistent with the accounting practices and standards generally accepted in Hong Kong (including, without limitations, the classification and categorisation of investment and non-investment properties).

The negative covenants provide that Hui Xian Investment shall not:-

- (i) permit Hui Xian Investment and BOP to subsist any encumbrance over any or all of their assets, other than the Permitted Encumbrances (as defined in the Facility Agreement) and other security interest created in favour of BOC as continuing security pursuant to the BOC Term Loan Agreement and the BOC Revolving Facility Agreement over (a) Oriental Plaza (or any part thereof) and/or (b) the insurance policy or policies relating to Oriental Plaza (or any part of it);
- (ii) permit Hui Xian REIT and its Subsidiaries to enter into any amalgamation, merger, demerger, corporate re-construction or consolidation with any other person, except for any solvent restructuring, amalgamation or merger with the relevant member of Hui Xian REIT and its Subsidiaries (unless such activity involves Hui Xian Investment, in which case Hui Xian Investment) as the surviving entity;
- (iii) permit any member of Hui Xian REIT and its Subsidiaries to make any material change in the nature of the business it conducts at the date of the Facility Agreement;
- (iv) sell, transfer or otherwise dispose of or cease to exercise direct control over (a) any of its rights, title and interests in and to BOP and all or any part of the assets thereof (including, without limitation, Oriental Plaza) and (b) any and all indebtedness owing due and payable to it from time to time by any of Hui Xian REIT and BOP;
- (v) permit Hui Xian Investment and BOP to make any loans and any advances (in whatever forms), or grant any credit (in whatever forms), or otherwise provide any financial accommodation, to any person;

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- (vi) permit Hui Xian Investment or Hui Xian REIT, to declare, pay or make any dividends or other distributions when an Event of Default (as defined in the Facility Agreement) has occurred and is continuing;
- (vii) permit Hui Xian Investment or Hui Xian REIT to change the investment and/or distribution policies of Hui Xian REIT and/or any member of Hui Xian REIT and its Subsidiaries and/or the fee payment formula as effective and applicable to the Trustee and the Manager, in each case, in any material respect if, in the reasonable opinion of Hui Xian Holdings, any such change affects or would affect the repayment of the Facility by Hui Xian Investment hereunder; and
- (viii) permit Hui Xian investment or BOP to make any investment (in whatever forms) or acquire any subsidiary if, in the reasonable opinion of Hui Xian Holdings, any such investment or acquisition affects or would affect the repayment of the Facility by Hui Xian Investment hereunder.

### ***Provision of Information***

Under the Facility Agreement, Hui Xian Investment must submit:-

- (i) annual audited financial statements of Hui Xian Investment, and BOP and the annual financial statements of Hui Xian BVI within 180 days after the end of each financial year and their respective unaudited interim financial statements within 120 days after the end of the first six-month period of each financial year;
- (ii) the annual report of Hui Xian REIT within 180 days after the end of each financial year and its interim report within 120 days after the end of the first six-month period of each financial year;
- (iii) a Property Valuation Report at the same time when it delivers the relevant report under paragraph (ii) above and that the date of valuation of Oriental Plaza shall be the relevant half-year end date or, as the case may be, the financial year end date of Hui Xian REIT as long as such valuation report or a material part of the contents (in which case only such material part of the contents will be delivered to Hui Xian Holdings) of which shall have been disclosed to the Unitholders and/or the public;
- (iv) a copy of each document issued by the Manager (in its capacity as manager of and relating to Hui Xian REIT only), Hui Xian Investment, the Trustee (in the capacity as trustee of and relating to Hui Xian REIT only) and Hui Xian BVI, or any of them, to their respective shareholders (or any class of such shareholders), Unitholders and/or creditors generally at the same time as that document is so despatched (other than those which are or have been posted on the official website of HKEx in respect of Hui Xian REIT);
- (v) from time to time on request of Hui Xian Holdings, such information about the business and financial condition of Hui Xian REIT and its Subsidiaries as Hui Xian Holdings may reasonably require; and
- (vi) at the cost of Hui Xian Investment a Property Valuation Report once in every financial year of Hui Xian REIT (in addition to the valuation report(s) mentioned in paragraph (iii) above) upon request by Hui Xian Holdings after prior consultation with Hui Xian Investment and on a genuine need-basis.

### ***Security***

The Facility is secured by a joint and several unconditional and irrevocable guarantee by the Trustee (in its capacity as trustee for Hui Xian REIT) and Hui Xian BVI in favour of Hui Xian Holdings and a pledge over the shares held by Hui Xian BVI in Hui Xian Investment.

### **BOC Term Loan Agreement\* and BOC Revolving Facility Agreement\***

As at the Latest Practicable Date, (a) BOP was indebted to BOC for a term loan in the outstanding principal amount of RMB200 million which will be repayable in full on 8 January 2014; and (b) BOP

<p style="text-align: center;"><b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b></p>
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was granted an RMB500 million revolving loan facility by BOC for a term until 11 February 2014, which had not been drawn down by BOP.

***The BOC Term Loan***

On 30 December 2008, BOP entered into the BOC Term Loan Agreement with BOC for a term loan in the total amount of RMB1,100 million. Pursuant to the BOC Term Loan Agreement, BOP borrowed the term loan of RMB1,100 million on 9 January 2009 for the use of settling the then outstanding Relevant Amount (for details of the Relevant Amount, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents — Profit distributions” in this Offering Circular above), which loan should be repayable in full 60 months from the drawdown date (i.e. repayable on 8 January 2014). As principal amounts of RMB600 million, RMB200 million and RMB100 million were prepaid by BOP in December 2010, March 2011 and April 2011 respectively, the outstanding principal amount under the BOC Term Loan Agreement (i.e. the BOC Term Loan) was RMB200 million as at the Latest Practicable Date.

The BOC Term Loan shall be repayable in full on 8 January 2014. BOP may prepay any part of the BOC Term Loan by giving three business days’ prior written notice to BOC, and BOC shall be entitled to charge a compensation fee for any prepayment at the rate of 10.0% of the unrealised interest on such prepaid amount.

The BOC Term Loan bears a floating interest rate which shall be determined every 12 months from the date of drawdown with reference to the lending rate published by the PBOC. As at the Latest Practicable Date, the existing interest rate of the BOC Term Loan was 5.598% per annum and will be adjusted in January every year until the full repayment of the BOC Term Loan.

The BOC Term Loan may become mandatorily repayable in the case of an event of default.

***The BOC Revolving Facility***

On 12 February 2009, BOP entered into the BOC Revolving Facility Agreement with BOC for the BOC Revolving Facility in the total amount of RMB500 million. Pursuant to the BOC Revolving Facility Agreement, the BOC Revolving Facility shall be available to BOP for a term from 12 February 2009 to 11 February 2014. The BOC Revolving Facility shall be used as a short term RMB borrowing. As at the Latest Practicable Date, no amount had been drawn down by BOP under the BOC Revolving Facility.

The availability of the BOC Revolving Facility is conditional upon certain conditions precedent being satisfied. Such conditions include, without limitation, the provision of security as required under the BOC Revolving Facility Agreement and under the individual agreement for the drawing of the BOC Revolving Facility.

***Events of Default***

Each of the BOC Term Loan Agreement and the BOC Revolving Facility Agreement contains customary events of default, the occurrence of which would allow BOC to demand immediate repayment of all outstanding advances made by BOC, together with accrued interest, fees and other sums, and to cancel BOC’s commitments for facilities, under such agreements and all other agreements between BOP and BOC. Such events include:

- (i) failure to pay or repay any sums payable pursuant to the relevant loan or facility agreement;
- (ii) failure to apply the borrowed amount for the specified purpose of the borrowing;
- (iii) the warranties given by BOP under the relevant loan or facility agreement being untrue or any breach of undertakings by BOP under such loan or facility agreement;

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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- (iv) BOC determines that there exists a circumstance which may have a material adverse effect on BOP's financial condition or ability to comply with its obligations or to repay debts, and BOP fails to provide a new security or change its guarantor pursuant to the relevant loan or facility agreement;
- (v) BOP's breach of any provision in connection with the major rights and obligations of the contracting parties under the relevant loan or facility agreement;
- (vi) BOP ceasing to operate or the dissolution, revocation or winding-up of BOP; and
- (vii) any material default by BOP under other agreements entered into with BOC or other entities of BOC, and such default having a material adverse effect on BOP's ability to repay.

### **Covenants**

The BOC Term Loan Agreement and the BOC Revolving Facility Agreement contain certain customary covenants that restrict BOP from, among others:

- (a) prior to all indebtedness owed by BOP to BOC under all loan agreements entered into between them has been repaid in full, paying principal and interest on shareholders' loan or paying dividends to shareholders shall not be made before the current instalment of the outstanding principal of and accrued interest on the loans advanced by BOC which are then due and payable have been fully paid to BOC;
- (b) allowing the divestment of BOP's registered capital contributed by its shareholders prior to the full repayment of all indebtedness owing by BOP to BOC under all loan agreements entered into between them;
- (c) increasing the amount of its indebtedness unless with the prior consent of BOC;
- (d) permitting or entering into a counter-indemnity agreement or similar agreement in respect of the guaranteed obligations of its guarantor (if any) under the relevant loan or facility agreement which will be detrimental to the rights of BOC;
- (e) (only restricted under the BOC Term Loan Agreement) repaying similar indebtedness to other creditors before the repayment of the indebtedness owing by BOP to BOC; and
- (f) (only restricted under the BOC Term Loan Agreement) dealing with the ownership of its own assets which will undermine its ability to repay its debts.

Payments of the principal and interest on the loans advanced by BOC under the BOC Term Loan Agreement and the BOC Revolving Facility Agreement may draw Hui Xian REIT cash resources that may adversely affect the ability of Hui Xian REIT to make distributions to Unitholders in the manner set out in this Offering Circular (for details, see the section headed "Risk Factors — Risks Relating to Hui Xian REIT — Hui Xian REIT's current and future borrowings give rise to financial risk" in this Offering Circular).

Affirmative covenants under the BOC Term Loan Agreement and the BOC Revolving Facility Agreement provide that BOP will:

- (i) be subject to and assist BOC's checking and monitoring on BOP's credit and facilities, and (as required under the BOC Revolving Facility Agreement only) be subject to and assist BOC's checking and monitoring on BOP's business and financial activities; and
- (ii) set up a settlement account with BOC for the purpose of settlement in BOP's ordinary course of business, and the ratio of the amount of fund in such account to the aggregate amount of funds in all BOP's bank accounts shall not be lower than the ratio of the credit amount made available by BOC to BOP to the aggregate credit amount made available by all banks in the PRC to BOP.

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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Also, under the BOC Term Loan Agreement, BOP undertakes that the amount guaranteed by it for third party's indebtedness shall not exceed BOP's net asset value and such guaranteed amount in aggregate shall not exceed the limit prescribed under its articles of association.

### ***Provision of Information***

Under the BOC Term Loan Agreement and the BOC Revolving Facility Agreement, BOP must:

- (i) submit its financial statements (including without limitation its annual reports, quarterly reports and monthly reports) and other relevant information to BOC, on a regular or timely basis at the request of BOC; and
- (ii) inform BOC and obtain the prior consent of BOC in the event of the occurrence of any circumstance which may have a material adverse effect on BOP's financial condition or ability to comply with its obligations, including without limitation (I) any change of its business mode by way of demerger, merger, association, joint venture, cooperation, contract operation, reorganization or listing; (II) any reduction of registered capital in, transfer of material assets or equity interests in, or assumption of material indebtedness of BOP; (III) creating security over the secured assets for material indebtedness, or the seizure of the security; (IV) the dissolution or revocation of BOP or BOP applying for or being applied for winding-up; (V) the involvement of BOP in any material litigation or arbitration proceeding; (VI) (as provided in the BOC Term Loan Agreement only) BOP experiencing difficulty in operation or there being deterioration in BOP's financial condition; or (VII) (as provided in the BOC Term Loan Agreement only) BOP being in material default of its obligation under other agreements.

### ***Security***

The BOC Term Loan and the BOC Revolving Facility are secured by a mortgage over Oriental Plaza pursuant to two mortgage agreements entered into by BOP and BOC on 30 December 2008 and 12 February 2009 respectively. BOP will be under the obligation to provide a new security or guarantor to secure or guarantee its indebtedness under the BOC Term Loan Agreement and the BOC Revolving Facility Agreement at the request of BOC, if, among other things, (i) there exists any circumstance which may have a material adverse effect on the ability of BOP to comply with its obligations, (ii) the security contract becomes invalid or is revoked or released, (iii) there is any deterioration in the financial condition of BOP or its guarantor, or BOP or its guarantor is involved in any material litigation or arbitration proceeding, or there exists any other circumstance, which may have a material effect on the ability of BOP or its guarantor to comply with its obligations; and (iv) any material depreciation in the value of, or damage in, or loss or seizure of the security, as a result of which the value of the security will be materially reduced or lost.

### **Hong Kong Underwriting Agreement\***

The Hong Kong Underwriting Agreement was entered into on 8 April 2011. For a summary of the key terms and provisions of the Hong Kong Underwriting Agreement, see the section headed "Underwriting" in this Offering Circular.

### **Operations Management Agreement**

#### ***General***

It is proposed that, after the Property Manager is established, the Operations Management Agreement will be entered into by BOP and the Property Manager, pursuant to which the Property Manager will be appointed to provide certain services relating to the operation, management and marketing of Oriental Plaza (other than Grand Hyatt Beijing) for BOP. Some proposed major terms of the Operations Management Agreement are described below.

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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**Term**

It is proposed that the initial term of appointment of the Property Manager under the Operations Management Agreement will commence on the date of the Operations Management Agreement and end on the last date of the third financial year after that.

The term of appointment of the Property Manager may be extended by mutual agreement between BOP and the Property Manager for a period not exceeding three months (or such other period as may be agreed between them), subject to any applicable regulatory requirements. Unless so extended, the appointment of the Property Manager shall terminate upon expiry of the initial term.

**Property Manager's Services**

With regard to Oriental Plaza (other than Grand Hyatt Beijing) under its management, the Property Manager shall provide services, including but not limited to the following which will be provided solely and exclusively for BOP:-

- *Business advisory and management services.* These include, among others, provision of consultancy and advisory services by the Property Manager in relation to the business and management of BOP, in particular in relation to the operation and management of Oriental Plaza (other than Grand Hyatt Beijing).
- *Marketing and leasing management services.* These include, among others, acting as a non-exclusive advertising and promotional agent in relation to Oriental Plaza, supporting and co-ordinating the advertising and promotional activities for Oriental Plaza, and advising on market conditions. The leasing management services also include collection of rents and other payments from tenants on behalf of and in the name of BOP; tenants' expansion and tenancy related matters; and preparing property leasing reports. The Property Manager may also engage leasing agents to identify tenants for vacant units, if necessary.
- *Property management co-ordination services.* To identify, select and recommend for engagement by BOP suitable service providers to provide property management services such as facilitating the hand-over/taking over of premises, co-ordinating tenants' fitting out requirements, management of customer relationship and maintenance management; to monitor and supervise on behalf of BOP the performance of the service providers and procure the service providers to regularly report to the Property Manager and (if required by BOP) to BOP and, where required by BOP, to act as agent of BOP to enter into service contracts with the service providers.

To enable the Property Manager to monitor and supervise the performance of the service providers under the service contracts to be entered into with the service providers, it is proposed that information provision and reporting obligation will be imposed on the service providers so that the service providers will be subject to the monitoring and supervision of the Property Manager and to report directly and regularly to the Property Manager (in addition to BOP).

**Property Manager's Obligation on Information Provision and Reporting**

The Property Manager will be under the obligation to provide information to, and directly and regularly report to, parties designated by BOP (in addition to BOP), which will include the Manager.

**Property Manager's Fees**

It is proposed that the Property Manager will be entitled to receive from BOP a Property Manager's fee of 1.0% per annum of NPI (before deduction therefrom of the Variable Fee and the Property Manager's fee).

<b>MATERIAL AGREEMENTS AND OTHER DOCUMENTS RELATING TO HUI XIAN REIT</b>
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***Operating Expenses of the Property Manager***

It is proposed that, in addition to its fees, the Property Manager will be fully reimbursed by BOP for the employment costs and remuneration of the employees of the Property Manager engaged solely and exclusively for the provision of its services relating to Oriental Plaza to BOP.

The Property Manager, as agent for BOP, may, at the request of BOP, enter into contracts with third party service providers on arm's length normal commercial terms for the provision of cleaning, maintenance, security, car park management and other services for Oriental Plaza, and the costs and expenses under such contracts will be paid by BOP.

***Termination by BOP***

BOP may terminate the appointment of the Property Manager as property manager for Oriental Plaza (other than Grand Hyatt Beijing) under its management on the occurrence of certain specified events, including liquidation or certain change in ownership or control (except for intra-group change) of the Property Manager, or a sale of Oriental Plaza or sale of BOP. The appointment may also be terminated upon BOP's giving of not less than 14 days' prior written notice, if the Property Manager after receipt of a previous written notice fails within a specified period of receipt of the same to remedy any material breach of its obligations under the Operations Management Agreement.

***Termination by Property Manager***

The Property Manager may only terminate its appointment in relation to Oriental Plaza in the event that BOP is in material breach of any of its obligations under the Operations Management Agreement. Under such event, the Property Manager may by giving 14 days' written notice to BOP to terminate its appointment, if BOP after its receipt of a previous written notice fails within a specified period of receipt thereof to remedy any breach of their respective obligations under the Operations Management Agreement.

***Other provisions***

It is proposed that the Operations Management Agreement will also contain provisions relating to novation, assignment and licence to use the BOP Trade Marks.

## CONNECTED PARTY TRANSACTIONS

### Details of Connected Party Transactions

Following completion of the Offering, there will be continuing transactions between Hui Xian REIT and the following persons noted below, which will constitute connected party transactions of Hui Xian REIT within the meaning of the REIT Code. Details of these transactions as well as the modifications or waivers sought by Hui Xian REIT in relation to the relevant provisions in Chapter 8 of the REIT Code on connected party transactions are set out below.

### Introduction

Following completion of the Offering there will be, and it is likely that there will continue to occur from time to time, a number of transactions between the Manager on behalf of Hui Xian REIT or other companies or entities held or controlled by Hui Xian REIT (collectively, “**Hui Xian REIT Group**”) on the one hand and parties which have a relationship or connection with Hui Xian REIT on the other hand.

The REIT Code contains rules governing transactions between Hui Xian REIT Group and certain defined categories of “connected persons” within the meaning given in the REIT Code. Such transactions will constitute “connected party transactions” for the purposes of the REIT Code.

Hui Xian REIT’s “connected persons” will include, among others:

- (i) Hui Xian Holdings, which is an “associate” of a “significant holder” (within the meaning given in the REIT Code) because of Hui Xian Holdings’ relationship with its wholly-owned subsidiary, Hui Xian Cayman;
- (ii) Cheung Kong, which is an “associate” of a “significant holder” (within the meaning given in the REIT Code) because of Cheung Kong’s relationship with Hui Xian Holdings as mentioned in the section headed “Information about Hui Xian Cayman” in this Offering Circular above and its right to nominate directors to Hui Xian Cayman and its 30.0% indirect interest in the Manager, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with Cheung Kong (collectively, “**Cheung Kong Connected Persons Group**”). Cheung Kong Connected Persons Group will include, among others, certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL;
- (iii) CITIC Securities International, because the Manager is indirectly owned as to 40.0% by CITIC Securities International, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with CITIC Securities International (collectively, “**CITIC Securities Connected Persons Group**”);
- (iv) ARA, because of ARA’s 30.0% indirect interest in the Manager, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with ARA (collectively, “**ARA Connected Persons Group**”);
- (v) the Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with Manager, including the Property Manager which will be a wholly-owned subsidiary of the Manager, but excluding the Cheung Kong Connected Persons Group, the CITIC Securities Connected Persons Group and the ARA Connected Persons Group (collectively, “**Manager Group**”);
- (vi) the Directors, senior executives and officers of the Manager, and their respective “associates” within the meaning given in the REIT Code. The associates of the Directors of the Manager include, among others, other companies of which they are directors. In this connection, HSBC Holdings plc (“**HSBC Holdings**”) and/or certain of its subsidiaries (collectively “**HSBC Connected Persons Group**”) will be connected persons of Hui Xian REIT because CHENG Hoi Chuen, Vincent, an INED, is a director of such companies;
- (vii) BOC, because of BOC’s relationship with Hui Xian Holdings (and thus Hui Xian Cayman) as mentioned in the section headed “Information about Hui Xian Cayman” in this Offering Circular above and its right to nominate directors to Hui Xian Cayman, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with BOC (collectively, “**BOC Connected Persons Group**”);

## CONNECTED PARTY TRANSACTIONS

- (viii) China Life, because of China Life's relationship with Hui Xian Holdings (and thus Hui Xian Cayman) as mentioned in the section headed "Information about Hui Xian Cayman" in this Offering Circular above and its right to nominate directors to Hui Xian Cayman, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with China Life (collectively, "**China Life Connected Persons Group**");
- (ix) OOIL, because of OOIL's relationship with Hui Xian Holdings (and thus Hui Xian Cayman) as mentioned in the section headed "Information about Hui Xian Cayman" in this Offering Circular above and has the right to nominate a director to Hui Xian Cayman, and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with OOIL (collectively, "**OOIL Connected Persons Group**"); and
- (x) the Trustee and entities or persons which are connected persons of Hui Xian REIT as a result of their connection with the Trustee ("**Trustee Connected Persons**"). As a result, the list of "connected persons" of Hui Xian REIT will include Deutsche Bank AG ("**DB**") and other members of its group since the Trustee is an wholly-owned subsidiary of DB;

The Manager has applied for certain waivers from strict compliance with the REIT Code with respect to transactions (A) between Hui Xian REIT Group and Hui Xian Holdings; (B) between Hui Xian REIT Group and Cheung Kong Connected Persons Group; (C) between Hui Xian REIT Group and the CITIC Securities Connected Persons Group; (D) between Hui Xian REIT Group and the Manager Group; (E) between Hui Xian REIT Group and the HSBC Connected Persons Group; (F) between Hui Xian REIT Group and the BOC Connected Persons Group; (G) between Hui Xian REIT Group and the China Life Connected Persons Group; and (H) between Hui Xian REIT Group and the OOIL Connected Persons Group; (I) between Hui Xian REIT Group and the Trustee Connected Persons; (J) relating to the Relevant Employees (as defined below); and (K) relating to issuance of new Units and Convertible Instruments. These waivers are subject to the conditions mentioned under the sub-section headed "Waivers for Certain Connected Party Transactions" below.

### Internal Controls

The Manager has established an internal control system intended to ensure that connected party transactions between Hui Xian REIT Group and its connected persons are monitored and that these are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must, among other things, be carried out at arm's length, on normal commercial terms and in the best interests of Unitholders.

As a general rule, the Manager must demonstrate to the Audit Committee that all connected party transactions entered into by Hui Xian REIT satisfy the foregoing criteria, which may entail (where applicable) obtaining quotations from parties unrelated to the Manager, or obtaining one or more valuation letters from independent professional valuers.

The Manager shall investigate and regularly monitor all transactions by Hui Xian REIT in order to determine whether such transactions are connected party transactions. Furthermore, the Manager shall maintain a register to record all connected party transactions which are entered into by members of Hui Xian REIT Group and the bases on which they are entered into, including any quotations from independent valuers obtained to support such bases. The Manager shall also incorporate into its internal audit plan a review of all connected party transactions entered into by members of Hui Xian REIT Group.

### Waivers for Certain Connected Party Transactions

#### (A) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and Hui Xian Holdings

On 8 April 2011, Hui Xian Holdings as lender and Hui Xian Investment as borrower entered into the Facility Agreement pursuant to which Hui Xian Holdings has agreed to grant to Hui Xian Investment the Facility in the aggregate amount of RMB1,400 million (comprising an RMB1,300 million revolving credit

## CONNECTED PARTY TRANSACTIONS

facility and an RMB100 million revolving credit facility). The RMB100 million revolving credit facility under the Facility will be used to finance the general working capital requirements and general corporate funding of Hui Xian REIT and its Subsidiaries, and is available for multiple drawings on a revolving basis from the Listing Date until one month before its final maturity date which falls 18 months from the date of the Facility Agreement. The RMB1,300 million revolving credit facility under the Facility will be used to support Hui Xian REIT's making of distributions in RMB and is available for multiple drawings on a revolving basis from the Listing Date until one month before its final maturity date which falls 42 months from the date of the Facility Agreement. Each loan under the Facility will bear interest at the rate of 1.0% per annum above the HSBC Standard RMB Rate. The Facility is required to be secured by a joint and several unconditional and irrevocable guarantee by the Trustee (in its capacity as trustee for Hui Xian REIT) and Hui Xian BVI in favour of Hui Xian Holdings and a pledge over the shares held by Hui Xian BVI in Hui Xian Investment. Details of the Facility are set out in the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT – Facility Agreement" in this Offering Circular.

The Manager has applied for, and the SFC has granted, a waiver for strict compliance so that the transactions contemplated under the Facility Agreement ("**Facility Transactions**") will not be subject to any requirements for announcement or Unitholders' approval under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the Facility Transactions shall be modified as described below.

A summary disclosure of the Facility Transactions in each financial year will be disclosed in the annual report of Hui Xian REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The INEDs shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these 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 comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the auditors' report of Hui Xian REIT ("**Auditors' Report**") to the Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the INEDs); and (c) have been entered into and carried out in accordance with the terms of the agreements governing the transactions.

### **(B) Waivers for Certain Connected Party Transactions between Hui Xian REIT Group and Cheung Kong Connected Persons Group**

#### ***(I) Categories of Transactions***

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the following categories of connected party transactions between Hui Xian REIT Group and the Cheung Kong Connected Persons Group ("**Cheung Kong Continuing CPTs**"):

##### ***(i) Leasing and licensing arrangements***

As part of the ordinary course of business of Hui Xian REIT Group, BOP as owner of Oriental Plaza, is either already a party to, or may from time to time enter into, leases or licences in respect of

<b>CONNECTED PARTY TRANSACTIONS</b>
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Oriental Plaza with the Cheung Kong Connected Persons Group (“**Cheung Kong Leasing and Licensing Transactions**”).

(ii) *Property management and club facilities arrangements*

Property management and club facilities transactions include any transactions in the nature of property management and operation arrangements in respect of BOP which have been and are to be entered into between Hui Xian REIT Group and Cheung Kong Connected Persons Group (the “**Cheung Kong Property Management and Club Facilities Transactions**”).

Currently, BJ Citybase and BJ Goodwell, subsidiaries of Cheung Kong, are engaged by BOP to provide certain property management services in respect of Oriental Plaza (other than Grand Hyatt Beijing which is managed by the Hotel Manager). It is expected that after the Listing, BOP will continue to engage BJ Citybase and BJ Goodwell and may engage other members of the Cheung Kong Connected Persons Group to provide property management services.

Tenants of The Tower Apartments have been given the right to use the club facilities of Lido Place (麗都廣場) in Beijing, in which the Cheung Kong Group is interested as to 40.0%, without having to pay any fee to Lido Place’s owner. In connection with such arrangement, BOP has to pay to the owner of Lido Place (which is a member of the Cheung Kong Connected Persons Group) a fee for such use of club facilities by the tenants of The Tower Apartments. It is currently proposed that such club facilities arrangement will continue after the Listing, and BOP may also use other facilities of the Cheung Kong Connected Persons Group from time to time.

(iii) *Use of internet and telecommunication services*

BOP has used, and it is currently expected that BOP will use, internet and telecommunication services provided by members of the Cheung Kong Connected Persons Group (“**Cheung Kong Internet Services Transactions**”) in the ordinary and usual course of management and operation of Oriental Plaza.

**(II) Waiver Conditions**

The waiver in respect of the Cheung Kong Continuing CPTs has been granted by the SFC on the following conditions:

(i) *Extensions or modifications*

The waiver shall be for a period to expire on 31 December 2013. The waiver may be extended beyond 31 December 2013, and/or the conditions of the waiver 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 transactions within the meaning of paragraph 8.11 of the REIT Code (“**Independent Unitholders**”) is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (a) above is obtained.

## CONNECTED PARTY TRANSACTIONS

### (ii) *Annual caps*

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

<u>Categories of connected party transactions</u>	<u>Listing Date to 31 December 2011</u>	<u>For the year ending 31 December 2012</u>	<u>For the year ending 31 December 2013</u>
Cheung Kong Leasing and Licensing Transactions .....	RMB77 million	RMB85 million	RMB103.5 million
Cheung Kong Property Management and Club Facilities Transactions .....	RMB28 million	RMB36 million	RMB38 million
Cheung Kong Internet Services Transactions .....	RMB6 million	RMB6.5 million	RMB7 million

In respect of the Cheung Kong Leasing and Licensing Transactions first entered into or renewed on or after the Listing Date, 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 report*

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

### (iv) *Auditors' review procedures*

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

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

### (v) *Review by the INEDs*

The INEDs will review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement 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.

<b>CONNECTED PARTY TRANSACTIONS</b>
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(vi) *Auditors' access to books and records*

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

(vii) *Notification to the SFC*

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

(viii) *Subsequent increase in annual caps with Independent Unitholders' approval*

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

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

**(C) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and the CITIC Securities Group**

The Manager has also applied for, and the SFC has granted, a waiver from strict compliance with Chapter 8 of REIT Code in respect of certain "corporate finance transactions" between Hui Xian REIT Group and the CITIC Securities Group ("**CITIC Securities Corporate Finance Transactions**") as described below.

For the purpose of this sub-section, "**CITIC Securities Group**" means CITIC Securities International, its holding company and their respective subsidiaries. As the CITIC Securities Group fall within the CITIC Securities Connected Persons Group, members of the CITIC Securities Group are connected persons of Hui Xian REIT.

**(I) Excluded Transactions**

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the CITIC Securities Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with the Hui Xian REIT Group;

<b>CONNECTED PARTY TRANSACTIONS</b>
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- (ii) where a collective investment scheme (including another real estate investment trust) transacts with the Hui Xian REIT Group, and a company within the CITIC Securities Group acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the CITIC Securities Group; and
- (iii) where a member of the CITIC Securities Group acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the CITIC Securities Group in Units on the Stock Exchange will not be a connected party transaction.

**(II) “Chinese Wall” Procedures**

The principal business activities of CITIC Securities International include brokerage, investment banking, proprietary trading and asset management. From the Listing Date, Hui Xian REIT will become one of the asset management activities of CITIC Securities International. CITIC Securities International will continue to invest in other funds and may also invest in the Units. In order to avoid any conflict of interest, each of CITIC Securities International and its holding company has implemented a set of “Chinese Wall” procedures to physically and functionally separate different business functions which may otherwise potentially lead to a conflict of interest situation. Salient points of the Chinese Wall procedures are listed below:

1. Each department of CITIC Securities International and its holding company are staffed and managed by different personnel and they are located in different physical locations;
2. Each of CITIC Securities International and its holding company has imposed confidentiality obligations on their staff members;
3. Each of CITIC Securities International and its holding company has IT firewall procedures in place to ensure only authorized personnel has access to important system and information.

The Manager believes that implementation of the above procedures will be sufficient to maintain the independence between the various business units and departments of CITIC Securities International and its holding company and to ensure that its asset management will be operated independently from other business activities and functions of CITIC Securities International and its holding company.

**(III) Waiver for the CITIC Securities Corporate Finance Transactions**

**(1) Scope of Corporate Finance Transactions**

The SFC has granted a waiver from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders’ prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of the CITIC Securities Corporate Finance Transactions between Hui Xian REIT Group and the CITIC Securities Group. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in the specific conditions in (3)(A) to (G) below. For the purpose of this waiver, the **CITIC Securities Corporate Finance Transactions** means:

- (a) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the CITIC Securities Group is involved in an underwriting or arranging capacity or acts as listing agent, placing agent, stabilising manager and/or financial adviser and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm’s length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the CITIC Securities Group;
- (b) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which the Hui Xian REIT Group will finance the acquisition of real estate; and

## CONNECTED PARTY TRANSACTIONS

- (c) “corporate advisory transactions”, namely the provision of “corporate finance advice” to the Hui Xian REIT Group and excludes transactions set out in (a) and (b) above, provided that the aggregate fees that the CITIC Securities Group derived from all “corporate advisory transactions” conducted for the Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published net asset value (“NAV”) of Hui Xian REIT.

For the avoidance of doubt, “corporate finance advice” means advice concerning:

- (i) compliance with or in respect of the Listing Rules, the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Code on Share Repurchases or The Hong Kong Code on Takeovers and Mergers;
- (ii) (I) any offer to dispose of securities to the public, (II) any offer to acquire securities from the public, or (III) acceptance of any offer referred to in (I) or (II), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (iii) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

### (2) *Waiver General Conditions and Undertakings*

In support of the application for this waiver request, the INEDs have undertaken with the SFC to meet certain conditions, including the following general conditions on an on-going basis:

- (i) the CITIC Securities Corporate Finance Transactions will be carried out at arm’s length on normal commercial terms and in the interests of the Unitholders as a whole;
- (ii) the Manager must implement internal controls and compliance procedures to ensure that the CITIC Securities Corporate Finance Transactions are regularly monitored and undertaken on terms in compliance with the REIT Code;
- (iii) the INEDs are satisfied with the Manager’s internal controls and compliance procedures (such as Chinese wall procedures), to ensure that the operation of the Manager is independent of other banking, financial services and other business functions and operations of the CITIC Securities Group; and
- (iv) the Manager incorporates provisions in the Trust Deed that require the Trustee to take actions or commence proceedings on behalf of Hui Xian REIT as necessary to protect the interest of Unitholders (including against the Manager or its connected persons in relation to any transaction or agreement entered into for and on behalf of Hui Xian REIT with such persons).

Separately and for the purpose of the above waiver:

- (a) CITIC Securities International has given an undertaking to the SFC that its instruction to the Manager that the Manager shall act in the sole interests of Hui Xian REIT and shall disregard any other interest of, or instructions from, the CITIC Securities Group in respect of any transactions with persons who constitute “connected persons” of Hui Xian REIT by virtue of their association with the CITIC Securities Group under the REIT Code (the “**Instruction**”) shall not be revoked or amended without the prior written consent of the SFC during the period in which the Units are listed on the Hong Kong Stock Exchange; and
- (b) the Manager has given an undertaking to the SFC that it will abide by the Instruction so long as CITIC Securities International remains a controlling entity of the Manager and the Manager remains the manager of Hui Xian REIT.

The waiver is given on the premises that they only apply to connected party transactions involving the persons who constitute “connected persons” of Hui Xian REIT solely by virtue of their association with the Manager under the REIT Code, solely and so long as CITIC Securities International is, directly or indirectly, a controlling entity of the Manager, and the Manager is in its capacity as manager of Hui Xian REIT. If connected party transactions arise as a result of other circumstances, they will be governed by Chapter 8 of the REIT Code.

<b>CONNECTED PARTY TRANSACTIONS</b>
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Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the Independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

*(3) Waiver Specific Conditions*

The above waiver in respect of the CITIC Securities Corporate Finance Transactions is granted on the following specific conditions:

- (A) the waiver shall be for a period to expire on 31 December 2013 and may be extended beyond 31 December 2013 and/or the conditions of the waiver as set out in (B) to (G) below may be modified from time to time, provided that:-
  - (I) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
  - (II) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
  - (III) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (I) above is obtained;
- (B) the offering document and any circular for Hui Xian REIT includes upfront disclosure of this waiver and, with respect to those corporate finance transactions under categories (1)(a) and (b) of this waiver above, full disclosure of the material terms of the relevant agreements;
- (C) the annual report includes disclosure of the aggregate fees paid to the CITIC Securities Group in respect of the corporate finance transactions conducted for the Hui Xian REIT Group in the financial year;
- (D) the annual report includes disclosure in respect of any corporate finance transaction the amount of fees in respect of which exceeds HK\$1 million: (I) the occurrence and nature of the transaction; (II) the parties to the transaction and (III) the date of the transaction;
- (E) the annual report discloses a statement made by each of the INEDs to confirm that the corporate finance transactions have complied with the general conditions set out in paragraph (2) in this sub-section above;
- (F) the annual report includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
  - (I) in the ordinary and usual course of business of Hui Xian REIT;
  - (II) on normal commercial terms (to 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
  - (III) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (G) the Auditors' Report shall cover all the relevant corporate finance transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the CITIC Securities Group generates from all "corporate advisory transactions" conducted for the Hui Xian REIT Group

<b>CONNECTED PARTY TRANSACTIONS</b>
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during any financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the CITIC Securities Group in its capacity as described above under the CITIC Securities Corporate Finance Transactions, an announcement has to be made pursuant to the REIT Code (and is not exempt by any waiver from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the CITIC Securities Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

**(D) Waivers for Certain Connected Party Transactions between Hui Xian REIT Group and the Manager Group**

**(I) Categories of Transactions**

The Manager has applied for, and the SFC has granted, a waiver from strict compliance with Chapter 8 of the REIT Code in respect of the following connected party transactions between Hui Xian REIT Group and the Manager Group (which includes the Property Manager, but excludes members of the Cheung Kong Connected Persons Group, the CITIC Securities Connected Persons Group and the ARA Connected Persons Group) (collectively, **“Manager Group Continuing CPTs”**):

*(i) Leasing and licensing transactions*

As part of the ordinary course of business of Hui Xian REIT Group, BOP as owner of Oriental Plaza is either already a party to, or may from time to time enter into, leases or licences with the Manager Group in respect of Oriental Plaza, including the premises in Oriental Plaza rented for the use by the Property Manager in connection with its provision of services to BOP pursuant to the proposed Operations Management Agreement (**“Manager Group Leasing and Licensing Transactions”**).

*(ii) Operations Management Agreement*

It is proposed that, after the Property Manager is established, the Operations Management Agreement will be entered into by BOP and the Property Manager, pursuant to which the Property Manager will be engaged by BOP to provide certain services relating to the operation, management and marketing of Oriental Plaza (other than Grand Hyatt Beijing which is managed by the Hotel Manager pursuant to the Hotel Management Agreement) (**“Manager Group Property Management Transactions”**). The Property Manager will be a wholly-owned subsidiary of the Manager and thus a connected person of Hui Xian REIT. For further details of the Operations Management Agreement, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT” in this Offering Circular. It is proposed that under the Operations Management Agreement, the Property Manager will receive a fee of 1.0% per annum of NPI (before deduction therefrom of the Variable Fee and the Property Manager’s fee) and the Property Manager will be 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.

**(II) Waiver Conditions**

The waiver in respect of the Manager Group Continuing CPTs has been granted by the SFC on the following conditions:

*(i) Extensions or modifications*

The waiver shall be for a period to expire on 31 December 2013. The waiver may be extended beyond 31 December 2013, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

## CONNECTED PARTY TRANSACTIONS

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

### (ii) *Annual caps*

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

<u>Categories of connected party transactions</u>	<u>Listing Date to 31 December 2011</u>	<u>For the year ending 31 December 2012</u>	<u>For the year ending 31 December 2013</u>
Manager Group Leasing and Licensing Transactions .....	RMB0.2 million	RMB0.3 million	RMB0.3 million
Manager Group Property Management Transactions .....	RMB32 million (Note)	RMB49 million (Note)	RMB52 million (Note)

*Note: Including 1.0% per annum of NPI (before deduction therefrom of the Variable Fee and the Property Manager's fee).*

In respect of the Manager Group Leasing and Licensing Transactions, 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 report*

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

### (iv) *Auditors' review procedures*

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

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

### (v) *Review by the INEDs*

The INEDs will 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>CONNECTED PARTY TRANSACTIONS</b>
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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 agreement 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 will allow, and will procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

*(vii) Notification to the SFC*

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

*(viii) Subsequent increase in annual caps with Independent Unitholders' approval*

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

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

**(E) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and the HSBC Connected Persons Group**

The SFC has granted a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain transactions between Hui Xian REIT Group and the HSBC Connected Persons Group, namely the HSBC Leasing and Licensing Transactions, the HSBC Banking and Financial Services Transactions and the HSBC Corporate Finance Transactions as described below ("**HSBC Continuing CPTs**").

## CONNECTED PARTY TRANSACTIONS

### **(I) Excluded transactions**

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (a) where the HSBC Connected Persons Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with Hui Xian REIT Group;
- (b) where a collective investment scheme (including another REIT) transacts with Hui Xian REIT Group, and a company within the HSBC Connected Persons Group acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HSBC Connected Persons Group; and
- (c) where a member of the HSBC Connected Persons Group (including HSBC Holdings and its proprietary subsidiaries where HSBC Holdings or any of its proprietary subsidiaries is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the HSBC Connected Persons Group in Units on the Stock Exchange will not be a connected party transaction.

### **(II) Waiver General Conditions and Undertakings**

In support of the application for waivers request in respect of the HSBC Continuing CPTs, the Manager has undertaken with the SFC certain conditions, including the following general conditions on an ongoing basis;

- (a) the connected party transactions will be carried out at arm's length on normal commercial terms and in the interest of the Unitholders as a whole; and
- (b) the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are regularly monitored and undertaken on terms in compliance with the REIT Code;
- (c) the connected party transaction waivers will be given on the basis that they only apply to connected party transactions which arise solely as a result of and for so long as CHENG Hoi Chuen, Vincent is acting as an INED. If other connected party transactions arise as a result of their circumstances, these will be governed by Chapter 8 of the Code in the normal way; and
- (d) the waivers do not need to be renewed on a regular basis, provided that: (i) the SFC reserves its right to review or revise the terms of the waivers or impose any conditions as it deems appropriate from time to time; and (ii) the full Board (including the INEDs<sup>(Note)</sup>) considers that it is fair and reasonable and in the best interests of the Unitholders to continue with the waivers granted without Unitholders' approval and disclose such confirmation in the annual report of Hui Xian REIT. In addition, the Audit Committee will make a statement in the annual report of Hui Xian REIT that it has reviewed the terms of the connected party transaction waivers and is satisfied that (on the basis of the terms of the waivers and the internal controls and procedures in place) it is fair and reasonable that the waivers be continued without Unitholders' approval.

The various categories of transactions which are the subject of the waivers set out in (III), (IV) and (V) below are supplementary to any and all applicable exemptions and permissions under the REIT Code and are independent of each other so that: (a) none is in any way limited by or by reference to any of the others; and (b) if more than one category is relevant in any particular circumstance or situation, any relevant category may apply.

Notwithstanding the foregoing, the SFC has the right to review, revise or impose any of the conditions relating to the waivers as it deems appropriate from time to time.

*Note: excluding CHENG Hoi Chuen, Vincent*

## CONNECTED PARTY TRANSACTIONS

In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the independent Unitholders), the Manager will take immediate steps to ensure compliance with such requirements within a reasonable period of time.

### **(III) Waiver for the HSBC Leasing and Licensing Transactions**

As part of the ordinary course of business of Hui Xian REIT Group, BOP as owner of Oriental Plaza is either a party to, or may from time to time enter into, leases or licences in respect of Oriental Plaza with the HSBC Connected Persons Group, which include existing leases with HSBC Bank (China) Company Limited, Beijing Branch, a subsidiary of HSBC and one of the top ten tenants of The Tower Apartments (“**HSBC Leasing and Licensing Transactions**”).

The waiver in respect of the HSBC Leasing and Licensing Transactions has been granted by the SFC on the following conditions:

- (a) the transactions are carried out at arm’s length on normal commercial terms;
- (b) a statement will be made by the Audit Committee in the annual report of Hui Xian REIT that it has reviewed the terms of the transactions and is satisfied that these transactions have been entered into in the ordinary and usual course of business at arm’s length on normal commercial terms, are fair and reasonable and are in the interests of the Unitholders of Hui Xian REIT;
- (c) an independent valuation is conducted for each of such transactions except where they are conducted on standard or published rates;
- (d) the aggregate annual rent paid by the HSBC Connected Persons Group to Hui Xian REIT during a financial year, together with the material terms of any lease or licence with any member of the HSBC Connected Persons Group under which the annual rent (per lease) or annual licence fee (per licence) exceeds HK\$1 million, is disclosed in the annual report in accordance with Rule 8.15 of the REIT Code; and
- (e) a confirmation disclosed in the annual report by the INEDs<sup>(Note)</sup> that the transactions:
  - (i) have been duly approved by the Board<sup>(Note)</sup> in accordance with the internal procedures of the Manager; and
  - (ii) have been entered into in accordance with the terms of the agreements governing the transactions.

### **(IV) Waiver for the HSBC Banking and Financial Services Transactions**

The Manager may engage the HSBC Connected Persons Group to provide “ordinary banking and financial services” to Hui Xian REIT Group from time to time (the “**HSBC Banking and Financial Services Transactions**”). The Manager has applied for, and the SFC has granted a waiver so that the HSBC Banking and Financial Services Transactions will not be subject to any requirements for announcement, or Unitholders’ approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HSBC Banking and Financial Services Transactions shall be modified as described below. For this purpose, the **HSBC Banking and Financial Services Transactions** means:

- (i) deposits and other “banking business” (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with a HSBC Connected Persons Group member which is a “licensed corporation” or “registered institution” (as defined in the SFO) or overseas equivalent (together “**HSBC Connected Persons Group intermediaries**”) and conducted on arm’s length commercial terms;

*Note: excluding CHENG Hoi Chuen, Vincent*

## CONNECTED PARTY TRANSACTIONS

- (ii) loans extended by a HSBC Connected Persons Group intermediary being a transaction in the ordinary and usual course of business of Hui Xian REIT Group and provided to, or arranged for, Hui Xian REIT Group on arm's length commercial terms; and
- (iii) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Hui Xian REIT Group (including insurance, ORSO retirement benefit schemes, mandatory provident fund schemes, credit cards, asset management and other such services).

For the avoidance of doubt, the HSBC Banking and Financial Services Transactions do not include HSBC Corporate Finance Transactions which are defined in the sub-section headed "Waiver for the HSBC Corporate Finance Transactions" set out below.

Notwithstanding the above, a summary disclosure of the HSBC Banking and Financial Services Transactions provided by the HSBC Connected Persons Group to Hui Xian REIT Group in each financial year has to be disclosed in the annual report of Hui Xian REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The Audit Committee<sup>(Note)</sup> shall confirm in the annual report that it has reviewed the terms of any such transactions and is satisfied that these transactions have been entered into:

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

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the INEDs<sup>(Note)</sup>); (c) are in accordance with the pricing policies of Hui Xian REIT; (d) have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

### **(V) Waiver for the HSBC Corporate Finance Transactions**

The SFC has granted a waiver from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Hui Xian REIT Group and the HSBC Connected Persons Group (the **"HSBC Corporate Finance Transactions"**). In addition, the announcement, disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HSBC Corporate Finance Transactions shall be modified as described in conditions (2)(A) to (F) below.

#### **(1) Scope of the HSBC Corporate Finance Transactions**

For the purpose of this waiver, the **"HSBC Corporate Finance Transactions"** means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HSBC Connected Persons Group is involved in an underwriting or

*Note: excluding CHENG Hoi Chuen, Vincent*

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arranging capacity or acts as listing agent and/or financial adviser and/or bookrunner and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Connected Persons Group;

- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which Hui Xian REIT Group will finance the acquisition of real estate; and
- (iii) "corporate advisory transactions", namely the provision of corporate finance advice to Hui Xian REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the HSBC Connected Persons Group derived from all "corporate advisory transactions" conducted for Hui Xian REIT Group during a financial year shall be capped at 0.2% of the latest published NAV of Hui Xian REIT.

For the avoidance of doubt, "**corporate finance advice**" means advice concerning:

- (a) compliance with or in respect of the REIT Code, the Listing Rules, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, The Hong Kong Code on Share Repurchases or The Hong Kong Code on Takeovers and Mergers;
- (b) (i) any offer to dispose of securities to the public, (ii) any offer to acquire securities from the public, or (iii) acceptance of any offer referred to in (i) or (ii), but only in so far as the advice is generally given to holders of securities or a class of securities; or
- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

### (2) *Waiver Conditions*

The above waiver has been granted on the following conditions:

- (A) each transaction is carried out on normal commercial terms;
- (B) the offering document and any circular for Hui Xian REIT includes upfront disclosure of this waiver and, with respect to the HSBC Corporate Finance Transactions under (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;
- (C) the annual report includes disclosure of the aggregate fees paid to the HSBC Connected Persons Group in respect of the HSBC Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;
- (D) the annual report includes disclosure in respect of any HSBC Corporate Finance Transactions whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction, (b) the parties to the transaction, and (c) the date of the transaction;
- (E) the Manager will confirm in the annual report that (A) above and the general conditions as set out in (II) above have been complied with in respect of the HSBC Corporate Finance Transactions;
- (F) the annual report includes a statement by the Audit Committee<sup>(Note)</sup> that it has reviewed the terms of such transactions and is satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement and the Manager's internal procedures governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole;

<b>CONNECTED PARTY TRANSACTIONS</b>
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- (G) underwriting or other related agreements are to be in respect of a particular transaction carried out at arm's length on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the HSBC Connected Persons Group;
- (H) the aggregate fees that the HSBC Connected Persons Group generates from all "corporate advisory transactions" conducted for Hui Xian REIT Group during the financial year shall be capped at 0.2% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT. If the aggregate fees that the HSBC Connected Persons Group generates from the corporate advisory transactions during the financial year exceed the about cap, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code (including obtaining Unitholders' approval) will apply.
- (I) where a transaction involving the HSBC Connected Person Group is required to be announced pursuant to the provisions of the REIT Code and to which the waivers granted by the SFC in respect of connected party transactions do not apply, then disclosure of the role played by the HSBC Connected Persons Group and the relevant terms of engagement shall be made in the relevant announcement in accordance with normal market practice and the requirements of the REIT Code; and
- (J) the auditor of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the Manager (and a copy of such report shall be provided to the SFC) confirming that:
  - (a) the transactions have received the approval of the Board (including the INEDs<sup>(note)</sup>) and have followed the Manager's internal procedures for such transactions;
  - (b) the transactions have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and
  - (c) the aggregate fees that the HSBC Connected Persons Group generates from all corporate advisory transactions conducted for Hui Xian REIT during the relevant financial year do not exceed the cap as described above.

Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the HSBC Connected Persons Group in its capacity as described above under "corporate finance transactions", an announcement has to be made pursuant to the REIT Code (and is not exempted by any waivers from announcements under the REIT Code granted by the Commission) such announcement shall disclose the role of the HSBC Connected Persons Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

**(F) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and the BOC Connected Persons Group**

The SFC has granted a waiver from strict compliance with the requirement with Chapter 8 of the REIT Code in respect of certain transactions between Hui Xian REIT Group and the BOC Connected Persons Group, namely the BOC Leasing and Licensing Transactions, the BOC Insurance Transactions, the BOC Banking and Financial Services Transactions and the BOC Corporate Finance Transactions as described below ("**BOC Continuing CPTs**").

**(I) Excluded Transactions**

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the BOC Connected Persons Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with Hui Xian REIT Group;

*Note: excluding CHENG Hoi Chuen, Vincent*

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- (ii) where a collective investment scheme (including another REIT) transacts with Hui Xian REIT Group, and a company within the BOC Connected Persons Group acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the BOC Connected Persons Group; and
- (iii) where a member of the BOC Connected Persons Group (including BOC and its proprietary subsidiaries where BOC or any of its proprietary subsidiaries is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the BOC Connected Persons Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

### **(II) Waiver for the BOC Leasing and Licensing Transactions and the BOC Insurance Transactions**

As part of the ordinary course of business of Hui Xian REIT Group, BOP as owner of Oriental Plaza is either a party to, may from time to time enter into, or leases or licences in respect of Oriental Plaza with the BOC Connected Persons Group ("**BOC Leasing and Licensing Transactions**").

In addition, BOP has taken out, and Hui Xian REIT Group may from time to time take out, insurance policies with the BOC Connected Persons Group as insurer in relation to the properties and business of Hui Xian REIT Group ("**BOC Insurance Transactions**").

The waiver in respect of the BOC Leasing and Licensing Transactions and the BOC Insurance Transactions granted by the SFC has been granted on the following conditions:

#### *(i) Extensions or modifications*

The waiver shall be for a period to expire on 31 December 2013. The waiver may be extended beyond 31 December 2013, and/or the conditions of the waiver may be modified from time to time, provided that:

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

#### *(ii) Annual caps*

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

<u>Categories of connected party transactions</u>	<u>Listing Date to 31 December 2011</u>	<u>For the year ending 31 December 2012</u>	<u>For the year ending 31 December 2013</u>
BOC Leasing and Licensing Transactions . . . . .	RMB19 million	RMB20 million	RMB21 million
BOC Insurance Transactions . . . . .	RMB0.8 million	RMB1.3 million	RMB1.4 million

An independent valuation will be conducted for each of the BOC Leasing and Licensing Transactions first entered into or renewed on or after the Listing Date, except where they are conducted on standard or published rates.

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*(iii) Disclosure in semi-annual and annual report*

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

*(iv) Auditors' review procedures*

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

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

*(v) Review by the INEDs*

The INEDs will review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement 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 will allow, and will procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

*(vii) Notification to the SFC*

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

*(viii) Subsequent increase in annual caps with Independent Unitholders' approval*

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

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;

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- (b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs (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 transaction 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.

**(III) Waiver for the BOC Banking and Financial Services Transactions**

BOC has been providing certain ordinary banking and financial services to BOP, including deposit services and extension of loans to BOP. As at the Latest Practicable Date, BOP had deposits in certain time deposit account and current accounts maintained with BOC. Details of the existing loan and facilities extended by BOC to BOP under the BOC Loan Agreements are set out in the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — BOC Term Loan Agreement and BOC Revolving Facility Agreement" in this Offering Circular.

The Manager may engage BOC and its subsidiaries ("**BOC Group**") to provide "ordinary banking and financial services" to Hui Xian REIT Group from time to time (the "**BOC Banking and Financial Services Transactions**"). As the BOC Group falls within BOC Connected Persons Group, members of the BOC Group are connected persons of Hui Xian REIT. The Manager has applied for, and the SFC has granted a waiver so that the BOC Banking and Financial Services Transactions will not be subject to any requirements for announcement, or Unitholders' approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the BOC Banking and Financial Services Transactions shall be modified as described below. For this purpose, the **BOC Banking and Financial Services Transactions** means:

- (i) deposits and other "banking business" (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with a BOC Group member which is a "licensed corporation" or "registered institution" (as defined in the SFO) or overseas equivalent (together "**BOC Group intermediaries**") and conducted on arm's length commercial terms;
- (ii) loans extended by a BOC Group intermediary being a transaction in the ordinary and usual course of business of Hui Xian REIT Group and provided to, or arranged for, Hui Xian REIT Group on arm's length commercial terms (which cover the BOC Term Loan and the BOC Revolving Facility under the BOC Loan Agreements); and
- (iii) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Hui Xian REIT Group (including insurance, retirement benefit schemes under the Occupational Retirement Scheme Ordinance (Chapter 426 of the Laws of Hong Kong) ("**ORSO**"), mandatory provident fund schemes, credit cards, asset management and other such services).

For the avoidance of doubt, the BOC Banking and Financial Services Transactions do not include the BOC Corporate Finance Transactions which are defined in the sub-section headed "Waiver for the BOC Corporate Finance Transactions" set out below.

Notwithstanding the above, a summary disclosure of the BOC Banking and Financial Services Transactions provided by the BOC Group to Hui Xian REIT Group in each financial year has to be

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disclosed in the annual report of Hui Xian REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The INEDs shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:

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

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the INEDs); (c) are in accordance with the pricing policies of Hui Xian REIT; (d) have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

### ***(IV) Waiver for the BOC Corporate Finance Transactions***

The SFC has granted a waiver from strict compliance with the requirement under paragraphs 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Hui Xian REIT Group and the BOC Group (the "**BOC Corporate Finance Transactions**"). In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the BOC Corporate Finance Transactions shall be modified as described in conditions (2)(A) to (F) below.

#### ***(1) Scope of the BOC Corporate Finance Transactions***

For the purpose of this waiver, the BOC Corporate Finance Transactions means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the BOC Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or bookrunner and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the BOC Group;
- (ii) lending and borrowing of funds or other related arrangements in connection with any facility agreement by which Hui Xian REIT Group will finance the acquisition of real estate; and
- (iii) "corporate advisory transactions", namely the provision of corporate finance advice to Hui Xian REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the BOC Group derived from all "corporate advisory transactions" conducted for Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT.

For the avoidance of doubt, "**corporate finance advice**" means advice concerning:

- (a) compliance with or in respect of the Listing Rules, the REIT Code, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong

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Limited, The Hong Kong Code on Share Repurchases or The Hong Kong Code on Takeovers and Mergers;

- (b) (i) any offer to dispose of securities to the public, (ii) any offer to acquire securities from the public, or (iii) acceptance of any offer referred to in (i) or (ii), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

(2) *Waiver Conditions*

The above waiver has been granted on condition that:

- (A) the waiver shall be for a period to expire on 31 December 2013 and may be extended beyond 31 December 2013 and/or the conditions of the waiver as set out in (B) to (F) below may be modified from time to time, provided that:-
  - (I) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
  - (II) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
  - (III) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Hui Xian REIT after the date on which the approval referred to in (I) above is obtained;
- (B) the offering document and any circular for Hui Xian REIT includes upfront disclosure of this waiver and, with respect to the BOC Corporate Finance Transactions under (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;
- (C) the annual report includes disclosure of the aggregate fees paid to the BOC Group in respect of the BOC Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;
- (D) the annual report includes disclosure in respect of any BOC Corporate Finance Transactions whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction, (b) the parties to the transaction, and (c) the date of the transaction;
- (E) the annual report includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (F) the Auditors' Report shall cover all the relevant BOC Corporate Finance Transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the BOC Group generates from all "corporate advisory transactions" conducted for Hui Xian REIT Group during the financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of

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the nature of the transaction, other than the involvement of the BOC Group in its capacity as described above under “corporate finance transactions”, an announcement has to be made pursuant to the REIT Code (and is not exempt by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the BOC Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

### **(G) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and the China Life Connected Persons Group**

BOP has taken out, and Hui Xian REIT Group may from time to time take out, insurance policies with the China Life Connected Persons Group as insurer in relation to the properties and business of Hui Xian REIT Group (“**China Life Insurance Transactions**”). The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the requirement with Chapter 8 of the REIT Code in respect of the China Life Insurance Transactions.

#### ***Waiver Conditions***

The waiver in respect of the China Life Insurance Transactions has been granted by the SFC on the following conditions:

##### *(i) Extensions or modifications*

The waiver shall be for a period to expire on 31 December 2013. The waiver may be extended beyond 31 December 2013, and/or the conditions of the waiver may be modified from time to time, provided that:

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

##### *(ii) Annual caps*

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

<u>Listing Date to 31 December 2011</u>	<u>For the year ending 31 December 2012</u>	<u>For the year ending 31 December 2013</u>
RMB3.5 million	RMB5 million	RMB5 million

##### *(iii) Disclosure in semi-annual and annual report*

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

##### *(iv) Auditors’ review procedures*

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

- (a) have received the approval of the Board (including the INEDs);

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

(v) *Review by the INEDs*

The INEDs will review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement 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 will allow, and will procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

(vii) *Notification to the SFC*

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

(viii) *Subsequent increase in annual caps with Independent Unitholders' approval*

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

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposal to increase the cap amounts shall be made by way of an announcement by the Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs (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 transaction or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure

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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.

### **(H) Waiver for Certain Connected Party Transactions between Hui Xian REIT Group and the OOIL Connected Persons Group**

As part of the ordinary course of business of Hui Xian REIT Group, BOP as owner of Oriental Plaza, is either already a party to, or may from time to time enter into, leases or licences in respect of Oriental Plaza with the OOIL Connected Persons Group ("**OOIL Leasing and Licensing Transactions**"). The Manager has applied for, and the SFC has granted, a waiver from strict compliance with the requirement with Chapter 8 of the REIT Code in respect of the OOIL Leasing and Licensing Transactions.

#### ***Waiver Conditions***

The waiver in respect of the OOIL Leasing and Licensing Transactions has been granted by the SFC on the following conditions:

#### *(i) Extensions or modifications*

The waiver shall be for a period to expire on 31 December 2013. The waiver may be extended beyond 31 December 2013, and/or the conditions of the waiver may be modified from time to time, provided that:

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

#### *(ii) Annual caps*

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

<u>Listing Date to 31 December 2011</u>	<u>For the year ending 31 December 2012</u>	<u>For the year ending 31 December 2013</u>
RMB1 million	RMB1 million	RMB1 million

An independent valuation will be conducted for each of the OOIL Leasing and Licensing Transactions first entered into or renewed on or after the Listing Date, except where they are conducted on standard or published rates.

#### *(iii) Disclosure in semi-annual and annual report*

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

#### *(iv) Auditors' review procedures*

In respect of each relevant financial period, the Manager will engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on the connected party transactions. The auditors

## CONNECTED PARTY TRANSACTIONS

will then report to the Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether all such connected party transactions:

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

### (v) *Review by the INEDs*

The INEDs will review the relevant connected party transactions annually and confirm in Hui Xian REIT's annual report for the relevant financial period that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Hui Xian REIT;
- (b) on normal commercial terms (to the extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement 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 will allow, and will procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

### (vii) *Notification to the SFC*

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

### (viii) *Subsequent increase in annual caps with Independent Unitholders' approval*

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

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

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(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 transaction 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.

**(I) *Waivers for Certain Connected Party Transactions between Trustee Connected Persons and Hui Xian REIT Group***

In addition, the Manager has applied for and the SFC has granted waivers from strict compliance with Chapter 8 of the REIT Code in respect of certain transactions between Trustee Connected Persons and Hui Xian REIT Group, namely the DB Leasing and Licensing Transactions, the DB Banking and Financial Services Transactions and the DB Corporate Finance Transactions (collectively, **"DB Continuing CPTs"**).

For the purposes of this sub-section (H):

- (i) **"DB Group"** means DB and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Hui Xian REIT);
- (ii) **"Trustee Connected Persons"** include (a) a director, a senior executive or an officer of the Trustee, (b) an associate of the persons in (a), and (c) a controlling entity, holding company, subsidiary or associated company of the Trustee.

**(I) *Excluded Transactions***

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (i) where the DB Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with Hui Xian REIT Group;
- (ii) where a collective investment scheme (including another REIT) transacts with Hui Xian REIT Group, and a company within the DB Group acts as the manager or trustee of such collective investment scheme but the transaction is not a proprietary transaction of the DB Group; and
- (iii) where a member of the DB Group (including the Trustee and its proprietary subsidiaries where the Trustee or any of its proprietary subsidiaries is the trustee of another collective investment scheme and is acting in that capacity) acquires, purchases, subscribes, sells or disposes of Units on terms which are the same as available to the public or other Unitholders as a whole, and where applicable, are subject to the application and allocation rules set out in the Listing Rules. For the avoidance of doubt, any dealing by the DB Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.

**(II) *Waiver General Conditions and Undertakings***

In support of the application for the waivers request in respect of the DB Continuing CPTs, the Manager has undertaken with the SFC to meet certain conditions, including the following general conditions on an on-going basis:

- (i) the connected party transactions will be carried out at arm's length, on normal commercial terms and in the interests of the Unitholders as a whole;
- (ii) the Manager must implement internal controls and compliance procedures to ensure that the connected party transactions are regularly monitored and undertaken on terms in compliance with the REIT Code;

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- (iii) the Manager is satisfied with the Trustee's internal controls and compliance procedures, such as implementing Chinese walls, to ensure that the operation of the Trustee is independent of other banking, financial services and other business functions and operations of the DB Group; and
- (iv) the Manager has incorporated provisions in the Trust Deed that require the Trustee to take actions or commence proceedings on behalf of Hui Xian REIT, as the Manager deems necessary to protect the interest of Unitholders, including against Trustee Connected Persons in relation to any transaction or agreement entered into by the Trustee for and on behalf of Hui Xian REIT with such Trustee Connected Persons and require that in the event of any action against the connected persons of the Trustee, the Trustee shall act upon the Manager's request and instructions.

As a general rule, the Manager must demonstrate to the Audit Committee that the DB Continuing CPTs satisfy the general conditions above, which may entail (where practicable) obtaining quotations from parties unrelated to the Trustee. For example, for non-daily "corporate finance transactions", there should be procedures to ensure (a) competitive "best pricing" (having regard to the nature of the services being sought and market conditions) and (b) the Trustee should not be involved in the selection of the parties to the transactions. All connected party transactions are to be reviewed by the INEDs to ensure that they are conducted in the best interests of the Unitholders as a whole. Based on the above controls, the Manager intends to adopt and observe certain proper corporate governance policies with respect to transactions between Hui Xian REIT Group and the DB Group.

Separately and for the purpose of the waivers, each of the Trustee and DB (on behalf of itself and its subsidiaries) has given an undertaking to the SFC that it will act independently of one another in its dealings with Hui Xian REIT. The Trustee undertakes to the SFC that it will not be involved in the making of any decisions on behalf of Hui Xian REIT to enter into any transactions with the Trustee Connected Persons, subject only to the Trustee's duties of oversight under the REIT Code and the Trust Deed.

The waivers are given on the premise that they only apply to connected party transactions involving the Trustee Connected Persons solely as a result of and for so long as the Trustee is in office as the trustee for Hui Xian REIT. If connected party transactions arise as a result of other circumstances, they will be governed by Chapter 8 of the REIT Code.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of any of the waivers if there is any subsequent change of circumstances that affect any of them. In the event of future amendments to the REIT Code imposing more stringent requirements than those applicable at the date of the waivers granted by the SFC on transactions of the kind to which the transactions belong (including, but not limited to, a requirement that such transaction be made conditional on approval by the independent Unitholders), the Manager shall take immediate steps to ensure compliance with such requirements within a reasonable period of time.

**(III) Waiver for the DB Leasing and Licensing Transactions**

The SFC has granted a waiver from strict compliance with the requirement to make announcements and to seek Unitholders' prior approval as set out in paragraphs 8.9 and 8.11 of the REIT Code in respect of any lease or licence transactions entered into with the Hui Xian REIT Group where the lessee or licensee is a member of the DB Group or a director, senior executive or officer of the Trustee ("**DB Leasing and Licensing Transactions**"), and the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in paragraphs (iii), (iv) and (v) below. As a result of this waiver, the Manager is not required to make announcements, or seek Unitholders' approval and the disclosure and reporting requirements under Chapter 8 of the REIT Code that will apply in respect of any such lease or license transactions shall be modified as described in paragraphs (iii), (iv) and (v) below.

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The waiver in respect of the DB Leasing and Licensing Transactions is granted on the following specific conditions:

- (i) the grant of the lease or licence is negotiated and determined by the Manager and/or the Manager's delegate on behalf of Hui Xian REIT Group;
- (ii) an independent valuation is conducted for each of the lease or licence transactions except where they are conducted on standard or published rates;
- (iii) the aggregate amount of annual rent and licence fee paid by the DB Group to Hui Xian REIT Group during a financial year, together with the material terms of any lease or licence with any member of the DB Group under which the annual rent (per lease) or annual licence fee (per licence) exceeds HK\$1 million, is disclosed in the annual report of Hui Xian REIT in accordance with paragraphs 8.15 of the REIT Code;
- (iv) a confirmation is disclosed in the annual report by the INEDs that they have reviewed the terms of such transactions and that they are satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement and 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; and
- (v) the Auditors' Report shall cover all the relevant lease and license transactions.

### ***(IV) Waiver for the DB Banking and Financial Services Transactions***

Further, the Manager may engage the DB Group to provide "ordinary banking and financial services" to Hui Xian REIT Group from time to time ("**DB Banking and Financial Services Transactions**") and the Manager has applied for, and the SFC has granted a waiver so that the DB Banking and Financial Services Transactions will not be subject to any requirements for announcement, or Unitholders' approvals under Chapter 8 of the REIT Code. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described below. For this purpose, the **DB Banking and Financial Services Transactions** means:

- (i) deposits and other "banking business" (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with a DB Group member which is a "licensed corporation" or "registered institution" (as defined in the SFO) or overseas equivalent (together "**DB Group intermediaries**") and conducted on arm's length commercial terms;
- (ii) loans extended by a DB Group intermediary being a transaction in the ordinary and usual course of business of Hui Xian REIT Group and provided to, or arranged for, Hui Xian REIT Group on arm's length commercial terms; and
- (iii) related financial services constituting regulated activities (as defined in the SFO) and other banking or financial services required in the ordinary and usual course of business by Hui Xian REIT Group (including insurance, ORSO retirement benefit schemes, mandatory provident fund schemes, credit cards, asset management and other such services).

For the avoidance of doubt, the DB Banking and Financial Services Transactions do not include the DB Corporate Finance Transactions which are defined in the sub-section headed "Waiver for the DB Corporate Finance Transactions" set out below.

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Notwithstanding the above, a summary disclosure of the DB Banking and Financial Services Transactions provided by the DB Group to Hui Xian REIT Group in each financial year has to be disclosed in the annual report of Hui Xian REIT. Such information shall include the nature of the transactions, types of transactions or services and identities of the connected persons of the same transactions. The INEDs shall confirm in the annual report that they have reviewed the terms of any such transactions and are satisfied that these transactions have been entered into:

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

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the Manager's internal procedures for such transactions and are in accordance with the terms disclosed in the offering document; (b) have received the approval of the Board (including the INEDs); (c) are in accordance with the pricing policies of Hui Xian REIT; (d) have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and (e) the total value in respect of which has not exceeded the respective cap amount (where applicable).

### **(V) Waiver for the DB Corporate Finance Transactions**

The SFC has granted a waiver from strict compliance with the requirement under Rules 8.9 and 8.11 of the REIT Code to seek Unitholders' prior approval and to make announcements and circulars (in accordance with Chapter 10 of the REIT Code) in respect of certain "corporate finance transactions" between Hui Xian REIT Group and the DB Group ("**DB Corporate Finance Transactions**"). In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to such transactions shall be modified as described in conditions (2)(A) to (F) below.

#### **(1) Scope of the DB Corporate Finance Transactions**

For the purpose of this waiver, the **DB Corporate Finance Transactions** means:

- (i) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the DB Group is involved in an underwriting or arranging capacity or acts as listing agent and/or financial adviser and/or bookrunner and/or global co-ordinator to Hui Xian REIT, provided that these transactions are carried out at arm's length, on normal commercial terms, the primary objective of which is the offering or distribution of securities to parties outside of the DB Group;
- (ii) lending and borrowing of funds or other related arrangements including interest rate swap arrangements in relation to such borrowings in connection with any facility agreement by which Hui Xian REIT Group will finance the acquisition of real estate; and
- (iii) "corporate advisory transactions", namely the provision of corporate finance advice to Hui Xian REIT Group and excludes transactions set out in (i) and (ii) above, provided that the aggregate fees that the DB Group derived from all "corporate advisory transactions" conducted for Hui Xian REIT Group during a financial year shall be capped at 1.0% of the latest published NAV of Hui Xian REIT.

For the avoidance of doubt, "corporate finance advice" means advice concerning:

- (a) compliance with or in respect of the REIT Code, the Listing Rules, The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong

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Limited, The Hong Kong Code on Share Repurchases or The Hong Kong Code on Takeovers and Mergers;

- (b) (i) any offer to dispose of securities to the public, (ii) any offer to acquire securities from the public, or (iii) acceptance of any offer referred to in (i) or (ii), but only in so far as the advice is generally given to holders of securities or a class or securities; or
- (c) corporate restructuring in respect of securities (including the issue, cancellation or variation of any rights attaching to any securities).

(2) *Waiver Conditions*

The above waiver in respect of the DB Corporate Finance Transactions is granted on the following specific conditions:

- (A) the offering document and any circular for Hui Xian REIT includes upfront disclosure of this waiver and, with respect to those corporate finance transactions under categories (i) and (ii) of this waiver, full disclosure of the material terms of the relevant agreements;
- (B) the annual report includes disclosure of the aggregate fees paid to the DB Group in respect of the corporate finance transactions conducted for Hui Xian REIT Group in the financial year;
- (C) the annual report includes disclosure in respect of any corporate finance transaction whose fees exceed HK\$1 million: (a) the occurrence and nature of the transaction, (b) the parties to the transaction, and (c) the date of the transaction;
- (D) the annual report discloses a statement made by each of the Manager and the Trustee to confirm that the corporate finance transactions described in (i), (ii) and (iii) have complied with the general conditions of the waiver referred to in paragraph (II) of this sub-section above and that the Trustee has not been involved in the making of any decision to enter into any corporate finance transaction on behalf of Hui Xian REIT (subject to the Trustee's duties of oversight under the REIT Code and the Trust Deed) including the selection of the financial adviser of the transaction;
- (E) the annual report includes a confirmation by the INEDs that they have reviewed the terms of such transactions and are satisfied that they have been entered into:
  - (a) in the ordinary and usual course of business of Hui Xian REIT;
  - (b) on normal commercial terms (to extent that there are sufficient comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Hui Xian REIT than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole; and
- (vi) the Auditors' Report shall cover all the relevant corporate finance transactions.

Notwithstanding the above waiver, in the case where the aggregate fees that the DB Group generates from all "corporate advisory transactions" conducted for Hui Xian REIT Group during the financial year exceed 1.0% of the latest NAV of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT, the requirements in respect of connected party transactions as set out in Chapter 8 of the REIT Code shall apply. Further, for the avoidance of doubt, where by virtue of the nature of the transaction, other than the involvement of the DB Group in its capacity as described above under "corporate finance transactions", an announcement has to be made pursuant to the REIT Code (and is not exempt by any waivers from announcements under the REIT Code granted by the SFC) such announcement shall disclose the role of the DB Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

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**(J) Waiver for Exclusion relating to Employees**

The Manager has also applied for, and the SFC has granted, a waiver to the effect that persons who are employees of or in the Cheung Kong Connected Persons Group, the BOC Connected Persons Group or the China Life Connected Persons Group (other than employees of the Manager) (“**Relevant Employees**”) and who are, but for the waiver, connected persons of Hui Xian REIT solely as a result of their being Relevant Employees (but not otherwise) be excluded from being regarded as connected persons of Hui Xian REIT and, that accordingly, transactions between the Relevant Employees and Hui Xian REIT Group in the ordinary course of business and on normal commercial terms shall be exempt from all requirements relating to connected party transactions pursuant to Chapter 8 of the REIT Code. However, this waiver does not exempt Relevant Employees from other categories of connected persons as defined in the REIT Code.

The above waiver was applied for by the Manager based on the following grounds:

- (1) given the large number of Relevant Employees, it would be impracticable for the Manager to identify each and every Relevant Employees and to identify, monitor and disclose every transaction between Hui Xian REIT and each Relevant Employee; and
- (2) as most of the Relevant Employees will not be involved in the management of Hui Xian REIT and appropriate measures will be instituted to ensure the segregation of the management functions of the Manager in respect of Hui Xian REIT from the rest of the Cheung Kong Connected Persons Group, the Manager is of the view that a strict application of the REIT Code would impose an unduly onerous burden on Hui Xian REIT without providing any substantial benefit to Unitholders.

**(K) Waiver for Certain Connected Party Transactions relating to Issuance of New Units and Convertible Instruments**

The Manager has applied for and the SFC has granted a waiver from strict compliance with paragraph 6.2, Chapter 8, paragraph 10.7(b)(iv) and/or paragraph 12.2 of the REIT Code for the period from the Listing Date to the last date of subsistence of the Trust Deed so as to allow the Manager to issue new Units and/or Convertible Instruments to a connected person pursuant to those situations set out in paragraphs (1) to (6) below, without the need for compliance with any reporting, announcement, disclosure or Unitholders’ approval requirements under Chapter 8, paragraph 10.7(b)(iv) and/or paragraph 12.2 of the REIT Code, or any valuation requirement under paragraph 6.2 of the REIT Code, on the condition that the issuance of Units and/or Convertible Instruments to connected persons of Hui Xian REIT shall be made strictly in accordance with the provisions of the Trust Deed and, in the case of the situation set out in paragraph (5) below, also on the conditions that (i) an announcement shall be issued by the Manager pursuant to paragraphs 10.3 and 10.4(k) of the REIT Code containing details of the placing and top-up subscription of Units and/or Convertible Instruments by the connected persons under the relevant clause of the Trust Deed and (ii) issuance of such Units and/or Convertible Instruments is sufficiently covered under the general mandate permitted under paragraph 12.2 of the REIT Code and no independent Unitholders’ approval would otherwise have to be sought under such paragraph.

The circumstances mentioned in the preceding paragraph are:

- (1) a rights issue or as part of any offer made to all Unitholders on a pro rata basis;
- (2) capitalisation issue (in so far as such issue is offered to the Unitholders on a pro rata basis excluding for this purpose any Unitholder whose address is outside Hong Kong);
- (3) an issue of Units in respect of re-investment of distribution to Unitholders;
- (4) the connected person receives a pro rata entitlement to Units and/or Convertibles Instruments in its capacity as Unitholders;

## CONNECTED PARTY TRANSACTIONS

- (5) an issue of new Units and/or Convertible Instruments to a connected person within 14 days after such connected person has executed an agreement to reduce its holding of Units and/or that class of Convertible Instruments by placing such Units and/or class of Convertible Instruments to a third person or third persons who is/are not its associate(s) other than any Excluded Associate provided that (i) such new Units and/or class of Convertible Instruments must be issued at a price not less than the placing price (which issue price may however be adjusted for the expenses of the placing); and (ii) the number of new Units and/or that class of Convertible Instruments issued to the connected person must not exceed the number of Units and/or that class of Convertible Instruments placed by it, where “Excluded Associate” means any person or entity who/which is an associate of the relevant connected person solely by virtue of the operation of paragraphs (b), (c) and/or (k) (in the case of paragraph (k), other than a related corporation covered under paragraph (a) of the definition of “related corporation” in Schedule 1 of the SFO) of the definition of “associate” in Schedule 1 of the SFO; or
- (6) an issue of new Units and/or Convertible Instruments to a connected person where the connected person is acting as underwriter or sub-underwriter of an issue of new Units and/or Convertible Instruments by Hui Xian REIT, provided that the following requirements are complied with:
  - (i) full disclosure of the terms and conditions of the underwriting or sub-underwriting shall be made in the listing document pursuant to which such new Units and/or Convertible Instruments may be issued by Hui Xian REIT;
  - (ii) if no arrangements or arrangements other than those described in paragraphs (A) and (B) below are made for the disposal of Units and/or Convertible Instruments (in the case of a rights issue) not subscribed by the allottees under provisional letters of allotment or their renounees or (in the case of an open offer) not validly applied for, then the absence of such arrangements or the making of such other arrangements must be specifically approved by Unitholders by ordinary resolution at a meeting duly convened and held in accordance with the relevant provisions of the Trust Deed and those persons who have a material interest in such other arrangements must abstain from voting on the matter at the meeting and the circular to Unitholders must contain full details of the terms and conditions of that underwriting and/or sub-underwriting; and
  - (iii) any applicable provisions of the Listing Rules where a connected person (as defined in the Listing Rules) is acting as an underwriter or sub-underwriter of any offer of shares or other securities by a listed company, with necessary changes being made, as if those provisions were applicable to real estate investment trusts authorised by the SFC under the REIT Code.

Pursuant to the Trust Deed, the Manager may:–

- (A) in every rights issue, make arrangements to:–
  - (i) dispose of Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment or their renounees by means of excess application forms, in which case such Units and/or Convertible Instruments must be available for subscription by all Unitholders (provided that the Manager may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in its absolute discretion, elect to exclude those Holders whose addresses are outside Hong Kong if the Manager considers such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdiction(s)) and allocated on a fair basis; or
  - (ii) dispose of Units and/or Convertible Instruments not subscribed by allottees under provisional letters of allotment in the market, if possible, for the benefit of the persons to whom they were offered by way of rights,

and the offer of such securities must be fully disclosed in the rights issue announcement, listing document and any relevant circular; and

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- (B) in every open offer, make arrangements to dispose of Units and/or Convertible Instruments not validly applied for by Unitholders in excess of their assured allotments, in which case such Units and/or Convertible Instruments must be available for subscription by all Unitholders (provided that the Manager may, after making enquiry regarding the applicable law in any applicable jurisdiction other than Hong Kong, in its absolute discretion, elect to exclude those Holders whose addresses are outside Hong Kong if the Manager considers such exclusion to be necessary or expedient on account either of the legal restrictions or requirements of the regulatory bodies or stock exchanges in such jurisdiction(s)) and allocated on a fair basis and the offer of such securities must be fully disclosed in the open offer announcement, listing document and any relevant circular.

### **Opinion of the Board**

The Board (including the INEDs) confirms that based on the above:

- (1) it is of the view that, in relation to the Facility Transactions, the Cheung Kong Continuing CPTs, the Manager Group Continuing CPTs, the HSBC Continuing CPTs, the BOC Continuing CPTs, the China Life Insurance Transactions and the OOIL Leasing and Licensing Transactions:
  - (i) the waivers are in the interests of the Unitholders as a whole;
  - (ii) the annual limits stated above (if any), and the basis for such annual limits, are fair and reasonable having regard to the interests of Unitholders as a whole;
  - (iii) for those transactions which will be subsisting as at the Listing Date, each such transactions has been entered into: (a) in the ordinary and usual course of business of Hui Xian REIT (or its predecessors, as the case may be); and (b) on terms which are normal commercial terms and are fair and reasonable and in the interest of the Unitholders as a whole; and
  - (iv) for transactions which are to be entered into after the Listing Date, each of them shall be entered into: (a) in the ordinary and usual course of business of Hui Xian REIT; and (b) at arm's length on terms which are normal commercial terms and are fair and reasonable and in the interests of the Unitholders as a whole;
- (2) in relation to the CITIC Securities Corporate Finance Transactions:
  - (i) the waiver is in the interests of the Unitholders as a whole;
  - (ii) it is satisfied with the internal control procedures of the Manager with respect to the independence of the Manager's operation vis-à-vis the other business functions and activities of the CITIC Securities Group;
  - (iii) the annual limit stated above and the basis for the annual limit, in relation to the aggregate fees of the CITIC Securities Group generated from all "corporate advisory transactions" between the CITIC Securities Group and Hui Xian REIT conducted during any financial year, is fair and reasonable having regard to the interests of the Unitholders as a whole; and
  - (iv) each connected party transaction shall be entered into in the ordinary course of business of Hui Xian REIT, on normal commercial terms at arm's length and in the interests of the Unitholders as a whole; and
- (3) in relation to the DB Continuing CPTs:
  - (i) the waivers in respect of the DB Continuing CPTs are in the interests of the Unitholders as a whole;
  - (ii) it is satisfied with the internal control procedures of the Trustee with respect to the independence of the Trustee's operation vis-à-vis the other banking functions/operations of the DB Group;

## CONNECTED PARTY TRANSACTIONS

- (ii) the annual limit and the basis for the annual limit, in relation to the aggregate fees of the DB Group generated from all “corporate advisory transactions” between the DB Group and Hui Xian REIT conducted during the relevant financial year, is fair and reasonable having regard to the interests of the Unitholders as a whole; and
- (iii) each connected party transaction shall be entered into in the ordinary course of business of Hui Xian REIT, on normal commercial terms and in the interests of the Unitholders as a whole.

### Opinion of the Joint Listing Agents

The Joint Listing Agents have reviewed the relevant information prepared and provided by the Manager relating to the subsisting Facility Transactions, Cheung Kong Continuing CPTs, Manager Group Continuing CPTs, HSBC Leasing and Licensing Transactions, BOC Leasing and Licensing Transactions, BOC Insurance Transactions, BOC Banking and Financial Services Transactions, China Life Insurance Transactions and OOIL Leasing and Licensing Transactions described above and have also conducted due diligence by discussing with the Manager and its advisers and have obtained the necessary representations and information from the Manager. Based on the Joint Listing Agents’ due diligence, the Joint Listing Agents are of the view that the Facility Transactions, the Cheung Kong Continuing CPTs, the Manager Group Continuing CPTs, the HSBC Leasing and Licensing Transactions, the BOC Leasing and Licensing Transactions, the BOC Insurance Transactions, the BOC Banking and Financial Services Transactions, the China Life Insurance Transactions and the OOIL Leasing and Licensing Transactions as subsisting are in the ordinary and usual course of business of Hui Xian REIT, are on normal commercial terms, and are fair and reasonable and in the interests of the Unitholders as a whole.

### Opinion of the Independent Property Valuer

The Independent Property Valuer confirms that the rentals payable for the subject lettings between Hui Xian REIT Group on one hand and the Cheung Kong Connected Persons Group, the Manager Group, the HSBC Connected Persons Group, the BOC Connected Persons Group and the OOIL Connected Persons Group on the other hand as subsisting are at or higher than prevailing market levels as at the respective dates of the relevant leases and the other commercial terms in the leases such as tenure, rental deposits, break clauses and the like are normal commercial terms.

### Disclosure in Semi-Annual and Annual Reports

Details of the relevant connected party transactions will be disclosed in the semi-annual and annual report of Hui Xian REIT as required under paragraph 8.14 of the REIT Code. The INEDs will review the relevant connected party transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Hui Xian REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

### Unitholders’ Mandate

The Manager may at any time in the future seek a general annual mandate from the Unitholders in relation to other waivers from, or confirmations in relation to, the connected party transaction rules for which the Manager may apply to the SFC. In order to apply to the SFC for that purpose, the general mandates must be made subject to any applicable requirements of the SFC or applicable provisions of the REIT Code. Such mandates may include continuation or extension of existing waivers (including those set out under the sub-section headed “Waiver for Certain Connected Party Transactions between Trustee Connected Persons and Hui Xian REIT Group” above).

In seeking any such general mandate, the INEDs will render an opinion as to whether the methods or procedures for determining the transaction prices or other relevant terms of the transaction

<b>CONNECTED PARTY TRANSACTIONS</b>
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contemplated under the general mandate are sufficient to ensure that such transactions will be carried out on arm's length basis and on normal commercial terms, will not be prejudicial to the interests of Hui Xian REIT and the Unitholders and that the terms and conditions of such transactions will be fair and reasonable.

#### **Role of the Audit Committee for Connected Party Transactions**

The Audit Committee will periodically review (and the executive Directors or the management team of the Manager will periodically produce reports to the Audit Committee for review of) all connected party transactions to ensure compliance with the Manager's internal control systems and with the relevant provisions of the REIT Code. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

#### **Announcements and Reporting**

Connected party transactions within any of the categories referred to above will be reviewed by the auditors of Hui Xian REIT and will be subject to disclosure in the annual report and accounts of Hui Xian REIT.

#### **Connected Party Transactions in connection with the setting up of Hui Xian REIT and the Offering**

A number of transactions have been or will be entered into by Hui Xian REIT Group with certain connected persons in connection with the setting up of Hui Xian REIT and the Offering. These connected party transactions are as follows:

##### ***The Trust Deed***

Hui Xian REIT is constituted by the Trust Deed entered into on 1 April 2011 between Hui Xian Cayman, the Manager which is indirectly held as to 30.0% by Cheung Kong and the Trustee. For further details of the Trust Deed, see the section headed "The Trust Deed" in this Offering Circular.

##### ***Reorganisation Agreement***

The Trustee (as trustee of Hui Xian REIT) and the Manager entered into the Reorganisation Agreement with Hui Xian Cayman and Hui Xian Holdings on 8 April 2011 for the transfer of Hui Xian BVI to the Trustee (as trustee of Hui Xian REIT) and the issuance of 2,700,000,000 Units to Hui Xian Cayman (or such other number of Units as may be agreed between Hui Xian Cayman and the Manager). For further details of the Reorganisation Agreement, see the section headed "Reorganisation, Structure and Organisation — Reorganisation of Hui Xian BVI Group" and the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular.

##### ***Deed of Tax Covenant***

Before the Listing Date, Hui Xian Cayman will enter into the Deed of Tax Covenant in favour of the Trustee (for the benefit of Hui Xian REIT) and Hui Xian BVI (for itself and as trustee for Hui Xian Investment and BOP). For further details of the Deed of Tax Covenant, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT" in this Offering Circular.

<b>CONNECTED PARTY TRANSACTIONS</b>
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***Deed of BOP Trade Mark Licence and Deed of Hui Xian Trade Mark Licence***

BOP and Hui Xian BVI respectively entered into the Deed of BOP Trade Mark Licence on 8 April 2011 and the Deed of Hui Xian Trade Mark Licence on 8 April 2011 with the Manager, for the grant to the Manager of a right and licence to use the BOP Trade Marks and the Hui Xian Trade Marks respectively. For further details, see the section headed “The Manager and the Property Manager”.

***Operations Management Agreement***

It is proposed that BOP will enter into the Operations Management Agreement with the Property Manager in relation to the operation, management and marketing of Oriental Plaza (other than Grand Hyatt Beijing) after the Property Manager is established. The Property Manager will be a subsidiary of the Manager. For further details of the Operations Management Agreement, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT” in this Offering Circular.

***The Offering***

A number of transactions have been and will be entered into in connection with the Offering with the CITIC Securities Group and the BOC Connected Persons Group including the Underwriting Agreements, the appointment and role of the Stabilising Manager. As the contractual bases for those connected party transactions have been fixed on or about the Listing Date, in the future years after the listing of Hui Xian REIT, no announcement, notice, circular or Unitholders’ approval requirements will need to be complied with (subject to compliance with any applicable disclosure requirements under Chapter 10 of the REIT Code) in respect of those transactions (other than the Operations Management Agreement, which will be governed by the relevant conditions of waiver described above).

Save as disclosed above, there are no connected party transactions of which the Directors are aware of which may continue after the completion of the Offering.

## MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS

In connection with the authorisation of Hui Xian REIT by the SFC, the Manager has applied to, and has received approval from, the SFC in relation to the modifications of, and waivers from, strict compliance with certain requirements of the REIT Code. A summary of such modifications and waivers is set out below.

### **Connected Party Transactions — Chapter 8 of the REIT Code**

Hui Xian REIT has applied to the SFC for, and has received, waivers from strict compliance with certain provisions in Chapter 8 of the REIT Code in relation to certain connected party transactions of Hui Xian REIT within the meaning of the REIT Code. Details of such waivers received are set out in the section headed “Connected Party Transactions — Waivers for Certain Connected Party Transactions” in this Offering Circular.

### **Use of special purposes vehicles — Paragraph 7.5(d) of the REIT Code**

Under paragraphs 7.5(d) of the REIT Code, a REIT may hold real estate through special purpose vehicles only if a REIT has no more than two layers of special purpose vehicles. Under the note to that paragraph, the SFC may allow a REIT to have additional layer(s) of special purpose vehicles in special situations with valid justifications.

Hui Xian REIT's indirect interest in Oriental Plaza is held by three layers of special purpose vehicles. BOP was formed to hold the Property and the Property has been so held by BOP since April 1999 and the immediate holding structure of BOP, Hui Xian Investment and Hui Xian BVI has remained unchanged since the establishment of BOP in January 1999. Considering the manner in which Hui Xian BVI Group has been held historically and such group structure is able to facilitate any future group reorganization and disposal of interests in Hui Xian Investment through intermediate holding companies, the Manager has submitted to the SFC that Hui Xian REIT should be allowed to hold Oriental Plaza through three layers of special purpose vehicles and this has been allowed by the SFC subject to the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Hui Xian REIT without further approval of the SFC.

### **Employees of BOP — Paragraph 7.5(c)(i) of the REIT Code**

Under paragraph 7.5(c)(i), if there is more than one layer of special purpose vehicles, the bottom layer special purpose vehicles shall be established for the sole purpose of directly holding real estate for a REIT and/or arranging financing for a REIT.

As at the Latest Practicable Date, BOP, by itself and through its branch, employed a total of approximately 570 employees in the PRC, of which approximately 390 employees perform hotel operation functions and services, and approximately 180 employees handle legal, regulatory and other administrative matters and carry out and providing commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

After the Listing Date, the existing hotel-related employees who remain to work for Grand Hyatt Beijing will continue to be employed by the branch of BOP and new hotel-related employees subsequently engaged will be employed in a similar manner. The Manager has confirmed that there is not expected to be a substantial increase in the total number of directly employed hotel-related employees after the Listing Date.

After the Listing Date and after the establishment of the Property Manager, except in relation to certain employees who will perform a number of selected roles and functions (the “**Core Non-Hotel Functions**”), the existing non-hotel employees will remain employed by BOP until the expiration of their existing employment contracts or their natural cessation of employment, and after that transition period the existing non-hotel employees (if retained) will be employed by the Property Manager and/or

<b>MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS</b>
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other service providers to carry out those functions and services (except in relation to certain core non-hotel employees referred to below). After the Listing Date and after the establishment of the Property Manager, except for employees who will perform the Core Non-Hotel Functions, any new employees to be engaged to perform functions and services other than those relating to the hotel operation will not be directly employed by BOP.

The Core Non-Hotel Functions will continue to be performed by employees directly employed by BOP, notwithstanding the expiration and renewal of their existing employment contracts. Any new employees engaged subsequently to the Listing Date to perform the Core Non-Hotel Employees will also be directly employed by BOP if necessary. After the transition period, it is expected that there will be a reasonable number of employees directly employed by BOP to perform the Core Non-Hotel Functions, up to approximately 50.

The Manager intends to explore the possibility for more of the functions now performed by employees of BOP to be, for commercial considerations and also for the sake of complying with the requirements of the REIT Code, outsourced or otherwise replaced by services provided by external service providers or agents in the future, taking into account the practical situations and conditions in the PRC.

The Manager has applied to the SFC for a waiver from strict compliance with the requirements of paragraph 7.5(c)(i) of the REIT Code to allow the above employee arrangement of Hui Xian REIT based on the following grounds and the SFC has granted such a waiver:

- (A) the management of Oriental Plaza and the management and operation of BOP are regulated by the relevant PRC laws and regulations and the JV Documents of BOP. In particular, the employment of the hotel-related employees and the non hotel-related employees is regulated by the relevant PRC labour laws and regulations and certain obligations and functions of BOP are required to be discharged and performed by BOP itself pursuant to the relevant PRC laws and regulations and the JV Documents.
- (B) under the above arrangement, most of the direct employees of BOP will be the hotel-related employees. For each of the years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010, the total staff costs in respect of the hotel related employees represented only approximately 4.7%, approximately 4.3%, approximately 3.5% and approximately 3.6% of the total revenue of BOP for the corresponding period. Such percentage figures are relatively low, partly as a result of the fact that the hotel is only one of the multiple user types of Oriental Plaza.
- (C) pursuant to the existing contractual arrangement between BOP and the Hotel Manager, the hotel-related employees are expected to be employed by BOP. That arrangement has been in place with the Hotel Manager since the commencement of the hotel operation in 2001. Variation of the current employment arrangement in respect of the hotel-related employees will be inconsistent with the spirit of such contractual arrangement and difficulty may be expected to be encountered in obtaining the Hotel Manager's agreement to the change.
- (D) the above employee arrangement of Hui Xian REIT will not be materially prejudicial to Hui Xian REIT because:
  - (i) Under the above employee arrangement of Hui Xian REIT, after the transitional period referred to above, the number of non hotel-related employees directly employed by BOP will be reduced to not more than approximately 50. The Manager has confirmed that the total number of hotel-related employees of the branch of BOP is not expected to increase substantially after the Listing Date, and the majority of the hotel-related employees will mainly be engaged to perform day-to-day functions and services as part of the hotel operations. Based on the historical figures as mentioned in paragraph (B) above, the total staff costs in respect of the direct employees of BOP (and its branch) after the Listing Date are expected to be relatively low as compared to the total revenue of BOP. Therefore, the

## MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS

Manager believes that the risks of the direct employees causing significant liabilities or losses to BOP, and hence indirectly to Hui Xian REIT, are low.

- (ii) Even if an employer outside Hui Xian REIT and its Special Purpose Vehicles is engaged to employ the relevant employees, the costs and liabilities in relation to their employment are expected to be passed to Hui Xian REIT indirectly. Additional costs and other potential liability may also arise as a result of the involvement of an outside employer. Thus, the proposed employee arrangement of Hui Xian REIT would not result in any material adverse financial liability to Hui Xian REIT as compared with other arrangements involving (or relying more heavily on) outside employer companies.

### Nomination Right for Directors in BOP

Paragraph 7.5(f) of the REIT Code requires that the board of directors of each of the SPVs of a scheme shall be appointed by the trustee of the scheme. In the case of Hui Xian REIT, the JV Documents of BOP provides that, out of a total of 12 directors, Hui Xian Investment is entitled to nominate 9 directors and the Domestic JV Partner is entitled to nominate the remaining 3 directors.

The Manager has applied to the SFC a waiver from strict compliance with paragraph 7.5(f) of the REIT Code so as to allow certain directors of BOP not to be appointed by the Trustee based on the following grounds, and the SFC has granted such a waiver:

- (a) BOP is a Sino-foreign co-operative joint venture established in the PRC, and the relevant PRC legal provisions contemplate that each joint venture party to a co-operative joint venture nominates some director(s) to the joint venture;
- (b) the Trustee will directly or indirectly through Hui Xian BVI and Hui Xian Investment be entitled to nominate 75.0% of the directors of BOP; and
- (c) under the JV Documents of BOP, except for a few specified important matters which may affect the interests and rights of the Domestic JV Partner or Hui Xian Investment in BOP after the expiry of the joint venture term or which are mandated by law and therefore require unanimous approval of the directors present, which may include those directors nominated by the Domestic JV Partner, the board of directors of BOP will make its decisions by simple majority of directors present. In this regard, account should also be taken of the provisions in the JV Documents of the BOP to the effect that:
  - (i) Hui Xian Investment shall be responsible for the operation and management of BOP;
  - (ii) the Domestic JV Partner agrees to assist Hui Xian Investment in various aspects of the business and operation of BOP;
  - (iii) the Domestic JV Partner undertakes that, so long as the legal existence of BOP is not jeopardised and the ownership by the Domestic JV Partner of the fixed assets of BOP as well as its interests in distribution of remaining assets of BOP after the expiry of the joint venture term are not affected, the Domestic JV Partner shall actively support all resolutions proposed for decision at the board of BOP, so as to enable the business of BOP to be implemented and developed smoothly; and
  - (iv) provided that notice of meeting of the board of BOP has been duly given, the Domestic JV Partner will procure the directors nominated by it to attend the board meeting and support the relevant resolutions.

For details of the arrangement under the JV Documents, see the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents” in this Offering Circular.

<b>MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS</b>
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**Payment of Manager's Fees by Way of Units — Chapter 12 of the REIT Code**

Under the terms of the Trust Deed, the Manager will be remunerated in the form of a Base Fee, Variable Fee, Acquisition Fee, and Divestment Fee. The Manager has applied to the SFC for, and has received, a waiver from strict compliance with certain requirements under Chapter 12 of the REIT Code in respect of the issuance of Units to the Manager as payment of all or part of the Base Fee and Variable Fee and requirements under Chapter 6 of the REIT Code in respect of a valuation of all real estate held under Hui Xian REIT in the event of the issuance of such Units subject to the following conditions:

- (i) the number of Units issued to the Manager by way of payment of all or part of the Base Fee and Variable Fee for each financial year of Hui Xian REIT will be counted as part of the 20.0% (or such lower percentage as permitted by the REIT Code from time to time) of outstanding Units that the Manager may issue in each financial year without Unitholders' approval pursuant to Paragraph 12.2 of the REIT Code;
- (ii) in respect of each financial year, the maximum number of Units that may be issued to the Manager as payment of all or part of the Base Fee and Variable Fee for that financial year shall be limited to such number of Units as represents 3.0% of the total number of Units outstanding as at the last day of the immediately preceding financial year plus the number of Units (if any) issued in the relevant financial year for the purposes of financing any acquisition of real estate by Hui Xian REIT;
- (iii) any issuance of Units to the Manager as payment of all or part of its Base Fee and Variable Fee shall be made strictly in accordance with the requirements of the Trust Deed; and
- (iv) in the event that any payment of all or part of the Base Fee and Variable Fee in the form of Units exceeds the relevant thresholds set out in paragraph 12.2 of the REIT Code and paragraph (ii) above, and Unitholders' approval is not obtained for the issue of Units for such purpose, then payment of that excess part of the Base Fee and Variable Fee will be made by Hui Xian REIT to the Manager in cash.

**Payment of Promotional Expenses from the property of Hui Xian REIT — Paragraph 9.13(b) of the REIT Code**

Under paragraph 9.13(b) of the REIT Code, expenses arising out of any advertising or promotional activities in connection with a REIT shall not be paid from the property of the REIT. Hui Xian REIT has applied to the SFC for, and has received from the SFC, a waiver from strict compliance with the requirements of paragraph 9.13(b) of the REIT Code to allow payment or reimbursement out of assets of Hui Xian REIT costs and expenses for marketing, promotion, advertising, roadshows, press conferences, luncheons, presentations, and other public relations-related fees, costs or expenses incurred in relation to any fund raising exercise by Hui Xian REIT or otherwise in connection with Hui Xian REIT (collectively "Promotional Expenses"), but only if and to the extent that such is permitted by the REIT Code and any applicable law, subject to the following conditions:

- (i) the Audit Committee shall verify periodically the amounts of Promotional Expenses incurred by the Manager and shall confirm in the annual report of Hui Xian REIT that the Promotional Expenses are incurred (a) in accordance with the internal control procedures of the Manager; and (b) solely for the purposes as set out in the relevant clauses of the Trust Deed, and review such supporting evidence that it may reasonably deem necessary;
- (ii) the aggregate amount of the Promotional Expenses shall be disclosed in the relevant annual report of Hui Xian REIT; and
- (iii) payment or reimbursement to the Trustee and/or the Manager of such expenses shall be made strictly in accordance with the requirements of the Trust Deed.

<b>MODIFICATIONS, WAIVERS AND LICENSING CONDITIONS</b>
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**Licensing Conditions on the Manager**

In addition to the statutory conditions set out in the SFO, the SFC has imposed the following licensing conditions upon the Manager:

- (1) the Manager's licence shall lapse and cease to have effect as and when:
  - (i) Hui Xian REIT is de-authorised; or
  - (ii) the Manager ceases to act as the management company of Hui Xian REIT; and
- (2) for Type 9 regulated activity, the Manager shall only engage in managing Hui Xian REIT.

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## OTHER INFORMATION

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## TAXATION

The following statements are by way of a general guide to investors only and do not constitute tax advice. Investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchase, holding, selling or otherwise disposing of the Units under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Investors should note that the following statements are based on advice received by the Manager regarding taxation law, regulation and practice in force as at the date of this Offering Circular may be subject to change.

### PRC TAXATION OF HUI XIAN INVESTMENT AND BOP

#### Income Tax

According to the Income Tax Law of The People's Republic of China for Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) which was promulgated by the People's National Congress on 9 April 1991 and implemented on 1 July 1991 and its detailed rules promulgated by the State Council on 30 June 1991, the income tax on enterprises with foreign investment should be computed on their taxable income at the rate of 30.0%, and local income tax should be computed on their taxable income at the rate of 3.0%.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its implementation rules that became effective on 1 January 2008, a uniform income tax rate of 25.0% should be applied to foreign invested enterprises as well as PRC domestic enterprises, and dividends earned after 1 January 2008 paid by PRC foreign invested enterprises to their non-PRC parent companies will be subject to a 10.0% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25.0% or more interest in the PRC enterprise, such tax rate may be lowered to 5.0%, subject to approvals by relevant PRC tax authorities. However, according to a circular issued by the PRC State Administration of Taxation in October 2009, tax treaty benefits will be denied to "conduit companies" or shell companies without business substance. In respect of the dividend in an amount of RMB50 million declared by BOP to Hui Xian Investment on 20 January 2011, Hui Xian Investment enjoys the preferential treatment at the reduced rate of 5.0% as approved by the relevant tax authorities in the PRC.

#### Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (中華人民共和國營業稅暫行條例), which was promulgated on 13 December 1993 and amended on 10 November 2008. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5.0% of the proceeds from the sale or leasing of real estate/immovable properties in China.

#### Real Estate Tax

Under the Tentative Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on 15 September 1986 and effective from 1 October 1986 and as amended on 8 January 2011, real estate tax is charged at the rate of 1.2% if it is calculated on the basis of the residual value of a building which is the original value of a building minus certain percentage ranging from 10.0% to 30.0%, and at the rate of 12.0% if it is calculated on the basis of the rental.

## TAXATION

On 21 December 2010, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on the Policies regarding Urban and Town Land Use Tax Imposed on Entities Employing the Disabled (關於安置殘疾人就業單位城鎮土地使用稅等政策的通知), under which, if the real estate tax of a building is calculated on the basis of its residual value, the value of such building should cover its land premium, including the purchase price paid for the land use rights and cost and expenses for land development, and if the floor area ratio for a parcel of land is less than 0.5, the land premium should be calculated on the basis of a site area which is two times the gross floor area of the building.

### **Urban and Town Land Use Tax**

Pursuant to the Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban and Town Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988 and effective from 1 November 1988, the land use tax in respect of urban and town land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.2 and RMB10 per square metre. The Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban and Town Land were revised by the State Council respectively on 31 December 2006 and on 8 January 2011. As at 1 January 2007, the annual tax on every square metre of urban land shall be between RMB0.6 and RMB30.

### **Stamp Duty**

Under the Tentative Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988 and effective from 1 October 1988 and as amended on 8 January 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, the stamp duty is levied on an item-by-item basis of RMB5 per item; for building leases, the duty rate is 0.1% of the rental; and for supply and purchase instruments, the duty rate is 0.03% of the amount stated therein.

### **Deed Tax**

Under the PRC Tentative Regulations on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on 7 July 1997 and effective from 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or building ownership within the territory of mainland China. These taxable transfers include grant of state-owned land use rights and sale, gift and exchange of land use rights or building ownership, other than the transfer of contracting management rights of rural collective land. Deed tax rate is from 3.0% to 5.0% subject to determination by local governments at the provincial level in light of the local conditions. In accordance with the Administrative Measures on Deed Tax of Beijing (北京市契稅管理規定) issued by the Municipal Government of Beijing on 13 July 1997 as amended on 27 June 2002, the deed tax rate is 3.0% within Beijing.

### **Land Appreciation Tax**

Under the PRC Tentative Regulations on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on 13 December 1993 and effective from 1 January 1994 as amended on 8 January 2011 and its implementation rules, all income from the sale or transfer of state-owned land use rights, and buildings and their attached facilities in the PRC, is subject to LAT at progressive rates ranging from 30.0% to 60.0% of the appreciation value as defined by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20.0% of the total deductible items, but this exemption does not extend to sales of commercial properties.

### **Municipal Maintenance Tax and Education Surcharge**

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985 as amended on 8 January 2011, any taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7.0% for a taxpayer whose domicile is in an urban area, 5.0% for a taxpayer whose domicile is in a county and a town, and 1.0% for a taxpayer whose domicile is not in any urban area or county or town, each calculated on the consumption tax, value-added tax or business tax which has been paid by such taxpayer. Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on 28 April 1986 and as amended on 7 June 1990, 20 August 2005 and 8 January 2011 respectively, a taxpayer, whether an individual or otherwise, of consumption tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge pursuant to the Notice Issued by the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). The tax rate of the education surcharge shall be 3.0% of the consumption tax, value-added tax or business tax which has been paid by such taxpayer.

Under the Supplementary Notice Concerning Imposition of Education Surcharge (關於教育費附加徵收問題的補充通知) issued by the State Council on 12 October 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育附加的通知), and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-invested Freightage Enterprises (關於外商投資貨物運輸企業免徵收城市維護建設稅和教育附加問題的批復) issued by the State Administration of Taxation on 22 February 1994 and on 14 September 2005 respectively, neither the municipal maintenance tax nor the education surcharge shall be applicable to foreign-invested enterprises until further explicit stipulations are issued by the State Council.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) as issued by the State Council on 18 October 2010, both the municipal maintenance tax and education surcharge became applicable to foreign-invested enterprise as at 1 December 2010.

## **HONG KONG TAXATION OF HUI XIAN REIT AND HUI XIAN INVESTMENT**

### **Profits Tax**

Hui Xian REIT, as a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO, is exempt from Hong Kong profits tax. Distributions made by Hui Xian REIT to the Unitholders are not subject to any withholding tax in Hong Kong.

Hui Xian Investment, as an investment holding company incorporated in Hong Kong, will be subject to Hong Kong profits tax in respect of profits (other than capital gains) arising in or derived from Hong Kong at the current rate of 16.5% if it is regarded as carrying on a trade, profession or business in Hong Kong. Dividend income derived by Hui Xian Investment from BOP will not be subject to Hong Kong profits tax.

### **Property Tax**

As Hui Xian Investment does not hold any real property in Hong Kong, the income derived by Hui Xian Investment is not subject to Hong Kong property tax.

<b>TAXATION</b>
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**Stamp Duty**

No Hong Kong stamp duty is payable by Hui Xian REIT on the issue of new Units. Subsequent dealings in Units will be subject to Hong Kong stamp duty. Stamp duty is payable in Hong Kong dollars and as the dealing in the Units on the Hong Kong Stock Exchange will be carried out in RMB, the amount of stamp duty payable on every purchase and every sale of the Units will be calculated based on the exchange rate as determined by the Hong Kong Monetary Authority which will be published on the HKEx's website by 11:00 a.m. or earlier on each trading day.

**BVI TAXATION OF HUI XIAN BVI**

Companies incorporated or registered under the BVI Business Companies Act (2004) are currently exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act (2004). There is no BVI withholding tax imposed on dividend distribution by Hui Xian BVI to Hui Xian REIT.

**HONG KONG TAXATION OF THE UNITHOLDERS****Profits Tax**

Under the Inland Revenue Department's current practice, Hong Kong profits tax will generally not be payable by any Unitholder on the distributions made by Hui Xian REIT. The Unitholders should take advice from their own professional advisers as to their particular tax position.

Hong Kong profits tax will not be payable by any Unitholder (other than an Unitholder carrying on a trade, profession or business in Hong Kong and holding the Units for trading purposes) on any capital gains made on the sale or other disposal of the Units.

**Stamp Duty**

No Hong Kong stamp duty is payable by the Unitholders in relation to the issue of the Units to them by Hui Xian REIT.

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Units, whether or not the purchase or sale is on or off the Hong Kong Stock Exchange. The duty is currently charged at the rate of 0.2% of the higher of the consideration paid or the value of the Units transferred (the buyer and seller each being liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of the Units. Stamp duty is payable in Hong Kong dollars, and as dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB, the amount of stamp duty payable on every purchase and every sale of the Units will be calculated based on the exchange rate as determined by the Hong Kong Monetary Authority which will be published on the HKEx's website by 11:00 a.m. or earlier on each trading day.

<b>UNDERWRITING</b>
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**Hong Kong Underwriters**

CITIC Securities Corporate Finance (HK) Limited

The Hongkong and Shanghai Banking Corporation Limited

BOCI Asia Limited

BOCOM International Securities Limited

Celestial Capital Limited

CIMB Securities (HK) Limited

First Shanghai Securities Limited

Fulbright Securities Limited

GF Securities (Hong Kong) Brokerage Limited

Guotai Junan Securities (Hong Kong) Limited

GuocoCapital Limited

Haitong International Securities Company Limited

Phillip Securities (Hong Kong) Limited

Sun Hung Kai International Limited

**Underwriting Arrangements and Expenses*****Hong Kong Underwriting Agreement***

Pursuant to the Hong Kong Public Offering, Hui Xian REIT is offering the Hong Kong Public Offering Units for subscription on, and subject to, the terms and conditions of this Offering Circular and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Units to be offered pursuant to the Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Public Offering Units which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this Offering Circular, the Application Forms and the Hong Kong Underwriting Agreement.

***Grounds for Termination by the Hong Kong Underwriters***

The Joint Lead Underwriters (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole discretion, and without any liability on its part, give a notice to the Manager and Hui Xian Cayman electing to terminate the Hong Kong Underwriting Agreement prior to 8:00 a.m. on the Listing Date if:

- (a) any representation or warranty by the Manager or Hui Xian Cayman in the Hong Kong Underwriting Agreement is (or would if repeated at the relevant time be) untrue, inaccurate or misleading or breached in any respect; or only in the case of any such warranties which are not qualified by any materiality requirements in the representations, in any material respect; or
- (b) the Manager or Hui Xian Cayman fails to perform in any material respect, any of its obligations under the Hong Kong Underwriting Agreement; or

## UNDERWRITING

- (c) there has occurred any declaration by the PRC, Hong Kong, the United Kingdom or the United States of a national emergency or war or other calamity; or there is a change of conditions in financial or currency markets or global or regional economic environment or the legal or regulatory environment; and in each case the effect of which is such as to, in the reasonable judgment of the Joint Lead Underwriters (on behalf of the Hong Kong Underwriters), in consultation with the Manager and Hui Xian Cayman (and having due and reasonable regard to their views), prejudice materially the ability of the Hong Kong Underwriters to market or to enforce contracts for the subscription or sale of the Units; or
- (d) any change, or an official announcement by a competent authority of any prospective change, occurs in taxation in Hong Kong or the PRC which may result in a material adverse effect on the financial condition, the earnings, business, undertakings or assets of Hui Xian REIT or on Oriental Plaza, in each case, taken as a whole or which may materially and adversely affect the Units; or
- (e) any statute, rule, regulation or order shall have been enacted, adopted or issued by any court of competent jurisdiction or governmental authority that would prevent the subscription, issuance or sale of the Units pursuant to the Offering; or any injunction or order of any court shall have been issued that would prevent the subscription, issuance or sale of the Units in Hong Kong pursuant to the Offering.

### ***Undertakings***

#### *Hui Xian REIT*

The Manager has undertaken to the Joint Lead Underwriters and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that except:

- (a) pursuant to the Offering (including the Over-allotment Option);
- (b) pursuant to the Hui Xian Holdings Subscription Agreement;
- (c) with the prior written consent of the Joint Lead Underwriters (on behalf of themselves and the Hong Kong Underwriters); or
- (d) pursuant to payment of Units to the Manager in lieu of its fee on the terms set out in the Trust Deed and described in this Offering Circular,

neither Hui Xian REIT nor any of the Special Purpose Vehicles shall, during a period 180 days from the Listing Date and whether conditionally or unconditionally (i) allot, issue, offer, sell, contract to sell, hedge, grant any option or right to subscribe or purchase over or in respect of, or otherwise dispose of, any Units or any securities exchangeable or convertible into Units or which carry rights to subscribe for or purchase Units or (ii) deposit Units with a depositary in connection with the issue of depositary receipts or (iii) enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any economic consequence of ownership of any Units or (iv) offer or agree or announce any intention to do any of the foregoing.

#### *Hui Xian Cayman*

Pursuant to the Hong Kong Underwriting Agreement, Hui Xian Cayman has undertaken to the Joint Bookrunners, the Hong Kong Underwriters and the Manager that without the prior written consent of the Joint Lead Underwriters (on behalf of themselves and the Hong Kong Underwriters), it will not whether conditionally or unconditionally:

- (a) during the period starting from the Listing Date and ending on and including the date which is six months after the Listing Date (the “First Six-Month Period”),
  - (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any Units or any securities convertible into or exchangeable or exercisable for the Units; or

<b>UNDERWRITING</b>
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- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Units, whether any such swap transaction is to be settled by delivery of Units or other securities, in cash or otherwise;
- (b) during the period of six months immediately following the expiry of the First-Six Month Period (the "Second Six-Month Period"), enter into any of the foregoing transactions in paragraphs (a)(i) or (ii) above or agree or contract to enter into any such transactions if, immediately following such transfer or disposal, Hui Xian Cayman will cease to be a controlling holder of Hui Xian REIT.

### ***Commission and Expenses***

Under the terms and conditions of the Underwriting Agreements, the fees and commissions to which the Underwriters are entitled will comprise a gross underwriting commission of 2.5% on the Offer Price (which excludes brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy). The Manager has agreed to use its best endeavours to cause the Trustee on behalf of Hui Xian REIT to pay, failing which the Manager shall pay, the expenses of the Offering (including underwriting fees and expenses, consultancy fees and expenses, legal and other professional fees and expenses and printing costs).

### ***Underwriters' Interest in Hui Xian REIT***

Save for its obligations under the relevant Underwriting Agreements or as otherwise disclosed in this Offering Circular, none of the Underwriters owns any Units or has any shareholding interest or other ownership interest in Hui Xian REIT, the Trustee or the Manager or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Units or securities in Hui Xian REIT, the Trustee or the Manager.

CITIC Securities Corporate Finance, the Sole Financial Adviser, one of the Joint Bookrunners and Joint Listing Agents, is a wholly-owned subsidiary of CITIC Securities International, which in turn is a wholly-owned subsidiary of CITIC Securities. CITIC Securities International indirectly holds 40.0% of the issued share capital of the Manager.

According to the latest available information published by CITIC Securities prior to the Latest Practicable Date, China Life, together with its affiliate, are shareholders of CITIC Securities holding less than 9.0% interest in aggregate. China Life, through its subsidiary, holds 19.8% interest in Hui Xian Holdings as at the Latest Practicable Date.

BOC International, one of the Joint Bookrunners and Joint Listing Agents, is an indirect wholly-owned subsidiary of BOC. Bank of China Group Investment Limited, an indirect wholly-owned subsidiary of BOC, through its subsidiary, holds approximately 19.8% interest in Hui Xian Holdings as at the Latest Practicable Date.

### ***The International Offering***

In connection with the International Offering, the Manager expects to enter into the International Underwriting Agreement with the Joint Bookrunners and the International Underwriters on or around 19 April 2011. Under the International Underwriting Agreement, the International Underwriters will severally agree to subscribe or procure subscribers for the International Offering Units initially being offered in the International Offering.

## STRUCTURE OF THE OFFERING

### The Offering

The Offering comprises the Hong Kong Public Offering and the International Offering. A total of 2,000,000,000 Units will initially be made available under the Offering which consists of:

- (i) the Hong Kong Public Offering of 400,000,000 Units (subject to adjustment as mentioned below) in Hong Kong as described below under the sub-heading “The Hong Kong Public Offering”; and
- (ii) the International Offering of 1,600,000,000 Units (subject to adjustment and the Over-allotment Option as mentioned below) as described below under the sub-heading “The International Offering”.

Investors may apply for Units under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for Units under the International Offering, but not under both. Investors may only receive Units under either the International Offering or the Hong Kong Public Offering, but not under both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve the selective marketing of Units to institutional and professional investors and other investors anticipated to have a sizeable demand for such Units, in each case, in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares, units and other securities, and corporate entities which regularly invest in shares, units and other securities. ***Application monies for subscription of Units have to be paid in RMB and investors may need to accumulate sufficient RMB to pay the application monies.***

The number of Units to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described below in this section.

### Allocation

As part of the International Offering process, prospective professional, institutional and other investors will be required to specify the number of Units they would be prepared to acquire under the International Offering either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, 19 April 2011.

Allocation of Units pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further Units, and/or hold or sell their Units, after the listing of the Units on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offering Units on a basis which would lead to the establishment of a solid unitholder base to the benefit of Hui Xian REIT and the Unitholders as a whole.

Allocation of Units to applicants under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offering Units validly applied for, but, subject to that (and in accordance with the allocation of Hong Kong Public Offering Units in Pool A and Pool B described below under the sub-section headed “The Hong Kong Public Offering”), the allocation of Hong Kong Public Offering Units could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offering Units, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offering Units.

### Determining the Offer Price

The Offer Price is expected to be determined by agreement between the Joint Bookrunners, on behalf of the Underwriters, Hui Xian Cayman and the Manager on the Price Determination Date,

## STRUCTURE OF THE OFFERING

following completion of the book-building process for the International Offering and after assessment of the level of market demand for the Offering. The Price Determination Date is expected to be on or about 19 April 2011.

The Offer Price will fall within the Offer Price range as stated in this Offering Circular unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Offering Circular. The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of Hui Xian Cayman and the Manager, reduce the number of Units being offered under the Offering and/or the indicative Offer Price range below that stated in this Offering Circular at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Manager will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning for the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and Sing Tao Daily (in Chinese) and on the website of the HKEx at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of Hui Xian REIT at [www.huixianreit.com](http://www.huixianreit.com) of notices of the reduction in the number of Units being offered under the Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (on behalf of the Underwriters) with Hui Xian Cayman and the Manager, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Public Offering Units, applicants under the Hong Kong Public Offering should note that applications cannot be withdrawn once submitted. However, if the number of Units being offered under the Offering and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed with their applications are received. Such notice will also include confirmation or revision, as appropriate, of the offer statistics as currently set out in the section headed "Offering Circular Summary" in this Offering Circular, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Units being offered under the Offering will not be reduced and/or the Offer Price, if agreed upon with the Manager, Hui Xian Cayman and the Joint Bookrunners (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Offering Circular. Before submitting applications for the Hong Kong Public Offering Units, applicants should have regard to the possibility that any announcement of a reduction in the number of Units being offered under the Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Units being offered under the Offering, the Joint Bookrunners may, at their discretion, reallocate the number of Units to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Units comprised in the Hong Kong Public Offering shall not be less than 20.0% of the total number of Units available under the Offering. The Units to be offered in the Hong Kong Public Offering and the Units to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

An announcement of the Offer Price, the level of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering and, the basis of allocations of the Hong Kong Public Offering Units, and the final number of Hong Kong Public Offering Units, Pool A and Pool B, respectively, is expected to be published on or before 28 April 2011.

### **Price Payable on Application under Hong Kong Public Offering**

The Offer Price will not be more than RMB5.58 and is currently expected to be not less than RMB5.24. Applicants for Hong Kong Public Offering Units are required to pay in RMB, on application, the Maximum Offer Price of RMB5.58 per Hong Kong Public Offering Unit together with brokerage of

## STRUCTURE OF THE OFFERING

1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, amounting to a total of RMB5,636.25 per board lot of 1,000 Units.

If the Offer Price, as finally determined in the manner described in the section “Determining the Offer Price” above, is lower than the Maximum Offer Price, appropriate refund payments (including the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest and an RMB bank account needs to be maintained to receive the surplus application monies, which will be paid in RMB. Further details are set out in the sections headed “How to apply for Hong Kong Public Offering Units” in this Offering Circular.

### Conditions of the Hong Kong Public Offering

All acceptances of applications for the Hong Kong Public Offering Units in the Hong Kong Public Offering are conditional upon:

(a) *Listing*

The Hong Kong Stock Exchange granting listing of, and permission to deal in, all the Units to be issued as mentioned herein;

(b) *Completion of Reorganisation Agreement*

The Completion having taken place in accordance with the terms of the Reorganisation Agreement;

(c) *Hui Xian Holdings Subscription Agreement Unconditional*

The Hui Xian Holdings Subscription Agreement becoming and remaining unconditional in accordance with its terms;

(d) *International Underwriting Agreement*

The International Underwriting Agreement having been duly executed by the Manager and Hui Xian Cayman;

(e) *Underwriting Agreements Unconditional*

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (on behalf of themselves and the Underwriters) and neither Underwriting Agreement being terminated in accordance with its terms or otherwise;

(f) *SFC Authorisation*

The SFC having authorised this Offering Circular pursuant to section 105 of the SFO; and

(g) *Pricing*

The Offer Price being duly determined,  
in the case of each of (a) to (g) above, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Friday, 29 April 2011.

If, for any reason, the Offer Price is not agreed between the Manager, Hui Xian Cayman and the Joint Bookrunners (on behalf of the Underwriters) on or before Tuesday, 26 April 2011, the Offering will not proceed and will lapse.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their terms.

## STRUCTURE OF THE OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Offering will be caused to be published by the Manager in The Standard (in English) and the Sing Tao Daily (in Chinese) on the Business Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest and on the terms set out in the section headed “How to apply for Hong Kong Public Offering Units” in this Offering Circular. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

**Unit certificates are expected to be issued by 28 April 2011 but will only become valid at 8:00 a.m. on 29 April 2011, provided that: (i) the Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Grounds For Termination by the Hong Kong Underwriters” in this Offering Circular has not been exercised. Investors who trade Units prior to the receipt of Unit certificates or prior to the Unit certificates becoming valid do so entirely at their own risk.**

### The Hong Kong Public Offering

The Hong Kong Public Offering is a fully underwritten public offer (subject to satisfaction or waiver of the other conditions described in the sub-section above headed “Conditions of the Hong Kong Public Offering”) for the subscription in Hong Kong of, initially, 400,000,000 Units (representing approximately 20.0% of the total number of Units initially available under the Offering) at the Offer Price.

The total number of Hong Kong Public Offering Units available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes: Pool A and Pool B of 200,000,000 Hong Kong Public Offering Units each. All valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of RMB4,200,000 (representing HK\$5 million converted into RMB at the exchange rate set by the PBOC for foreign exchange transactions prevailing at the Latest Practicable Date of RMB0.84190 to HK\$1.00, rounded to the nearest one hundred thousand) or below will fall into Pool A and all valid applications that have been received for Hong Kong Public Offering Units with a total subscription amount (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of more than RMB4,200,000 (representing HK\$5 million converted into RMB at the exchange rate set by the PBOC for foreign exchange transactions prevailing at the Latest Practicable Date of RMB0.84190 to HK\$1.00, rounded to the nearest one hundred thousand) will fall into Pool B. The number of Hong Kong Public Offering Units comprised in each of Pool A and Pool B will initially be divided equally between the two pools.

Applicants should be aware that applications in Pool B are likely to receive different allocation ratios than applications in Pool A. Where either of the pools is undersubscribed, the surplus Hong Kong Public Offering Units will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offering Units from Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than half of the Hong Kong Public Offering Units initially available under the Hong Kong Public Offering (that is, 200,000,000 of the Hong Kong Public Offering Units) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offering Units under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

## STRUCTURE OF THE OFFERING

The allocation of Units between the Hong Kong Public Offering and the International Offering is subject to adjustment by the Joint Bookrunners. The number of Units initially available under the Hong Kong Public Offering will be approximately 20.0% of the total number of Units available under the Offering (before taking into account any exercise of the Over-allotment Option).

In addition, if the number of the Units validly applied for under the Hong Kong Public Offering represents 5 times or more but less than 10 times the number of the Units initially available under the Hong Kong Public Offering, then Units will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Units available under the Hong Kong Public Offering will be at least 800,000,000 Units (representing 40.0% of the Units initially available under the Offering). If the number of Units validly applied for under the Hong Kong Public Offering represents 10 times or more the number of Units initially available under the Hong Kong Public Offering, then the number of Units to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Units available under the Hong Kong Public Offering will be at least 1,000,000,000 Units (representing 50.0% of the Units initially available under the Offering).

Units validly applied for under the Hong Kong Public Offering (as a multiple of the 400,000,000 Units initially available)	Post “clawback” <sup>(1)</sup>	Post “clawback” <sup>(2)</sup>
	At least	At least
5 times but less than 10 times	800,000,000	40.0%
10 times or more	1,000,000,000	50.0%

Notes:

(1) Expressed as the total number of Units available under the Hong Kong Public Offering post “clawback”.

(2) Units available under the Hong Kong Public Offering expressed as an approximate percentage of the total number of Units available under the Offering, before exercise of the Over-allotment Option.

In addition, in the event of an under-subscription in the Hong Kong Public Offering, the Joint Bookrunners will have the discretion to reallocate to the International Offering such number of unsubscribed Hong Kong Public Offering Units as they may deem appropriate. If the International Offering is undersubscribed, the Joint Bookrunners may decide in their absolute discretion to reallocate Units from the International Offering to the Hong Kong Public Offering.

### The International Offering

A total of 1,600,000,000 Units will initially be available to investors under the International Offering. These 1,600,000,000 Units represent approximately 80.0% of the Units available under the Offering (before taking into account any exercise of the Over-allotment Option). Pursuant to the International Offering, the International Offering Units will be offered to institutional, professional and other investors by the International Underwriters or through selling agents appointed by them. International Offering Units will be offered to and placed with professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offering Units in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. In addition, the International Offering Units may be reallocated to the Hong Kong Public Offering in the case of over-subscription under the Hong Kong Public Offering as set out in the sub-section headed “The Hong Kong Public Offering” above.

### Over-allotment Option and Stabilisation

#### *Hui Xian Holdings Subscription, the Over-allotment Option and the Unit Borrowing Agreement*

Prior to and not as part of the Offering, Hui Xian Holdings has entered into the Hui Xian Holdings Subscription Agreement pursuant to which it has agreed to subscribe at the Offer Price for 300,000,000 Units, equivalent to 6.0% of the total number of Units in issue as enlarged by the Offering and the Hui Xian Holdings Subscription and 15.0% of the total number of Units under the Offering. The Units to be subscribed for by Hui Xian Holdings will rank pari passu in all respects with the fully paid Units in issue upon completion of such subscription and the Offering. The obligation on Hui Xian

## STRUCTURE OF THE OFFERING

Holdings to subscribe for the Units is conditional upon the Underwriting Agreements being entered into, having become unconditional and not having been terminated on or prior to the date on which the Units are issued at settlement under the Offering.

Prior to and in order to facilitate the settlement of over-allocations in connection with the International Offering, if any, and any other stabilising action in respect of the Units, Hui Xian Holdings intends to (i) enter into Units lending and borrowing arrangements under the Unit Borrowing Agreement with the Stabilising Manager; and (ii) grant the Over-allotment Option to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters in consultation with the Joint Bookrunners, to require Hui Xian Holdings to sell at the Offer Price up to 300,000,000 Units, representing 15.0% of the total number of Units under the Offering, to be offered to investors as part of the International Offering to, among other things, cover the over-allocations of Units (if any).

The Over-allotment Option will be exercisable by the Stabilising Manager on behalf of the International Underwriters in consultation with the Joint Bookrunners on one or more occasions at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering.

Pursuant to the Unit Borrowing Agreement expected to be entered into between Hui Xian Holdings and the Stabilising Manager, the Stabilising Manager or any of its affiliates or any person acting for it may choose to borrow a total of 300,000,000 Units (being the maximum number of Units which may be sold upon full exercise of the Over-allotment Option) from Hui Xian Holdings to cover any over-allocations in the International Offering.

In the event that the Over-allotment Option is exercised in full, Hui Xian Holdings will cease to hold any Units that it subscribed for under the Hui Xian Holdings Subscription Agreement. To the extent the Over-allotment Option is not exercised, a corresponding number of Units will be returned to Hui Xian Holdings pursuant to the Unit Borrowing Agreement. An announcement will be made by the Manager as and when (and if) the Over-allotment Option is exercised.

If such unit borrowing arrangement with Hui Xian Holdings is entered into, it will only be effected by the Stabilising Manager, or its affiliates or any person acting for it, for the purpose of settlement of over-allocations in the International Offering.

### ***Stabilising Action***

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Offering, the Stabilising Manager or any of its affiliates or any person acting for it on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Units at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any of its affiliates or any person acting for it to do this. Such transactions, if commenced, may be discontinued at any time and are required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Offering and will conduct any stabilising activities (if any) on a basis as disclosed in this section headed "Over-allotment Option and Stabilisation" and equivalent to that required under the Securities and Futures (Price Stabilizing) Rules made under the SFO as if those rules were directly applicable to the Units and the Offering and, should

## STRUCTURE OF THE OFFERING

stabilising transactions be effected in connection with the Offering, this will be at the absolute discretion of the Stabilising Manager.

The possible stabilising action which may be taken by the Stabilising Manager, its affiliates or any person acting for it, in connection with the Offering may involve (among other things): (i) over-allocation of Units for the purpose of preventing or minimising any reduction in the market price of the Units, (ii) selling or agreeing to sell Units so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Units, (iii) purchasing, or agreeing to purchase, Units pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Units for the sole purpose of preventing or minimising any reduction in the market price of the Units, (v) selling or agreeing to sell any Units in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Units should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Units. There is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Units;
- no stabilising action will be taken to support the price of the Units for longer than the stabilising period which will begin on the Listing Date, and is expected to expire at the end of 19 May 2011, being the day which is expected to be the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Units, demand for the Units, and therefore the price of the Units, could fall;
- the price of any security (including the Units) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, acquiring the Units.

These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Units. As a result, the price of the Units may be higher than the price that otherwise might exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of the Units staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Units by the Stabilising Manager (or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for the Units by investors in the Offering.

The Manager will ensure or procure that a public announcement, on a basis consistent with the Securities and Futures (Price Stabilizing) Rules as if those rules were directly applicable, will be made within seven days of the expiration of the stabilising period.

Following any over-allocation of Units in connection with the Offering, the Stabilising Manager or any of its affiliates or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, for a period of 30 days after the last date for lodging applications under the Hong Kong Public Offering exercising the Over-allotment Option in full or in part, making Unit borrowing arrangements or by any combination of the above. Any such secondary market purchases will be made in compliance with all applicable laws and regulatory requirements and on a

<b>STRUCTURE OF THE OFFERING</b>
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basis consistent with the Securities and Futures (Price Stabilizing) Rules made under the SFO as if those rules were directly applicable. The number of Units which can be over-allocated will not exceed the number of Units under the Over-allotment Option, being 300,000,000 Units representing 15.0% of the Units initially available under the Offering.

**Hui Xian Holdings' Lock-up Undertaking**

Hui Xian Holdings has undertaken to the Manager in the Hui Xian Holdings Subscription Agreement that in respect of the Units to be issued to it pursuant to the Hui Xian Holdings Subscription Agreement and any Units which may be returned to it under the Unit Borrowing Agreement, it will not, whether conditionally or unconditionally, during the period starting from the Listing Date and ending on and including the date which is six months after the Listing Date:

- dispose of any such Units held by it; or
- offer or agree or announce any intention to do the foregoing,

provided that these restrictions do not apply to (a) any sale or transfer of Units by Hui Xian Holdings pursuant to any exercise of the Over-Allotment Option; (b) any transfer of Units pursuant to the Unit Borrowing Agreement; (c) any use by Hui Xian Holdings of any such Units as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan; or (d) any sale or transfer of Units by (i) Hui Xian Holdings to any of its wholly-owned subsidiaries or vice versa, or (ii) a wholly-owned subsidiary of Hui Xian Holdings to any other wholly-owned subsidiary of Hui Xian Holdings, provided that each such subsidiary has executed and delivered to the Manager an undertaking to comply with the above restrictions and must transfer such Units back to Hui Xian Holdings or another wholly-owned subsidiary of Hui Xian Holdings in the event such subsidiary ceases to be a wholly-owned subsidiary of Hui Xian Holdings.

## EXPERTS

Various experts have issued reports and/or letters and/or certificates for inclusion in this Offering Circular. The Manager has reviewed the reports, letters and certificates prepared by these experts.

The Independent Property Valuer, the Property Consultants, Deloitte Touche Tohmatsu, DTZ, JLL, Commerce & Finance Law Offices and the Joint Listing Agents have each given and have not withdrawn their respective written consents to the issue of this Offering Circular with the inclusion of their reports and/or letters and/or valuation certificates and/or summary thereof (as the case may be) and/or references to their names included herein in the form and context in which they are respectively included.

Independent Property Valuer was responsible for: (i) conducting a valuation of the Oriental Plaza; (ii) producing a comprehensive report in relation to the findings thereof; (iii) reviewing the forecasts of rental income for Oriental Plaza and assumptions used by the Manager for the purposes of the profit forecast of Hui Xian REIT for the period from the Listing Date to 30 June 2011 as set out in the section headed "Profit Forecast" in this Offering Circular.

Property consultants was responsible for: (i) carrying out a buildings survey of Oriental Plaza and; (ii) producing a comprehensive report in relation to the findings thereof.

Deloitte Touche Tohmatsu is a firm of certified public accountants and is the reporting accountants and auditors for Hui Xian BVI, Hui Xian Investment and BOP.

DTZ was responsible for carrying out a comprehensive study of the retail and office property market in Beijing and producing a comprehensive report in relation to the findings thereof.

JLL was responsible for carrying out a comprehensive study of the serviced apartment property market and hotel industry in Beijing and producing a comprehensive report in relation to the findings thereof.

Commerce & Finance Law Offices is a firm of PRC lawyers and is the legal advisers to the Manager as to PRC law.

The Joint Listing Agents were responsible for considering whether the profit forecast set out in the section headed "Financial Information and Profit Forecast — Profit Forecast" was made by the Manager after due and careful enquiry.

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

### 1 CHANNELS OF APPLYING FOR THE HONG KONG PUBLIC OFFERING UNITS

There are three channels to make an application for the Hong Kong Public Offering Units. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the “**White Form eIPO**” service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offering Units on your behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

### 2 WHO CAN APPLY FOR HONG KONG PUBLIC OFFERING UNITS

You can apply for the Hong Kong Public Offering Units available for subscription by the public on a **WHITE** or **YELLOW** Application Form, or if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the People’s Republic of China (except qualified domestic institutional investors).

If you wish to apply for the Hong Kong Public Offering Units online through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO** service. If you apply by means of the **White Form eIPO** service via [www.eipo.com.hk](http://www.eipo.com.hk), payment of the application monies can only be made using an internet banking service provided by The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited or Hang Seng Bank Limited. Payment is required to be made from an RMB bank account maintained at any of these three banks and there needs to be sufficient RMB in such RMB bank account for payment. Payment amounts and payment instructions are more particularly detailed in [www.eipo.com.hk](http://www.eipo.com.hk).

You may apply for the Hong Kong Public Offering Units only if you have sufficient RMB to pay the application monies and the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee. If you intend to pay the application monies and related charges and fees by an RMB cheque, you need to have an RMB bank account. You are advised to consult the bank at which your RMB bank account is opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. **In particular, you should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of the RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect your arrangement of funding for subscribing the Units.** If you would like to pay by an RMB cashier’s order, you may or may not need to open an RMB bank account depending on whether the bank from which you purchase the cashier’s order has such a requirement, which is a matter of internal policy of the bank and may vary between banks. The Manager is aware that, as at the Latest Practicable Date, at least CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Bank of Communications Co.,

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

Ltd., The Bank of East Asia, Limited, Wing Hang Bank, Limited, Chiyu Banking Corporation Limited and Nanyang Commercial Bank, Ltd., provided RMB cashier's order services. In addition, if you are a CCASS Investor Participant and you intend to apply for the Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS, you should make sure you have set up an RMB designated bank account with CCASS.

If you are not allotted any Units or your application is successful only in part, or if your application is successful and the Offer Price as finally determined is less than the Maximum Offer Price, the whole or an appropriate portion of the application monies, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be returned to you in RMB in the form of a refund cheque or an e-Refund payment. An RMB bank account needs to be maintained to deposit the refund cheque or receive the e-Refund payment. If your application is successful in whole or in part, you would need to maintain an RMB bank account to deposit or receive the distributions made by Hui Xian REIT in RMB.

When you open an RMB bank account or settle RMB payments, you may be subject to restrictions which are imposed by the Settlement Agreement. Details of these restrictions are set out in the section headed "Risk Factors — There is only limited availability of RMB outside the PRC and there are limitations on conversion of RMB, which may adversely affect the liquidity of the Units and Hui Xian REIT's ability to raise fund in RMB in the future." in this Offering Circular. You may also be subject to further restrictions on dealings in RMB in Hong Kong as may be imposed from time to time.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Lead Underwriters (or their agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Manager, the Joint Lead Underwriters (or their respective agents and nominees) or the designated **White Form eIPO** Service Provider (where applicable) have full discretion to reject or accept any application, in full or in part, without assigning any reason.

You may apply for Hong Kong Public Offering Units under the Hong Kong Public Offering or indicate an interest for International Offering Units under the International Offering, but may not do both.

### 3 APPLYING BY USING AN APPLICATION FORM

#### Which Application Form to Use

Use a **WHITE** Application Form if you want the Hong Kong Public Offering Units issued in your own name.

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Public Offering Units by means of **the White Form eIPO** service by submitting an application online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). Use **the White Form eIPO** service if you want the Units issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Public Offering Units issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

<b>HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS</b>
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Instead of using a **YELLOW** Application Form, you may **electronically** instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Public Offering Units on your behalf. Any Hong Kong Public Offering Units allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

**Where to Collect the Application Form**

You can collect a **WHITE** Application Form and an Offering Circular during normal business hours from 9:00 a.m. Monday, 11 April 2011 to 12:00 noon Tuesday, 19 April 2011:

(1) Any of the following addresses of the Hong Kong Underwriters

<b>CITIC Securities Corporate Finance (HK) Limited</b>	<b>26/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong</b>
<b>The Hongkong and Shanghai Banking Corporation Limited</b>	<b>Level 15 1 Queen's Road Central Hong Kong</b>
<b>BOCI Asia Limited</b>	<b>26th Floor, Bank of China Tower 1 Garden Road Hong Kong</b>
<b>BOCOM International Securities Limited</b>	<b>9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong</b>
<b>Celestial Capital Limited</b>	<b>21/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong</b>
<b>CIMB Securities (HK) Limited</b>	<b>19/F Central Tower, 28 Queen's Road Central, Hong Kong</b>
<b>First Shanghai Securities Limited</b>	<b>19/F, Wing On House, 71 Des Voeux Road Central, Hong Kong</b>
<b>Fulbright Securities Limited</b>	<b>Suite 3213, 32/F One IFC, 1 Harbour View Street, Central, Hong Kong</b>
<b>GF Securities (Hong Kong) Brokerage Limited</b>	<b>Suites 2301-2305, 23/F, Cosco Tower, 183 Queen's Road Central, Hong Kong</b>
<b>Guotai Junan Securities (Hong Kong) Limited</b>	<b>27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong</b>

<b>HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS</b>
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<b>GuocoCapital Limited</b>	<b>12th Floor, The Center, 99 Queen's Road Central, Hong Kong</b>
<b>Haitong International Securities Company Limited</b>	<b>25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong</b>
<b>Phillip Securities (Hong Kong) Limited</b>	<b>11-12/F, United Centre, 95 Queensway, Hong Kong</b>
<b>Sun Hung Kai International Limited</b>	<b>42/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong</b>

(2) any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Bank of China Tower Branch Central District (Wing On House) Branch	3/F, 1 Garden Road 71 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Sheung Wan Branch	252 Des Voeux Road Central
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
<b>Kowloon:</b>	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Telford Gardens Branch	Shop P2 Telford Gardens, Kowloon Bay
	Prince Edward Branch	774 Nathan Road, Kowloon
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

	<u>Branch Name</u>	<u>Address</u>
<b>New Territories:</b>	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

(3) any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Hong Kong Office Central Branch	Level 3, 1 Queen's Road Central Basement, 29 Queen's Road Central, Central
	Pacific Place Branch	Shop 401, Pacific Place, 88 Queensway
	Aberdeen Centre Branch	Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen
	Chai Wan Branch	Shop No. 1-11, Block B, G/F, Walton Estate, Chai Wan
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point
	Des Voeux Road Central Branch	China Insurance Group Building, 141 Des Voeux Road Central
	Des Voeux Road West Branch	Western Centre, 40-50 Des Voeux Road West
	The Westwood Branch	LG01-3, LG Floor, The Westwood, 8 Belcher's Street
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road
	Hay Wah Building Branch	G/F, Hay Wah Building, 71-85 Hennessy Road, Wan Chai
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
<b>Kowloon:</b>	Festival Walk Branch	Shop LG1-37, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Telford Gardens Branch	Shop Unit P16, Block G, Telford Plaza I, Kowloon Bay
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City
	Mei Foo Sun Chuen Branch	79, Broadway Stage 4, Mei Foo Sun Chuen
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
	Tin On Building Branch	777-779 Cheung Sha Wan Road
	Hung Hom Branch	G/F, Hung Hom Commercial Centre, 37-39 Ma Tau Wai Road, Hung Hom
	238 Nathan Road Branch	Shop No. 1, 1/F, 238 Nathan Road
	Tsim Sha Tsui Branch	Basement & 1/F, 82-84 Nathan Road, Tsim Sha Tsui

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

	<u>Branch Name</u>	<u>Address</u>
<b>New Territories:</b>	Citywalk Branch	Shops G21-22, Citywalk, 1 Yeung Uk Road, Tsuen Wan
	Kwai Hing Branch	Shop 2, 3/F, Sun Kwai Hing Plaza, 166-174 Hing Fong Road, Kwai Chung
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun
	Shatin Plaza Branch	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin
	Sheung Shui Centre Branch	Shop 1024-1028 & 1030-1031, Level 1, Sheung Shui Centre, Sheung Shui
	Tai Po Branch	54-62 Kwong Fuk Road, Tai Po
	Yuen Long Branch	G/F, HSBC Building Yuen Long, 150-160 Castle Peak Road, Yuen Long
	East Point City Branch	Shop No. 198, East Point City, 8 Chung Wa Road, Tseung Kwan O

(4) any of the following branches of CITIC Bank International Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Main Branch	232 Des Voeux Road Central
	Lippo Centre Branch	Lippo Centre, 89 Queensway
	Des Voeux Road Central Branch	The Chinese Bank Building, 61-65 Des Voeux Road Central
	North Point Branch	Shop B3, G/F, Hang Ying House, 318-328 King's Road
<b>Kowloon:</b>	Leighton Road Branch	G/F, 46 Leighton Road, Causeway Bay
	Tsim Sha Tsui Branch	Shop 3&5, G/F, Mass Resources Development Building, 12-16 Humphreys Avenue, Tsim Sha Tsui
	Kwun Tong Branch	Shops 4 - 6, G/F, Yue Man Centre, 300-302 Ngau Tau Kok Road, Kwun Tong
	Kowloon City Branch	G/F & M/F, 29-31 Fuk Lo Tsun Road, Kowloon City
<b>New Territories:</b>	Hung Hom Branch	61-63 Wuhu Street
	Tsuen Wan Branch	Shop C & 1/F, Shui Sang Building, 13-19 Chung On Street, Tsuen Wan

(5) any of the following branches of Hang Seng Bank Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Head Office	83 Des Voeux Road Central
	Wanchai North Branch	Shop 3, G/F, Causeway Centre, 28 Harbour Road, Wanchai
	Des Voeux Road West Branch	52 Des Voeux Road West
	North Point Branch	335 King's Road, North Point
<b>Kowloon:</b>	Tsimshatsui Branch	18 Carnarvon Road, Tsimshatsui
	Yaumati Branch	363 Nathan Road, Yaumati
	Kowloon Main Branch	618 Nathan Road, Mongkok
	Hung Hom Branch	21 Ma Tau Wai Road, Hunghom
<b>New Territories:</b>	Shatin Branch	Shop 18, Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

(6) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
<b>Kowloon:</b>	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
<b>New Territories:</b>	Yaumatei Branch	G/F - 1/F, Ming Fong Building, 564 Nathan Road, Yaumatei
	Metroplaza Branch	Shop No. 175 - 176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

(7) any of the following branches of The Bank of East Asia, Limited:

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island:</b>	Main Branch	10 Des Voeux Road Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road
	Shaukiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road
	Kennedy Town Centre Branch	Shop D, G/F, Kennedy Town Centre, 23 Belcher's Street
<b>Kowloon:</b>	Mongkok Branch	638 - 640 Nathan Road
	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road
<b>New Territories:</b>	Kwun Tong Branch	7 Hong Ning Road
	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Tsuen Wan Branch	239-243 Sha Tsui Road

You can collect a **YELLOW** Application Form and an Offering Circular during normal business hours from 9:00 a.m. on Monday, 11 April 2011 until 12:00 noon on Tuesday, 19 April 2011 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this Offering Circular available.

### How to Complete the WHITE or YELLOW Application Form

Obtain an Application Form as described in the section headed "Where to Collect the Application Form" above.

<b>HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS</b>
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Complete the Application Form in English using blue or black ink, and sign it. Each Application Form must be accompanied by payment, in the form of either one RMB cheque or one cashier's order in RMB. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or cashier's order does not meet the requirements set out on the Application Form.

No money shall be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.

**Additional Instructions for YELLOW Application Form**

In order for the **YELLOW** Application Forms to be valid, you, as an applicant(s), must complete the Application Form as indicated below and sign on the first page of the **YELLOW** Application Form. Only written signatures will be accepted:

**(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

**(ii) If the application is made by an individual CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
- (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

**(iii) If the application is made by a joint individual CCASS Investor Participant:**

- (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

**(iv) If the application is made by a corporate CCASS Investor Participant:**

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid. In addition, HKEx published on its website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/preparermb.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm)) a list of its participants who have successfully completed the RMB Readiness Test held by it in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities. You may access the Eligible Participants List by clicking the weblink [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/PrepareRMB/Documents/RMB\\_Part\\_Mar\\_2011.pdf](http://www.hkex.com.hk/eng/market/sec_tradinfra/PrepareRMB/Documents/RMB_Part_Mar_2011.pdf) on the HKEx's website. Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection. For details of these branches, see the above paragraph headed "Where to Collect the Application Form" in this section although investors are strongly advised to refer to the Eligible Participants List published on the HKEx's website.

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Investors who intend to make an application using a **YELLOW** Application Form through a designated CCASS Participant (other than a CCASS Investor Participant) are strongly advised to refer to the Eligible Participants List published by HKEx before submitting the application. **Any application using a YELLOW Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close.**

### Time for Submitting Applications under the Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with an RMB cheque or a cashier's order in RMB attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hui Xian REIT Public Offer" for the payment, must be lodged by 12:00 noon on Tuesday, 19 April 2011, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, together with an RMB cheque or a cashier's order in RMB attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Hui Xian REIT Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the Receiving Banks listed under the above paragraph headed "Where to Collect the Application Forms" in this section at the following times:

Monday, 11 April 2011 — 9:00 a.m. to 4:30 p.m.  
Tuesday, 12 April 2011 — 9:00 a.m. to 4:30 p.m.  
Wednesday, 13 April 2011 — 9:00 a.m. to 4:30 p.m.  
Thursday, 14 April 2011 — 9:00 a.m. to 4:30 p.m.  
Friday, 15 April 2011 — 9:00 a.m. to 4:30 p.m.  
Saturday, 16 April 2011 — 9:00 a.m. to 1:00 p.m.  
Monday, 18 April 2011 — 9:00 a.m. to 4:30 p.m.  
Tuesday, 19 April 2011 — 9:00 a.m. to 12:00 noon

## 4 APPLYING THROUGH THE WHITE FORM eIPO SERVICE

### General

If you are an individual and meet the criteria set out in paragraph above entitled "Who can apply for the Hong Kong Public Offering Units" under this section, you may apply through the **White Form eIPO** service by submitting an application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you apply through the **White Form eIPO** service, the Units will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to the Manager.

If you apply online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you will have authorised the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this Offering Circular, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this Offering Circular, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White**

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

**Form eIPO** service. Such terms and conditions are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to the Manager, the Trustee and the Hong Kong Unit Registrar.

### Minimum Purchase Amount and Permitted Numbers

You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offering Units. Each electronic application instruction in respect of more than 1,000 Hong Kong Public Offering Units must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

### Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) from 9:00 a.m. on Monday, 11 April 2011 until 11:30 a.m. on Tuesday, 19 April 2011 or such later time as described under “— Effects of Bad Weather on the Opening of the Applications Lists” in this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 19 April 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 19 April 2011 or such later time as described under “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section, the **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

### No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any application submitted online by you or for your benefit to the **White Form eIPO** Service Provider to make an application for Hong Kong Public Offering Units, an actual application shall be deemed to have been made. For the avoidance of doubt, applying online through the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application online through the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and completing payment in respect of such application, or submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

### Additional Information

For the purposes of allocating Hong Kong Public Offering Units, each applicant applying online through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offering Units for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. See the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

In other circumstances any monies payable to you due to a refund will be paid in accordance with the paragraph entitled “Refund of Application Monies” in this section.

### Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Hui Xian Real Estate Investment Trust” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

### Warning

The application for Hong Kong Public Offering Units through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. The Manager, the Trustee, the Joint Listing Agents, the Joint Bookrunners, the Joint Lead Underwriters, the Underwriters and the Hong Kong Unit Registrar take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to the Manager or that you will be allotted any Hong Kong Public Offering Units.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)), you are advised not to wait until the last day for lodging applications in the Hong Kong Public Offering to submit your online application. In the event that you have problems connecting to the designated website for the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)), you should submit a **WHITE** Application Form. However, once you have submitted the online application and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form nor give **electronic application instructions** to HKSCC via CCASS.

## 5 TERMS AND CONDITIONS OF AN APPLICATION

There are detailed instructions on each Application Form. You should read and follow these instructions carefully. If you do not strictly follow the instructions, your application may be rejected.

You should note that by completing and submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) instruct and authorise the Manager, the Trustee, the Joint Lead Underwriters and/or the Joint Bookrunners (or their agents or nominees) to execute any documents on your behalf and to do on your behalf all things necessary to effect the registration of any Hong Kong Public Offering Units allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

be, as required by the Trust Deed, and otherwise to give effect to the arrangements described in this Offering Circular, the Application Forms and/or the **White Form eIPO** service designated website at [www.eipo.com.hk](http://www.eipo.com.hk) (as the case may be);

- (ii) undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Public Offering Units to be allocated to you, and as required by the Trust Deed;
- (iii) agree with the Manager, the Trustee and each of the Unitholders, and the Manager and the Trustee agree with each of the Unitholders, to observe and comply with the Trust Deed;
- (iv) confirm that you have read the terms and conditions and application procedures set out in this Offering Circular (and in the case of an application through the **White Form eIPO** service, additionally the terms and conditions of the **White Form eIPO** service designated website at [www.eipo.com.hk](http://www.eipo.com.hk)) and agree to be bound by them;
- (v) confirm that you have received and/or read a copy of this Offering Circular (and in the case of an application through the **White Form eIPO** service, the terms and conditions of the **White Form eIPO** service designated website at [www.eipo.com.hk](http://www.eipo.com.hk)) and have only relied on the information and representations contained in this Offering Circular (and additionally in the case of an application through the **White Form eIPO** service, the **White Form eIPO** service designated website at [www.eipo.com.hk](http://www.eipo.com.hk)) in making your application and will not rely on any other information or representations save as set out in any supplement to this Offering Circular;
- (vi) confirm that you are aware of the restrictions on the Offering disclosed in this Offering Circular;
- (vii) agree that none of the Manager, the Trustee, the Joint Listing Agents, the Joint Bookrunners, the Joint Lead Underwriters, the Underwriters or any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Offering is or will be liable for any information and representations not contained in this Offering Circular (and any supplement thereto);
- (viii) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Units under the International Offering nor otherwise participated in the International Offering;
- (ix) agree to disclose to the Manager, the Trustee, the Hong Kong Unit Registrar, the Receiving Banks, the Joint Bookrunners, the Joint Lead Underwriters, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (x) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Manager, the Trustee, the Joint Bookrunners, the Joint Lead Underwriters and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Offering Circular;
- (xi) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xii) (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)); or
- (xiii) (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

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- (xiv) (if you are an agent or nominee for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent or nominee;
- (xv) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xvi) represent, warrant and undertake that you understand that the Units have not been and will not be registered under the U.S. Securities Act and you and any person for whose account or benefit you are applying for the Units are outside the United States (as defined in Regulation S) when completing and submitting any Application Form or applying through the **White Form eIPO** service or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xvii) warrant the truth and accuracy of the information contained in the application;
- (xviii) undertake and agree to accept the Hong Kong Public Offering Units applied for, or any lesser number allocated to you under the application;
- (xix) confirm that you have referred to the Eligible Participants List published on the HKEx's website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/preparermb.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm)) which sets out a list of the participants of the HKEx who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities;
- (xx) authorise the Manager and the Trustee to place your name(s) or the name of the HKSCC Nominees, as the case may be, on the register of Unitholders of Hui Xian REIT as the holder(s) of any Hong Kong Public Offering Units allocated to you, and the Manager, the Trustee and/or their respective agents to despatch any Unit certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated on the application, except that if you have applied for 1,000,000 or more Hong Kong Public Offering Units and have indicated in the relevant application that you will collect the Unit certificate(s) and/or refund cheque(s) in person, you may do so in the manner as described in "14. Despatch/Collection of Unit Certificates and Refund Monies" in this section or on such other date as notified by the Manager in the newspapers as the date of despatch/collection of Unit certificates/e-Refund payment instructions/refund cheques;
- (xxi) understand that these declarations and representations will be relied upon by the Manager, the Trustee and the Joint Lead Underwriters in deciding whether or not to allocate any Hong Kong Public Offering Units in response to the application and you may be prosecuted for making a false declaration.

#### **Additional Terms and Conditions for YELLOW Application Form**

If you apply for the Hong Kong Public Offering Units using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to above, you agree that:

- any Hong Kong Public Offering Units allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Public Offering Units issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Public Offering Units for deposit into CCASS; (2) to cause such allotted Hong Kong Public Offering Units to be withdrawn from CCASS and

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Public Offering Units to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Unit certificates for such allotted Hong Kong Public Offering Units at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Public Offering Units issued in the name of HKSCC Nominees;
- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this Offering Circular and the Application Form;
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way;
- you have referred to the Eligible Participants List published on the HKEx's website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/preparermb.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm)), which sets out a list of participants of HKEx who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities and any application using a **YELLOW** Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant) will be rejected if the red box at the end of the Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close.

## 6 APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to HKSCC via CCASS to apply for the Hong Kong Public Offering Units and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). You should make sure you have set up an RMB designated bank account with CCASS and your application will be rejected if you do not have such account.

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
2/F Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Offering Circulars are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf. In choosing your broker or custodian, you are strongly advised to refer to the Eligible Participants List published on the HKEx's website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/))

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preparermb.htm), which sets out a list of the participants of HKEx who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities. Copies of the Eligible Participants List as published on the Latest Practicable Date will also be made available by the Receiving Banks for collection free of charge upon request at their relevant branches where Application Forms are available for collection although investors are strongly advised to refer to the Eligible Participants List published on the HKEx's website. For details of these branches, see the above paragraph headed "Where to Collect the Application Form" in this section. Any application not made through a CCASS Clearing Participant or a CCASS Custodian Participant named in the Eligible Participants List as published on the HKEX's website as at 9:00 a.m. on the date on which the application lists close will be rejected.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Manager, the Trustee, the Joint Lead Underwriters and the Hong Kong Unit Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offering Units:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this Offering Circular;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - agrees that the Hong Kong Public Offering Units to be allotted shall be registered into the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
  - undertakes and agrees to accept the Hong Kong Public Offering Units in respect of which that person has given **electronic application instructions** or any lesser number allocated to that person;
  - undertakes and confirms that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offering Units under the International Offering nor otherwise participated in the International Offering;
  - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
  - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
  - understands that these declarations and representations will be relied upon by the Manager, the Trustee and the Joint Lead Underwriters in deciding whether or not to make any allocation of Hong Kong Public Offering Units in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
  - authorises the Manager and the Trustee to place the name of HKSCC Nominees on the register of Unitholders as the holder of the Hong Kong Public Offering Units allocated in respect of that person's **electronic application instructions** and to send Unit certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
  - confirms that that person has read the terms and conditions and application procedures set out in this Offering Circular and agrees to be bound by them;

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

- confirms that that person has received and/or read a copy of this Offering Circular and has only relied on the information and representations in this Offering Circular in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this Offering Circular;
- agrees that none of the Manager, the Trustee, the Joint Listing Agents, the Joint Bookrunners, the Joint Lead Underwriters, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Offering, is or will be liable for any information and representations not contained in this Offering Circular (and any supplement thereto);
- agrees to disclose that person's personal data to the Manager, the Trustee, the Hong Kong Unit Registrar, the Receiving Banks, the Joint Bookrunners, the Joint Lead Underwriters, the Underwriters and/or their respective advisers and agents which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Manager agreeing that it will not offer any Hong Kong Public Offering Units to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Offering Circular. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for the contents of this Offering Circular gives a public notice which excludes or limits the responsibility of that person for this Offering Circular;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering Units published by the Manager;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Public Offering Units;
- agrees with the Manager and the Trustee, for themselves and for the benefit of each of the Unitholders (and so that the Manager and the Trustee will be deemed by their acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of the Unitholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Trust Deed; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such

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instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things (neither HKSCC nor HKSCC Nominees shall be liable to the Manager or any other person in respect of the things mentioned below):

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offering Units on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting the RMB bank account designated by you for payment and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per Unit initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, by crediting the RMB bank account designated by you for payment; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form and in this Offering Circular.

### Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Public Offering Units. Such instructions in respect of more than 1,000 Hong Kong Public Offering Units must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offering Units will be considered and any such application is liable to be rejected.

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give **electronic application instructions** to HKSCC through CCASS terminals to apply for Hong Kong Public Offering Units on their behalf.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Monday, 11 April 2011</b>	<b>— 9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Tuesday, 12 April 2011</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 13 April 2011</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, 14 April 2011</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Friday, 15 April 2011</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Saturday, 16 April 2011</b>	<b>— 8:00 a.m. to 1:00 p.m.<sup>(1)</sup></b>
<b>Monday, 18 April 2011</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Tuesday, 19 April 2011</b>	<b>— 8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 11 April 2011 until 12:00 noon on Tuesday, 19 April 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 19 April 2011, the last application day, or if the application lists are not open on that day, by

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the time and date stated in the sub-paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” below.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offering Units applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offering Units in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offering Units given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

For the purposes of allocating Hong Kong Public Offering Units, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

### Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by the Manager, the Trustee and the Hong Kong Unit Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### Warning

The subscription of the Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS is only a facility provided to CCASS Participants. The Manager, the Trustee, the Joint Listing Agents, the Joint Bookrunners, the Joint Lead Underwriters and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offering Units.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; (ii) submit through **White Form eIPO**; or (iii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 19 April 2011, or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

## 7 HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Public Offering Units if, and only if:

You are a nominee, in which case you may give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications for Hong Kong Public Offering Units that by completing and delivering an Application Form, applying through the **White Form eIPO** service or submitting an **electronic application instruction** you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)); or
- (if you are an agent or nominee for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) and that you are duly authorised to sign the Application Form or give **electronic application instructions** as that other person's agent or nominee.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications under the Hong Kong Public Offering if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)); or
- apply both (whether individually or jointly) on one (or more) **WHITE** Application Form(s) and one (or more) **YELLOW** Application Form(s) or apply on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)); or
- apply (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS or apply online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) for more than 200,000,000 Hong Kong Public Offering Units, being 50.0% of the Units initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Offering — The Hong Kong Public Offering" in this Offering Circular; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Units under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

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**Unlisted company** means a company with no equity securities listed on the Hong Kong Stock Exchange.

**Statutory control** means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8 HOW MUCH ARE THE HONG KONG PUBLIC OFFERING UNITS

The Maximum Offer Price is RMB5.58 per Hong Kong Public Offering Unit. You must also pay in RMB brokerage of 1.0%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Units you will pay RMB5,636.25. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Units up to 200,000,000 Units. Your application must be for a minimum of 1,000 Units. Applications must be in one of the numbers set forth in the tables in the Application Forms. No application for any other number of Units will be considered and any such application is liable to be rejected. You should be aware that, as an individual investor, the daily maximum amount of RMB that you may exchange other currencies for is RMB20,000 and you need to accumulate sufficient RMB to pay the application monies and the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee.

If you apply by the means of the **White Form eIPO** service via [www.eipo.com.hk](http://www.eipo.com.hk), payment of the application monies can only be made by using an internet banking service provided by The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited or Hang Seng Bank Limited. Payment is required to be made from an RMB bank account maintained at any of these three banks and there needs to be sufficient RMB in such RMB bank account for payment. Payment amounts and payment instructions are more particularly detailed in [www.eipo.com.hk](http://www.eipo.com.hk).

You must pay the Maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Units by an RMB cheque or a cashier's order in RMB in accordance with the terms set out in the Application Forms (if you apply by an Application Form). If you intend to pay the application monies and related charges and fees by an RMB cheque, you need to have an RMB bank account. You are advised to consult the bank at which your RMB bank account is opened in advance whether there are any specific requirements in relation to the issue of RMB cheques. **In particular, you should note that some banks have imposed an internal limit (usually RMB80,000) on the balance of the RMB cheque account of their clients or the amount of cheques that their clients can issue in a day and such limit may affect your arrangement of funding for subscribing the Units.** If you would like to pay by an RMB cashier's order, you may not need to open an RMB bank account depending on whether the bank from which you purchase the cashier's order has such a requirement, which is a matter of internal policy of the bank and may vary between banks. The Manager is aware that, as at the Latest Practicable Date, at least CITIC Bank International Limited, The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, Hang Seng Bank Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Bank of Communications Co., Ltd., The Bank of East Asia, Limited, Wing Hang Bank, Limited, Chiyu Banking Corporation Limited and Nanyang Commercial Bank, Ltd., provided RMB cashier's order services. In addition, if you are a CCASS Investor Participant and you intend to apply for the Hong Kong Public Offering Units by giving **electronic application instructions** to HKSCC via CCASS, you should make sure you have set up an RMB designated bank account with CCASS.

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the

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Hong Kong Stock Exchange in RMB (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

The final Offer Price will be determined by the Joint Bookrunners, on behalf of the Underwriters, Hui Xian Cayman and the Manager on or around Tuesday, 19 April 2011 and, in any event, not later than Tuesday, 26 April 2011, failing which the Offering will not proceed and will lapse. For further details see the section headed “Structure of the Offering — Determining the Offer Price” in this Offering Circular.

### 9 APPLICATION LISTS

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 19 April 2011.

No proceedings will be taken on applications for the Units and no allotment of any such Units will be made until the closing of the application lists. No allotment of any of the Units will be made until after Tuesday, 19 April 2011.

### 10 EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 19 April 2011. Instead the last application day will be postponed and the application lists will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

If the application lists do not open and close on Tuesday, 19 April 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this Offering Circular, such dates mentioned in the section headed “Expected Timetable” in this Offering Circular may be affected. An announcement will be made in such event.

### 11 PUBLICATION OF RESULTS

We expect to announce the final Offer Price, an indication of the level of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offering Units on Thursday, 28 April 2011 in The Standard (in English) and the Sing Tao Daily News (in Chinese), on Hui Xian REIT’s website at [www.huixianreit.com](http://www.huixianreit.com) and the website of the HKEx at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on Hui Xian REIT’s website at [www.huixianreit.com](http://www.huixianreit.com) and the website of the HKEx at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 28 April 2011.
- Results of allocations for the Hong Kong Public Offering will be available from the designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) on a 24-hour basis from 8:00 a.m. on Thursday, 28 April 2011 to 12:00 midnight on Wednesday, 4 May 2011.

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Search by ID function will be available on our Hong Kong Public Offering results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk), or via a hyperlink from Hui Xian REIT's website at [www.huixianreit.com](http://www.huixianreit.com) to the Hong Kong Public Offering results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk). The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/ its own allocation result;

- Results of allocations will be available from the Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offering Units allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 28 April 2011 to Sunday, 1 May 2011;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Thursday, 28 April 2011 to Saturday, 30 April 2011 at all the receiving bank branches at the addresses set out in the section headed “3. Applying by Using an Application Form — Where to Collect the Application Forms” above.

The Manager may accept your offer to subscribe (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If the Manager accepts your offer to subscribe (in whole or in part), there will be a binding contract under which you will be required to subscribe for the Hong Kong Public Offering Units in respect of which your offer has been accepted if the conditions of the Offering are satisfied or the Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Offering” in this Offering Circular.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12 CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFERING UNITS

Full details of the circumstances in which you will not be allotted the Hong Kong Public Offering Units are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or through the **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)) or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Public Offering Units will not be allotted to you:

- **If the conditions of the Hong Kong Public Offering remain unfulfilled:**

If the conditions of the Hong Kong Public Offering set out in the section headed “Structure of the Offering — Conditions of the Hong Kong Public Offering” in the Offering Circular are not fulfilled on or before 29 April 2011.

- **Full discretion of the Manager or its agents to reject or accept your application:**

The Manager, the Joint Lead Underwriters (or their respective agents and nominees) or the designated **White Form eIPO** Service Provider (where applicable) have full discretion to reject or accept any application, or to accept only part of any application.

The Manager, the Joint Lead Underwriters (or their respective agents and nominees) and the designated **White Form eIPO** Service Provider (where applicable), in their capacity as agents of the

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Manager, and agents and nominees of the Manager do not have to give any reason for any rejection or acceptance.

- **You will not receive any allotment if:**
  - you make multiple applications or suspected multiple applications;
  - you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offering Units and/or International Offering Units in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC via CCASS or applying online through the designated **White Form eIPO** Service Provider through **White Form eIPO** service ([www.eipo.com.hk](http://www.eipo.com.hk)), you agree not to apply for Hong Kong Public Offering Units as well as International Offering Units in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offering Units in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Public Offering Units in the Hong Kong Public Offering;
  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
  - in the case of any application using a **YELLOW** Application Form made through a designated CCASS Participant (other than a CCASS Investor Participant), the red box at the end of your Application Form does not contain the participant I.D. of a CCASS Participant (other than a CCASS Investor Participant) named in the Eligible Participants List published by HKEx on the date on which the application lists close as having successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities;
  - you apply as a CCASS Investor Participant by giving **electronic application instructions** to HKSCC via CCASS but you have not set up an RMB designated bank account with CCASS;
  - you instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offering Units on your behalf but your broker or custodian is not a CCASS Clearing Participant or a CCASS Custodian Participant named on the Eligible Participants List as published on the HKEx's website as at 9:00 a.m. on the date on which the application lists close;
  - your online application through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
  - your payment is not made correctly or you pay by cheque or cashier's order and the cheque or cashier's order is dishonored upon its first presentation;
  - the Hong Kong Underwriting Agreement and the International Underwriting Agreement do not become unconditional;
  - the Hong Kong Underwriting Agreement and the International Underwriting Agreement are terminated in accordance with their respective terms;
  - the Manager and/or the Joint Lead Underwriters believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or

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- your application is for more than 200,000,000 Hong Kong Public Offering Units, representing 50.0% of the Units initially offered for public subscription under the Hong Kong Public Offering.

### 13 REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of RMB5.58 per Unit (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded in RMB, without interest. An RMB bank account needs to be maintained to deposit the refund cheque or receive the e-Refund payment. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

In a contingency situation involving a substantial over-subscription, at the discretion of the Manager and the Joint Lead Underwriters cheques for applications for certain small denominations of Hong Kong Public Offering Units on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, 28 April 2011 in accordance with the various arrangements as described in this section.

### 14 DESPATCH/COLLECTION OF UNIT CERTIFICATES AND REFUND MONIES

You will receive one Unit certificate for all the Hong Kong Public Offering Units issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Unit certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Units. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

- (a) for applications on **WHITE** Application Form or by applying online through the **White Form eIPO** service:
  - (i) Unit certificate(s) for all the Hong Kong Public Offering Units applied for, if the application is wholly successful; or
  - (ii) Unit certificate(s) for the number of Hong Kong Public Offering Units successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms, Unit certificates for the Units successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offering Units unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the Maximum Offer Price per Unit paid on application in the event that the Offer Price is less than the offer price per Unit initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third-party for refund purposes. You need to have an RMB bank account for encashment of your refund cheque. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, e-Refund payment instructions/refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Unit initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or through **White Form eIPO** service; and Unit certificates for wholly and partially successful applicants under **WHITE** Application Forms or by applying online through the **White Form eIPO** service are expected to be despatched on or before Thursday, 28 April 2011. An RMB bank account needs to be maintained to deposit the refund cheque or receive the e-Refund payment. The right is reserved to retain any Unit certificate(s) and any surplus application monies pending clearance of cheque(s).

Unit certificates will only become valid at 8:00 a.m. on Friday, 29 April 2011 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised. Investors who trade Units prior to the receipt of Unit certificates or prior to the Unit certificates becoming valid certificates do so entirely at their own risk.

### Personal Collection

#### (a) if you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Public Offering Units and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Unit certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Unit certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 28 April 2011 or such other date as notified by us in the newspapers as the date of collection/despatch of refund cheques/e-Refund payment instructions/Unit certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Unit certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Units or you apply for 1,000,000 Hong Kong Public Offering Units or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Unit certificate(s) (where applicable) in person or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Offering — Conditions of the Hong Kong Public Offering” in this Offering Circular, or if your application is revoked or any allotment pursuant thereto has become void, your Unit certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

parts thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Thursday, 28 April 2011, by ordinary post and at your own risk.

(b) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Public Offering Units or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Public Offering Units or above and have not indicated on your **YELLOW** Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offering Units, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Offering — Conditions of the Hong Kong Public Offering” in this Offering Circular, or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parts thereof, together with the related brokerage fee, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 28 April 2011, by ordinary post and at your own risk.

If you apply for Hong Kong Public Offering Units using a **YELLOW** Application Form and your application is wholly or partially successful, your Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 28 April 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

For Hong Kong Public Offering Units credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offering Units allocated to you with that CCASS Participant.

- If you are applying as a CCASS Investor Participant:

The Manager expects to publish the results of CCASS Investor Participants’ applications together with the results of the Hong Kong Public Offering on Thursday, 28 April 2011 in the manner described in “11. Publication of Results” above. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 28 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offering Units to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Units credited to your stock account.

(c) If you are applying through **White Form eIPO** service

If you apply for 1,000,000 Hong Kong Public Offering Units or more through the **White Form eIPO** service by submitting an online application to the designated **White Form eIPO** Service Provider through the designated website [www.eipo.com.hk](http://www.eipo.com.hk) and your application is wholly or partially successful, you may collect your Unit certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 28 April 2011, or such

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

other date as notified by the Manager in the newspapers as the date of despatch/collection of Unit certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Unit certificate(s) personally within the time specified for collection, they will be sent to the address specified in your online application to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offering Units, your Unit certificate(s) (where applicable) will be sent to the address specified in your online application to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) on Thursday, 28 April 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of an e-Refund payment. If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out above in the section headed “4. Applying Through the **White Form eIPO** Service — Additional Information”.

### Electronic Application Instructions to HKSCC via CCASS

If your application is wholly or partially successful, Unit certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, 28 April 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Manager expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, information relating to the relevant beneficial owner will be included), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in “11. Publication of Results” above on Thursday, 28 April 2011. You should check the announcement published by the Manager and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 28 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offering Units allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offering Units allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 28 April 2011. Immediately following the credit of the Hong Kong Public Offering Units to your stock account and the credit of the refund monies to your RMB bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offering Units credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated RMB bank account.

## HOW TO APPLY FOR HONG KONG PUBLIC OFFERING UNITS

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Unit initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated RMB bank account or the designated RMB bank account of your broker or custodian on Thursday, 28 April 2011. No interest will be paid thereon.

### 15 COMMENCEMENT OF DEALINGS IN THE UNITS

Dealings in the Units are expected to commence on Friday, 29 April 2011. The Units will be traded in RMB and in board lots of 1,000 Units each. The stock code of the Units is 87001.

### 16 UNITS WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Units and we comply with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Units to be admitted into CCASS.

### 17 Information on the Hong Kong Public Offering

Information on the Hong Kong Public Offering can also be obtained by calling Hui Xian REIT's Hong Kong Public Offering hotline on +856 2862 8666 from 9:00 a.m. to 9:00 p.m. daily from Monday, 11 April 2011 to Tuesday, 19 April 2011 (inclusive of public holidays).

Operators will be able to answer questions about the Hong Kong Public Offering timetable, the locations where this Offering Circular and Application Forms can be obtained, how to apply for Hong Kong Public Offering Units, and how to obtain allocation results. However, nothing the operators say or do should be construed as investment advice to anybody on the investment merits of acquiring investments in Hui Xian REIT or as an invitation or inducement to anybody to engage in investment activities. If you are in any doubt about the investment in Hui Xian REIT, you shall consult your stockbroker, bank manager, solicitor, professional accountant or other independent professional financial adviser.

## SECONDARY TRADING AND SETTLEMENT

Dealings in the Units on the Hong Kong Stock Exchange are expected to commence on Friday, 29 April 2011. The Units will be traded in board lots of 1,000 Units each. The stock code of Hui Xian REIT is 87001.

### Settlement of Dealings

Subject to the granting of formal approval for the listing of, and permission to deal in, the Units on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Units will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Units on the Hong Kong Stock Exchange or any other date that HKSCC chooses. All necessary arrangements have been made for the Units to be admitted into CCASS.

**Dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB.** See the section headed “Risk Factors — Investment in the Units is subject to exchange rate risks” in this Offering Circular for a discussion on foreign exchange risks.

Commencing on the Listing Date, investors may either settle their trades executed on the Hong Kong Stock Exchange through their stockbrokers directly or through custodians. For an investor who has deposited his Units in his designated CCASS Participant’s stock account maintained with CCASS, settlement will be effected by CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time and the date of settlement must not be later than the second day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For an investor who holds physical Unit certificates, such certificates and the duly executed and stamped transfer instrument(s) must be delivered to his broker or custodian before the settlement date. In choosing a stockbroker or a custodian for settlement of trading of the Units on the Hong Kong Stock Exchange following the listing of the Units, investors are reminded to refer to the Eligible Participants List published on the HKEx’s website ([http://www.hkex.com.hk/eng/market/sec\\_tradinfra/preparermb/preparermb.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/preparermb/preparermb.htm)) which sets out a list of the HKEx’s participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities and other relevant information published by HKEx regarding readiness of its participants for dealing in RMB securities from time to time. CCASS Investor Participants who wish to settle the payment in relation to their trades in the Units using their CCASS Investor Participant account should make sure that they have set up an RMB designated bank account with CCASS.

**Investors intending to purchase Units from the secondary market should consult their stockbrokers or custodians as to the RMB funding requirement for such purchase. Investors may need to open and maintain an RMB account with the stockbroker or custodian first before any dealing in Units can be effected.**

### Stamp Duty and Transaction Costs Involved

No Hong Kong stamp duty is payable in connection with the initial issue of Units to successful applicants under the Hong Kong Public Offering. Subsequent dealings in Units will be subject to Hong Kong stamp duty.

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Units, whether or not the purchase or sale is on or off the Hong Kong Stock Exchange. The duty is charged at the rate of 0.2% of the higher of the consideration paid or the value of the Units transferred (the buyer and seller each being liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of the Units. Stamp duty is payable in Hong Kong dollars and as dealings in the Units on the Hong Kong Stock Exchange will be carried out in RMB, the amount of stamp duty payable on every purchase and every sale of the Units will be calculated based on the exchange rate as determined by the Hong Kong Monetary Authority which will be published on the HKEx’s website by 11:00 a.m. or earlier on each trading day.

## SECONDARY TRADING AND SETTLEMENT

In addition to the Hong Kong stamp duty, the transaction costs of dealings in the Units on the Hong Kong Stock Exchange will also include a Hong Kong Stock Exchange trading fee of 0.005% and an SFC transaction levy of 0.003%. The CCASS stock settlement fee payable by each counterparty to a Hong Kong Stock Exchange trade is 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade. All these secondary trading related fees and charges will be collected by the Hong Kong Stock Exchange in Hong Kong dollars and calculated based on an exchange rate as determined by the Hong Kong Monetary Authority on the date of the trade which will be published on the HKEx's website by 11:00 a.m. or earlier on each trading day. The brokerage commission in respect of trades of Units on the Hong Kong Stock Exchange is freely negotiable.

If trades are executed through brokers or custodians, investors should consult their own brokers or custodians as to how and in what currency the stamp duty, trading related fees and charges and brokerage commission should be paid by the investors.

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## DEFINITIONS

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## TECHNICAL DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

<b>Adjustments</b>	has the meaning given to it in the section headed “Distribution Policy” in this Offering Circular.
<b>Annual Distributable Income</b>	has the meaning given to it in the section headed “Distribution Policy” in this Offering Circular.
<b>average monthly rental</b>	means the average monthly rental in respect of each of The Malls, The Tower Offices and The Tower Apartments over a relevant period which is calculated by dividing the rental income for the relevant period by the number of months in the relevant period.
<b>average monthly rental per leased Rentable Area</b>	means, in respect of each of The Malls, The Tower Offices and The Tower Apartments over a relevant period, the quotient of (a) the average monthly rental for the relevant period divided by (b) the product of (i) the Rentable Area and (ii) the average occupancy rate for the relevant period.
<b>average occupancy rate</b>	means, in respect of each of The Malls, The Tower Offices and The Tower Apartments over a relevant period, the quotient of (a) the sum of the occupancy rates as at the end of each month during the relevant period divided by (b) the number of months in the relevant period; and in relation to Grand Hyatt Beijing, the total number of room nights sold divided by the total number of room nights available for sale in a given period, excluding complimentary rooms and rooms occupied by in-house staff.
<b>average room rates</b>	means the total room revenue of a hotel (including room related service charges) divided by the total number of room nights sold in a given period.
<b>base rent</b>	means rental income over the shorter of (i) the remaining lease term and (ii) the period from the commencement date of the lease to the first break option date (if any), exclusive of any turnover rent (if applicable) and other charges and reimbursements (if any).
<b>CAGR</b>	means compound annual growth rate which is calculated by taking the Nth root of the total percentage growth rate, where N is the number of years in the period considered.
<b>Charge-out Collections</b>	means, as used in the Trust Deed, in relation to a real estate property, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, and in relation to any financial year or part thereof, all items of air-conditioning charges, management fees, promotional charges, land use fees, utility charges, and cleaning and other charges payable by the tenants and licencees to the Trustee or the relevant Special Purpose Vehicle (as the case may be).
<b>committed occupancy level</b>	means, in relation to The Malls, The Tower Offices and The Tower Apartments, the Rentable Area in sq.m. with committed

<b>TECHNICAL DEFINITIONS</b>
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occupancy as a percentage of the total Rentable Area of The Malls, The Tower Offices or The Tower Apartments (as the case may be) as at the relevant time and for such purpose, “**committed occupancy**” means that, in respect of a particular area, a lease existed if at such relevant time there is either (i) a lease agreement in respect of such area the term of such lease has already commenced and not yet expired; or (ii) a lease agreement in respect of such area the term of such lease is to commence after such relevant time.

**Deposited Property**

means, as used in the Trust Deed, all the assets of Hui Xian REIT, including all its authorised investments, for the time being held or deemed to be held (including but not limited to through Special Purpose Vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from, or application monies for, the issuance of Units and the proceeds from the divestment of any investment.

**DPU**

means distribution per unit.

**GDP**

means gross domestic product.

**Grade A office building**

means an office building that is generally located in the core business area, and most of them are steel frame structures; the floor plan is practical; with office space that can be divided freely; the standard floor area is more than 1,000 sq. m. (gross floor area), with a floor loading of above 200 kilograms per sq. m.; most of these office buildings provide dual power, with an electricity capacity of above 60 VA per sq. m., and utilise brand-name air-conditioning systems, which enable the adjustment of temperature and humidity in different areas; additionally, fresh air should be more than 30 cubic metres per person per hour; 24-hour cold and hot water should be provided; other features and services should include branded elevators, with a waiting time of less than 40 seconds; sufficient car parking lots, with the serviced area of every single lot less than 250 sq. m.; intelligent office operation systems (named as 5A systems), and; a reputable property management company.

**Gross Floor Area or GFA**

means, in respect of a property, the gross floor area of that property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.

## TECHNICAL DEFINITIONS

<b>Gross Operating Profit</b>	means, in relation to Grand Hyatt Beijing, the amount computed by deducting the entire cost and expense of maintaining, conducting and supervising the operation of Grand Hyatt Beijing from all revenues and income of any kind derived directly or indirectly from the operation of Grand Hyatt Beijing and the proceeds (after deducting from such revenues and income necessary expenses in connection with the adjustment or collection thereof) of use and occupancy (business interruption) insurance actually received, the computation of which is set out in the Hotel Management Agreement.
<b>Gross Revenue</b>	<p>means, as used in the Trust Deed, in relation to a real estate, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, and in relation to any financial year or part thereof, all income accruing or resulting from the operation of such real estate for that financial year or part thereof, including but not limited to base rent, turnover rent, licence fees, room sales, food and beverage sales, revenue from laundry and dry cleaning services, telephone, internet, other telecommunications services, facsimile services, Charge-Out Collections and other sums (after deduction for all rebates, refunds, credits or discounts and rebates for rent free periods) due from tenants, licensees, concessionaires, customers, guests or patrons, business interruption insurance payments, car park income, atrium income, interest income, advertising and other income attributable to the operation of such real estate, but shall exclude the following:</p> <ul style="list-style-type: none"> <li>(i) proceeds derived or arising from the sale and/or disposal of the real estate and/or the operating equipment, or any part thereof;</li> <li>(ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of Gross Revenue);</li> <li>(iii) all rental deposits and other refundable security deposits; and</li> <li>(iv) all goods and services or value added taxes (whether in force at present or in the future), charged to tenants, licencees and users of the real estate for the sale or supply of services or goods, which taxes are accountable by the Trustee or the relevant Special Purpose Vehicle (as the case may be) to the tax authorities.</li> </ul>
<b>k.m.</b>	means kilometre.
<b>LAT</b>	means land appreciation tax.
<b>lease</b>	means a lease in respect of premises at Oriental Plaza granted to a tenant and “ <b>leases</b> ” shall be construed accordingly.
<b>market value</b>	means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and

## TECHNICAL DEFINITIONS

a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

**NAV** means net asset value, which is calculated as total assets minus total liabilities.

**net sq.m.** has the meaning given to it in Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.

**NPI** means as used in the Trust Deed, in relation to a real estate, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, and in relation to any financial year or part thereof, its Gross Revenue, less Property Operating Expenses for such real estate for that financial year or part thereof.

**occupancy rate** means, in respect of each of The Malls, The Tower Offices and The Tower Apartments as at a relevant time, the Rentable Area occupied under lease divided by the total Rentable Area at the end of the relevant time and for such purpose, “**occupied**” means that, in respect of a particular area, a lease existed at such relevant time, and a lease is considered as existed if at such relevant time there is a lease agreement in respect of such area the term of such lease has already commenced and not yet expired.

**Property Operating Expenses** means, as used in the Trust Deed, in relation to a real estate, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, and in relation to any financial year or part thereof, all costs and expenses incurred by Hui Xian REIT or the relevant Special Purpose Vehicle directly in the course of the operation, maintenance, management and marketing of such real estate.

**Property Values** means, as used in the Trust Deed, the value of all real estate, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle provided that, where a Special Purpose Vehicle is not wholly owned by Hui Xian REIT (other than BOP), the value of the real estate owned by that Special Purpose Vehicle which is attributable to Hui Xian REIT shall be the proportion of the total value of the relevant real estate which corresponds with Hui Xian REIT's equity interest in the Special Purpose Vehicle.

**real estate** means any land, and any interest, option or other right in or over any land. For the purposes of this definition, “**land**” includes land of any tenure, whether or not held apart from the surface, and buildings or parts thereof (whether completed or otherwise and whether divided horizontally, vertically or in any other manner) and tenements and hereditaments, corporeal and incorporeal, and any estate or interest therein.

**Rentable Area** means, in respect of each unit in The Malls, the area determined by BOP at any given time to be rentable without the

<b>TECHNICAL DEFINITIONS</b>
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	inclusion of common or serviced areas used in common as a whole and also those areas used for ancillary purposes in relation to the management and care-taking of it; and in respect of each unit in The Tower Offices and The Tower Apartments, the area determined by BOP at any given time to be rentable with the inclusion of its apportioned share of common or service areas used in common as a whole and also those areas used for ancillary purposes in relation to the management and care-taking of it.
<b>rental income</b>	means the base rent and turnover rent (if applicable) payable by tenants under their leases excluding any rental related income, management fees and income generated from car parking spaces.
<b>RevPAR</b>	means revenue per available room, which is calculated by dividing the total room revenue of a hotel(s) (including related service charges) by the total number of room nights available for sale in a given period.
<b>room nights</b>	means the number of times a hotel room is used or available for use by a guest(s) for an overnight stay of up to 24 hours in a given period, excluding complimentary rooms or rooms occupied by in-house staff.
<b>Special Purpose Vehicle(s)</b>	means an entity which is wholly or majority owned directly or indirectly by Hui Xian REIT in accordance with the REIT Code through which Hui Xian REIT holds or owns real estate.
<b>sq.m.</b>	means square metre.
<b>sq.m. (gross floor area)</b>	has the meaning given to it in Appendix VI — Letter from DTZ in relation to Retail and Office Property Market in Beijing.
<b>tenant</b>	means a tenant under a lease.
<b>turnover rent</b>	means rent calculated by reference to a pre-determined percentage of a tenant's sales turnover.

## GENERAL DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

<b>Acquisition</b>	means the acquisition by Hui Xian REIT, of Hui Xian BVI Share pursuant to the Reorganisation Agreement.
<b>Acquisition Fee</b>	means, as used in the Trust Deed, the acquisition fee not exceeding 1.0% of the acquisition price of any real estate acquired directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT's interest in the real estate acquired) payable to the Manager pursuant to the Trust Deed.
<b>Application Form(s)</b>	means the WHITE, YELLOW and GREEN application form(s) or where the context so requires, any of them.
<b>Appraised Value</b>	means the market value of a particular property, as at 31 January 2011, as appraised by the Independent Property Valuer as set out in Appendix V in this Offering Circular.
<b>ARA</b>	means ARA Asset Management Limited, a company incorporated as an exempted company with limited liability in Bermuda on 1 July 2002 and listed on the Singapore Exchange Securities Trading Limited, and, as at the Latest Practicable Date, was 15.6% indirectly owned by, and an affiliate of, Cheung Kong.
<b>Articles of Association</b>	means the articles of association of the Manager.
<b>Assigned Indebtedness</b>	means part of the Existing Indebtedness, of a principal amount of RMB1,000 million (or such other principal amount as may be agreed between Hui Xian Cayman and the Manager which shall be within the range from RMB700 million to RMB1,550 million) which will be assigned by Hui Xian Cayman to the Trustee (as trustee of Hui Xian REIT) pursuant to the Reorganisation Agreement.
<b>associate</b>	has the meaning ascribed to it under the SFO.
<b>Base Fee</b>	means, as used in the Trust Deed, in relation to the Manager, a periodic charge not exceeding 0.3% (and being 0.3% as at the date of the Trust Deed) per annum of the Property Values at the relevant time or such other rate as may from time to time be fixed or otherwise determined pursuant to the Trust Deed.
<b>BJ Citybase</b>	means Beijing Citybase Century Property Management Ltd., a company established in the PRC with limited liability and a subsidiary of Cheung Kong.
<b>BJ Goodwell</b>	means Beijing Goodwell Century Property Management Ltd., a company established in the PRC with limited liability and a subsidiary of Cheung Kong.
<b>Board</b>	means the board of Directors.
<b>BOC</b>	means Bank of China Limited, a joint stock company incorporated in the PRC with limited liability, whose H shares

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are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 03988) and A shares are listed on the Shanghai Stock Exchange (Stock Code: 601988).

<b>BOC International</b>	means BOCI Asia Limited, a company licensed to conduct the regulated activities of dealing in securities (Type 1) and advising on corporate finance (Type 6) under Part V of the SFO.
<b>BOC Loan Agreements</b>	means the BOC Term Loan Agreement and the BOC Revolving Facility Agreement.
<b>BOC Revolving Facility</b>	means the revolving loan facility in the total amount of RMB500 million with BOC pursuant to the BOC Revolving Facility Agreement.
<b>BOC Revolving Facility Agreement</b>	means the credit facility agreement made between BOP as borrower and BOC as lender on 12 February 2009 in relation to a revolving facility in the total amount of RMB500 million and the security agreement relating thereto.
<b>BOC Term Loan</b>	means the term loan in the total amount of RMB1,100 million term loan with BOC pursuant to the BOC Term Loan Agreement.
<b>BOC Term Loan Agreement</b>	means the term loan agreement made between BOP as borrower and BOC as lender on 30 December 2008 in relation to a term loan in the total amount of RMB1,100 million and the security agreement relating thereto.
<b>BOP</b>	means 北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd. (for identification purposes only)), a Sino-foreign co-operative joint venture established in the PRC.
<b>BOP Trade Marks</b>	trade marks or service marks owned by BOP and which are licensed to the Manager pursuant to the Deed of BOP Trade Mark Licence and are proposed to be licensed to the Property Manager pursuant to the Operations Management Agreement.
<b>Business Day</b>	means any day (excluding Sundays, public holidays and days on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m. on weekdays and 9:00 a.m. and 12:00 noon on Saturdays) on which licensed banks are open for general business in Hong Kong.
<b>BVI</b>	means the British Virgin Islands.
<b>CCASS</b>	means the Central Clearing and Settlement System established and operated by HKSCC.
<b>CCASS Clearing Participant</b>	means a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant.
<b>CCASS Custodian Participant</b>	means a person admitted to participate in CCASS as a custodian participant.

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<b>CCASS Investor Participant</b>	means a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation.
<b>CCASS Participant</b>	means a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant.
<b>CEPA</b>	means the Closer Economic Partnership Arrangement between Hong Kong and the PRC.
<b>Cheung Kong</b>	means Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00001).
<b>Cheung Kong Group</b>	means Cheung Kong and its subsidiaries.
<b>Cheung Kong Infrastructure</b>	means Cheung Kong Infrastructure Holdings Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 01038).
<b>China Life</b>	means China Life Insurance (Group) Company, a company incorporated in the PRC with limited liability.
<b>CITIC Securities</b>	means CITIC Securities Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (Stock Code : 600030).
<b>CITIC Securities Corporate Finance</b>	means CITIC Securities Corporate Finance (HK) Limited, a company licensed to conduct the regulated activities of dealing in securities (Type 1), advising on securities (Type 4) and advising on corporate finance (Type 6) under Part V of the SFO.
<b>CITIC Securities Group</b>	means CITIC Securities International, its holding company and their respective subsidiaries.
<b>CITIC Securities International</b>	means CITIC Securities International Company Limited, a wholly-owned subsidiary of CITIC Securities.
<b>CK Life Sciences</b>	means CK Life Sciences Int'l., (Holdings) Inc., a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00775).
<b>Completion</b>	means the completion of the transfer of Hui Xian BVI Share and the assignment of the Assigned Indebtedness in accordance with the provisions of the Reorganisation Agreement.
<b>connected person</b>	has the meaning ascribed to it in the REIT Code.
<b>controlling holder</b>	means any person who is or group of persons who are together entitled to exercise or control the exercise of 30.0% (or such other amount as may from time to time be specified in the

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	Codes on Takeovers and Mergers and Shares Repurchases as being the level for triggering a mandatory general offer) or more of the voting power at general meeting of holders of the scheme.
<b>Convertible Instruments</b>	means any securities convertible or exchangeable into Units, or any options or warrants or similar rights for the subscription or issue of Units (or securities convertible or exchangeable into Units), issued by Hui Xian REIT or any Special Purpose Vehicle; and references to an issue of Units “ <b>pursuant to</b> ” any Convertible Instruments means an issue of Units pursuant to exercise of any conversion, exchange, subscription or similar rights (as the case may be) under the terms and conditions of such Convertible Instruments.
<b>Cranwood</b>	means Cranwood Company Limited, a company incorporated in the Republic of Liberia.
<b>Deed of BOP Trade Mark Licence</b>	means the deed dated 8 April 2011 between BOP and the Manager relating to the licence of the BOP Trade Marks to the Manager.
<b>Deed of Hui Xian Trade Mark Licence</b>	means the deed dated 8 April 2011 between Hui Xian BVI and the Manager relating to the licence of the Hui Xian Trade Marks to the Manager.
<b>Deed of Tax Covenant</b>	means the deed to be entered into before the Listing Date by Hui Xian Cayman in favour of the Trustee (in its capacity as trustee of Hui Xian REIT) and Hui Xian BVI in relation to certain taxation liabilities.
<b>Directors</b>	means the directors of the Manager.
<b>Divestment Fee</b>	means, as used in the Trust Deed, the divestment fee not exceeding 0.5% (and being 0.5% as at the date of the Trust Deed) of the sale price of any real estate in the form of land sold or divested directly or indirectly by Hui Xian REIT (pro-rated if applicable to the proportion of Hui Xian REIT’s interest in the real estate sold) payable to the Manager pursuant to the Trust Deed.
<b>Domestic JV Partner</b>	means 北京東方鴻聯文化有限責任公司 (Beijing Dongfang Honglian Culture Co. Ltd. (for identification purposes only)), a domestic enterprise established in the PRC with limited liability, the PRC joint venture partner of BOP.
<b>DTZ</b>	means DTZ Debenham Tie Leung, Beijing.
<b>e-Refund</b>	means the refund monies to be despatched by the designated <b>White Form eIPO</b> Service Provider to the application payment account of investors who apply using the <b>White Form eIPO</b> service and pay the application monies from a single bank account. Such refund monies will not be subject to any additional fees or charges by the <b>White Form eIPO</b> Service Provider.

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<b>Eligible Participants List</b>	means the “List of Participants who have confirmed their readiness for dealing and/or clearing transactions in RMB securities” published on the HKEx’s website ( <a href="http://www.hkex.com.hk/eng/market/sec_tradinfra/prepareRMB/prepareRMB.htm">http://www.hkex.com.hk/eng/market/sec_tradinfra/prepareRMB/prepareRMB.htm</a> ); such list sets out the HKEx’s participants who have successfully completed the RMB Readiness Test held by HKEx in March 2011 and confirmed their readiness for dealing and/or clearing transactions in RMB securities.
<b>Executive Officers</b>	means the executive officers of the Manager as at the date of this Offering Circular.
<b>Existing Borrowings</b>	means the aggregate amount of the indebtedness of Hui Xian BVI for borrowed monies comprising all amounts whether principal, interest or otherwise owing to Hui Xian Cayman and outstanding immediately prior to Completion (for the avoidance of doubt, other than the amount of distribution declared by Hui Xian BVI under the Pre-Listing Distribution which remains unpaid as at that time).
<b>Existing Indebtedness</b>	means the total amount owing by Hui Xian BVI to Hui Xian Cayman immediately prior to Completion (being the total sum of the Existing Borrowings and the amount of distribution declared by Hui Xian BVI under the Pre-Listing Distribution which remains unpaid as at that time).
<b>Facility</b>	means the aggregate amount of RMB1,400 million secured credit facility extended to Hui Xian Investment pursuant to the Facility Agreement, comprising an RMB100 million revolving credit facility and an RMB1,300 million revolving credit facility with Hui Xian Holdings.
<b>Facility Agreement</b>	means the revolving credit facility agreement and the security documents and other agreements relating to the Facility including any supplements or amendments thereto.
<b>Finance Document</b>	has the meaning as defined under the Facility Agreement
<b>Forecast Period</b>	means the period from the Listing Date to 30 June 2011.
<b>Fortune REIT</b>	means Fortune 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), whose units are listed on the Main Board of The Hong Kong Stock Exchange (Stock Code: 778) and on the Main Board of the Singapore Exchange Securities Trading Limited.
<b>Grand Hyatt Beijing</b>	means Grand Hyatt Beijing at Oriental Plaza.
<b>GREEN Application Form(s)</b>	means the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited.
<b>HK\$ or Hong Kong dollars</b>	means Hong Kong dollars, the lawful currency of Hong Kong.

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<b>HKEx</b>	means Hong Kong Exchanges and Clearing Limited.
<b>HKFRS</b>	means Hong Kong Financial Reporting Standards promulgated by the HKICPA, as amended, supplemented or otherwise modified for the time being.
<b>HKICPA</b>	means the Hong Kong Institute of Certified Public Accountants.
<b>HKSCC</b>	means Hong Kong Securities Clearing Company Limited.
<b>HKSCC Nominees</b>	means HKSCC Nominees Limited.
<b>Holding Companies</b>	means Hui Xian BVI and Hui Xian Investment.
<b>Hong Kong</b>	means The Hong Kong Special Administrative Region of the PRC.
<b>Hong Kong GAAP</b>	means generally accepted accounting principles in Hong Kong.
<b>Hong Kong Public Offering</b>	means the offer of Units to the public in Hong Kong at the Offer Price, on and subject to the terms and conditions described in this Offering Circular and the Application Forms.
<b>Hong Kong Public Offering Units</b>	means the 400,000,000 Units initially being offered by Hui Xian REIT pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Offering” in this Offering Circular).
<b>Hong Kong Stock Exchange</b>	means The Stock Exchange of Hong Kong Limited.
<b>Hong Kong Underwriters</b>	means the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this Offering Circular.
<b>Hong Kong Underwriting Agreement</b>	means the underwriting agreement dated 8 April 2011 relating to the Hong Kong Public Offering and entered into between the Manager, Hui Xian Cayman, the Joint Lead Underwriters and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this Offering Circular.
<b>Hong Kong Unit Registrar</b>	means Computershare Hong Kong Investor Services Limited.
<b>Hotel Furnishings and Equipment</b>	means all furniture and furnishings of Grand Hyatt Beijing, which shall include guest room, office, public area, and other furniture, carpeting, draperies, lamps and similar items; kitchen and laundry equipment; special hotel equipment which shall include (a) all equipment required for the operation of (i) guest rooms, including televisions, mini-bars and safes, (ii) banquet rooms, and (iii) employee locker rooms, (b) office equipment, including computer hardware and software as directed by Hyatt International, (c) dining room wagons, (d) material handling equipment, (e) cleaning and engineering equipment, and (f) motor vehicles as required for guest and employee transportation.

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<b>Hotel General Manager</b>	means the general manager designated by the Hotel Manager to operate and manage Grand Hyatt Beijing.
<b>Hotel Management Agreement</b>	means the agreement dated 27 July 2001 made between BOP and the Hotel Manager relating to, among others, the provision of certain management services for the operation of Grand Hyatt Beijing and as amended by two supplemental agreements dated 13 September 2002 and 28 March 2011 respectively made between the same parties.
<b>Hotel Manager</b>	means Hyatt of China Limited, a company incorporated in Hong Kong with a limited liability and a wholly-owned subsidiary of Hyatt International Corporation which in turn is a company organised in the State of Delaware, US, the manager of Grand Hyatt Beijing.
<b>Hui Xian BVI</b>	means Hui Xian (B.V.I.) Limited, a company incorporated in the BVI with limited liability which is directly wholly-owned by Hui Xian REIT upon Completion.
<b>Hui Xian BVI Group</b>	means Hui Xian BVI and its subsidiaries.
<b>Hui Xian BVI Share</b>	means the share constituting the entire issued share capital of Hui Xian BVI.
<b>Hui Xian Cayman</b>	means Hui Xian (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability which is directly wholly-owned by Hui Xian Holdings.
<b>Hui Xian Holdings</b>	means Hui Xian Holdings Limited, a company incorporated in Hong Kong with limited liability.
<b>Hui Xian Holdings Subscription</b>	means the subscription of 300,000,000 Units by Hui Xian Holdings at the Offer Price on the terms and conditions set out in the Hui Xian Holdings Subscription Agreement.
<b>Hui Xian Holdings Subscription Agreement</b>	means the subscription agreement dated 8 April 2011 and entered into between Hui Xian Holdings and the Manager pursuant to which Hui Xian Holdings has agreed to subscribe for 300,000,000 Units.
<b>Hui Xian Investment</b>	means Hui Xian Investment Limited, a company incorporated in Hong Kong with limited liability which is directly wholly-owned by Hui Xian BVI.
<b>Hui Xian REIT</b>	means Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO.
<b>Hui Xian Trade Marks</b>	trade marks or service marks owned by Hui Xian BVI and licensed to the Manager pursuant to the Deed of Hui Xian Trade Mark Licence.
<b>HWL</b>	means Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on

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	the Main Board of the Hong Kong Stock Exchange (Stock Code: 00013).
<b>HWL Group</b>	means HWL and its subsidiaries.
<b>Hyatt International</b>	means Hyatt International Corporation, a company incorporated in the United States of America.
<b>IFRS</b>	means International Financial Reporting Standards.
<b>Independent Property Valuer</b>	means American Appraisal China Limited.
<b>INED(s)</b>	means the independent non-executive Director(s).
<b>International Offering</b>	means the offer of International Offering Units for cash at the Offer Price to institutional, professional and other investors as further described in the section headed "Structure of the Offering" in this Offering Circular.
<b>International Offering Units</b>	means 1,600,000,000 Units (subject to adjustment) initially available to investors in the International Offering and up to an additional 300,000,000 Units under the Over-allotment Option.
<b>International Underwriters</b>	means the group of underwriters of the International Offering, led by the Joint Bookrunners.
<b>International Underwriting Agreement</b>	means the underwriting agreement relating to the International Offering expected to be entered into on or around 19 April 2011 between the Manager, Hui Xian Cayman, the Joint Bookrunners and the International Underwriters, as further described in the section headed "Underwriting" in this Offering Circular.
<b>IPO</b>	means the initial public offering of the Units in Hong Kong.
<b>Issue Price</b>	means the price at which new Units may be issued pursuant to the Trust Deed.
<b>JLL</b>	means Jones Lang LaSalle-CIEC Co., Ltd..
<b>Joint Bookrunners</b>	means CITIC Securities Corporate Finance, The Hongkong and Shanghai Banking Corporation Limited and BOCI Asia Limited.
<b>Joint Lead Underwriters</b>	means CITIC Securities Corporate Finance, The Hongkong and Shanghai Banking Corporation Limited and BOCI Asia Limited.
<b>Joint Listing Agents</b>	means CITIC Securities Corporate Finance, The Hongkong and Shanghai Banking Corporation Limited and BOCI Asia Limited.
<b>JV Documents</b>	means the joint venture contract and articles of association entered into between Hui Xian Investment and the Domestic JV Partner both on 16 November 1998, as amended and supplemented by supplemental agreements thereto respectively entered into between the parties on 13 June 2008.

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<b>Latest Practicable Date</b>	means 7 April 2011, being the latest practicable date for the purposes of ascertaining certain information contained in this Offering Circular.
<b>Listing Agreement</b>	means the agreement in relation to Hui Xian REIT entered into between the Trustee as trustee of Hui Xian REIT, the Manager (as an operator of a collective investment scheme) and the Hong Kong Stock Exchange.
<b>Listing Date</b>	means the date, expected to be on 29 April 2011, on which the Units are first listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange.
<b>Listing Rules</b>	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
<b>Main Board</b>	means the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange.
<b>Management Fee</b>	means the management fee payable to the Manager comprising the Base Fee and the Variable Fee.
<b>Manager</b>	means Hui Xian Asset Management Limited, a company incorporated in Hong Kong under the Companies Ordinance on 26 October 2010.
<b>Manager Group</b>	has the meaning ascribed to it in the section headed "Connected Parties Transaction — Introduction" in this Offering Circular.
<b>Market Consultants</b>	means JLL and DTZ.
<b>Market Price</b>	means, as used in the Trust Deed, the price as determined by the Manager as being the volume weighted average price for a Unit for the period of ten trading days immediately preceding the date on which the relevant Units are issued to the Manager.
<b>Maximum Offer Price</b>	means the maximum price of RMB5.58 per Unit payable in full by applicants under the Hong Kong Public Offering.
<b>Minimum Offer Price</b>	means the expected minimum price of RMB5.24 per Unit payable in full by applicants under the Hong Kong Public Offering.
<b>Offer Price</b>	means the final RMB price per Unit (exclusive of brokerage of 1.0%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%) at which the Units are to be issued and allotted pursuant to the Offering, to be determined as further described in the section headed "Structure of the Offering" in this Offering Circular.
<b>Offering</b>	means the Hong Kong Public Offering and the International Offering.

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<b>Offering Circular</b>	means this offering circular issued in connection with the initial public offering and listing of the Units on the Main Board of the Hong Kong Stock Exchange.
<b>OOIL</b>	means Orient Overseas (International) Ltd., a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00316).
<b>Operations Management Agreement</b>	means the agreement proposed to be entered into between BOP and the Property Manager relating to the provision of certain services relating to the operation, management and marketing in respect of Oriental Plaza (excluding Grand Hyatt Beijing).
<b>Ordinary Resolution</b>	means a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote, but with a quorum of two or more Unitholders holding 10.0% of Units in issue.
<b>Oriental Plaza</b>	means the composite development known as Oriental Plaza comprising The Malls, The Tower Offices, The Tower Apartments, Grand Hyatt Beijing situated at No.1 East Chang An Ave., Dong Cheng District, Beijing, the PRC represented by a Land use Rights Certificate (京市東港澳臺國用(2006出)10128號) and Building Ownership Certificate (京房權證市東港澳臺字10283號).
<b>Over-allotment Option</b>	the option to be granted by Hui Xian Holdings to the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters in consultation with the Joint Bookrunners, to require Hui Xian Holdings to sell at the Offer Price up to 300,000,000 Units, representing 15.0% of the total number of Units under the Offering, to be offered to investors as part of the International Offering to, among other things, cover the over-allocations of Units (if any).
<b>PBOC</b>	means the People's Bank of China.
<b>PRC GAAP</b>	means generally accepted accounting principles in the PRC.
<b>PRC or China</b>	means the People's Republic of China excluding, for the purposes of this Offering Circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
<b>Pre-Listing Distribution</b>	means the distribution of surplus in the amount of RMB7,300 million declared by Hui Xian BVI on 7 April 2011 to its then sole shareholder (being Hui Xian Cayman), such distribution remained unpaid by Hui Xian BVI as at the Latest Practicable Date.
<b>Price Determination Date</b>	means the date, expected to be on or about 19 April 2011 on which the Offer Price is determined for the purposes of the Offering.
<b>Property Consultant</b>	means Savills Project Consultancy Limited.

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<b>Property Manager</b>	means a company in the course of being established in the PRC with limited liability (to be named as 北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited (for identification purposes only)) as a wholly-owned subsidiary of the Manager.
<b>Prosperity REIT</b>	means Prosperity 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), whose units are listed on the Main Board of The Hong Kong Stock Exchange (Stock Code: 808).
<b>Record Date</b>	means, as used in the Trust Deed, the date or dates in respect of each distribution period determined by the Manager for the purpose of determining the distribution entitlement to the distribution amount of the Unitholders.
<b>Regulation S</b>	means Regulation S under the US Securities Act.
<b>REIT</b>	means real estate investment trust.
<b>REIT Code</b>	means the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
<b>Relevant Amount</b>	means certain payments which the Domestic JV Partner is entitled to receive pursuant to the JV Documents as more particularly described and defined in the section headed “Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents — Profit distributions”.
<b>Relevant Date</b>	means, as the case may be, the date of the relevant agreement or other instrument for the issue or proposed issue of any Units or Convertible Instruments, or the date of the grant of any Convertible Instruments, whichever is the earlier.
<b>Reorganisation Agreement</b>	means the agreement dated 8 April 2011 between the Trustee, the Manager, Hui Xian Cayman and Hui Xian Holdings relating to a group reorganisation, involving (among other things) the transfer of the Hui Xian BVI Share and the assignment of the Assigned Indebtedness to the Trustee and the issuance of 2,700,000,000 Units to Hui Xian Cayman (or such other number of Units as may be agreed between Hui Xian Cayman and the Manager).
<b>Responsible Officer</b>	means a responsible officer of the Manager appointed pursuant to the requirements of the SFO.
<b>RMB</b>	means Renminbi, the lawful currency of the PRC.
<b>RMB Clearing Bank</b>	means Bank of China (Hong Kong) Limited.
<b>SAFE</b>	means State Administration of Foreign Exchange.

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<b>Settlement Agreement</b>	means the Settlement Agreement on the Clearing of RMB Business entered into between PBOC and the RMB Clearing Bank to further expand the scope of RMB business for participating banks in Hong Kong, and the amendments thereto.
<b>SFC</b>	means the Securities and Futures Commission of Hong Kong.
<b>SFO</b>	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
<b>significant holder</b>	has the meaning ascribed to it in the REIT Code.
<b>Special Resolution</b>	means a resolution of Unitholders proposed and passed by a majority consisting of 75.0% or more of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding 25.0% of the Units in issue.
<b>Stabilising Manager</b>	means The Hongkong and Shanghai Banking Corporation Limited.
<b>Subsidiaries</b>	<p>means</p> <ul style="list-style-type: none"> <li>(i) in relation to Hui Xian REIT, any company: <ul style="list-style-type: none"> <li>(a) more than half of the issued share capital or equity interest of which is beneficially owned, directly or indirectly, by Hui Xian REIT;</li> <li>(b) more than half of the voting rights at general meetings of which are exercisable or controlled, directly or indirectly, by Hui Xian REIT; or</li> <li>(c) which is a subsidiary (within the meaning of paragraph (ii) below) of another Subsidiary of Hui Xian REIT; and</li> </ul> </li> <li>(ii) in any other case, a subsidiary within the meaning of section 2 of the Companies Ordinance;</li> </ul>
<b>Takeovers Code</b>	means the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC (as amended from time to time).
<b>The Malls</b>	means The Malls at Oriental Plaza comprising the three levels shopping mall which is divided to seven major zones, namely Zone One to Zone Five on the Upper Ground and Lower Ground levels, Grand Gallery (時光別館) and Sky Avenue (天空大道).
<b>The Tower Apartments</b>	means The Tower Apartments at Oriental Plaza, the two towers of luxurious serviced apartments forming part of Oriental Plaza and known as Millennium Heights and Centennial Heights respectively and collectively as The Tower Apartments.
<b>The Tower Offices</b>	means The Tower Offices at Oriental Plaza, the eight Grade A office buildings forming part of Oriental Plaza and collectively known as The Tower Offices.

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<b>Trust Deed</b>	means the trust deed dated 1 April 2011 between Hui Xian Cayman, the Trustee and the Manager constituting Hui Xian REIT (as may be amended by any supplemental deed).
<b>Trustee</b>	means DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT.
<b>Trustee Connected Persons</b>	has the meaning ascribed to it in the section headed “Connected Parties Transactions — Introduction” in this Offering Circular.
<b>Trustee Ordinance</b>	means the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
<b>Underwriters</b>	means the Hong Kong Underwriters and the International Underwriters.
<b>Underwriting Agreements</b>	means the Hong Kong Underwriting Agreement and the International Underwriting Agreement.
<b>Unit</b>	means a unit of Hui Xian REIT.
<b>Unit Borrowing Agreement</b>	means the unit borrowing agreement to be entered into on or around 19 April 2011 among the Stabilising Manager and Hui Xian Holdings.
<b>United States or US</b>	means the United States of America.
<b>Unitholder</b>	means any person registered as holding a Unit.
<b>US\$ or US dollars</b>	means United States dollars, the lawful currency of the United States.
<b>US Securities Act</b>	means the United States Securities Act of 1933, as amended.
<b>Valuation Report</b>	means the valuation report produced by the Independent Property Valuer, as set out in Appendix V.
<b>Variable Fee</b>	means, as used in the Trust Deed, the variable fee payable to the Manager pursuant to the Trust Deed.
<b>White Form eIPO</b>	means the application for the Hong Kong Public Offering Units to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> .
<b>White Form eIPO Service Provider</b>	means Computershare Hong Kong Investor Services Limited.

Unless indicated otherwise, the translations of RMB into Hong Kong dollars have been made at the rate of RMB0.84190 to HK\$1.00, being the exchange rate set by the PBOC for foreign exchange transactions prevailing at the Latest Practicable Date. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates or at all.



11 April 2011

The Directors

Hui Xian Asset Management Limited (as Manager of Hui Xian REIT)

CITIC Securities Corporate Finance (HK) Limited

The Hongkong and Shanghai Banking Corporation Limited

BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Hui Xian (B.V.I.) Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which will be injected into Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) upon completion of the proposed reorganisation mentioned below, for each of the three years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010 (the “Relevant Periods”) for inclusion in the offering circular dated 11 April 2011 (the “Offering Circular”) to be issued in connection with the initial public offering and the listing of the units in Hui Xian REIT on the Main Board of The Stock Exchange of Hong Kong Limited pursuant to the Code on Real Estate Investment Trusts (the “Proposed Listing”).

Hui Xian REIT is a collective investment scheme constituted as a unit trust by a trust deed dated 1 April 2011 between DB Trustees (Hong Kong) Limited (the “Trustee”) and Hui Xian Asset Management Limited (“the Manager”) (the “Trust Deed”) and authorised under section 104 of the Securities and Futures Ordinance. Hui Xian REIT had not carried on any business since the date of its establishment until 8 April 2011 when Hui Xian (Cayman Islands) Limited has entered into a reorganisation agreement to transfer and assign to it the entire issued share capital of the Company and the interest in a portion of the total amount owing by the Company to Hui Xian (Cayman Islands) Limited (the “Proposed Reorganisation”).

Pursuant to the Reorganisation Agreement as more fully explained in the sections headed “Structure and Organisation” and “Material Agreements and Other Documents Relating to Hui Xian REIT” in the Offering Circular (the “Group Reorganisation”), Hui Xian REIT will become the holding entity of the companies comprising the Group upon the completion of the Proposed Reorganisation.

At the date of this report and during the Relevant Periods, the particulars of the companies comprising the Group, all of which are companies with limited liabilities, are as follows:

<u>Name of company</u>	<u>Date of incorporation/ establishment</u>	<u>Issued and fully paid ordinary share capital/ registered capital</u>	<u>Principal activities</u>	<u>Name of property held</u>
<b>Incorporated in the British Virgin Islands ("BVI"):</b>				
Hui Xian (B.V.I.) Limited	7 June 1994	1 share of US\$1	Investment holding in Hui Xian Investment Limited	—
<b>Incorporated in Hong Kong:</b>				
Hui Xian Investment Limited ("Hui Xian Investment")	18 August 1992	10,000 shares of US\$1 each	Investment holding in Beijing Oriental Plaza Co., Ltd.	—
<b>Incorporated in the People's Republic of China (the "PRC"):</b>				
Beijing Oriental Plaza Co., Ltd. ("BOP")	25 January 1999	Registered – US\$600,000,000 Paid up – US\$600,000,000	Property investment and hotel and serviced suites operations in Beijing, China	Oriental Plaza

*Note:* BOP is set up pursuant to a co-operative joint venture contract entered into by Hui Xian Investment and a PRC joint venture partner ("Domestic JV Partner") in 1998. The entire capital of BOP was contributed by Hui Xian Investment. The term of BOP is 50 years until 24 January 2049.

Under the joint venture documents relating to BOP, Hui Xian Investment is entitled to appoint 9 out of the 12 directors of BOP whereas the Domestic JV Partner is entitled to appoint the remaining 3 directors of BOP. All resolutions can be passed by simple majority except for certain matters that require the unanimous approval of the directors of BOP present at the relevant board meeting being obtained. Such matters include the amendments to the articles of association of BOP, the increase, reduction or transfer of the registered capital of BOP, the dissolution of BOP, the mortgage of assets of BOP, the merger, demerger or change in organisation structure of BOP, matters involving the right to use Oriental Plaza and other fixed assets ancillary to Oriental Plaza beyond the term of BOP (being 24 January 2049, unless extended), dealings with ownership of Oriental Plaza and other fixed assets ancillary to Oriental Plaza, and any other matters which may affect the interests and rights of the Domestic JV Partner or Hui Xian Investment in BOP after the expiry of the term of joint venture or specified by the relevant laws and regulations.

Pursuant to the joint venture documents, so long as the legal existence of BOP and the ownership by the Domestic JV Partner of the fixed assets as well as its interests in the distribution of the remaining assets at the expiry of the term of BOP are not jeopardised, the Domestic JV Partner shall actively support all resolutions proposed for decision at the board of directors of BOP so as to enable the business of BOP to be implemented and developed smoothly, and provided that notice of meeting of the board of BOP has been duly given in the manner as stipulated in the joint venture documents, the Domestic JV Partner will procure the directors nominated by it to attend the board meeting and support the relevant resolutions. Further details of the joint venture contract are set out in Note 19 to Section A.

All the companies comprising the Group have adopted 31 December as their financial year end date.

We acted as auditors of the Company and Hui Xian Investment while Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch acted as auditors of BOP for each of the three years ended 31 December 2007, 2008 and 2009.

For the purpose of this report, the Company has prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The financial information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. We have undertaken our own independent audits on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements of the Group for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by HKICPA. No adjustment was deemed necessary to the Underlying Financial Statements in preparing our report for inclusion in the Offering Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issues. The Manager is responsible for the contents of the Offering Circular in which this report is included. It is our responsibilities to compile the Financial Information together with the notes thereon set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon set out in sections A to D gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008, 2009 and 31 October 2010 and of its results and cash flows for each of the three years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2010.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the ten months ended 31 October 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "October 2009 Financial Information") which were prepared by the Company solely for the purpose of this report. We conducted our review in accordance with Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the October 2009 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the October 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the October 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with Hong Kong Financial Reporting Standards.

## A. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Ten months ended 31 October	
		2007	2008	2009	2009	2010
		RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Revenue . . . . .	6	2,077	2,269	1,969	1,634	1,739
Rental related income . . . . .	7	61	72	77	48	40
Other income . . . . .	8	24	33	17	14	25
Foreign currency exchange gain . . . . .		273	197	84	84	18
Hotel inventories consumed . . . . .		(56)	(56)	(45)	(35)	(42)
Staff costs . . . . .		(135)	(141)	(107)	(91)	(95)
Depreciation and amortisation . . . . .		(133)	(138)	(134)	(111)	(112)
Other operating expenses . . . . .	9	(659)	(484)	(544)	(439)	(460)
(Decrease) increase in fair value of investment properties . . . . .		(65)	923	(16)	(27)	8,756
Finance costs . . . . .	10	(159)	(83)	(82)	(70)	(53)
Profit before taxation . . . . .		1,228	2,592	1,219	1,007	9,816
Income tax expense . . . . .	11	(276)	(625)	(346)	(280)	(2,489)
Profit for the year/period . . . . .		952	1,967	873	727	7,327
Other comprehensive income (expense)						
Exchange difference on translation of financial statements . . . . .		444	425	(54)	(58)	107
Total comprehensive income for the year/period . . . . .		<u>1,396</u>	<u>2,392</u>	<u>819</u>	<u>669</u>	<u>7,434</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December			At 31 October 2010
		2007	2008	2009	
		RMB million	RMB million	RMB million	RMB million
<b>Non-current assets</b>					
Investment properties	12	11,332	11,258	11,242	19,998
Property, plant and equipment	13	2,184	2,124	2,045	1,984
Land and related costs	14	2,251	1,810	1,772	1,740
		<u>15,767</u>	<u>15,192</u>	<u>15,059</u>	<u>23,722</u>
<b>Current assets</b>					
Hotel inventories	15	17	20	16	17
Land and related costs	14	41	38	38	38
Trade and other receivables	16	111	76	82	72
Bank balances and cash	17	1,416	1,685	732	1,157
		<u>1,585</u>	<u>1,819</u>	<u>868</u>	<u>1,284</u>
<b>Current liabilities</b>					
Trade and other payables	18	(792)	(779)	(773)	(765)
Other payable	19	(121)	(1,570)	—	—
Loan from ultimate holding company	20	(7,302)	(6,832)	(6,143)	(6,019)
Tax payable		(359)	(229)	(125)	(96)
Bank borrowings	21	(756)	(707)	(846)	(405)
		<u>(9,330)</u>	<u>(10,117)</u>	<u>(7,887)</u>	<u>(7,285)</u>
<b>Net current liabilities</b>		<u>(7,745)</u>	<u>(8,298)</u>	<u>(7,019)</u>	<u>(6,001)</u>
<b>Total assets less current liabilities</b>		<u>8,022</u>	<u>6,894</u>	<u>8,040</u>	<u>17,721</u>
<b>Non-current liabilities</b>					
Bank borrowings	21	(1,661)	(847)	(1,100)	(1,100)
Trade and other payables	18	(558)	(520)	(518)	(507)
Other payable	19	(2,988)	—	—	—
Deferred tax liabilities	22	(597)	(917)	(993)	(3,251)
		<u>(5,804)</u>	<u>(2,284)</u>	<u>(2,611)</u>	<u>(4,858)</u>
		<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>
<b>Capital and reserves</b>					
Share capital	23	—	—	—	—
Exchange reserve		441	866	812	919
Retained profits		1,777	3,744	4,617	11,944
		<u>2,218</u>	<u>4,610</u>	<u>5,429</u>	<u>12,863</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Retained profits	Total
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2007 .....	—	(3)	825	822
Exchange difference on translation .....	—	444	—	444
Profit for the year .....	—	—	952	952
Total comprehensive income for the year .....	—	444	952	1,396
As at 31 December 2007 .....	—	441	1,777	2,218
Exchange difference on translation .....	—	425	—	425
Profit for the year .....	—	—	1,967	1,967
Total comprehensive income for the year .....	—	425	1,967	2,392
As at 31 December 2008 .....	—	866	3,744	4,610
Exchange difference on translation .....	—	(54)	—	(54)
Profit for the year .....	—	—	873	873
Total comprehensive income (expense) for the year .....	—	(54)	873	819
As at 31 December 2009 .....	—	812	4,617	5,429
Exchange difference on translation .....	—	107	—	107
Profit for the period .....	—	—	7,327	7,327
Total comprehensive income for the period .....	—	107	7,327	7,434
As at 31 October 2010 .....	—	919	11,944	12,863
As at 1 January 2009 .....	—	866	3,744	4,610
Exchange difference on translation .....	—	(58)	—	(58)
Profit for the period .....	—	—	727	727
Total comprehensive income (expense) for the period .....	—	(58)	727	669
As at 31 October 2009 (unaudited) .....	—	808	4,471	5,279

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
<b>Operating activities</b>					
Profit before taxation . . . . .	1,228	2,592	1,219	1,007	9,816
Adjustments for:					
Decrease (increase) in fair value of investment properties . . . . .	65	(923)	16	27	(8,756)
Exchange differences . . . . .	(273)	(202)	(86)	(84)	(18)
Loss on disposal of property, plant and equipment . . . . .	3	1	—	—	1
Depreciation and amortisation . . . . .	133	138	134	111	112
Interest income . . . . .	(23)	(24)	(13)	(10)	(8)
Finance costs . . . . .	159	83	82	70	53
Operating cash flows before movements in working capital . . . . .	1,292	1,665	1,352	1,121	1,200
(Increase) decrease in hotel inventories . . . . .	(2)	(3)	4	—	(1)
Decrease (increase) in trade and other receivables . . . . .	21	35	(6)	(30)	8
Increase (decrease) in trade and other payables . . . . .	134	(125)	(4)	(20)	(19)
Cash generated from operations . . . . .	1,445	1,572	1,346	1,071	1,188
Profits tax paid . . . . .	(409)	(475)	(350)	(321)	(269)
<b>Net cash from operating activities</b> . . . . .	1,036	1,097	996	750	919
<b>Investing activities</b>					
Repayments of other payable . . . . .	—	—	(1,570)	(1,570)	—
Additions of property, plant and equipment . . . . .	(45)	(49)	(21)	(10)	(20)
Interest received . . . . .	23	24	13	10	8
<b>Net cash used in investing activities</b> . . . . .	(22)	(25)	(1,578)	(1,570)	(12)
<b>Financing activities</b>					
Repayments of bank loans . . . . .	(574)	(714)	(707)	(434)	(433)
Interest paid . . . . .	(158)	(81)	(81)	(63)	(48)
Repayments to ultimate holding company . . . . .	—	—	(683)	(683)	—
New bank loans raised . . . . .	—	—	1,100	1,100	—
<b>Net cash used in financing activities</b> . . . . .	(732)	(795)	(371)	(80)	(481)
<b>Increase (decrease) in cash and cash equivalents</b> . . . . .	282	277	(953)	(900)	426
<b>Effect of changes in foreign exchange rate</b> . . . . .	(7)	(8)	—	—	(1)
<b>Cash and cash equivalents at the beginning of the year/period</b> . . . . .	1,141	1,416	1,685	1,685	732
<b>Cash and cash equivalents at the end of the year/period, represented by bank balances and cash</b> . . . . .	1,416	1,685	732	785	1,157

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL AND BASIS OF PREPARATION

The immediate holding company of the Company is Hui Xian (Cayman Islands) Limited, a private limited company incorporated in the Cayman Islands and the ultimate holding company of the Company is Hui Xian Holdings Limited, a private limited company incorporated in Hong Kong.

The Financial Information has been prepared on a going concern basis because the existing ultimate holding company of the Company has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently applied Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC)(s)") which are effective for the Group's financial year beginning on 1 January 2010 throughout the Relevant Periods.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these new and revised standards, amendments or interpretations during the Relevant Periods.

HKFRSs (Amendments)	<i>Improvements to HKFRSs 2010<sup>1</sup></i>
HKAS 12 (Amendments)	<i>Deferred Tax: Recovery of Underlying Assets<sup>5</sup></i>
HKAS 24 (Revised)	<i>Related Party Disclosures<sup>2</sup></i>
HKAS 32 (Amendments)	<i>Classification of Rights Issues<sup>3</sup></i>
HKFRS 1 (Amendments)	<i>Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters<sup>6</sup></i>
HKFRS 1 (Amendments)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters<sup>7</sup></i>
HKFRS 7 (Amendments)	<i>Disclosure-Transfers of Financial Assets<sup>7</sup></i>
HKFRS 9	<i>Financial Instruments<sup>4</sup></i>
HK(IFRIC) – Int 14 (Amendments)	<i>Prepayments of a Minimum Funding Requirement<sup>2</sup></i>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments<sup>6</sup></i>

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 January 2011.

3 Effective for annual periods beginning on or after 1 February 2010.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 July 2010.

7 Effective for annual periods beginning on or after 1 July 2011.

The management is in the process of assessing their potential impact on the results and financial position of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for investment properties which are measured at fair value.

The Financial Information has been prepared in accordance with the following accounting policies. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**(b) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Rental income from operating lease is recognised in the profit or loss on a straight-line basis over the term of the relevant leases.

Contingent rentals, which include gross turnover rental, are recognised as revenue when it becomes receivable.

Service income is recognised when services are provided.

Revenue from room rental, food and beverage sales and other ancillary services relating to the operation of hotel and serviced suites are recognised when the relevant services have been rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**(c) Investment properties**

Investment properties are properties held to earn rentals and capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

**(d) Property, plant and equipment**

Hotel and serviced suite properties, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

**(e) Hotel inventories**

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

**(f) Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Financial assets*

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables which include trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities (including trade and other payables, other payable, bank borrowings and loan from ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

#### *Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **(g) Impairment losses on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**(h) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**(i) Land and related costs**

Leasehold interests in land (i.e. land use rights) are classified as finance lease if substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The leasehold land is classified as property, plant and equipment when the land is qualified as finance lease. Other leasehold interests in land are accounted for as operating leases and amortised over the lease term on straight-line basis.

**(j) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(k) Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated to equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

**(l) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where it is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(m) Retirement benefit costs**

Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

As described in Notes 3(c) and 12, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was arrived at using investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. In relying on the valuation reports of the professional valuer, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the market conditions prevailing at the end of each reporting period. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

## 5. SEGMENT REPORTING

The management determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (i.e. the board of directors) for the purpose of allocating resources to segments and assessing their performance. The management has identified four operating segments:

The Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the PRC.
The Tower Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC.
The Tower Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC.
The Hotel:	Operation of the hotel, namely Grand Hyatt Beijing, Beijing, the PRC.

### (a) Segment revenue and results

For the year ended 31 December 2007

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue .....	588	614	139	736	2,077
Segment profit .....	471	466	78	338	1,353
Decrease in fair value of investment properties .....					(65)
Finance costs .....					(159)
Depreciation and amortisation .....					(110)
Unallocated income, net .....					209
Profit before taxation .....					1,228
Income tax expense .....					(276)
Profit for the year .....					952

For the year ended 31 December 2008

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Consolidated</u>
	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>
Segment revenue .....	<u>695</u>	<u>646</u>	<u>142</u>	<u>786</u>	<u>2,269</u>
Segment profit .....	<u>572</u>	<u>504</u>	<u>81</u>	<u>385</u>	<u>1,542</u>
Increase in fair value of investment properties .....					923
Finance costs .....					(83)
Depreciation and amortisation .....					(117)
Unallocated income, net .....					327
Profit before taxation .....					2,592
Income tax expense .....					(625)
Profit for the year .....					<u>1,967</u>

For the year ended 31 December 2009

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Consolidated</u>
	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>
Segment revenue .....	<u>748</u>	<u>669</u>	<u>98</u>	<u>454</u>	<u>1,969</u>
Segment profit .....	<u>626</u>	<u>531</u>	<u>46</u>	<u>152</u>	<u>1,355</u>
Decrease in fair value of investment properties .....					(16)
Finance costs .....					(82)
Depreciation and amortisation .....					(111)
Unallocated income, net .....					73
Profit before taxation .....					1,219
Income tax expense .....					(346)
Profit for the year .....					<u>873</u>

For the ten months ended 31 October 2009 (unaudited)

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Consolidated</u>
	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>	<u>RMB million</u>
Segment revenue .....	<u>617</u>	<u>563</u>	<u>82</u>	<u>372</u>	<u>1,634</u>
Segment profit .....	<u>514</u>	<u>445</u>	<u>41</u>	<u>121</u>	<u>1,121</u>
Decrease in fair value of investment properties .....					(27)
Finance costs .....					(70)
Depreciation and amortisation .....					(92)
Unallocated income, net .....					75
Profit before taxation .....					1,007
Income tax expense .....					(280)
Profit for the period .....					<u>727</u>

For the ten months ended 31 October 2010

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Consolidated
	RMB million	RMB million	RMB million	RMB million	RMB million
Segment revenue .....	<u>679</u>	<u>542</u>	<u>74</u>	<u>444</u>	<u>1,739</u>
Segment profit .....	<u>572</u>	<u>417</u>	<u>33</u>	<u>160</u>	<u>1,182</u>
Increase in fair value of investment properties .....					8,756
Finance costs .....					(53)
Depreciation and amortisation .....					(91)
Unallocated income, net .....					22
Profit before taxation .....					9,816
Income tax expense .....					(2,489)
Profit for the period .....					<u>7,327</u>

The accounting policies of the operating segments are the same as the accounting policies described in Note 3. Segment profit is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

**(b) Segment assets**

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

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
The Malls .....	4,948	5,334	5,497	9,948
The Tower Offices .....	6,452	5,966	5,778	10,069
The Tower Apartments .....	1,945	1,708	1,662	1,629
The Hotel .....	2,688	2,404	2,277	2,233
Total segment assets .....	16,033	15,412	15,214	23,879
Bank balances and cash .....	1,277	1,544	646	996
Other assets .....	42	55	67	131
Consolidated assets .....	<u>17,352</u>	<u>17,011</u>	<u>15,927</u>	<u>25,006</u>

For the purposes of monitoring segment performances and resources allocation, all investment properties, land and related costs, hotel inventories, certain bank balances and cash, certain property, plant and equipment (mainly buildings) and trade and other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and other receivables) are unallocated.

**(c) Geographical information**

All of the Group's revenue is derived from activities and customers located in the PRC and the Group's non-current assets are all located in Beijing, the PRC.

The Group did not have any major customers as no single customer contributed more than 10% of the Group's revenue during the Relevant Periods.

**(d) Other segment information**

For the year ended 31 December 2007

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Segment Total</u>
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions .....	13	1	1	15	30
Depreciation of property, plant and equipment .....	5	8	1	9	23

For the year ended 31 December 2008

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Segment Total</u>
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions .....	6	3	1	23	33
Depreciation of property, plant and equipment .....	6	4	1	10	21

For the year ended 31 December 2009

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Segment Total</u>
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions .....	2	—	1	6	9
Depreciation of property, plant and equipment .....	6	4	1	12	23

For the ten months ended 31 October 2009 (unaudited)

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Segment Total</u>
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions .....	2	—	1	2	5
Depreciation of property, plant and equipment .....	5	3	1	10	19

For the ten months ended 31 October 2010

	<u>The Malls</u>	<u>The Tower Offices</u>	<u>The Tower Apartments</u>	<u>The Hotel</u>	<u>Segment Total</u>
	RMB million	RMB million	RMB million	RMB million	RMB million
Capital additions .....	8	1	1	7	17
Depreciation of property, plant and equipment .....	6	3	1	11	21

**6. REVENUE**

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Gross rental from investment properties .....	1,202	1,341	1,417	1,180	1,221
Income from hotel operation .....	736	786	454	372	444
Income from serviced apartments operation .....	139	142	98	82	74
Total .....	<u>2,077</u>	<u>2,269</u>	<u>1,969</u>	<u>1,634</u>	<u>1,739</u>

The gross rental from investment properties includes contingent rents of RMB35 million, RMB32 million, RMB23 million and RMB19 million (unaudited) and RMB20 million for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2009 and 2010 respectively.

The direct operating expense from investment properties amounting to RMB265 million, RMB265 million, RMB260 million and RMB221 million (unaudited) and RMB232 million for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2009 and 2010 respectively.

**7. RENTAL RELATED INCOME**

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Service income .....	33	40	39	32	33
Forfeited tenant deposits .....	14	9	20	—	—
Renovation income from tenants ...	7	13	6	5	2
Interest income from tenants .....	1	1	2	1	1
Others .....	6	9	10	10	4
Total .....	<u>61</u>	<u>72</u>	<u>77</u>	<u>48</u>	<u>40</u>

**8. OTHER INCOME**

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Bank interest income .....	23	24	13	10	8
Others .....	1	9	4	4	17
Total .....	<u>24</u>	<u>33</u>	<u>17</u>	<u>14</u>	<u>25</u>

## 9. OTHER OPERATING EXPENSES

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Advertising and promotion .....	11	13	18	12	12
Audit fee .....	1	1	1	1	1
Business tax .....	107	117	102	84	89
Insurance .....	6	5	5	4	4
Lease agency fee .....	34	37	22	16	19
Legal and other professional fee ...	1	3	3	2	1
Loss on disposal of property, plant and equipment .....	3	1	—	—	1
Property management fees .....	53	53	30	25	27
Repairs and maintenance and other miscellaneous expenses .....	221	48	165	132	142
Stamp duty .....	2	2	1	1	1
Urban land use tax .....	2	2	2	2	2
Urban real estate tax .....	87	87	87	72	74
Utilities .....	131	115	108	88	87
Valuation fees (paid to principal valuer) .....	—	—	—	—	—
	<u>659</u>	<u>484</u>	<u>544</u>	<u>439</u>	<u>460</u>

## 10. FINANCE COSTS

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Interest expense on secured bank loans wholly repayable within five years .....	<u>159</u>	<u>83</u>	<u>82</u>	<u>70</u>	<u>53</u>

## 11. INCOME TAX EXPENSE

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
The income tax expense comprises:					
Current tax—PRC enterprise income tax .....	409	305	270	222	231
Deferred taxation (Note 22) .....	(133)	320	76	58	2,258
	<u>276</u>	<u>625</u>	<u>346</u>	<u>280</u>	<u>2,489</u>

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong.

PRC enterprise income tax was provided at the applicable enterprise income tax rate of 33% on the estimated assessable profits of a PRC subsidiary of the Group for the year ended 31 December 2007.

Pursuant to the PRC Enterprise Income Tax Law (the "EIT Law") promulgated on 16 March 2007, the enterprise income taxes for both domestic and foreign-invested enterprises have been unified at the rate of 25% effective from 1 January 2008.

The EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to a non-PRC resident company for profits generated after 1 January 2008 at the rate of 5%. As at 31 December 2008, 31 December 2009 and 31 October 2010, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

The tax charge for the year/period can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
Profit before taxation . . . . .	<u>1,228</u>	<u>2,592</u>	<u>1,219</u>	<u>1,007</u>	<u>9,816</u>
Tax at the applicable income tax rate 33% for 2007, 25% for 2008, 2009 and ten months ended 2009 and 2010 . . . . .	405	648	305	252	2,454
Tax effect of expenses not deductible/income not taxable for tax purpose . . . . .	17	(23)	6	1	1
Deferred tax on undistributed earnings of a PRC subsidiary . . . .	—	15	34	29	34
Decrease in deferred tax liabilities resulting from a decrease in applicable tax rate . . . . .	(177)	—	—	—	—
Others . . . . .	31	(15)	1	(2)	—
Tax charge for the year/period . . . .	<u>276</u>	<u>625</u>	<u>346</u>	<u>280</u>	<u>2,489</u>

## 12. INVESTMENT PROPERTIES

	At 31 December			At 31 October 2010
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
FAIR VALUE				
At the beginning of the year/period . . . . .	11,397	11,332	11,258	11,242
Cost adjustment (Note 19) . . . . .	—	(997)	—	—
(Decrease) increase in fair value of investment properties . . . . .	(65)	923	(16)	8,756
At the end of the year/period . . . . .	<u>11,332</u>	<u>11,258</u>	<u>11,242</u>	<u>19,998</u>

- (a) The Group's investment properties held under operating leases are located in Beijing, the PRC under medium-term leases and are measured using the fair value model.
- (b) Investment properties were revalued on 31 December 2007, 2008, 2009 and 31 October 2010 by DTZ Debenham Tie Leung Limited, independent valuer having appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation of the properties was arrived at using the investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.
- (c) The investment properties have been pledged to secure bank borrowings of the Group.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings		Plant and machinery	Others	Total
	Hotel	Serviced apartments			
	RMB million	RMB million	RMB million	RMB million	RMB million
<b>COST</b>					
At 1 January 2007	1,325	884	262	339	2,810
Additions	—	—	—	35	35
Disposals	—	—	—	(27)	(27)
At 31 December 2007	1,325	884	262	347	2,818
Additions	—	—	—	38	38
Disposals	—	—	—	(9)	(9)
At 31 December 2008	1,325	884	262	376	2,847
Additions	—	—	—	17	17
Disposals	—	—	—	(7)	(7)
At 31 December 2009	1,325	884	262	386	2,857
Additions	—	—	—	20	20
Disposals	—	—	—	(8)	(8)
At 31 October 2010	1,325	884	262	398	2,869
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2007	(179)	(78)	(61)	(239)	(557)
Depreciation	(34)	(23)	(13)	(31)	(101)
Eliminated on disposals	—	—	—	24	24
At 31 December 2007	(213)	(101)	(74)	(246)	(634)
Depreciation	(34)	(23)	(13)	(27)	(97)
Eliminated on disposals	—	—	—	8	8
At 31 December 2008	(247)	(124)	(87)	(265)	(723)
Depreciation	(34)	(23)	(13)	(26)	(96)
Eliminated on disposals	—	—	—	7	7
At 31 December 2009	(281)	(147)	(100)	(284)	(812)
Depreciation	(28)	(19)	(11)	(22)	(80)
Eliminated on disposals	—	—	—	7	7
At 31 October 2010	(309)	(166)	(111)	(299)	(885)
<b>CARRYING AMOUNTS</b>					
At 31 December 2007	1,112	783	188	101	2,184
At 31 December 2008	1,078	760	175	111	2,124
At 31 December 2009	1,044	737	162	102	2,045
At 31 October 2010	1,016	718	151	99	1,984

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method on the following basis:

Hotel and serviced apartments	2.6% per annum
Plant and machinery	5% per annum
Others (comprising of furniture and fixtures and computer equipment)	18%-33 1/3% per annum

Hotel and serviced apartments, which are situated in Beijing, PRC are held under medium-term leases. Hotel and serviced apartments and plant and machinery have been pledged to secure bank borrowings of the Group.

#### 14. LAND AND RELATED COSTS

The carrying amount of prepaid lease payments and other related costs for land use rights held in the PRC under medium-term leases is analysed as follows:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Non-current asset .....	2,251	1,810	1,772	1,740
Current asset .....	41	38	38	38
	<u>2,292</u>	<u>1,848</u>	<u>1,810</u>	<u>1,778</u>

The land use rights have been pledged to secure bank borrowings of the Group.

#### 15. HOTEL INVENTORIES

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Food and beverage .....	5	5	3	3
Other consumables .....	12	15	13	14
	<u>17</u>	<u>20</u>	<u>16</u>	<u>17</u>

#### 16. TRADE AND OTHER RECEIVABLES

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Trade receivables .....	61	30	26	20
Deposits and prepayments .....	33	27	34	43
Advance to suppliers .....	7	3	6	3
Other receivables .....	10	16	16	6
	<u>111</u>	<u>76</u>	<u>82</u>	<u>72</u>

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

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Less than or equal to 1 month .....	52	22	22	7
More than 1 month but less than or equal to 3 months .....	4	4	3	12
Over 3 months .....	5	4	1	1
	<u>61</u>	<u>30</u>	<u>26</u>	<u>20</u>

There is no credit period given on billing for rental properties, including the malls, tower offices, tower apartments and the hotel, except that a maximum credit period of 30 days is granted to the travel

agencies and corporate customers of the hotel. Interest is charged immediately on overdue balance at the rate of 0.05% to 0.4% per day.

Hotel revenue is normally settled by cash or credit card.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB14 million, RMB8 million, RMB6 million and RMB13 million as at 31 December 2007, 2008, 2009 and 31 October 2010 respectively which were past due at the reporting dates on which the Group did not provide for doubtful debts as there were not a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral over these balances. The average age of these past due receivables for the Relevant Periods is 66 days, 85 days, 61 days and 11 days at 31 December 2007, 2008, 2009 and 31 October 2010 respectively.

Aging of trade receivables which are past due but not impaired is as follows:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Overdue:				
Less than or equal to 1 month	6	2	2	10
More than 1 month but less than or equal to 3 months	4	2	3	2
Over 3 months	4	4	1	1
	<u>14</u>	<u>8</u>	<u>6</u>	<u>13</u>

Movement in the allowance for doubtful debts is as follows:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
At the beginning of year/period	1	—	—	—
Reversal during the year/period	(1)	—	—	—
At the end of year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Trade and other receivables are denominated in the following currencies:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Renminbi ("RMB")	106	75	81	72
United States dollars ("US\$")	5	1	1	—
	<u>111</u>	<u>76</u>	<u>82</u>	<u>72</u>

## 17. BANK BALANCES AND CASH

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Cash at bank and in hand	329	471	228	395
7 days notice bank deposits	980	1,100	165	550
Fixed deposits with banks	107	114	339	212
	<u>1,416</u>	<u>1,685</u>	<u>732</u>	<u>1,157</u>

Average interest rate per annum is as follows:

	Year ended 31 December			Ten months ended
	2007	2008	2009	31 October 2010
	%	%	%	%
Bank deposits				
—7 days notice	1.67	1.65	1.35	1.35
Fixed deposits with banks				
—1 to 90 days	<u>2.12</u>	<u>1.10</u>	<u>1.44</u>	<u>1.91</u>

Bank balances and cash are denominated in the following currencies:

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Hong Kong dollars ("HK\$")	49	59	10	10
RMB	1,290	1,554	669	1,082
US\$	77	72	53	65
	<u>1,416</u>	<u>1,685</u>	<u>732</u>	<u>1,157</u>

## 18. TRADE AND OTHER PAYABLES

	At 31 December			At 31 October
	2007	2008	2009	2010
	RMB million	RMB million	RMB million	RMB million
Trade payables	51	63	53	46
Tenants' deposits	424	431	435	443
Rental received in advance	144	122	124	126
Demolition cost payables (Note (b))	560	522	520	509
Others	171	161	159	148
Total	1,350	1,299	1,291	1,272
Less: Amount due after one year shown under non-current liabilities	(558)	(520)	(518)	(507)
	<u>792</u>	<u>779</u>	<u>773</u>	<u>765</u>

Trade and other payables comprise:

- (a) deposits refundable to tenants upon termination of operating lease arrangements and amounts outstanding for ongoing costs. Tenants' deposits are refundable to tenants within 30 days upon termination of the relevant tenancy agreements.
- (b) In 1994, the predecessor of BOP entered into a demolition compensation agreement with a PRC party for demolition of structures at and clearance of a site for the development of Oriental Plaza, Beijing. BOP was obligated to pay a compensation of US\$79 million by 47 annual instalments to that PRC party.

Tenants' deposits amounting to RMB174 million, RMB152 million, RMB129 million and RMB133 million were related to leases which would expire within twelve months after 31 December 2007, 2008, 2009 and 31 October 2010 respectively based on the respective lease terms.

Trade and other payables are denominated in the following currencies:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
RMB .....	766	761	758	751
US\$ .....	584	538	533	521
	<u>1,350</u>	<u>1,299</u>	<u>1,291</u>	<u>1,272</u>

## 19. OTHER PAYABLE

In 1998, Hui Xian Investment entered into a co-operative joint venture contract with the Domestic JV Partner to set up BOP.

Pursuant to the joint venture contract and articles of association of BOP, the Domestic JV Partner was responsible for assisting BOP in application for the grant of land use rights for a term of 50 years for the use of development of Oriental Plaza, Beijing and demolition of structures at and clearance of such site, while Hui Xian Investment was responsible for contributing the entire capital of BOP. Under the joint venture contract and articles of association of BOP, the Domestic JV Partner was entitled to US\$1,755 million (the "Compensation Amount") by 50 annual installments from BOP but not any profit distribution of BOP. Upon the expiration of the joint venture period of BOP (i.e. in 2049 unless extended) and after the repayment of BOP's liabilities and the full recovery of the injected investment amounts of Hui Xian Investment, property, plant and equipment of BOP will belong to the Domestic JV Partner for no consideration and all other remaining assets, if any, of BOP will be distributed between Hui Xian Investment and the Domestic JV Partner in the respective ratio of 60:40. The Compensation Amount payable in 50 annual installments were discounted at prevailing market rate which was 6% at initial recognition and accounted for as a payable.

The aforesaid joint venture contract and the articles of association were amended and supplemented by supplemental agreements thereto respectively entered into between the parties in 2008. Following the amendments made pursuant to the aforesaid supplemental arrangements, the Domestic JV Partner would be entitled to US\$271 million (the "Remaining Relevant Amount"), which was determined based on the present value of remaining Compensation Amount at 2006, as a lump sum settlement of all the outstanding Compensation Amount. During the year ended 31 December 2008, those supplemental agreements became effective upon the fulfillment of certain stipulated conditions.

US\$54 million of the Remaining Relevant Amount was paid in 2006 and the remaining balance was fully settled in 2009. As at 31 December 2007, RMB3,109 million represented the amortised cost of the Compensation Amount. As at 31 December 2008, the amount outstanding reduced to RMB1,570 million after adjusting for the impact of the supplemental agreements which became effective in 2008. Reduction in payable to the Domestic JV Partner included as a cost adjustment to the carrying amount of investment properties and land and related costs amounted to RMB997 million and RMB403 million respectively.

## 20. LOAN FROM ULTIMATE HOLDING COMPANY

Loan from ultimate holding company is denominated in US\$, unsecured, interest-free and with no fixed repayment term.

**21. BANK BORROWINGS**

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
Secured term loans .....	2,417	1,554	1,946	1,505
Carrying amount repayable:				
Within one year .....	756	707	846	405
More than one year, but not more than five years .....	1,661	847	1,100	1,100
	2,417	1,554	1,946	1,505
Less: Amount due within one year shown under current liabilities .....	(756)	(707)	(846)	(405)
	1,661	847	1,100	1,100

Bank borrowings are denominated in the following currencies:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
US\$ .....	2,417	1,554	846	405
RMB .....	—	—	1,100	1,100
	2,417	1,554	1,946	1,505

As at 31 December 2007, 2008 and 2009 and 31 October 2010, the Group had a US\$430 million term loan banking facility. In addition, as at 31 December 2009 and 31 October 2010, the Group obtained an additional RMB1,100 million term loan banking facility.

The terms and conditions of the facilities are as follows:

- (i) US\$430 million term loan bears interest at floating interest rate of LIBOR+0.55% per annum and is repayable by instalments until November 2010.
- (ii) RMB1,100 million term loan bears interest at 90% of the benchmark interest rate quoted by the People's Bank of China ("PBOC") and is repayable in full in 2014.

The amounts being utilised under the facilities are set out above.

The effective interest rate is ranged from 5.33% to 5.99%, 2.08% to 5.66%, 0.84% to 5.18% and 0.96% to 5.18% per annum for the years ended 31 December 2007, 2008, 2009 and ten months ended 31 October 2010 respectively.

The bank loans are secured by the land use rights, investment properties, hotel and serviced apartments and plant and machinery of the Group as at 31 December 2007, 2008, 2009 and 31 October 2010.

The fair value of the Group's borrowings approximate to the carrying amounts.

**22. DEFERRED TAX LIABILITIES**

The followings are the major components of deferred tax liabilities (assets) recognised and movements therein during the Relevant Periods:

	Accelerated tax depreciation	Pre-operating expenses	Fair value of investment properties	Withholding tax on retained profits to be distributed	Total
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2007 .....	569	(9)	170	—	730
Charge (credit) to profit or loss .....	57	3	(16)	—	44
Effect of change in tax rate .....	(142)	2	(37)	—	(177)
At 31 December 2007 .....	484	(4)	117	—	597
Charge to profit or loss .....	71	3	231	15	320
At 31 December 2008 .....	555	(1)	348	15	917
Charge (credit) to profit or loss .....	45	1	(4)	34	76
At 31 December 2009 .....	600	—	344	49	993
Charge to profit or loss .....	35	—	2,189	34	2,258
At 31 October 2010 .....	<u>635</u>	<u>—</u>	<u>2,533</u>	<u>83</u>	<u>3,251</u>

**23. SHARE CAPITAL**

	As at 31 December 2007, 2008, 2009 and 31 October 2010
	RMB million
Authorised:	
1 share of US\$1 .....	—
Issued and fully paid:	
1 share of US\$1 .....	—

**24. CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity of the Company, comprising share capital, exchange reserve and retained profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital, and take appropriate actions to balance its overall capital structure.

The management's strategy remained unchanged during the Relevant Periods.

**25. FINANCIAL INSTRUMENTS****a. Categories of financial instruments**

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Trade and other receivables .....	71	46	42	26
Bank balances and cash .....	1,416	1,685	732	1,157
	<u>1,487</u>	<u>1,731</u>	<u>774</u>	<u>1,183</u>
<b>Financial liabilities</b>				
<i>Amortised cost</i>				
Trade and other payables .....	777	744	729	682
Other payable .....	3,109	1,570	—	—
Loan from ultimate holding company .....	7,302	6,832	6,143	6,019
Bank borrowings .....	2,417	1,554	1,946	1,505
	<u>13,605</u>	<u>10,700</u>	<u>8,818</u>	<u>8,206</u>
Tenants' deposits .....	<u>424</u>	<u>431</u>	<u>435</u>	<u>443</u>

**b. Financial risk management objectives and policies**

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group is also exposed to fair value interest rate risk relates to the 7 days notice bank deposits and certain fixed deposits with banks. Interest rate risk is managed by the management on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for bank borrowings assuming that the bank borrowings outstanding at the end of each reporting period were outstanding for the whole year/period. A range of 25 – 75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's post-tax profit for the year/period would decrease or increase accordingly. This is mainly attributable to the Group's exposure to LIBOR and benchmark interest rate quoted by PBOC. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rate basis points by:

	Decrease in the Group's profit				
	Year ended 31 December			Ten months ended 31 October	
	2007	2008	2009	2009	2010
	RMB million	RMB million	RMB million	RMB million (unaudited)	RMB million
25 basis points .....	(4)	(3)	(4)	(3)	(2)
50 basis points .....	(8)	(6)	(7)	(7)	(5)
75 basis points .....	<u>(12)</u>	<u>(9)</u>	<u>(11)</u>	<u>(10)</u>	<u>(7)</u>

Conversely, if the interest rates were to decline, the effect on the Group would be an increase in the Group's post-tax profit for the year/period by the amount shown above.

#### Foreign currency risk

The Group collected all of its revenue in RMB and most of the expenditures including expenditures incurred in property investment as well as capital expenditures are also denominated in RMB.

The Group undertook certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of each reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	At 31 December			At 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
<b>Assets</b>				
US\$ .....	25	18	5	2
HK\$ .....	<u>49</u>	<u>59</u>	<u>10</u>	<u>10</u>
<b>Liabilities</b>				
US\$ .....	<u>8,532</u>	<u>5,967</u>	<u>3,065</u>	<u>2,607</u>

The foreign currency risk is managed by the management on an ongoing basis as well as by minimising the net debt in US\$ and asset in HK\$.

As HK\$ is currently pegged to US\$, the management considers that the exposure to exchange fluctuation between HK\$ and US\$ is limited. The Group is therefore mainly exposed to currency risk between RMB and US\$.

If RMB were to strengthen against US\$ by 5%, 10% and 15%, the Group's post-tax profit and equity would increase by:

Increase in the Group's profit				
	Year ended 31 December			Ten months ended 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
5% .....	205	138	52	35
10% .....	410	275	104	69
15% .....	<u>614</u>	<u>412</u>	<u>155</u>	<u>104</u>
Increase in the Group's equity				
	Year ended 31 December			Ten months ended 31 October 2010
	2007	2008	2009	
	RMB million	RMB million	RMB million	RMB million
5% .....	81	86	63	63
10% .....	162	173	126	126
15% .....	<u>243</u>	<u>259</u>	<u>190</u>	<u>189</u>

Conversely, if RMB were to weaken against US\$, there would be an equal and opposite effect on the Group's profit and equity for the year/period.

#### *Credit risk*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay two to three months deposits upon entering into leases with the Group. The Group has the right to offset the deposits against the outstanding receivables should the tenants default rental payments.

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rate of 0.05% to 0.4% per day. In addition, the management is responsible for follow up action to recover the overdue debt. The management also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

There is a maximum credit period of 30 days granted to corporate customers and travel agents of the hotel. The Group has no significant concentration of credit risk over these debtors, with exposure spread over a number of counterparties and customers. The management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because cash, bank deposits and fixed deposits with banks are placed with reputable financial institutions which are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

*Liquidity risk*

The management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations. As at 31 December 2007, 2008, 2009 and 31 October 2010, the Group had net current liabilities of RMB7,745 million, RMB8,298 million, RMB7,019 million and RMB6,001 million respectively. Taking into account of the internally generated funds and the financial support from the ultimate holding company set out in Note 1, the Group will be able to meet its financial obligation when they fall due.

*Liquidity risk analysis*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The undiscounted cash flows for borrowings are derived from the interest rate on period end date for borrowings at variable interest rate.

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2007
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	—	219	—	2	556	777	777
Other payable . . . . .	6.00	—	121	64	11,871	12,056	3,109
Tenants' deposits . . . .	—	84	90	63	187	424	424
Bank borrowings . . . .	5.51	496	373	828	934	2,631	2,417
Loan from ultimate holding company . .	—	7,302	—	—	—	7,302	7,302
		<u>8,101</u>	<u>584</u>	<u>957</u>	<u>13,548</u>	<u>23,190</u>	<u>14,029</u>

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2008
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	—	224	—	2	518	744	744
Other payable . . . . .	—	1,570	—	—	—	1,570	1,570
Tenants' deposits . . . .	—	60	92	81	198	431	431
Bank borrowings . . . .	2.90	445	299	864	—	1,608	1,554
Loan from ultimate holding company . .	—	6,832	—	—	—	6,832	6,832
		<u>9,131</u>	<u>391</u>	<u>947</u>	<u>716</u>	<u>11,185</u>	<u>11,131</u>

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 December 2009
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	—	211	—	2	516	729	729
Tenants' deposits . . . .	—	44	85	90	216	435	435
Bank borrowings . . . . .	3.47	450	460	58	1,216	2,184	1,946
Loan from ultimate holding company . . .	—	6,143	—	—	—	6,143	6,143
		<u>6,848</u>	<u>545</u>	<u>150</u>	<u>1,948</u>	<u>9,491</u>	<u>9,253</u>

	Weighted average interest rate	On demand and less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 October 2010
	%	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Non-derivative financial liabilities</b>							
Trade and other payables . . . . .	—	175	—	2	505	682	682
Tenants' deposits . . . .	—	64	69	141	169	443	443
Bank borrowings . . . . .	4.10	419	43	58	1,169	1,689	1,505
Loan from ultimate holding company . .	—	6,019	—	—	—	6,019	6,019
		<u>6,677</u>	<u>112</u>	<u>201</u>	<u>1,843</u>	<u>8,833</u>	<u>8,649</u>

### c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate to their corresponding fair values.

## 26. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiary is required to participate in a defined contribution retirement scheme administered by the local municipal government. The Group's PRC subsidiary contributes funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group recognised the retirement benefit costs of RMB7,308,000, RMB7,309,000, RMB7,540,000, RMB6,329,000 (unaudited) and RMB6,217,000 for the years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2009 and 2010 respectively.

**27. PLEDGE OF ASSETS**

The following assets were pledged to secure certain banking facilities granted to the Group at the end of each reporting period:

	At 31 December			At
	2007	2008	2009	31 October 2010
	RMB million	RMB million	RMB million	RMB million
Investment properties .....	11,332	11,258	11,242	19,998
Land and related costs .....	2,292	1,848	1,810	1,778
Plant and machinery .....	188	175	162	151
Hotel and serviced apartments .....	1,895	1,838	1,781	1,734
	<u>15,707</u>	<u>15,119</u>	<u>14,995</u>	<u>23,661</u>

**28. OPERATING LEASE COMMITMENTS**

At the end of each reporting period, the Group as the lessor had contracted with tenants for the following future minimum lease payments:

	At 31 December			At
	2007	2008	2009	31 October 2010
	RMB million	RMB million	RMB million	RMB million
Within one year .....	990	1,034	1,131	1,271
In the second to fifth years inclusive .....	2,159	1,928	1,879	1,618
Over five years .....	176	50	19	7
Total .....	<u>3,325</u>	<u>3,012</u>	<u>3,029</u>	<u>2,896</u>

The Group rents out its investment properties in the PRC under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging from 1 month to 9 years with monthly fixed rental, except for certain leases of the mall of which contingent rents are charged based on the percentage of sales ranged from 5% to 25%.

**B. SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the Relevant Periods, the Group entered into the following transactions with related parties:

	Note	At 31 December			At
		2007	2008	2009	31 October 2010
		RMB million	RMB million	RMB million	RMB million
<u>Bank borrowing from a related company</u>					
Bank of China Limited .....	(a)	2,417	1,554	1,946	1,505
<u>Loan from ultimate holding company</u>					
Hui Xian Holdings Limited .....		7,302	6,832	6,143	6,019

Notes:

(a) Bank of China Limited is the intermediate holding company of Bank of China Group Investment Limited, a shareholder of Hui Xian Holdings Limited, the ultimate holding company of the Company.

The Group's key management personnel are all directors. No directors' emoluments were paid or are payable by the Group for the years ended 31 December 2007, 2008, 2009 and the ten months ended 31 October 2009 and 2010, respectively.

**C. SUBSEQUENT EVENT**

On 20 January 2011, BOP entered into an agreement ("early settlement agreement") with the PRC party for early settlement of the demolition cost payable as disclosed in Note 18. Pursuant to the early settlement agreement, BOP was obligated to pay US\$11 million, which was determined based on the present value of the outstanding balance of demolition cost payable at the end of 2010. The early settlement payment was made on 28 January 2011.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements for any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 October 2010.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

**A. UNAUDITED PRO FORMA STATEMENTS OF FINANCIAL POSITION**

The following tables set out, for illustrative purposes only, an unaudited pro forma statement of financial position of Hui Xian REIT as at the Listing Date based on the Maximum Offer Price and an unaudited pro forma statement of financial position of Hui Xian REIT as at the Listing Date based on Minimum Offer Price.

These unaudited pro forma statements of financial position have been prepared based on the audited consolidated statements of financial position of Hui Xian BVI as at 31 October 2010 as set out in Appendix I to this Offering Circular, taking into account the fair market value of the Oriental Plaza as of 31 January 2011 as determined by the Independent Property Valuer and assuming (i) the completion of the reorganisation of Hui Xian BVI Group and the acquisition of Hui Xian BVI by Hui Xian REIT (ii) the issuance of the Units pursuant to the Offering and (iii) the repayment of Existing Indebtedness (less the Assigned Indebtedness) by Hui Xian BVI Group to Hui Xian Cayman and assignment of the Assigned Indebtedness to the Trustee (as trustee of Hui Xian REIT).

These unaudited pro forma statements of financial position have been prepared for illustrative purposes only and do not purport to represent what the assets and liabilities of Hui Xian REIT will actually be as at the Listing Date or to give a true picture of the financial position of Hui Xian REIT as at the Listing Date or any future date.

## APPENDIX II

UNAUDITED PRO FORMA STATEMENTS OF FINANCIAL POSITION  
OF HUI XIAN REIT

## Unaudited Pro Forma Statement of Financial Position of Hui Xian REIT (Based on Maximum Offer Price of RMB5.58)

	Pro forma adjustments				Pro forma statement of financial position of Hui Xian REIT (Unaudited) RMB million
	Hui Xian REIT as at 1 April 2011 (Unaudited) (Note 1) RMB million	Acquisition of Hui Xian BVI (Audited) (Note 2) RMB million	Other adjustments (Unaudited) RMB million	Notes	
<b>Non-current assets</b>					
Investment properties	—	19,998	5,182	3(ii)	25,180
Property, plant and equipment	—	1,984			1,984
Land and related costs	—	1,740	2,567	3(ii)	4,307
Goodwill	—	—	2,827	3(vi)	2,827
	—	<u>23,722</u>			<u>34,298</u>
<b>Current assets</b>					
Hotel inventories	—	17			17
Land and related costs	—	38			38
Trade and other receivables	—	72			72
Bank balances and cash	—	1,157	12,834	4	
			(379)	4	
			(12,455)	5	1,157
	—	<u>1,284</u>			<u>1,284</u>
<b>Current liabilities</b>					
Trade and other payables	—	(765)			(765)
Loan from immediate holding company	—	—	(6,019)	3(i)	—
			(7,300)	3(iii)	
			13,319	5	
Loan from ultimate holding company	—	(6,019)	6,019	3(i)	—
Tax payable	—	(96)			(96)
Bank borrowings	—	(405)			(405)
	—	<u>(7,285)</u>			<u>(1,266)</u>
<b>Net current (liabilities) assets</b>	—	<u>(6,001)</u>			<u>18</u>
<b>Total assets less current liabilities</b>	—	<u>17,721</u>			<u>34,316</u>
<b>Non-current liabilities</b>					
Bank borrowings	—	(1,100)			(1,100)
Trade and other payables	—	(507)			(507)
Other payable	—	—			—
Deferred tax liabilities	—	(3,251)	(1,937)	3(ii)	(5,188)
	—	<u>(4,858)</u>			<u>(6,795)</u>
	—	<u>12,863</u>			<u>27,521</u>
<b>Represented by:</b>					
Share capital	—	—			—
Exchange reserve	—	919	(919)	3(v)	—
Retained profits	—	11,944	(11,944)	3(iii)&(v)	—
	—	<u>12,863</u>			<u>—</u>
<b>Net assets attributable to unitholders:</b>					
Issued units	—	—	15,066	3(iv)	
	—	—	12,455	4	<u>27,521</u>

## APPENDIX II

UNAUDITED PRO FORMA STATEMENTS OF FINANCIAL POSITION  
OF HUI XIAN REIT

## Unaudited Pro Forma Statement of Financial Position of Hui Xian REIT (Based on Minimum Offer Price of RMB5.24)

		Pro forma adjustments			
	Hui Xian REIT as at 1 April 2011	Acquisition of Hui Xian BVI	Other adjustments	Notes	Pro forma statement of financial position of Hui Xian REIT
	(Unaudited) (Note 1)	(Audited) (Note 2)	(Unaudited)		(Unaudited)
	RMB million	RMB million	RMB million		RMB million
<b>Non-current assets</b>					
Investment properties .....	—	19,998	5,182	3(ii)	25,180
Property, plant and equipment .....	—	1,984			1,984
Land and related costs .....	—	1,740	2,567	3(ii)	4,307
Goodwill .....	—	—	1,144	3(vi)	1,144
	—	<u>23,722</u>			<u>32,615</u>
<b>Current assets</b>					
Hotel inventories .....	—	17			17
Land and related costs .....	—	38			38
Trade and other receivables .....	—	72			72
Bank balances and cash .....	—	1,157	12,052	4	
			(362)	4	
			(11,690)	5	1,157
	—	<u>1,284</u>			<u>1,284</u>
<b>Current liabilities</b>					
Trade and other payables .....	—	(765)			(765)
Loan from immediate holding company .....	—	—	(6,019)	3(i)	—
			(7,300)	3(iii)	
			13,319	5	
Loan from ultimate holding company .....	—	(6,019)	6,019	3(i)	—
Tax payable .....	—	(96)			(96)
Bank borrowings .....	—	(405)			(405)
	—	<u>(7,285)</u>			<u>(1,266)</u>
<b>Net current (liabilities) assets</b> .....	—	<u>(6,001)</u>			<u>18</u>
<b>Total assets less current liabilities</b> .....	—	<u>17,721</u>			<u>32,633</u>
<b>Non-current liabilities</b>					
Bank borrowings .....	—	(1,100)			(1,100)
Trade and other payables .....	—	(507)			(507)
Other payable .....	—	—			—
Deferred tax liabilities .....	—	(3,251)	(1,937)	3(ii)	(5,188)
	—	<u>(4,858)</u>			<u>(6,795)</u>
	—	<u>12,863</u>			<u>25,838</u>
<b>Represented by:</b>					
Share capital .....	—	—			—
Exchange reserve .....	—	919	(919)	3(v)	—
Retained profits .....	—	11,944	(11,944)	3(iii)&(v)	—
	—	<u>12,863</u>			<u>—</u>
<b>Net assets attributable to unitholders:</b>					
Issued units .....	—	—	14,148	3(iv)	
			11,690	4	25,838

## Notes:

1. The balances have been extracted from the unaudited statement of financial position of Hui Xian REIT as at 1 April 2011, the date of establishment of Hui Xian REIT.
2. The balances have been extracted from the audited consolidated statement of financial position of Hui Xian BVI as at 31 October 2010 as set out in Appendix I to this Offering Circular.
3. The following adjustments reflect the reorganisation of Hui Xian BVI and the acquisition of Hui Xian BVI by Hui Xian REIT:
  - (i) Shareholder's loan and other intra-group amounts owing by Hui Xian Investment or Hui Xian BVI (on one hand) to Hui Xian Cayman or Hui Xian Holdings (on the other hand) will be rearranged so that Hui Xian BVI will be indebted to Hui Xian Cayman and Hui Xian Investment will be indebted to Hui Xian BVI prior to Completion. The loan from ultimate holding company will all be reclassified to loan from immediate holding company.
  - (ii) Revaluation of Oriental Plaza (including interests in buildings and leasehold land) by reference to the fair market valuation made by the Independent Property Valuer as at 31 January 2011 as set out in Appendix V to this Offering Circular and the related deferred tax effect.
  - (iii) On 7 April 2011, Hui Xian BVI declared a distribution in the amount of RMB7,300 million to its then sole shareholder, Hui Xian Cayman, out of its surplus, after a revaluation of Hui Xian BVI's assets. Prior to Completion, Hui Xian BVI Group will be indebted to Hui Xian Cayman in the total amount of the Existing Indebtedness.
  - (iv) On 8 April 2011, the Trustee (as trustee of Hui Xian REIT), the Manager, Hui Xian Cayman and Hui Xian Holdings entered into the Reorganisation Agreement, pursuant to which the Trustee (as trustee of Hui Xian REIT) has agreed to take up the Hui Xian BVI Share and interests in the Assigned Indebtedness from Hui Xian Cayman. The consideration for the Hui Xian BVI Share and the Assigned Indebtedness will be satisfied by the issuance of 2,700,000,000 Units to Hui Xian Cayman. After Completion and prior to the completion of the Offering, all the Units in Hui Xian REIT will be owned by Hui Xian Cayman. See the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — Reorganisation Agreement" in this Offering Circular for further details of the Reorganisation Agreement.
  - (v) Elimination of pre-acquisition reserves of Hui Xian BVI including retained profits and exchange reserve.
  - (vi) The amount represents the recognition of the excess of the costs of acquisition at the Completion Date over the assumed fair values of net identifiable assets, liabilities and contingent liabilities of Hui Xian REIT taken up in accordance with Hong Kong Financial Reporting Standard 3: Business Combination.

Since the fair values of the assets and liabilities of Hui Xian BVI as at Completion Date may be different from their assumed fair values used in the preparation of the unaudited pro forma statement of financial position presented above, the actual excess of the costs of acquisition over the fair values of net identifiable assets, liabilities and contingent liabilities of Hui Xian BVI, arising from the acquisition, if any, may be different from the estimated amount shown in this Appendix.
4. This represents the net proceeds from the issuance of 2,300,000,000 Units (consisting of the Hong Kong Public Offering and International Offering of 2,000,000,000 Units and subscription by Hui Xian Holdings of 300,000,000 Units) based on Maximum Offer Price and Minimum Offer Price of RMB5.58 and RMB5.24 respectively, after deducting issuance costs, comprising expenses related to the Offering, which include underwriting commission payable to the Underwriters (based on the Offering size), legal fees, printing costs, accountants' fees, listing costs, advertisement and marketing related expenses.
5. This represents the repayment of Existing Indebtedness (less the Assigned Indebtedness) by Hui Xian BVI Group to Hui Xian Cayman and assignment of the Assigned Indebtedness to the Trustee (as trustee of Hui Xian REIT).
6. In accordance with the Trust Deed, Hui Xian REIT has a limited life of 80 years less 1 day from the date of commencement of Hui Xian REIT, and Hui Xian REIT is required to distribute to unitholders 100% of its Annual Distributable Income for the period from the Listing Date to 31 December 2011 and the financial year ending 31 December 2012, and not less than 90% of its Annual Distributable Income for each financial year thereafter. Accordingly, the Units contain contractual obligations to pay cash dividends and also, upon the termination of Hui Xian REIT, a share of all net cash proceeds derived from the sale or realisation of the assets of Hui Xian REIT less any liabilities, in accordance with their proportionate interests in Hui Xian REIT at the date of its termination. The unitholders' funds (which are represented by the net proceeds from the issuance of Units) are therefore classified as financial liabilities in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Disclosure and Presentation. It is shown on the statement of financial position as net assets attributable to Unitholders.
7. The NAV per Unit is RMB5.50 and RMB5.17 based on the Maximum Offer Price and Minimum Offer Price, respectively. The calculation of the NAV per Unit is arrived at on the basis of the net assets attributable to Unitholders extracted from the Unaudited Pro Forma Statement of Financial Position of Hui Xian REIT based on the Maximum Offer Price and Minimum Offer Price, being the estimated net proceeds from the Offering and Hui Xian Holdings Subscription based on the Maximum Offer Price and Minimum Offer Price after deduction of issuance expenses payable by Hui Xian REIT, and on the basis that 5,000,000,000 units will be in issue upon completion of the Offering.

**B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF HUI XIAN ASSET MANAGEMENT LIMITED (AS MANAGER OF HUI XIAN REAL ESTATE INVESTMENT TRUST) AND CITIC SECURITIES CORPORATE FINANCE (HK) LIMITED, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AND BOCI ASIA LIMITED**

We report on the unaudited pro forma financial information of Hui Xian REIT and its controlled entities (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Manager for illustrative purposes only, to provide information about how the proposed reorganisation of Hui Xian BVI, acquisition of Hui Xian BVI by Hui Xian REIT, the issuance of the Units in Hui Xian REIT pursuant to the Offering and the repayment of Existing Indebtedness (less the Assigned Indebtedness) by Hui Xian BVI Group to Hui Xian Caymen and assignment of the Assigned Indebtedness to the Trustee (as trustee of Hui Xian REIT) might have affected the financial information presented, for inclusion in the offering circular of Hui Xian REIT dated 11 April 2011 (the “Offering Circular”). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 to II-4 to the Offering Circular. Unless the context otherwise defines, the terms used in this report shall have the same meanings set out in the section headed “Definitions” in the Offering Circular.

**Respective responsibilities of directors of the Manager and reporting accountants**

It is the responsibility solely of the directors of the Manager to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the “Listing Rule 4.29”), which is applicable to a new applicant seeking for listing of its equity securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”), as if the Listing Rule 4.29 are applicable to Hui Xian REIT, and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 7 of Listing Rule 4.29, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Manager. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Manager on the basis stated, that such basis is consistent with the accounting policies of the Group

and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 1 of Listing Rule 4.29 as if the Listing Rules were applicable to Hui Xian REIT.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Manager, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 29 April 2011 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Manager on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 1 of Listing Rule 4.29 as if the Listing Rule 4.29 were applicable to Hui Xian REIT.

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

11 April 2011

**A. REPORT OF THE MANAGER**

*The following is the text of the report from the Manager in relation to the forecast net consolidated profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 as set out in the section headed "Profit Forecast" in this Offering Circular.*

11 April 2011

Dear Sirs,

We have prepared the Profit Forecast and Working Capital Forecast (the "**Forecast**") of Hui Xian REIT for the period from 29 April 2011 to 30 June 2011 based on the assumptions, as set out in these memoranda, and adopted consistent accounting policies which are normally adopted by the companies now comprising the Hui Xian REIT. We considered the assumptions and accounting policies used in the Forecast to be appropriate and reasonable. We confirm that we have exercised due care and consideration in the compilation of the Forecast and we have satisfied ourselves that the Forecast has been stated after due and careful enquiry.

We are satisfied that all material facts which have come to our attention have been taken into account in arriving at the Forecast and are satisfied that the Forecast has been properly considered and documented.

Investors should carefully consider these bases and assumptions when making an assessment of the future performance of Hui Xian REIT based on the Forecast.

The section headed "Profit Forecast" in the offering circular of Hui Xian REIT dated 11 April 2011 was approved by the board of directors of Hui Xian Asset Management Limited.

Yours faithfully,

**Hui Xian Asset Management Limited**

**B. LETTER FROM DELOITTE TOUCHE TOHMATSU**

*The following is the text of the letter from Deloitte Touche Tohmatsu, the auditor and reporting accountants of Hui Xian REIT, in relation to the forecast consolidated net profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 as set out in the section headed "Profit Forecast" in this Offering Circular.*

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

11 April 2011

The Directors

Hui Xian Asset Management Limited (as Manager of Hui Xian REIT)  
CITIC Securities Corporate Finance (HK) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
BOCI Asia Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") and its controlled entities (hereinafter collectively referred to as the "Group") for the period from 29 April 2011 (the "Listing Date") to 30 June 2011 (the "Profit Forecast"), as set out in the section head "Profit Forecast" in the offering circular of Hui Xian REIT dated 11 April 2011 issued in connection with the offering of 2,000,000,000 units in the Hui Xian REIT (the "Offering Circular") and the listing of the units in Hui Xian REIT on the Main Board of The Stock Exchange of Hong Kong Limited.

We conducted our work in accordance with Auditing Guideline 3.341 on "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of Hui Xian Asset Management Limited, the manager of Hui Xian REIT (the "Manager"), are solely responsible, has been prepared by them based on the forecast of the combined profit of the Group for period from the Listing Date to 30 June 2011.

In our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions and bases made by the directors of the Manager as set out in the section headed "Profit Forecast — Bases and Assumptions" in the Offering Circular and is presented on a basis consistent in all material respects with the accounting policies adopted in preparing the Accountants' Report of the financial information of Hui Xian (B.V.I.) Limited and its subsidiaries (hereinafter collectively referred to as the "Subsidiaries") dated 11 April 2011 as set out in Appendix I to the Offering Circular. However, we draw to your attention that the Manager has stated in the section headed "Profit Forecast" in the Offering Circular that in preparing the Profit Forecast, the Manager considers that there is no reasonable basis to arrive at the market values for Oriental Plaza as at 30 June 2011. Accordingly, the Manager has made no assumption in regard to changes in property value in arriving at the profit forecast for the period from the Listing Date to 30 June 2011.

Without qualifying our opinion above, we would point out that any increase or decrease in fair value of the investment properties would need to be credited or charged to the combined statement of comprehensive income in accordance with the accounting policies adopted by the Subsidiaries for preparation of the Accountants' Report. Should such an increase or decrease arise, this would have the effect of increasing or reducing the combined profit of the Group for the period from the Listing Date to 30 June 2011.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
11 April 2011

**C. LETTER FROM THE JOINT LISTING AGENTS**

*The following is the text of the letter received from CITIC Securities Corporate Finance (HK) Limited, The Hongkong and Shanghai Banking Corporation Limited and BOCI Asia Limited, in relation to the forecast consolidated net profit of Hui Xian REIT for the period from the Listing Date to 30 June 2011 as set out in the section headed "Profit Forecast" in this Offering Circular.*

**CITIC Securities Corporate Finance (HK) Limited**  
**26/F CITIC Tower**  
**1 Tim Mei Avenue Central**  
**Hong Kong**

**The Hongkong and Shanghai Banking Corporation Limited**  
**1 Queen's Road Central**  
**Hong Kong**

**BOCI Asia Limited**  
**26/F Bank of China Tower**  
**1 Garden Road Hong Kong**

11 April 2011

The Directors  
Hui Xian Asset Management Limited

Dear Sirs

We refer to the forecast of the combined profit of Hui Xian Real Estate Investment Trust ("**Hui Xian REIT**") from 29 April 2011 (the "Listing Date") to 30 June 2011 (the "**Forecast**") as set out in the subsection headed "Profit Forecast" in the section headed "Financial Information and Forecasts" in the offering circular of Hui Xian REIT dated 11 April 2011 (the "**Offering Circular**"). The Forecast has been prepared based on a projection of the combined results of Hui Xian REIT from the Listing Date to 30 June 2011.

We have discussed with you the bases and assumptions made by you as set out in the subsection headed "Profit Forecast" in the section headed "Financial Information and Forecasts" in the Offering Circular upon which the Forecast has been made. We have also considered, and relied upon, the letter dated 11 April 2011 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we, as the Joint Listing Agents of Hui Xian REIT, are of the opinion that the Forecast, for which you as directors of Hui Xian Asset Management Limited, the Manager of Hui Xian REIT, are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**CITIC Securities Corporate Finance (HK) Limited**

Freda Wong  
*Executive Director*

For and on behalf of  
**The Hongkong and Shanghai Banking Corporation Limited**

Jason Kern  
*Managing Director*  
*Head of Real Estate & Lodging Advisory, Asia Pacific*

For and on behalf of  
**BOCI Asia Limited**

Daniel Ng                      Kelvin Mak  
*Managing Director*        *Executive Director*  
*Head of Corporate Finance*  
*Vice Chairman,*  
*Investment Banking Division*

11 April 2011

Hui Xian Asset Management Limited  
(as manager of Hui Xian Real Estate Investment Trust)

Unit 1203, 12/F  
Cheung Kong Center  
2 Queen's Road Central

Hong Kong

DB Trustees (Hong Kong) Limited  
(as trustee of Hui Xian Real Estate Investment Trust)  
52/F, International Commerce Centre,  
1 Austin Road West, Kowloon, Hong Kong

CITIC Securities Corporate Finance (HK) Limited  
26/F CITIC Tower, 1 Tim Mei Ave,  
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central, Hong Kong

BOCI Asia Limited  
26/F Bank of China Tower,  
1 Garden Road, Hong Kong

Dear Sirs,

**RE: PROPERTY IN RELATION TO HUI XIAN REAL ESTATE INVESTMENT TRUST (THE  
"PROPERTY") — RENTAL INCOME FORECAST**

We have examined the rental income forecast (the "Rental Income Forecast") of the Property and the related assumptions used by Hui Xian Asset Management Limited (the "Manager") for the purposes of the profit forecast for the period from the anticipated Listing Date as defined in the offering circular (the "Offering Circular") to 30 June 2011 (the "Profit Forecast") as required by Appendix F of the Code on Real Estate Investment Trusts and set out under the section headed "Profit Forecast" in the Offering Circular.

For the purposes of our confirmation, we have examined:

- the calculations of the Manager in relation to the Rental Income Forecast; and
- the basic assumptions used by the Manager in making such calculations.

The Directors of the Manager are solely responsible for the Profit Forecast. In our opinion, the assumptions used in the said Rental Income Forecast are reasonable and the said Rental Income Forecast has been compiled in accordance with the assumptions made.

Yours faithfully,  
For and on behalf of

**AMERICAN APPRAISAL CHINA LIMITED**

Eric M. H. Poon  
MRICS, MHKIS  
*Assistant Vice President*

*Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong and the PRC.*

11 April 2011

Hui Xian Asset Management Limited  
(as manager of Hui Xian Real Estate Investment Trust)  
Unit 1203, 12/F  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

DB Trustees (Hong Kong) Limited  
(as trustee of Hui Xian Real Estate Investment Trust)  
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Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
1 Queen's Road Central, Hong Kong

BOCI Asia Limited  
26/F Bank of China Tower,  
1 Garden Road, Hong Kong

Dear Sirs,

RE: Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China (中華人民共和國北京市東城區東長安街1號東方廣場)

In accordance with the instructions of Hui Xian Asset Management Limited (as Manager of Hui Xian Real Estate Investment Trust) (the "Manager") for us to value the captioned property (the "Property") situated in the People Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 January 2011 (the "date of valuation").

This letter that forms part of our valuation report explains the basis and methodology of valuation and clarifies our assumptions made on the ownership of the property interests and the limiting conditions.

#### **BASIS OF VALUATION**

Our valuation is our opinion of the market value which is defined in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value. The value of a property is also estimated without regard to costs of sales and purchase, and without offset for any associated taxes.

#### **VALUATION METHODOLOGY**

We have valued the Property with reference to the tenancy schedules and hotel operating statement provided to us and, where appropriate, by reference to sales evidence as available on the market.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation, we have considered various valuation methodologies and have principally adopted the Income Capitalisation Approach and cross-checked by the Direct Comparison Approach. For the purpose of this valuation, we consider that the Income Capitalisation Approach is a reasonable, and the appropriate, valuation methodology to adopt for assessing the market value of the Property. It is particularly relevant for the valuation of well established income-producing properties that can be expected to have relatively stabilised income streams in the future as it can reflect prevailing economic and investment market conditions, the existing tenancy profile (including, without limitation, the existing rental income and occupancy level, tenancy commencement and expiry profiles, and tenancy duration) and the period of the unexpired term of the land use rights of the Property. We have taken into account the current capital expenditure plan stated in the Building Condition Survey Summary Report and have assumed that there is no significant deviation from the said plan and as such no significant capital expenditure will be incurred by the owner of the Property in the 10 years forecast period stated in the Building Condition Survey Summary Report. We have conducted no sensitivity analysis on the said capital expenditure plan as it mainly relates to the maintenance and renovation of the Property.

The Income Capitalisation Approach is a valuation method commonly applied for investment properties. For retail, office, serviced apartment and basement portions of the Property, the rental income derived from the existing tenancies are capitalised for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the date of valuation, which is then capitalised for the remaining term of the land use rights of the Property. The sum of the capitalised value of the term income, the reversionary income as appropriately deferred and the vacant units provides the market value of the Property.

The key value drivers of the Income Capitalisation Approach are the market rent and the capitalisation rate. The market rent is mainly estimated with reference to the new lettings and/or renewals of the Property. According to the tenancy information provided by Beijing Oriental Plaza Co., Ltd ("BOP"), the average monthly contracted rentals per leased Rentable Area of new lettings and/or renewals of the Property in the six months preceding the date of valuation were about RMB1,249 per sq.m. for the retail portion and RMB186 per sq.m. for office portion. The capitalisation rates are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and our experience in valuing other similar properties. The adopted capitalisation rates for the retail and office portions are 6.0% and 5.5% respectively. The capitalisation rates are applied to capitalise the rental income generated for the unexpired term of the land use rights of the property until April 2049. No value has been ascribed to any estimated market rent or any form of income beyond the expiry date of the land use rights.

For the hotel portion of the Property, we have capitalised the income generated from operating the hotel after deducting the operating and non-operating expenses. The income and expenses are estimated with regard to the latest hotel operating results and the budget provided by BOP and the changes in market conditions.

For cross-checking purposes, we have also adopted the Direct Comparison Approach by making reference to comparable sales evidence of properties with similar characteristics as available in the relevant market. There is, however, a lack of en-bloc transactions in the vicinity. Comparison can only be made with reference to individual strata-title property transactions in the locality.

## **TITLE INVESTIGATION**

We have been provided with copies of documents in relation to the title of the property interests situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by BOP (as owner of the Property) and the PRC legal opinion given by the Manager's PRC legal adviser on the PRC law regarding title to the Property.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation certificates.

### **ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property interests on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests. In addition, no forced sale situation in any matter is assumed in our valuation.

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

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificates. Further, it is assumed that the utilisation of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation certificates.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation certificates for the Property.

### **LIMITING CONDITIONS**

We have relied to a very considerable extent on the information provided by BOP and Commerce and Finance Law Offices on PRC law and have accepted advice given to us on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by BOP and Commerce and Finance Law Offices on PRC law. We have also been advised by BOP that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the Property included in the attached valuation certificates. However, no structural survey has been made and we are therefore unable to report as to whether the Property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services. According to the Building Condition Survey Summary Report prepared by the Savills Project Consultancy Limited provided to us by the Manager, the Property is structurally safe and are maintained in good condition.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

### **REMARKS**

Our valuation is prepared in accordance with Chapter 6.8 of the Code on Real Estate Investment Trust issued by the Securities and Futures Commission and the "HKIS Valuation Standards on Properties (First Edition 2005)" published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We enclose herewith our valuation certificates and market overview.

Yours faithfully,

For and on behalf of

**AMERICAN APPRAISAL CHINA LIMITED**

Eric M. H. Poon

**MRICS, MHKIS**

*Assistant Vice President*

*Note: Mr. Eric Poon, who is a Chartered Valuation Surveyor, has over 10 years experience in valuation of properties in Hong Kong and the PRC.*

## VALUATION OF ORIENTAL PLAZA

## Valuation Abstract

Property Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China

(中華人民共和國北京市東城區東長安街1號東方廣場)

Description The Property is a mixed use commercial complex comprising a shopping mall, 8 blocks of office towers, 2 blocks of serviced apartments, a 5-star hotel, car parking spaces and other ancillary facilities

Site Area 109,924.1 sq.m.<sup>Note 1</sup>

*Note 1: The site area of the Property is of 77,594.81 square metres under the relevant State-owned Land Use Certificate below and the planned land use area of the Property is of 109,924.1 square metres under the relevant Appendix of Construction Land Use Planning Permit below.*

Registered Owner Beijing Oriental Plaza Co., Ltd. ("BOP")

Gross Floor Area According to the information provided by BOP, the breakdown of gross floor area (GFA) is as follow:

<u>Uses</u>	<u>GFA (sq.m.) (approx.)</u>
Retail	130,195
Office	309,552
Serviced Apartment	81,603
Hotel	125,420
Basement (Levels P1 to P4)	116,712 <sup>Note 2</sup>
Total:	<u>763,482</u> <sup>Note 3</sup>

*Note 2: The above GFA of the basement does not include the area of civil defence shelter of about 24,474 square metres.*

*Note 3: Pursuant to the relevant Building Ownership Certificate below, the total gross floor area of the Property is 763,480.35 square metres (exclusive of 24,474 sq.m. of civil defence shelter).*

Rentable Area According to the information provided by BOP, the breakdown of rentable area is as follows:

<u>Uses</u>	<u>Rentable Area (sq.m.) (approx.)</u>
Retail	74,037
Office	298,361
Serviced Apartment	81,098
Total:	<u>453,496</u>

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

**APPENDIX V****INDEPENDENT PROPERTY VALUER'S VALUATION REPORT**

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

Appendix of Construction Land Use      2000-Gui Di Zi-0008 (2000-規地字-0008)  
Planning Permit

Date of Valuation      31 January 2011

Valuation Methodology      Income Capitalisation Approach and Direct Comparison Approach

Capital Value in Existing State	<u>Uses</u>	<u>Capital Value in Existing State (RMB)</u>
	Retail	13,580,000,000
	Office	11,310,000,000
	Serviced Apartment	2,310,000,000
	Hotel	3,920,000,000
	Basement (Level P1 to P4)	290,000,000
	Total:	<u>31,410,000,000</u>

The Property mainly comprises retail, office, serviced apartment, hotel and basement (levels P1 to P4) portions. In the following sections, each portion of the Property is described separately in details.

## Valuation Certificate

*Retail Portion – The Shopping Mall*

Property	Description and tenure	Particulars of occupancy	Estimated net property yield (approx.)	Capital Value in Existing State as at 31 January 2011 (RMB)
The retail portion of the Property  No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.</p> <p>The retail portion mainly comprises portion of podium level, 1-upper ground level, 1-lower ground level and portion of the basement P1 level with a total gross floor area of approximately 130,195 square metres. The total rentable area is approximately 74,037 square metres. The retail portion was completed in 2000.</p> <p>The retail portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on 21 April 2049.</p>	<p>The retail portion of the Property is let under various tenancies for various terms with the latest expiring on 31 March 2017, yielding a total monthly rental income of about RMB58,511,844 exclusive of management fee and utility charges. Most of the tenancies do not contain rent review clauses and/ or options to renew for further terms at the then market rents.</p> <p>Various advertising spaces are let under various agreements for terms of about 10 months to 3 years with the latest expiry date in December 2012, yielding an average monthly income of approximately RMB990,000 for the period between February 2010 to January 2011.</p> <p>The occupancy rate of the retail portion of the Property as at 31 January 2011 is about 100%.</p>	5.0%	13,580,000,000

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on 21 April 2049 for composite use.

- (2) Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.
- (3) Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by BOP.
- (4) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated 8 January 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (5) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源局) dated 27 May 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (6) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X 京房他證市港澳臺字第008266號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 6 January 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (7) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X 京房他證東字第002681號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 27 April 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (8) In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- (9) The rentals reported herein are contractual rentals without taking into account rent free periods and turnover rent, if any. The average monthly turnover rent income is approximately RMB2,200,000 for the period between February 2010 and January 2011.
- (10) The estimated net property yield of the retail portion is based on the said monthly rental income of the retail portion for January 2011 and average monthly income from both advertising spaces and turnover rent after allowing business tax and real estate tax provided by BOP.
- (11) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding advertising spaces and turnover rent) is set out below:

### Occupancy Profile

Type	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)
Leased .....	74,037	100.0
Vacant .....	0	0.0
<b>Total .....</b>	<b>74,037</b>	<b>100.0</b>

*Tenancy Commencement Profile*

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
2001 .....	3,237	4.4	302,629	0.5	3	1.1
2002 .....	1,686	2.3	256,741	0.4	1	0.4
2003 .....	3,727	5.0	812,394	1.4	2	0.7
2004 .....	2,358	3.2	396,100	0.7	2	0.7
2005 .....	0	0.0	0	0.0	0	0.0
2006 .....	3,976	5.4	3,008,200	5.1	11	3.8
2007 .....	10,236	13.8	7,737,800	13.2	17	5.9
2008 .....	6,366	8.6	4,331,200	7.4	16	5.6
2009 .....	21,406	28.9	20,222,000	34.6	85	29.7
2010 .....	17,389	23.5	18,541,432	31.7	129	45.1
2011 .....	3,656	4.9	2,903,348	5.0	20	7.0
<b>Total</b> .....	<b>74,037</b>	<b>100.0</b>	<b>58,511,844</b>	<b>100.0</b>	<b>286</b>	<b>100.0</b>

*Tenancy Expiry Profile*

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
2011 .....	13,273	17.9	12,423,489	21.2	76	26.6
2012 .....	23,701	32.0	22,442,213	38.4	110	38.5
2013 .....	13,168	17.8	13,076,823	22.4	73	25.5
2014 .....	11,939	16.1	6,694,048	11.4	12	4.2
2015 .....	7,686	10.4	3,334,100	5.7	11	3.8
2016 .....	3,272	4.4	427,971	0.7	3	1.0
2017 .....	998	1.4	113,200	0.2	1	0.4
<b>Total</b> .....	<b>74,037</b>	<b>100.0</b>	<b>58,511,844</b>	<b>100.0</b>	<b>286</b>	<b>100.0</b>

## Tenancy Duration Profile

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
Up to 1 year . . . . .	364	0.5	115,510	0.2	6	2.1
More than 1 year and up to 2 years . . . . .	6,896	9.3	8,445,499	14.4	73	25.5
More than 2 years and up to 3 years . . . . .	17,234	23.3	20,874,323	35.7	109	38.1
More than 3 years and up to 4 years . . . . .	10,002	13.5	8,684,848	14.8	37	12.9
More than 4 years and up to 5 years . . . . .	10,709	14.5	7,019,200	12.0	30	10.5
More than 5 years and up to 6 years . . . . .	10,472	14.1	8,524,300	14.6	15	5.2
More than 6 years and up to 7 years . . . . .	6,497	8.8	2,858,600	4.9	6	2.1
More than 7 years and up to 8 years . . . . .	3,604	4.9	876,121	1.5	3	1.1
More than 8 years and up to 9 years . . . . .	0	0.0	0	0.0	0	0.0
More than 9 years and up to 10 years . . . . .	3,563	4.8	588,831	1.0	3	1.1
More than 10 years . . . . .	4,696	6.3	524,612	0.9	4	1.4
<b>Total . . . . .</b>	<b>74,037</b>	<b>100.0</b>	<b>58,511,844</b>	<b>100.0</b>	<b>286</b>	<b>100.0</b>

Note 1: As at the date of valuation, the total leased rentable area of about 74,037 square metres includes an area of about 192 square metres for a tenancy with lease term not yet commenced and an area of about 73,845 square metres for tenancies with lease terms already commenced.

Note 2: As at the date of valuation, the total monthly rental only includes the monthly rental receivable from tenancies with lease terms already commenced and excludes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to about RMB67,100 per month.

Note 3: As at the date of valuation, there were 286 tenancies, of which 285 tenancies are with lease terms already commenced and one tenancy is with lease term not yet commenced.

(12) We have noted from the market the strata-title transactions and asking retail properties with details as follows:

Property	Location	Completion Date (approx.)	Type of transaction	Date of transaction/offer	Price (RMB/sq.m. on gross) (approx.)
Gong San Plaza (Retail portion)	Chaoyang District	Expected 2011	Asking	Q4 2010	Level 1: 180,000 - 190,000 (average) Level 2: 90,000 (average)
Chaoyang Men Soho	Dongcheng District	2009	Asking	Q3 2010	Level 1: 120,000 to 130,000 (average)
Galaxy Soho	Dongcheng District	Expected 2012	Transaction noted from the market	Mid 2010	Basement L1: 130,000 to 180,000 Basement L2: 80,000 (average)

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

## Valuation Certificate

*Office Portion – East Office Towers, West Office Towers and Central Office Towers*

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Estimated net property yield (approx.)</u>	<u>Capital Value in Existing State as at 31 January 2011 (RMB)</u>
The office portion of the Property No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.</p> <p>The office portion comprises five blocks of 12-storey office towers and three blocks of 18-storey office towers with a total gross floor area of approximately 309,552 square metres. The total rentable area is approximately 298,361 square metres. The office portion was completed between 2000 and 2001.</p> <p>The office portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on 21 April 2049.</p>	<p>The office portion of the Property is let under various tenancies for various terms with the latest expiring on 31 July 2015, yielding a total monthly rental income of about RMB49,031,273 exclusive of management fee and utility charges. Most of the tenancies do not contain rent review clauses and/ or options to renew for further terms at the then market rents.</p> <p>Various naming rights are let under various agreements for terms of 5.75 to 6 years with the latest expiry date in May 2014, yielding an average monthly rental of approximately RMB196,000 for the period between February 2010 to January 2011.</p> <p>The occupancy rate of the office portion of the Property as at 31 January 2011 was about 96.2%.</p>	4.5%	11,310,000,000

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) for a term expiring on 21 April 2049 for composite use.
- (2) Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.

- (3) Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
- (4) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by the Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated 8 January 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (5) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源局) dated 27 May 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (6) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X 京房他證市港澳臺字第008266號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 6 January 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (7) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X 京房他證東字第002681號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 27 April 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (8) In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- (9) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (10) The estimated net property yield of the office portion is based on the said monthly rental income of the office portion for January 2011 and average monthly income from naming rights after allowing business tax and real estate tax provided by BOP.
- (11) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile (excluding naming rights) is set out below:

### Occupancy Profile

Type	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)
Leased .....	287,047	96.2
Self-Used .....	4,609	1.6
Vacant .....	6,705	2.2
<b>Total .....</b>	<b>298,361</b>	<b>100.0</b>

*Tenancy Commencement Profile*

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
2002 .....	5,048	1.8	950,904	2.0	2	0.3
2003 .....	—	0.0	—	0.0	—	0.0
2004 .....	—	0.0	—	0.0	—	0.0
2005 .....	6,971	2.4	1,233,079	2.5	10	1.7
2006 .....	2,612	0.9	446,942	0.9	7	1.2
2007 .....	20,937	7.3	3,906,918	8.0	19	3.1
2008 .....	35,949	12.5	6,654,810	13.6	55	9.1
2009 .....	83,295	29.0	14,822,778	30.2	198	32.7
2010 .....	117,138	40.8	19,580,444	39.9	264	43.6
2011 .....	15,097	5.3	1,435,398	2.9	50	8.3
<b>Total</b> .....	<b>287,047</b>	<b>100.0</b>	<b>49,031,273</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>

*Tenancy Expiry Profile*

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
2011 .....	73,009	25.4	12,997,164	26.5	189	31.2
2012 .....	100,602	35.1	18,095,470	36.9	254	42.0
2013 .....	85,425	29.8	14,030,472	28.6	121	20.0
2014 .....	27,674	9.6	3,845,822	7.9	40	6.6
2015 .....	337	0.1	62,345	0.1	1	0.2
<b>Total</b> .....	<b>287,047</b>	<b>100.0</b>	<b>49,031,273</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>

## Tenancy Duration Profile

Year	Leased Rentable Area <sup>Note 1</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 2</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 3</sup>	% of total (approx.)
Up to 1 year . . . . .	4,075	1.4	704,686	1.4	10	1.7
More than 1 year and up to 2 years . . . . .	85,526	29.8	14,467,069	29.5	258	42.6
More than 2 years and up to 3 years . . . . .	90,612	31.6	15,270,081	31.2	210	34.7
More than 3 years and up to 4 years . . . . .	26,817	9.3	4,749,451	9.7	50	8.3
More than 4 years and up to 5 years . . . . .	49,066	17.1	8,127,181	16.6	49	8.1
More than 5 years and up to 6 years . . . . .	7,328	2.5	1,231,644	2.5	8	1.3
More than 6 years and up to 7 years . . . . .	14,095	4.9	2,749,809	5.6	12	2.0
More than 7 years and up to 8 years . . . . .	4,480	1.6	780,448	1.6	6	1.0
More than 8 years and up to 9 years . . . . .	—	0.0	—	0.0	—	0.0
More than 9 years and up to 10 years . . . . .	5,048	1.8	950,904	1.9	2	0.3
More than 10 years . . . . .	—	0.0	—	0.0	—	0.0
<b>Total . . . . .</b>	<b>287,047</b>	<b>100.0</b>	<b>49,031,273</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>

Note 1: As at the date of valuation, the total leased rentable area of about 287,047 square metres included an area of about 7,230 square metres for tenancies with lease terms not yet commenced and an area of about 279,817 square metres for tenancies with lease terms already commenced.

Note 2: As at the date of valuation, the total monthly rental only includes the monthly rental receivable from tenancies with lease terms already commenced and excludes the monthly rental receivable from tenancies with lease terms not yet commenced, amounting to about RMB1,647,127 per month.

Note 3: As at the date of valuation, there are 605 tenancies, in which 579 tenancies are with lease terms already commenced and 26 tenancies are with lease term not yet commenced.

(12) We have noted from the market the strata-title transactions and asking office properties with details as follows:

Property	Location	Completion Date (About)	Type of transaction	Date of Transaction/offer	Price (RMB/sq.m. on gross) (About)
Jianguo Wu Hao (Office Portion)	Dongcheng District	2000	Asking	Q1 2011	37,000 (average)
Avic Building	Chaoyang District	2000	Asking	Q1 2011	41,000 (average)
Gong San Plaza (office portion)	Chaoyang District	Expected 2011	Transaction noted from the market	Q3 2010	46,000 (with gross floor area of about 26,000 sqm)
Nexus Center	Chaoyang District	2008	Transaction noted from the market	Dec 2009	42,000 (with gross floor area of about 82,000 sqm)
Baifu International Building	Chaoyang District	2007	Transaction noted from the market	Dec 2008	34,000 (with gross floor area of about 26,000 sqm)
Mapletree Tower	Chaoyang District	2000s	Transaction noted from the market	Oct 2010	39,000 (with gross floor area of about 33,700 sqm)

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

## Valuation Certificate

*Serviced Apartment Portion – East Tower and West Tower*

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Estimated net property yield (approx.)</u>	<u>Capital Value in Existing State as at 31 January 2011 (RMB)</u>
The serviced apartment portion of the Property  No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/unloading spaces.</p> <p>The serviced apartment portion comprises a 21-storey serviced apartment tower and a 14-storey serviced apartment tower with a total gross floor area of approximately 81,603 square metres. The total rentable area is approximately 81,098 square metres. The serviced apartment portion was completed between 2002 and 2004.</p> <p>The serviced apartment portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on 21 April 2049.</p>	<p>The serviced apartment portion of the Property is let under various tenancies for various terms with the latest expiring on 31 October 2013, yielding a total monthly rental income of about RMB6,265,150 exclusive of management fee and utility charges. Most of the tenancies do not contain rent review clauses and/ or options to renew for further terms at the then market rents.</p> <p>The occupancy rate of the serviced apartment portion of the Property as at 31 January 2011 was about 87.9%.</p>	2.5%	2,310,000,000

*Notes:*

- (1) Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) for a term expiring on 21 April 2049 for composite use.
- (2) Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.

- (3) Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
- (4) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated 8 January 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (5) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源局) dated 27 May 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (6) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X 京房他證市港澳臺字第008266號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 6 January 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (7) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Dong Zi Di No.002681 (X 京房他證東字第002681號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 27 April 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (8) In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for the repairs of common areas and the tenant is responsible to maintain the leased property in a reasonable, tidy and tenable condition when handing back to the landlord upon the lease expiry.
- (9) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (10) The estimated net property yield of the serviced apartment portion is based on the said monthly rental income of the serviced apartment portion for January 2011 after allowing business tax and real estate tax provided by BOP.
- (11) Based on the tenancy information provided by the Manager, our analysis of the existing tenancy profile is set out below:

### Occupancy Profile

Type	Leased Rentable Area (sq.m.) (approx.)	% of total (approx.)
Leased .....	71,281	87.9
Self-use <sup>Note 1</sup> .....	693	0.9
Vacant .....	9,124	11.2
<b>Total</b> .....	<b>81,098</b>	<b>100.0</b>

### Tenancy Commencement Profile

Year	Leased Rentable Area <sup>Note 2</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental <sup>Note 3</sup> (RMB) (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 4</sup>	% of total (approx.)
2009 .....	1,512	2.1%	140,659	2.2%	11	2.0%
2010 .....	47,176	66.2%	4,427,210	70.7%	357	65.8%
2011 .....	22,593	31.7%	1,697,281	27.1%	175	32.2%
<b>Total</b> .....	<b>71,281</b>	<b>100.0%</b>	<b>6,265,150</b>	<b>100.0%</b>	<b>543</b>	<b>100.0%</b>

*Tenancy Expiry Profile*

Year	Leased Rentable Area <sup>Note 2</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 3</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 4</sup>	% of total (approx.)
2011 .....	61,470	86.3%	5,618,112	89.7%	472	86.9%
2012 .....	9,289	13.0%	606,656	9.7%	67	12.4%
2013 .....	522	0.7%	40,382	0.6%	4	0.7%
<b>Total</b>	<b>71,281</b>	<b>100.0%</b>	<b>6,265,150</b>	<b>100.0%</b>	<b>543</b>	<b>100.0%</b>

*Tenancy Duration Profile*

Year	Leased Rentable Area <sup>Note 2</sup> (sq.m.) (approx.)	% of total (approx.)	Monthly Rental (RMB) <sup>Note 3</sup> (approx.)	% of total (approx.)	No. of Tenancies <sup>Note 4</sup>	% of total (approx.)
Up to 1 year .....	63,196	88.7%	5,611,504	89.6%	488	89.9%
more than 1 year and up to 2 years .....	7,618	10.7%	611,926	9.8%	51	9.4%
more than 2 years and up to 3 years .....	467	0.6%	41,720	0.6%	4	0.7%
<b>Total</b>	<b>71,281</b>	<b>100.0%</b>	<b>6,265,150</b>	<b>100.0%</b>	<b>543</b>	<b>100.0%</b>

*Note 1: As at the date of valuation, the self-use rentable area of about 693 square metres are occupied by the staff with a total monthly rental of about RMB3,200.*

*Note 2: As at the date of valuation, the total leased rentable area of about 71,281 square metres includes an area of about 4,702 square metres for tenancies with lease terms not yet commenced and an area of about 66,579 square metres for tenancies with lease terms already commenced.*

*Note 3: As at the date of valuation, the total monthly rental only includes the monthly rental receivable from tenancies with lease terms already commenced and excludes the monthly rental receivable from tenancies with lease terms not yet commenced, amounting to about RMB417,289 per month.*

*Note 4: As at the date of valuation, there are 543 tenancies, of which 509 tenancies are with lease terms already commenced and 34 tenancies are with lease terms not yet commenced.*

(12) We have noted from the market the strata-title asking residential properties with details as follows:

Property	Location	Completion Date (About)	Type of transaction	Date of offer	Average Price (RMB per sq.m. on gross) (About)
Beijing Inn	Dongcheng District	2008	Asking	Q1 2011	32,000
Blue Castle International Apartment	Chaoyang District	2003	Asking	Q1 2011	31,000
Li Dou Yi Hao	Chaoyang District	Expected 2011	Asking	Q1 2011	36,000
Wanguo Cheng	Dongcheng District	2004	Asking	Q1 2011	36,000
Yangguang Dushi	Dongcheng District	2000	Asking	Q1 2011	38,000
Shang Long Jia Yuan	Dongcheng District	1998	Asking	Q1 2011	33,000

*Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.*

**Hotel Portion – Grand Hyatt Beijing**

<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy (approx.)</u>	<u>Capital Value in Existing State as at 31 January 2011 (RMB)</u>
The hotel portion of the Property No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/ unloading spaces.</p> <p>The hotel portion is a 5-star hotel comprising one 24-storey tower (including 4 basement levels) with a total gross floor area of approximately 125,420 square metres completed in 2001. The hotel has a total of 825 guest rooms (including a split-level Presidential Suite and 824 luxurious guestrooms) and rooms for in house use, food and beverage outlets, a business centre, a fitness centre with indoor swimming pool, meeting rooms, function rooms and ballrooms.</p> <p>The hotel portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on 21 April 2049.</p>	<p>The hotel portion of the Property is currently operated under the brand name of Grand Hyatt Beijing.</p> <p>The occupancy rate of the hotel portion of the Property as at 31 January 2011 is about 52.3%.</p>	3,920,000,000

**Notes:**

- (1) Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006, the land use rights of the property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") for a term expiring on 21 April 2049 for composite use.
- (2) Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated 10 January 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.
- (3) Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).

- (4) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated 8 January 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (5) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源局) dated 27 May 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (6) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X 京房他證市港澳臺字第008266號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 6 January 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (7) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X 京房他證東字第002681號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 27 April 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (8) Pursuant to the Management Agreement and Supplementary Management Agreement (管理契約及管理契約補充契約) dated 27 July 2001 and 13 September 2002 respectively, as well as Amendment to Management Agreement (管理契約之修訂協議) and Termination of 2001 Letter Agreement both dated 28 March 2011, entered into between BOP and Hyatt of China Limited (中國凱悅有限公司) ("Hyatt China") (collectively the "Management Agreement"), Hyatt China shall provide management services for the operation and management of Grand Hyatt Beijing (the "Hotel") for a term commencing from the date of which the agreements are approved and registered by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of the People's Republic of China and expiring on 31 December 2019, with the current basic management fee of 2% of the cumulative revenue of the Hotel during the current calendar year after deducting from such basic management fee all basic management fees previously paid to Hyatt China during such calendar year and an incentive fee equal to 5% of the cumulative gross operating profit of the Hotel during the current fiscal year, after deducting from such incentive fee payment all incentives fees previously paid to Hyatt during such fiscal year.
- (9) Pursuant to the Reservation Services Agreement (訂房服務契約) entered into between Grand Hyatt Beijing at Oriental Plaza (北京東方廣場有限公司東方君悅大酒店分公司) ("GHB") and International Reservation Limited ("IRL") dated 10 February 2003, IRL shall provide computerised telephone reservation services outside Mainland China to GHB for a term coterminous with the term of the said Management Agreement.
- (10) Pursuant to the Chain Marketing Services Agreement (連鎖行銷服務契約) entered into between GHB and Hyatt Chain Services Limited ("HCSL") dated 10 February 2003, HCSL shall provide chain marketing services outside of Mainland China for the benefit of GHB for a term coterminous with the term of the said Management Agreement.
- (11) Pursuant to the Loyalty Program Services Agreement (常客服務計劃契約) entered into between GHB and HGP (Travel) Limited ("HGP") dated 10 February 2003, HGP shall provide loyalty program services to GHB for a term coterminous with the term of the said Management Agreement. No part of such program services are to be performed in Mainland China.
- (12) We have noted from the market the transaction of a hotel style operated serviced apartment with details as follows:

Property	Location	Completion Date (About)	Type of transaction	Date of Transaction/offer	Price (RMB/room) (About)
Ascot Beijing	Chaoyang District	2000s	transaction noted from the market	Q1 2010	4,850,000

*Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.*

## Valuation Certificate

**Basement Portion (portion of level P1 and the whole of levels P2 to P4)**

Property	Description and tenure	Particulars of occupancy	Capital Value in Existing State as at 31 January 2011 (RMB)
The basement portion (portion of level P1 and the whole of levels P2 to P4) of the Property	The Property is a comprehensive development comprising of a shopping mall, eight office towers, two serviced apartment towers, a hotel and about 1,900 car parking spaces including loading/ unloading spaces.	A total of about 1,900 car parking spaces including loading/ unloading spaces are provided within the basement portion of the Property, let under various agreements, occupied by either Beijing Oriental Plaza Co., Ltd. or various other occupiers as car parking spaces. The total average monthly income is approximately RMB1,790,000 for the period between February 2010 to January 2011.	290,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	The basement portion comprises 4 basement levels with a total gross floor area of approximately 116,712 square metres (excluding the civil defence shelter area of about 24,474 square metres). The total number of parking spaces is approximately 1,900 car parking spaces including loading/ unloading spaces. The basement portion was completed in 2000.	Various spaces for postage services, machinery rooms, temporary storage, warehouse are let under various agreements for terms of 2 to 5 years, with the last expiry date in September 2014, yielding an average monthly rental of approximately RMB66,000 for the period between February 2010 to January 2011.	
	The basement portion is held by Beijing Oriental Plaza Co., Ltd. for a term to be expired on 21 April 2049.	The occupancy rate of the carpark portion of the Property as at 31 January 2011 is about 70%.	

## Notes:

- (1) Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用 (2006出) 第 10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated 26 June 2006, the land use rights of the property with a site area of 77,594.81 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) for a term expiring on 21 April 2049 for composite use.
- (2) Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated

10 January 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project, and about 15,300 square metres of land is to be resumed for city road use.

- (3) Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 9 December 2005, the building ownership rights with gross floor area of 763,480.35 square metres are held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司).
- (4) Pursuant to Civil Defence Shelter Use Certificate (人防工程使用證), Jing (Dong) Fang Yong Zi No. 008 (京(東)防用字008號) issued by the Civil Defence Bureau of Dong Cheng District, Beijing City (北京市東城區民防局), Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) is permitted to use a gross floor area of 23,577 square metres of the Property as car parking purpose for a term commencing from 20 May 2008 and to be expired on 20 May 2013.
- (5) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0022 (京東他項(2009出)第0022號) issued by Land Resources Bureau of Beijing City (北京市國土資源局) dated 27 May 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (6) Pursuant to the Land Right Encumbrances Certificate (土地他項權利證明書), Jing Dong Ta Xiang (2009 Chu) Di No.0001 (京東他項(2009出)第0001號) issued by Land Resources and Housing Administration Bureau of Beijing City (北京市國土資源和房屋管理局) dated 8 January 2009, an area of 77,594.81 square metres has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (7) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Shi Gang Ao Tai Zi Di No.008266 (X 京房他證市港澳臺字第008266號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 6 January 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB1,100,000,000.
- (8) Pursuant to the Building Right Encumbrances Certificate (房屋他項權證), X Jing Fang Ta Zheng Dong Zi Di No.002681 (X 京房他證東字第002681號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated 27 April 2009, the building under the said Building Ownership Certificate has been mortgaged to Bank of China Corporation Limited-Beijing Wangfujing Branch (中國銀行股份有限公司北京王府井支行) with a consideration of RMB500,000,000.
- (9) The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- (10) We have noted from the market the asking car parking spaces in the market with details as follows:

Property	Location	Completion Date (About)	Type of transaction	Date of Transaction/offer	Price (RMB/ carpark) (About)
建外 Soho	Chaoyang District	2004	Asking	Q3 2010	260,000 to 300,000

*Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.*

**PRC Legal Opinion on Oriental Plaza, Beijing**

The PRC legal opinion states, inter alias, that:

- a. Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP") has obtained the land use rights and building ownership rights of the property with a site area of 77,594.81 square metres and the gross floor area of 763,480.35 square metres respectively. BOP, being the sole legal owner of the said land use rights and building ownership rights, has obtained all necessary permits and certificates from relevant departments of the PRC Government, and has the right to occupy, use, lease, transfer, mortgage or deal with the said land use rights and building ownership rights by other lawful means in accordance with the permitted use during the term of the said land use rights. However, as the land use rights and building ownership rights of the Property have been mortgaged, BOP has to obtain prior written approval from the Bank of China Limited — Wangfujing Branch (中國銀行股份有限公司北京王府井支行) (the "Bank") before leasing, transferring, contributing capital by real property, substantially renovating or redeveloping the said land and buildings, or dealing with such land use rights and buildings by other means, except for leasing, renovation or alteration for the purposes of the operation of business and provided that such leasing, renovation or alteration would not reduce the value of the mortgaged property.
- b. BOP does not possess the building ownership rights of the civil defence shelter of the Property with gross floor area of 24,474.37 square metres. However, pursuant to the Civil Defence Shelter Use Certificate, BOP has the right to use the civil defence shelter of the Property with gross floor area of 23,577 square metres for car parking purpose.
- c. Apart from the said mortgage and the existing tenancies, the said land use rights and building ownership rights of the Property are not subject to any other forced requisition, mortgage, encumbrances or other third party rights.
- d. As confirmed by BOP, the approval, permission and certificates related to the completion of the development of the Property have not been revoked, abolished or repealed.
- e. BOP is the sole legal owner of the said building ownership rights and possesses the rights to lease the property and receive rental income from the leased property according to the relevant tenancy agreements.
- f. The existing tenancy agreements are legal and valid, and binding on both the signing parties within the respective tenancy period.
- g. Most of the existing tenancy agreements have been registered with the relevant government departments, and as confirmed by BOP, the remaining tenancy agreements are in the process of applying for registration. For tenancies with the registration process not yet completed, the legal effectiveness, validity and enforceability of those tenancies would not be affected. The risk of being penalised by corresponding government department is minimal.
- h. BOP should not sub-let the leased portion of the Property during relevant lease terms. If BOP wishes to deal with the said leased portion of the Property by other means, BOP should comply with the clauses stipulated in the relevant tenancy agreements. If BOP wishes to dispose of the leased portion of the Property, BOP should, within a reasonable period before the disposal, provide prior notification to those tenants who have not given up the priority purchasing right in the relevant tenancy agreements. Those tenants possess the priority right to purchase the property upon the same conditions.
- i. The said property management agreements regarding the hotel portion of the Property as stipulated in the valuation certificate are legal and valid, and binding on both the signing parties.

## MARKET OVERVIEW

Beijing is one of the most developed cities in the PRC with the tertiary industry accounting for the majority of its GDP. The well developed financial industry, the innovative cultural and other modern service industries are now well established in the international market. The real estate and automotive sectors have also grown rapidly in recent years. The successful hosting of the Olympic Games further enhanced the reputation of Beijing. Tertiary industries continue to buoy Beijing's economic development, supported by the rally in foreign investment and domestic consumption.

### Beijing Retail Market

#### *Supply and Demand*

The retail leasing market is strong and the impact of the global financial crisis in 2008 has been limited. Developers started to increase investment in retail projects in Q2 2010 following the announcement of restrictive policies on the residential market by the Government. As people become accustomed to shopping malls in Beijing, the new supply of shopping malls has surpassed that of department stores over the past five years. The retail market in Beijing remained active in 2010 due to the expansion of many well-known brands. The new supply in 2010 and the future supply forecast to be launched onto the market in coming years, is not expected to substantially impact the mature shopping malls currently enjoying high occupancy rates in the core central districts. As the supply of new retail projects in Wangfujing / East Chang'an Avenue was limited between 2001 and 2007, those projects launched over the past two years have been absorbed by the market in a positive manner.

The retail market was active in the first half of 2010, with more domestic and overseas retailers in fashion, jewellery, cosmetics, F&B, watches, home and lifestyle penetrating the market, opening new stores and expanding outlets. Demand for mature shopping malls with high occupancy, high positioning and a unique theme is expected to remain high. In Q4 2010, the vacancy rate of the Wangfujing / East Chang'an Avenue retail submarket was about 7.5% according to DTZ research which is lower than the overall Beijing retail market over the same period.

#### *Market Trend*

The Wangfujing/ East Chang'an Avenue area is a well developed shopping area with many international brands. The rental level in this area witnessed stable growth after the global financial crisis. Being a core business and shopping area in Beijing, customer flow is high, especially during public holidays and weekends. In Q2 2010, retailers continued to battle for hot prime shopping centres which drove up the average rental level in Wangfujing/ East Chang'an Avenue area. This area ranks as the top region amongst other major retail areas such as Xidan, CBD and the Lufthansa areas. The average transacted rental level of high-end retail properties in this area reached about RMB580 per net sq.m. per month in Q4 2010 according to DTZ Research. The strongly performing macro economy is forecast to have a positive impact on rental levels in the Wangfujing / East Chang'an Avenue area in the future.

### Beijing Office Market

#### *Supply and Demand*

A significant supply of Grade A office space came onto the market over the past 5 years, however supply became tight in 2010, declining from the peak in 2008, the year of the Olympic Games. In mature and well developed districts such as Wangfujing / East Chang'an Avenue, there is limited vacant land for development and the supply in such areas is more limited.

Recovering from the global financial crisis in Q4 2008 and 2009, the Beijing office leasing market became more active in 2010, with the overall Grade A office vacancy rate falling steadily, with companies looking for high quality office space for business expansion. According to DTZ Research, the vacancy rate of Beijing Grade A offices had dropped to below 15% in 2010. Whilst domestic companies still played an important role in office take-up, some foreign companies showed signs of

loosening their purse strings. The net absorption of Grade A offices nearly doubled in Q3 2010 compared to year 2009. Most of the Grade A offices in Wangfujing / East Chang'an Avenue are of a high quality with high occupancy rate. The vacancy rate in the high quality office buildings is lower than the overall Grade A office market in Beijing.

### ***Market Trend***

The increase in demand helped to ease the pressure on landlords to retain existing tenants. There are signs of an upward adjustment in rental levels and a shift in leasing strategies from maintaining occupancy levels to improving tenant quality and maximising revenue. The average transacted rental level reached about RMB160 per gross sq.m. per month in 2010, according to DTZ Research. Furthermore, the promising demand for Grade A offices is likely to absorb the new supply provided during the previous few years and maintain stable rental growth.

## **Beijing Serviced Apartment Market**

### ***Supply and Demand***

Wangfujing / East Chang'an Avenue is one of the key areas for serviced apartments in Beijing. It is a core business district of Beijing with Grade A offices. The supply of serviced apartments has been steadily increasing over the past 10 years due to the continuous growth of the Beijing economy, the influx of foreign expatriates together with investment and rising demand from the domestic middle class and professionals. Many international serviced apartments have been established in Beijing and have introduced new brand names for different market segments. New projects are expected to come onto the market over the next few years.

Guests of serviced apartments in Beijing are mainly mid to long-term stay expatriates at senior management level. Whilst the majority of the demand comes from foreign expatriates from Japan, Europe and the US, demand from domestic residents is on the rise. The Beijing Olympics effect boosted the serviced apartment market significantly causing high occupancy and increased rental levels. However, the market cooled down and was hit severely by the global financial crisis due to a reduction in expatriate relocation and business travel in 2009. Along with stabilised market conditions, business activity has picked up in Beijing, bringing new expatriates and increased demand for serviced apartments in 2010.

According to JLL, both the monthly rental and occupancy of Beijing serviced apartment were improving to the level above RMB160 per sq.m. per month at an occupancy rate above 80% in Q4 2010.

### ***Market Trend***

As the global market has stabilised and China's economy is still on the rise, Beijing, as the capital city of China, is still considered as the preferred place for headquarters of international corporations, who demand high quality housing. However, some international corporations adversely impacted by the global financial crisis have become more cost conscious and reduced housing budgets of expatriate staff and localised middle and senior management. The demand from domestic customers, on the other hand, is on the rise prompting operators to diversify in order to capture domestic market demand.

## **Beijing Hotel Market**

### ***Supply and Demand***

Due to the hosting of the 2008 Olympic Games in Beijing, a substantial supply of internationally branded and high-end hotel guest rooms was added to the market stock. The Beijing hotel market suffered a substantial post-Olympic supply hangover in 2009, causing fierce competition. Five-star hotel occupancy rates first experienced a drop in year 2007 after a three-year double-digit yearly growth since 2004, after the year of SARS in 2003. The declining trend continued in 2008 and 2009, not only because of the new supply of high-end hotels, but also due to the influx of budget hotels and the impact of the global financial crisis in 2008.

The situation began to improve in 2010 as a result of the solid recovery in tourist demand and an improving macro economy. The occupancy rate has been rising from the low level of 2009. According to JLL, the occupancy rate of Beijing five-star hotels was about 60% by the end of 2010. The increase in demand is forecast to digest the new supply coming onto the market in the next few years. Grand Hyatt Beijing, as a component of the mixed development of Oriental Plaza, is well positioned to capture the rising demand as it is well located in the Wangfujing shopping area and is close to many historical tourist attractions including Tiananmen Square and the Forbidden City. The conference facilities provided within the hotel and the Grade A offices of Oriental Plaza allow Grand Hyatt Beijing to capture significant corporate business and its convenient location provides substantial leisure demand.

***Market Trend***

The improving trend of tourist arrivals and business travel in 2010 has improved the occupancy rate of five-star hotels in Beijing. This increase in demand is forecast to have a positive impact on room rates. The prospects for the five-star hotel market are positive and room rates are expected to grow in 2011.



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11 April 2011

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Dear Sirs,

### **Introduction**

DTZ was commissioned to conduct a study of office and retail sectors of the real estate markets in Beijing and the Wangfujing submarket, in Mainland China. The market research report was prepared independently and all reasonable care was taken in the preparation of the report.

### **Assumptions**

Assumptions are a necessary part of this report. DTZ adopts assumptions because some information is not available, or falls outside the scope of our expertise. Whilst assumptions have been

adopted based upon the careful consideration of factors known as at the date of this document, the risk that any of the assumptions may be incorrect should not be ruled out. DTZ does not warrant or represent that the assumptions on which this report is based are accurate or correct. The assumptions used in this report are only adopted for the purpose of forecasting for some market figures.

**Information supplied by others**

This document contains a significant volume of information which is directly derived from secondary sources. The information is not adopted by DTZ as our own, even where it is used in this report. Within the document, it is clearly identified when the content of the document has been derived, in whole or in part, from sources other than DTZ. DTZ does not warrant or represent that such information is accurate or correct.

Yours sincerely,

*Dr Richard WANG  
Director, Head of Consulting Department  
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**1. Beijing Economic Overview**

In this section, DTZ will provide an overview of Beijing and discuss the city's economic development in order to give a better understanding of Beijing's property development environment.

**1.1 Beijing Introduction**

Beijing comprises 16 districts<sup>1</sup>, and counties. It is divided into four development districts according to the city's overall plan: main commercial areas (Dongcheng and Xicheng districts), functional developing areas (Chaoyang, Haidian, Shijingshan and Fengtai districts), newly developing areas (Fangshan, Tongzhou, Shunyi, Changping and Daxing districts) and ecological developing areas (Mentougou, Huairou, Pinggu, Miyun and Yanqing districts).



Source: Beijing Municipal Commission of Urban Planning

By the end of 2009<sup>2</sup>:

Total land area of Beijing: 16,410.54 sq. k.m.;

Population: 17,550,000;

Population density of core areas (Dongcheng and Xicheng districts): 22,849 persons/sq. k.m.;

Nominal GDP per capita: US\$10,314

- **As China's political centre, Beijing enjoys strategic advantages**

Many government institutions and headquarters are established in Beijing because the city is China's political centre. Meanwhile, Beijing's economic development level is higher than many other

<sup>1</sup> In 2010, Chongwen merged with Dongcheng, Xuanwu merged with Xicheng, and the total number of districts and counties decreased from 18 to 16.

<sup>2</sup> Source: Beijing Statistics Bureau.

cities in China, accounting for 3.46% of China's total nominal GDP in 2010. Beijing is regarded as one of the country's Tier 1 cities and the economic centre of the Bo Hai Economic Area. As a result, Beijing plays an important role in China's political and economic development. The success of the 2008 Olympic Games in Beijing has further enhanced the city's international reputation. Presently, Beijing is striving to become an influential world-class metropolis.

- **Improvements in infrastructure provide perfect conditions for real estate property development**

<b>Subway Lines in Operation</b>	<b>Length</b>
Line 1 .....	31.1 k.m.
Line 2 .....	23 k.m.
Line 5 .....	27.5 k.m.
Line 13 .....	41 k.m.
Batong Line .....	19 k.m.
Phase 1 of Line 10 .....	25 k.m.
Olympic Line .....	5 k.m.
Airport Line .....	27 k.m.
Line 4 .....	28 k.m.
<b>Total Length</b> .....	<b>226.6 k.m.</b>
<b>Estimated Total Length in 2015</b> .....	<b>561 k.m.</b>

Source: Beijing Subway Company, DTZ Research



Beijing has a well-developed transportation network. The city's subways and other infrastructure not only stimulate economic growth, but also help relieve traffic congestion. Presently, the length of available subway lines is over 226.6 k.m.. It is estimated that the total length of subway lines will expand to 561 k.m. in 2015.

In addition to providing a convenient transportation system, the rapid development of the subway network increases the accessibility to commercial properties. To some extent, it promotes the development of retail and office properties. By making suburban areas more accessible, the expanding transport network extends commercial catchments in core areas, attracting more retail footfall. In addition to subway improvements, the airport, the highways and railways in Beijing have all developed rapidly. By the end of 2010, the highways in Beijing totalled at 28,484 k.m. in length, of which about 903 k.m. were intercity expressways, including roads to Tianjin, Shenyang, Harbin, Chengde, Baotou and Shijiazhuang. Beijing is also a railway hub for the whole of China. There are 50 railway lines with a length of about 956.4 k.m. located within Beijing, including the railway lines to Kowloon, Guangzhou, Shanghai, etc. These highways and railways in Beijing have strengthened the overland connections between Beijing and the other major cities.

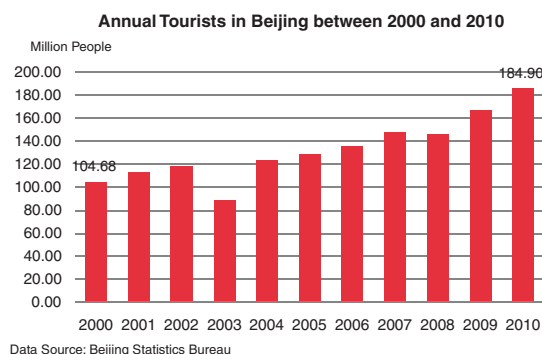
Meanwhile, Beijing Capital International Airport is the most important, largest and busiest international aviation hub with the most advanced facilities in China. It has three terminals and its annual passenger throughput has increased from 1.03 million in 1978 to 73.95 million in 2010, making it third ranked in terms of annual passenger volume in the world. There are 1,400 flights operated by over 70 airlines per day, closely connecting Beijing with 208 international cities.<sup>3</sup>

The developed infrastructure lays the foundation for Beijing as a political and economic centre. It not only strengthens connections with other major cities, but also attracts companies and investors, promoting the development of the real estate sector.

- **Beijing is very attractive**

Beijing is a historical and cultural city, as well as China's political and economic centre. Compared with other major cities in China, Beijing has higher total retail sales, more efficient governance, integrated legal systems and well-regarded educational institutions. All of these traits are attractive to companies and organisations, as well as tourists, both domestic and international.

For example, many local and central government organisations, as well as state-owned, private, and foreign companies are located in Beijing. The latest figures from the Beijing Statistics Bureau indicate that about 347,000 companies were located in Beijing as of 2009.



The office space required by those companies and organisations accelerated the development of Beijing's office market. The spending patterns of office markets and corporate expenditures have, in turn, driven the retail property sector.

Beijing is also a major tourism destination. Data from the Beijing Statistics Bureau indicates that the number of annual travellers to Beijing has been increasing at a consistently high rate. As of 2010, the annual number of tourists totalled about 185 million and is expected to increase in the future. This large number of tourists has further driven solid consumption. For example, tourist interest in major landmarks such as Tian'an Men and The Great Wall is a key source of shopping activity in the Wangfujing area; hotel, retail and apartment use; as well as development of related real estate.

## 1.2 Beijing's Rapid Economic Growth

In this section, DTZ will analyse Beijing's main economic indicators, including annual nominal GDP, retail sales and employed population, amongst others.

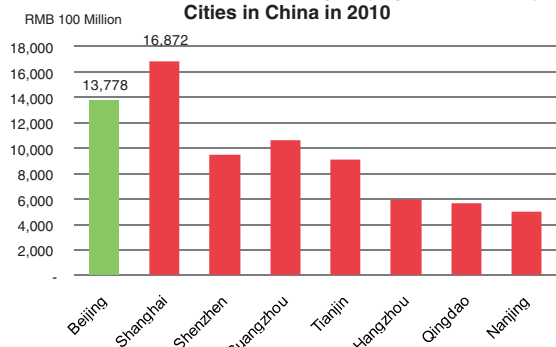
<sup>3</sup> Source: Beijing Capital International Airport.

- **Beijing's economy continued to grow rapidly and continued to be at the forefront of the leading cities in China, underpinning development of the real estate market**

Beijing has a large economy compared to the other major cities in China. In 2010, Beijing's nominal GDP was RMB 1,377.8 billion yuan, just below Shanghai's. Beijing's GDP is much larger than other major cities in China, including Shenzhen, Guangzhou and Tianjin.

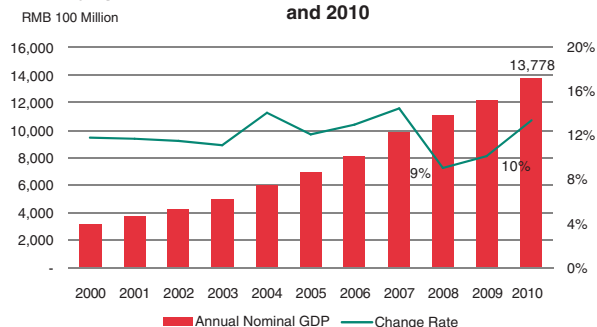
The Beijing economy has maintained a rapid growth rate throughout the past eleven years (from 2000 to 2010), with a compound annual growth rate of 15.9%. During the global financial crisis in 2008, Beijing continued to experience steady economic growth of 9.1% year-on-year.

**Nominal GDP Comparison among Beijing and Other Major Cities in China in 2010**



Data Source: Statistics Bureau of the Listed Cities

**Beijing Annual nominal GDP and Growth Rate between 2000 and 2010**



Data Source: Beijing Statistics Bureau

In 2009, the growth rate of the Beijing economy jumped back to 10.2%. According to the Beijing Statistics Bureau, 2010 nominal GDP increased by 13.4% year-on-year, which is indicative of strong economic growth. After casting off the shadow of the international financial crisis, the forecast consensus is that Beijing's economy will continue its rapid economic development.

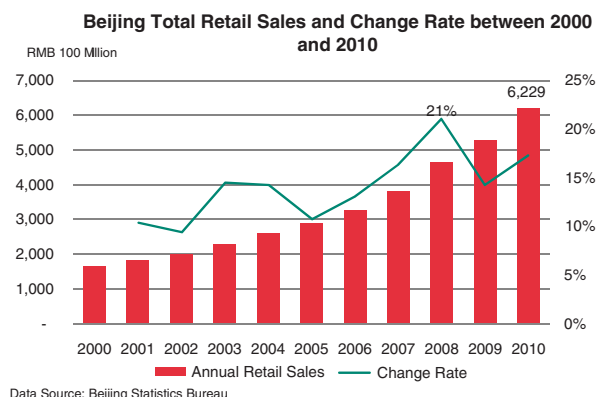
Rapid economic growth lays the groundwork for the prosperity of the real estate market, and with rapid economic growth raising incomes, the fundamentals are strong for the real estate market in Beijing to perform well over the long term.

- **Strong growth of total retail sales of consumer goods drove the rapid development of the retail property market**

Total retail sales of consumer goods are the most important indicator of retail property market performance. According to the Beijing Statistics Bureau, retail sales have consistently shown a very high annual growth rate between 2000 and 2010. Beijing benefits from the national economic development environment and the growth in per capita disposable income, which has grown with the economy.

From the annual retail sales chart, we can see that the global financial crisis had little effect on retail sales and the retail property market in 2008, with the year-on-year (y-o-y) growth rate topping 21%.

However, negative effects were seen in 2009, where retail sales reached RMB531 billion. The growth rate slowed but still remained at 14%, which was still very high.



Along with the improving economic environment, total retail sales of social consumer goods grew by 17.3% in 2010, compared with 2009. During this period, the government promoted measures to stimulate consumption by adjusting taxes, increasing wages, etc.

Therefore, it is expected that retail sales will maintain an annual growth rate of at least 10% (the average annual growth rate in the past ten years (from 2001 to 2010) has been 14.2%), which will create further demand for retail property.

- **The development of office buildings is specifically driven by the increase of the employed population in the tertiary industry**

Along with the growth of the urban population, the growth of the employed population has been remarkable, reaching a total of 9.98 million in 2009.



As the economy matures, more and more members of the labour force work in the tertiary sector. The percentage of employees engaged in the tertiary sector rose from 54.6% in 2005 to 73.8% in 2009.

The employed population in the tertiary sector has a significant effect on the demand for office space. Along with the continued shift of the economic structure towards services, employment in the tertiary sector is expected to rise in the future, a good sign for Beijing's office market.

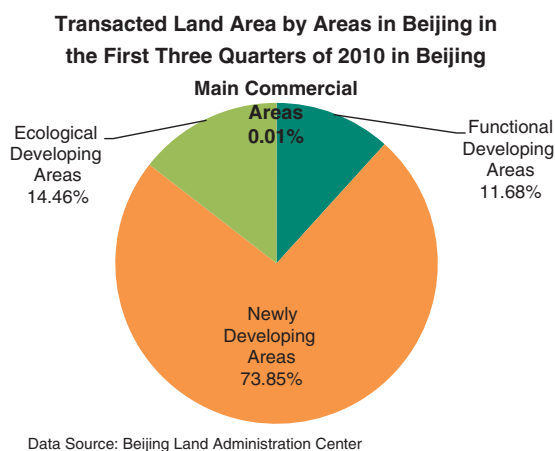
### 1.3 Beijing's Real Estate Market has seen Rapid Growth

Whenever Beijing's economy improves, the real estate market receives a boost. This pattern is clearly indicated by the annual real estate development investment chart. For example, due to the financial crisis in 2008, the GDP growth rate slowed. As a result, investment in real estate development declined by 4%. However, as the economic environment improved and market confidence strengthened, real estate investment returned to its previous rapid development trend.



On the whole, the Beijing real estate market has maintained rapid growth over the past 11 years (from 2000 to 2010). Real estate investment is forecast to increase further with the expectation that the economy will continue to remain healthy. With increased investment in all sectors, the real estate market is expected to further mature in the future.

At the same time, land for development will be more limited. Little undeveloped land area remains in the main commercial areas of Beijing, especially in the business areas such as Wangfujing/East Chang'an Avenue, CBD (Central Business District) and Financial Street. From the pie chart below, which shows the proportion of land transacted by district, it is apparent that little land (about 0.01%) in the main commercial areas of Beijing has been transacted this year (from Q1 to Q3 in 2010). This is because most of the land in these areas has already been developed. This is especially true of the land in the Wangfujing area, where retail projects benefit from the limited land supply. For example, The Malls at Oriental Plaza has no pressure for leasing activities because there are no significant competitors in the submarket. As a result, it maintains stringent principles for tenant selection. For example, tenants should be world-renowned brands, have good credibility, be attractive to customers, and fit comfortably within the mall's trade mix in order to win a space at The Malls at Oriental Plaza.



## 2. Beijing High-end Retail Property Market Study

In recent years, the Beijing retail property market has seen rapid development, and different retail product types have emerged in the Beijing market. According to different development modes and trade mixes, retail projects can be divided into three retail types:

1. Retail podium below a residential and/or office property;
2. Stand-alone retail projects, including:
  - Mid to large scale retail projects with a total GFA<sup>4</sup> (Gross Floor Area) over 30,000 sq. m., including department stores and shopping centres;
  - Themed retail streets, including food & beverage streets, bars and fashion streets, etc;
3. Specialised retail property market: mainly for wholesale businesses.

Of all the retail types, shopping centres and department stores are the most promising and have become the main retail types in Beijing. In order to provide a specific understanding of the Beijing retail property market, we will analyse high-end retail projects (high-end shopping centres and department stores) with a GFA over 30,000 sq. m.. Moreover, we will focus on Wangfujing/East Chang'an Avenue, the most well-known retail precinct in Beijing.

### Differences Between Department Store and Shopping Center

Differences	Department Store	Shopping Center
Property Type	As a single retail project generally.	The big shopping centers are generally one important part of the mixed-use project which may include office, hotel, apartment etc, while the smaller ones are often seen as single projects, or as the supporting facilities for other properties.
Trade Mix	Generally have less trade mix. Mainly include retail goods, while part of space concentrated with restaurants and supermarkets.	More trade mix, such as retail goods, restaurants, coffee bars, hairdressing, entertainment and leisure.
Shop Mode	Open counter with no obstruction between different brands; small space for each brand.	Franchised stores with bigger separated space for each brand.
Floor Planning	The same kind of commodities will be concentrated together. The floors will be divided by different kinds of commodities.	Retail space stays together with other space. Floors often divided by brand grades not by commodity types.
Efficiency	Higher efficiency rate: 60-70%.	Lower efficiency rate 50-60%, due to more space for aisles and public use.
Customer Payment Mode	Centralized payment.	Payment at individual shop.
Rental Mode	A ratio of turnover returned to the operator.	Fixed leasing rental.
Management	Uniform business hours.	Free business hours.
Operator	Department operators.	Leasing agent or the shopping center itself.

Source: DTZ Consulting

<sup>4</sup> GFA is interpreted as the area bounded by the outside perimeter of the external walls or claddings or internal walls. In other words, that is the area bounded by the exterior envelop of the unit.

## 2.1 Beijing Retail Property Market Study

- **General Market Overview: The retail property market is continuing to develop and mature**

The Beijing retail property market has been developed in four phases:

**“Emerging” Phase** (before 1990): Core retail areas of Beijing are mainly concentrated within the Second Ring Road, including Xidan and Wangfujing. With a total retail area of 150,000 sq. m. (gross floor area), the most representative retail projects in the Beijing retail property market comprise Wangfujing Department Store, Dong’an Department Store and Xidan Market.

**“Developing” Phase** (1991-1998): With the rapid development of Beijing’s economy, the development core spreads from the Second Ring Road to the Third Ring Road. The total new supply of 700,000 sq. m. (gross floor area) is mainly concentrated in Jianwai, Lufthansa, Gongzhufen and the Asian Games Village, bringing increased competition to the Xidan and Wangfujing retail areas.

**“Upgrading” Phase** (1999-2004): Through the upgrade of retail streets in Wangfujing and Xidan, more and more customers are enticed to return to these two retail areas. As the market becomes more discerning, shopping centres become more popular and responsive to the changing consumption patterns of customers.

**“Specialising” Phase** (2004 to present): Along with the enhancement of the retail property market and increased living standards, the themes and functions of retail projects become increasingly specialised.

Retail projects with unique themes and positioning, such as The Malls at Oriental Plaza in Wangfujing and Joys City in Xidan, outcompete other projects.

- **Major Retail Areas: Wangfujing/East Chang’an Avenue, Xidan, CBD and the Lufthansa area comprise the most developed retail areas**

High-end retail projects are mainly concentrated in eight retail areas in Beijing, namely Wangfujing/East Chang’an Avenue, Xidan, CBD, Lufthansa, Chaowai, Zhongguancun, Wangjing and the Asian Games Village. The following analysis will focus on these areas.

Other retail areas, such as Financial Street and Sanlitun, are in the developing phase and at present have little impact on the retail property market, so they will not be analysed further in this section.

**Major Retail Property Submarkets in Beijing**



***Wangfujing/East Chang'an Avenue***

The retail area of Wangfujing/East Chang'an Avenue is based on the pedestrian street, which comprises a mass of traditional time-honoured brands and also plenty of international brands. Wangfujing is the earliest retail area in Beijing and enjoys a good reputation. The most representative retail projects are The Malls at Oriental Plaza and Beijing APM.

After the upgrading phase from 1999 to 2004, Wangfujing continued to move upmarket after 2007. Many projects were launched onto the retail property market from 2007 onwards, such as Lotte Yintai Department Store and Jinbao Place. As some existing projects were renovated, the trade mix and brand structure changed to accommodate the new market situation and consumer preference. For example, The Malls at Oriental Plaza renovated some areas every 2 to 3 years during the past, and was continually adjusting and promoting the brand structure in order to offer customers attractive new points of interest. Beijing APM has also been renovated and positioned as a destination for the young and fashionable.

The major customers of Wangfujing/East Chang'an Avenue are local people and tourists from home and abroad. With its high-end positioning, The Malls at Oriental Plaza attracts not only wealthy locals and tourists, but also high-spending consumers from its own office buildings and hotels, since many MNCs (Multi-National Corporations), finance and investment industry companies and syndicates are located within the development.

In Q4 2010, the average asking rent of ground floor shops in Wangfujing/East Chang'an Avenue is the highest in Beijing and has reached RMB780 to RMB 2,400 per net sq. m. per month. (Net sq. m. in the retail property market section refers to floor area that is in business operation uses only, which means the area in a building which is available for rent to tenants (excludes common areas, wasted space, etc.))

***Xidan***

One of the more famous retail areas in Beijing, Xidan enjoys great pedestrian flows and mature retail environments. With a fashion, taste and leisure positioning, the major customer focus is on local people under the age of 35.

Most retail projects in Xidan are department stores, such as Zhongyou Department Store and Grand Pacific Department Store. In addition, the total high-end retail stock is 353,000 sq. m. (gross floor area). Central points of sale (POS) systems are installed in department stores, which usually charge turnover rent (a percentage of turnover is returned to the department store operators as rent). Generally, the turnover rent in Xidan ranges from 20% to 30%. In Q4 2010, the average ground floor asking rent in this area ranged from RMB350 to RMB 1,000 per net sq. m. per month.

***CBD***

As the international business centre of Beijing, modern, super high-rise buildings and a mass of supporting facilities surround the CBD. Many international headquarters and regional offices are located here, providing for strong consumer spending and giving the CBD an advantage in developing retail property.

The mature business environment with high income workers and residents in the CBD has led to the popularity of high-end shopping centres in the district. The most relevant projects are China World Shopping Mall, Shin Kong Place and Yintai Centre. The average ground floor asking rent in the CBD ranged from RMB350 to RMB 1,500 per net sq. m. per month in Q4 2010.

***Lufthansa***

Lufthansa was one of the earliest commercial zones for foreigners and foreign affairs. Youyi Shopping City is the core of the Lufthansa area. Many high-end hotels such as the Great Wall Hotel, Kunlun Hotel, Kempinski Hotel and Cosmopolitan Hotel are located nearby, and the Lufthansa area

has a unique cosmopolitan commercial atmosphere. The Lufthansa area enjoys good accessibility to the airport expressway, and is expanding northeast to connect with the Jiuxianqiao and Lido areas. Youyi Shopping City is the first Chinese-foreign joint venture retail enterprise in China and was the most high-end retail project in the Beijing retail property market in the last century. However, Youyi Shopping City's influence has gradually reduced due to the launch of other high-end retail projects in the CBD and other prime areas.

Major clients include business people, embassy officials and locals. The average ground floor asking rent in the Lufthansa area reached RMB280 to RMB900 per net sq. m. per month in Q4 2010.

### ***Chaowai***

Chaowai retail area is located near the CBD. Because it is planned to connect the Chaowai retail area with the CBD and transform it with both retail and business facilities, Chaowai is regarded as part of the CBD area. In 2003, Huayuan Group developed Shangdu International Center with a total land area of 300,000 sq. m. opposite Blue Island Mansion. Meanwhile, many retail projects and office buildings are coming to Chaowai, such as the Kuntai International Center, Chaowai MEN, Fenglian Square, Unity Building, Fanli Building and Huapu Building.

Major clients include business clients and surrounding residents. The average ground floor asking rent in Chaowai ranged from RMB500 to RMB800 per net sq. m. per month in Q4 2010.

### ***Zhongguancun***

Zhongguancun is the largest distribution centre for electronic products in China. For many years, the consumption pattern in Zhongguancun was almost solely focused on electronic products as compared to other retail areas in Beijing. As of 2006, however, the market situation has changed. Many new retail projects have launched in the market and the previous electronic focus has changed. Additionally, Line 10 and Line 4 of the subway have brought more customers to Zhongguancun.

Zhongguancun comprises many themed retail zones, including Digital Retail Street and Book Retail Street. Moreover, the nationally regarded Zhongguancun Science and Technology Park is located here. Zhongguancun is characterised as a distribution centre for electronic products, a hi-tech business centre and a university cluster (including Beijing University and Tsinghua University). Recently, the number of shopping centres has visibly increased and the most representative cases are Jinyuan Shopping Mall and Zhongguancun Plaza.

Major customers in Zhongguancun include white-collar workers, technical staff and local residents living in the northwest of Beijing. The average ground floor asking rent in Zhongguancun was maintained at a mid-level when compared with other retail areas in Beijing and ranged from RMB280 to RMB700 per net sq. m. per month in Q4 2010.

### ***Wangjing***

Recently, the retail property market in Wangjing has been developing quite rapidly. Wangjing used to be known as the "Sleeping City", due to its lack of supporting facilities and its largely residential character. Good accessibility, quality high-end apartments and enterprise interest have improved the prospects of retail projects in Wangjing.

The population of Wangjing has reached 400,000, and one-third of the people are foreigners, including 80,000 Koreans and 90,000 people from other countries. Wangjing is becoming a regional retail area and a 'golden triangle', surrounded by Jingcheng Highway, Wangjing West Road and North-east Fourth Ring Road. The retail property market in Wangjing has experienced rapid development and the most representative projects are Jiamao Shopping Center and Focus Square.

Major customers in Wangjing include surrounding residents. The average ground floor asking rent of retail projects in Wangjing ranged from RMB250 to RMB700 per net sq. m. per month in Q4 2010.

### **Asian Games Village**

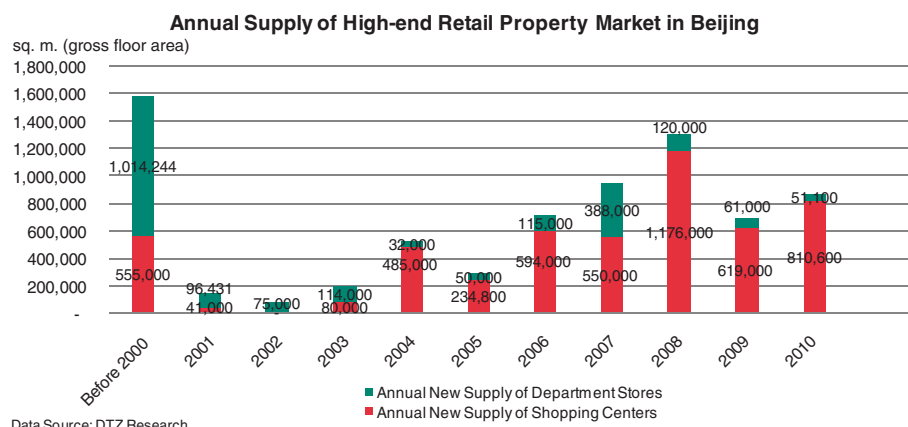
The Asian Games Village is the cultural and sports sub-centre of Beijing. This area already has high quality living standards, with an appropriate provision of retail streets and restaurants. Moreover, a number of office buildings have been launched in the market due to the construction of a new business centre in the north of Beijing.

The majority of existing retail projects are not positioned as high-end. The representative retail projects are Beichen Shopping Center and Piaoliang Shopping Center. Beichen Shopping Center is the most representative retail project in this area, and quality has improved after renovation and repositioning.

The major customers are surrounding residents, and the average ground floor asking rent in this area ranged from RMB250 to RMB750 per net sq. m. per month in Q4 2010.

- **Supply Analysis of the High-end Retail Property Market in Beijing: Retail supply is increasing and shopping centers are developing at a faster pace**

This analysis of the high-end retail property market will focus on shopping centers and department stores with a GFA of over 30,000 sq. m..



According to DTZ, the total stock of high-end retail property is as at the end of 2010 over 7 million sq. m. (gross floor area). Shopping centers account for 70.0% of the total stock.

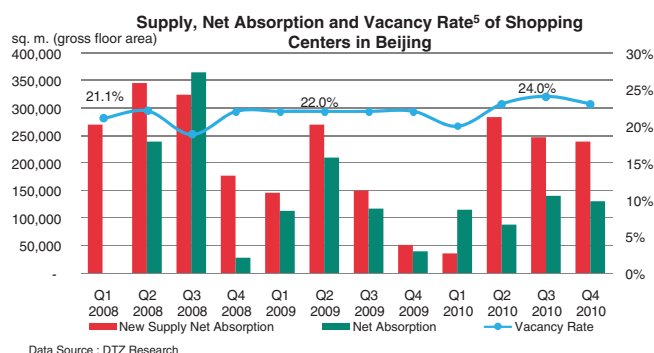
As a result of the upgrading phase of the retail property market in Beijing, more and more people frequent shopping centers. In 2005, the stock of shopping centers exceeded that of department stores. New supply of shopping centers has far surpassed department stores since 2004. In 2008, the new supply of shopping centers exceeded the historical peak and reached 1,180,000 sq. m. (gross floor area), much higher than that of department stores which is 120,000 sq. m. (gross floor area).

Shopping centers have become the most popular retail type in the Beijing high-end retail property market.

- **Demand and Vacancy Rate Analysis: Net absorption<sup>5</sup> of shopping centres is growing; vacancy rate is forecast to increase due to abundant new supply in 2010 and decrease from 2012 onwards**

Department stores and shopping centres have different business patterns. Additionally, the operators of department stores are usually the department stores themselves. Due to unified planning in the early stage, department stores have a higher efficiency rate in retail areas and the vacancy rate is under 5%. This means that areas with a high vacancy rate would not have a great negative effect on the market. Therefore, we will focus on analysing the vacancy rate of shopping centres.

Demand for department stores is slowing in the developed urban retail areas in Beijing. On the other hand, demand for department stores is increasing in developing suburban areas. For example, the Pacific Department Store launched a new branch in Fuxin Road, Haidian District in 2009 with a GFA of 30,000 sq. m..



Recently, the supply and demand of shopping centres have both been strong. Even during the financial crisis, the demand of the retail property market was only slightly affected. In 2009, new supply was about 619,000 sq. m. (gross floor area) and net absorption reached 483,000 sq. m. (gross floor area). The vacancy rate rose slightly when compared with Q4 2009, and reached 22.0%.

New supply increased in 2010 but this has not affected the operation of mature retail projects such as The Malls at Oriental Plaza and China World Shopping Mall. However, the new market supply will place huge pressure on new retail projects that are still on the drawing board or in the development pipeline.

In Q4 2010, the vacancy rate of shopping centres was 23.0%, and 2011 is expected to witness substantial new supply. Therefore, the vacancy rate will still remain at a relatively high level. However, we do not believe the increasing vacancy rate will have a negative effect on mature retail projects like The Malls at Oriental Plaza, which still maintains a 100% occupancy rate and a significant competitive advantage with a long waiting list of retailers. The vacancy rate is expected to decrease along with the limited supply from 2012 to 2013.

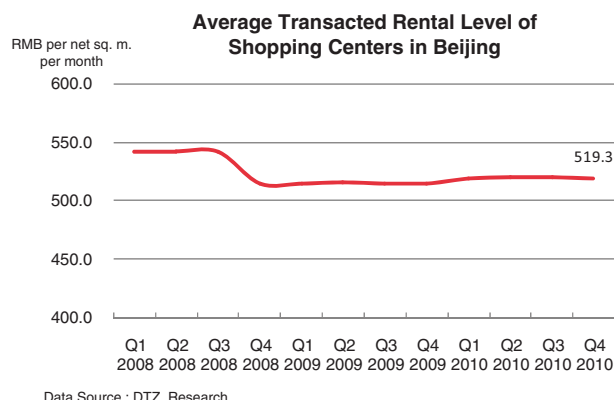
<sup>5</sup> New Supply means the completions in the single quarter (or single year in the next part of this report). Net absorption = leasing areas in this quarter (or year) — leasing area in last quarter (or year). Vacancy rate = Vacant area/ Total gross floor area, in the next part of this report, the year-end vacancy rate will be used to describe the vacancy rate in the whole year.

- **Rental Level of Beijing Retail Property Market:** Turnover rent range of department stores is from 8% to 30%, while the average transacted rent of shopping centers is RMB519.3 per net sq. m. per month<sup>6</sup>

<u>Trade Mix</u>	<u>Return Ratio of Turnover Rent</u>
Clothing .....	15-30%
Cosmetics .....	25-30%
Supermarket .....	3-7%
Restaurant .....	8-10%
Electronics .....	8-10%
Entertainment (e.g. cinema) .....	approx. 5%

According to the above analysis, there are different methods for calculating rent in department stores and shopping centers. Central points of sale (POS) systems are installed in department stores. Department stores usually charge turnover rent, which shares the sales profit of retailers and do not have fixed rental levels. The percentage is decided by the type and brand of commodities. Generally, turnover rentals ranged from 8% to 30%.

On the other hand, shopping centers usually charge fixed rent. The average transacted rental level of shopping centers fell from RMB541.4 per net sq. m. per month in Q3 2008 to RMB514.8 per net sq. m. per month in Q4 2008 during the financial crisis. Following that period, the rental level recovered slowly in line with the economic rebound.

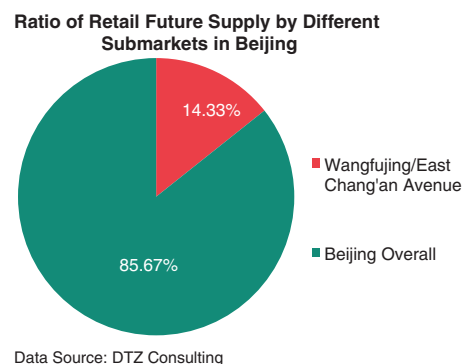


At Q4 2010, the average transacted rental level of high-end shopping centers reached RMB519.3 per net sq. m. per month.

<sup>6</sup> Average transacted rent hereinafter is derived from average asking rent of ground floor sourced by DTZ Research. Here we assume there are 3 floor levels above ground and 1 basement floor level for shopping center. The estimations are: 2F asking rent is 75.0% of ground floor asking rent, and B1 and 3F rents are 55% of ground floor asking rent, respectively. Then we made a 15% discount to convert asking rent to transacted rent.

- **Future Supply: 1,249,000 sq. m. (gross floor area) of future supply will be launched in the market over the next three years (from 2011 to 2013), while some projects will postpone their launch date; the supply will decrease after 2011, and the future supply of Wangfujing/Dong Chang'an Area will be limited**

According to DTZ, approximately 1,249,000 sq. m. (gross floor area) of new supply will be launched in the market from 2011 to 2013, (approximately 1,000,000 sq. m. (gross floor area) of which will be launched in 2011). Shopping centers will provide the majority of the future supply, and department stores will provide very little supply.



In the next six months after January 2011, the retail property market, especially newly launched retail projects, will face fierce competition, increasing the vacancy rate and slowing the growth rate of the rental level. Mature projects like The Malls at Oriental Plaza still have competitive advantages as a result of many years of successful operation.

Moreover, according to market practice, many new projects can be expected to postpone their launch date due to market pressure and investment progress. Therefore, it is forecast that the whole market supply will be adjusted based on the market situation. Future supply in Wangfujing/East Chang'an Avenue is limited and only accounts for approximately 14.3% of the total future supply in Beijing.

- **Sale Situation of Beijing Retail: Few en bloc transactions of retail projects**

There are very few en bloc transactions of retail projects, especially in mature retail areas, since the quality and operation of retail projects are difficult to maintain after strata-title sales.

#### Selected Latest Retail Project Sales Transactions

Project Name	Address	Sales Type	Sales Area sq. m. (GFA)	Transaction Time	Transaction Price (RMB/sq. m. (GFA))
Sanlitun Shimao . . .	Sanlitun	Strata Title	8,019	2009Q4- 2010Q3	70,126
Yinhe SOHO . . . . .	Xiaopaifang Hutong in Dongcheng	Strata Title	50,851	2010Q2- 2010Q3	78,908

Data Sources: Beijing Municipal Commission of Housing and Urban-Rural Development, DTZ Research

We have selected some strata-title cases as reference of retail property market sales prices in Beijing. The average price of Sanlitun Shimao and Yinhe SOHO are RMB70,126 and RMB78,908 per sq. m. (gross floor area), respectively.

## 2.2 Retail Property Market Study for Wangfujing/East Chang'an Avenue Submarket

- **Wangfujing/East Chang'an Avenue Retail Property Market Overview: Long development history, good development planning and a mature retail property submarket**

Wangfujing Street has over 700 years of history and has been an important retail street for the last 100 years. The street's reputation will be a key driver for further retail property market development in the Wangfujing / East Chang'an Avenue submarket.

As a result of this historical standing, good reputation and significant influence at home and abroad, Wangfujing / East Chang'an Avenue retail street has become the most popular shopping destination in Beijing for locals and international tourists.



Plenty of famous retail projects are located in this submarket, for example, The Malls at Oriental Plaza, the Beijing APM and the Wangfujing Department Store.

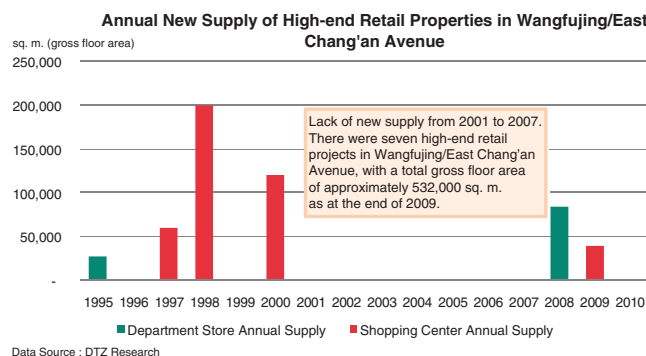
The customer flow averages at approximately 200,000 on working days, and approximately 250,000 to 300,000 during weekends and public holidays. The average customer flow can range from 70 to 90 million annually, which is the guarantee for the development of this retail submarket.<sup>7</sup>

The government has a detailed and rational plan for retail development around the Wangfujing area. The plan is proceeding one step at a time, aimed at building a branded, characteristic business core area with a practical layout.

<sup>7</sup> Data Source: The 11<sup>th</sup> five-year retail development plan for Dongcheng District, the development plan for Wangfujing modern retail centre.

- **Retail Supply Analysis:** Little supply from 2001 to 2007, vast development potential for the future; The Malls at Oriental Plaza spearheads the high-end retail development

According to the statistics from DTZ, there were seven high-end retail projects in Wangfujing / East Chang'an Avenue, with a total gross floor area of approximately 532,000 sq. m. as at the end of 2009. Up to 2009, shopping centres account for the majority of retail stock (about 80.0%).



The annual supply of high-end retail projects from 2001 to 2007 was limited, which provides an opportunity for future retail projects.

#### ***Introduction of major high-end retail projects:***

##### **Major High-end Retail Projects in Wangfujing/East Chang'an Avenue Submarket**

<u>Name</u>	<u>Property Type</u>	<u>Completion Date</u>	<u>GFA (sq. m.)</u>
Wangfujing Department Store . . . . .	Department Store	1955	28,000
COFCO Plaza . . . . .	Shopping Mall	1997	60,000
Beijing APM . . . . .	Shopping Mall	1998	120,000
Henderson Center . . . . .	Shopping Mall	1998	80,000
The Malls at Oriental Plaza . . . . .	Shopping Mall	2000	130,000
Lotte Yintai Department Store . . . . .	Department Store	2008	83,600
Jinbao Place . . . . .	Shopping Mall	2009	40,000

Source: DTZ Consulting

**Wangfujing Department Store:** As the department store with the longest history in Wangfujing area, the Wangfujing Department Store has been repositioned as a more fashionable store after redecoration and product line improvement. For example, some fashion brands such as Ports and Swarovski were introduced. The customers are mostly wage and salary earning workers and tourists from home and abroad. The Wangfujing Department Store uses turnover rents (usually as a ratio of 8% to 30% of the total sales revenue) to drive profits.

**Beijing APM:** Beijing APM, opposite to the Wangfujing Department Store, is a modern multifunctional shopping centre. The target customers are the high income, young demographic aged between 25 and 40. After redecoration and repositioning, the project has been heavily promoted and the rental has increased to RMB200 to RMB850 per net sq. m. per month.

**The Malls at Oriental Plaza:** As a part of Oriental Plaza — a large commercial complex in Beijing — The Malls at Oriental Plaza has a length of 500 metres long. Since Oriental Plaza has been positioned as an international business centre, lots of international conferences have been held in Grand Hyatt Beijing, Oriental Plaza's hotel. The majority of office tenants in Oriental Plaza comprise Fortune 500 companies. Additionally, most of the apartment residents are middle and senior management from MNCs. More than 20,000 employees live and work in Oriental Plaza, providing a steady source of stable and high-end customers for the retail part of the project.

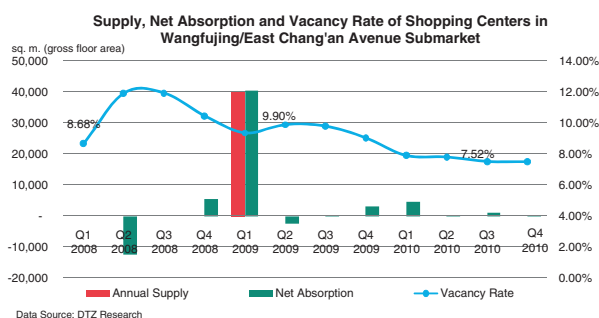
The success of The Malls at Oriental Plaza is not only due to the customer flow from the whole Wangfujing area, but also the customers brought in by the complex itself.

The Malls at Oriental Plaza is one of most luxurious shopping centres in Beijing. The occupancy rate has been at or near 100 percent for a long time with rental being amongst the highest in Beijing. After ten years of successful operation, The Malls at Oriental Plaza has become the most influential retail project in the Wangfujing / East Chang'an Avenue submarket, spearheading the development of Beijing's high-end retail property market.

- **Retail Demand and Vacancy Analysis: Vacancy rate far below the Beijing average, operation of retail property market remains positive**

DTZ recognizes two high-end department stores on Wangfujing/East Chang'an Avenue, namely the Wangfujing Department Store and Intime Lotte Department Store. The Wangfujing Department Store has consistently maintained good operations. However, the Intime Lotte's performance has been poorer because it is still a newly-opened department store and requires several years to build a reputation in the market. We will mostly analyse the demand and vacancy rate of shopping centres in the following section.

From 2008 to 2010, few new shopping centres have come onto the market in the area of Wangfujing/East Chang'an Avenue. Meanwhile, the net absorption of shopping centres remains relatively stable.

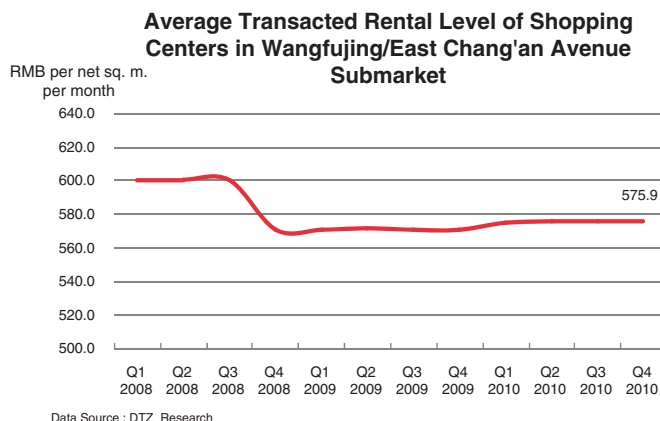


The high-end shopping centres perform well in this submarket, with a high occupancy rate (about 90.7% on average, far higher than the retail properties in Beijing on average).

At Q4 2010, the vacancy rate of the Wangfujing/East Chang'an Avenue retail submarket averaged 7.5%, much lower than the Beijing overall retail property market vacancy rate (24.0%) in the same period. These market facts indicate a strong competitive edge as well as a healthy operational environment of the Wangfujing retail submarket.

- **Retail Rental Analysis: Highest Average Transacted rental level in Beijing (Transacted rent averaged RMB 575.9 per net sq. m. per month in Q4 2010); witnessed stable growth after financial crisis**

Since there is no fixed leasing rental for department stores in this submarket, the turnover rental percentage is almost the same as the overall Beijing market, remaining at 8% to 30%.



For shopping centers in the Wangfujing/East Chang'an Avenue submarket, the transacted rental has stayed at a high level for a long time (much higher than the average of the whole Beijing market), and currently remains the highest of all the major Beijing submarkets.

During the financial crisis, affected by the macro-economic environment, the average transacted rental has suffered a remarkable decline in a short period. After the crisis, the transacted rentals began to climb as the submarket improved. At Q4 2010, the transacted rent of high-end retail properties in the Wangfujing/East Chang'an Avenue submarket averaged at RMB 575.9 per net sq. m. per month.

- **Retail Future Supply Analysis<sup>8</sup>: Future supply forecast to be 179,000 sq. m., little pressure on the market**

According to DTZ, the future supply of high-end retail properties in the Wangfujing/East Chang'an Avenue submarket from 2011 to 2013 is forecast to be approximately 179,000 sq. m. (gross floor area), about 33.3% of the current stock, majority of which will be shopping centres.

#### Future Supply of High-end Retail Projects in Wangfujing/East Chang'an Avenue Submarket

Name	Property Type	Estimated Completion Date	GFA (sq. m.)
Wangfujing International Shopping Mall . . . .	Shopping Mall	2011	40,000
Beijing Gong Project . . . . .	Shopping Mall	2011	46,000
Macao Center . . . . .	Shopping Mall	2011	23,000
Wangfujing International Brand Center . . . . .	Shopping Mall	2013	70,000

Source: DTZ Consulting

<sup>8</sup> The future supply means those projects that have clear plannings or have been under construction already. Those projects that have been sold before completion or have an unclear or changeable planning will not be accounted into our statistic basket.

DTZ believes that there will be little market pressure after these high-end retail properties come onto the market in the future, for the following four reasons:

1. Little supply came onto the submarket between 2000 and 2008. New completions have been anticipated for some time. 2. The operation of the retail property market in Wangfujing/East Chang'an Avenue has remained solid for a long time and the market will be capable of absorbing these new completions. 3. These future projects are forecast to be completed over the next three to four years (ie, from 2011 to 2014), which provides enough time for market absorption. 4. All future projects are forecast to be high-end quality, which will upgrade the quality of this retail property submarket. Meanwhile, the aggregation effect will help to drive up the rental levels in the region.

● **Retail Transacted Rental Forecast: Expected to remain the highest level in Beijing and continue stable growth in the future**

To recap, first, after the financial crisis, transacted rent in 2010 has witnessed a growth of 1%, which can be perceived as a normal annual rental growth rate.

Second, because the macro economy has performed well, the GDP and total retail sales in Beijing are both expected to witness continued double digit growth in the foreseeable future. Therefore, the Wangfujing/East Chang'an Avenue retail submarket, the most famous in Beijing, is expected to trend upwards accordingly. It is predicted that the transacted rental in the submarket will keep increasing over the next couple of years.

Third, in line with the previous analysis, it is expected that the future supply will not place undue pressure on the market rental.

Fourth, the average inflation rate over the past ten years (from 2000 to 2010) was 1.53%, which will be perceived as the future inflation rate for the next few years (from Q4 2010 to Q4 2013).

In conclusion, it is forecast that the average transacted rental growth rate of retail properties in the Wangfujing/East Chang'an Avenue submarket will be 2.53% year on year (from 2011 to 2013).

**Average Transacted Rental Forecast of Retail Properties in Wangfujing/East Chang'an Avenue Submarket**

<u>Submarket Rental Forecast</u>	<u>2010 Q4</u>	<u>2011 Q4</u>	<u>2012 Q4</u>	<u>2013 Q4</u>
Forecast Value (RMB per net sq. m. per month) . . . . .	575.9	590.5	605.4	620.7

Source: DTZ Consulting

### 3. Beijing Overall Grade A Office Market Study

The Beijing office market has experienced rapid development, along with economic expansion and internationalisation. Currently, there are a full set of offices available for selection, ranging through Grade A, Grade B and Grade C offices. The majority of high quality offices are concentrated in the city's core area and functional growth areas. The quality of new supply has improved noticeably in recent years, and it will be a future trend for high quality offices to enter into the market. The following study focuses on the Grade A office market only, and especially the Grade A offices in the Wangfujing/East Chang'an Avenue submarket.

DTZ has specified minimum criteria<sup>9</sup> for Grade A offices. Based on the current Grade A office market status in Beijing, we define and classify them into various levels mainly according to the specifications of the building itself (i.e. the lobby, the air-conditioning system, the lift brand and the location).

<sup>9</sup> The following criteria means the minimum criteria for Grade A office buildings. The quality of most of the existing Grade A office buildings in Beijing is higher than this minimum criteria.

For example, Grade A office buildings are generally located in the core business area, and most of them are steel frame structures. The floor plan is practical, with office space that can be divided freely. The standard floor area is more than 1,000 sq. m. (gross floor area), with a floor loading of above 200 kilograms per sq. m.. Most of these office buildings provide dual power, with an electricity capacity of above 60 VA per sq. m., and utilise brand-name air-conditioning systems, which enable the adjustment of temperature and humidity in different areas. Additionally, fresh air should be more than 30 cubic metres per person per hour; and 24-hour cold and hot water should be provided; Other features and services should include branded elevators, with a waiting time of less than 40 seconds; sufficient car parking lots, with the serviced area of every single lot less than 250 sq. m.; intelligent office operation systems (named as 5A systems); and a reputable property management company.

### 3.1 Beijing Grade A Office Market Study

- **Market Overview: Office market is still in the fast development stage**

As a first-tier city in China, the development of the Beijing office market began relatively early. Both the gross development area and product quality are amongst the highest in the country. The development of the office market in Beijing began in earnest in the mid 1980's. The following tracks the history of Beijing office development:

***“Starting” Stage:*** (mid 1980's to 1996)

With the commencement of reform and open policies, as well as rapid economic growth, the Beijing office market began to takeoff. The earliest offices were co-located with luxury hotels catering to foreign embassies. Thus, Jianguomenwai Avenue to the east Chang'an street area of Ritan road legation quarter became the initial office centre. The opening of China World Trade Centre Tower 1 in 1990 signaled development of the CBD.

From 1992 to 1996, the Beijing economy experienced rapid expansion and the massive inflow of foreign companies led to a sharp increase in the demand for office space, resulting in a shortage of supply. Therefore, both the rental cost and price of office buildings was pushed up, and there was a significant increase in the attractiveness of the office market. At the same time, according to the open policy, real estate developers, particularly Hong Kong developers, started to invest heavily in office projects. Therefore, the Beijing office market experienced rapid growth in the early stage.

***“Adjustment” Stage:*** (Year 1997 to 2003)

During this period, supply exceeded market demand due to the impact of heavy investment in the early stage. This imbalance led to intense competition in the office market (only some prime projects such as China World Trade Center and The Tower Offices at Oriental Plaza were minimally affected). In addition, the Southeast Asian financial crisis, the burst of the internet bubble, and SARS led to difficulties for the Beijing office market.

This period is considered the adjustment stage. Development and investment in the office market became more rational due to the impact of the recession. Notably, business centres started to form in the Financial Street and Zhongguancun areas. At the same time, other business centres, such as Wangfujing/East Chang'an Avenue, matured. Therefore, a multi-business centre form began to take shape.

***“Growth” Stage:*** (Year 2003 onwards)

From 2003 until the present, the Beijing macro economy has continued its sustained development (double digit growth rate of GDP successively for many years), and the office market experienced stable growth. The supply of office space increased, especially after 2005, and the overall quality of the new supply experienced a dramatic improvement. There is an increasing amount of Grade A office

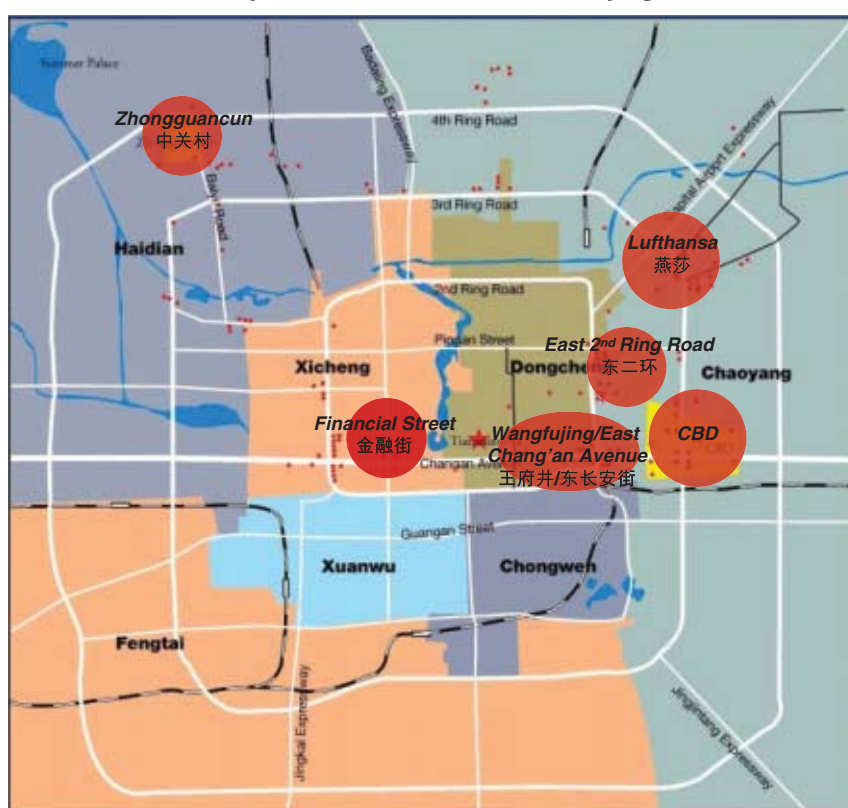
available in the market, while rent has risen accordingly. After the short impact of the global credit crisis in 2008, the Beijing office market has continued its rapid growth.

Thus far, the Beijing office market is still considered to be in its developing stage, compared to relatively mature foreign markets. However, there is huge potential for future development.

- **Overview of Beijing Main Office Districts:** There are six key office submarkets in Beijing; Wangfujing/East Chang'an Avenue has the longest history whereas CBD is the largest business centre in Beijing

Beijing Grade A office towers are distributed across six districts, namely the CBD, Financial Street, Zhongguancun, Lufthansa, East 2<sup>nd</sup> Ring Road and Wangfujing/East Chang'an Avenue submarkets.

**Major Office Submarkets in Beijing**



Source: DTZ

The Asian Games Village, Wangjing, Advanced Business Park area (Fengtai District) and Yizhuang Economic and Technical development Area have also developed to a certain extent. However, those business centres are slightly inferior to the six key business districts, in terms of quality, stock, operation and market influence.

We will analyse the six key business districts listed in the above map.

### **Wangfujing/East Chang'an Avenue**

Wangfujing/East Chang'an Avenue business district is located along east Chang'an Street, which has a geographic advantage. Moreover, the legation quarter is located nearby. These factors provide a strong foundation for this district to be the cradle of the Beijing office market. The opening of the CITIC Building in 1985 was the first sign of the commencement of commercial office development in this area and in Beijing overall. Therefore, this business district was the pioneer for all business districts in Beijing.

The high-end commercial retail in this district provided necessary supporting facilities for further development. Due to this, office market growth has been primarily driven by market factors.

The core of the district extended to Wangfujing area due to the opening of Scitech Place, COFCO Plaza and Everbright China Chang'an Building. After the adjustment period, the most influential, largest and high-end office project, The Tower Offices at Oriental Plaza in Wangfujing/East Chang'an Avenue submarket, was launched. It has been instrumental in the area's maturity, and is considered an influential market leader.

The GFA of The Tower Offices at Oriental Plaza is 300,000 sq. m., which accounts for one-third of the district's current stock of approximately 825,000 sq. m. (gross floor area). Due to its significant influence on the market, The Tower Offices at Oriental Plaza acts as a benchmark for other Grade A office towers in this district in terms of tenant mix. The major tenants in the district include professional services (law firms, accounting firms, etc), IT companies, syndicates, financial and insurance service companies, as well as hi-tech manufacturers. The average transacted rental<sup>10</sup> of Grade A offices reached RMB 157.9 per sq. m. (gross floor area) per month<sup>11</sup> in Q4 2010. The vacancy rate was approximately 11.14%, lower than the average of the whole city.

### ***CBD***

There were some high-end office buildings which arrived on the market in the China World Trade Center vicinity in the 1990s. In particular, the launch of the landmark China World Trade Center boosted office market development in the whole district. The office market took its initial shape after 2000, after which the government started to make development plans. The scale of buildings presented a stable growth trend. After 2007, the office market in the district experienced rapid expansion, and many high-quality office buildings came onto the market. The reputation and quality was further improved, and the role of this business district consolidated.

After 20 years of development, the international finance industry, cultural media industry and modern business service industry have become the mainstay of CBD. Finance, trading, law and accounting firms represent 34% of tenants. The district is now a typical mature service industry centre. There are many Grade A office buildings, typical examples of which include China World Trade Center, Yintai Center, Kerry Center and China Central Place.

Major tenants comprise Top 500 foreign companies, financial institutions, consulting firms, and law firms. The stock of Grade A offices was approximately 2.15 million sq. m. (gross floor area) in Q4 2010, and the average transacted rent was approximately RMB 180.4 per sq. m. (gross floor area) per month. Because of the increased supply in recent years, the vacancy rate is relatively high amongst all districts, at 19.72%.

### ***Financial Street***

Planned by the State in 1992, Financial Street was the first large-scale development for the financial industry in Beijing. It was appointed by the State Council to be the financial administrative centre. Initially, there were only financial supervision institutes and some state-owned company headquarters. Massive corporations, especially financially-related businesses started to locate here after 2001, leading to a boom in this area. However, due to the smaller size of the region (only 1.18 sq. k.m. in the core area), development was limited. As a result, the market remains tight and the vacancy rate is relatively low, pushing up the rentals to a high level.

The GFA of office buildings for lease in this district is currently more than 1,000,000 sq. m. (with an average vacancy rate of 7.14%), whereas the GFA for own-use offices has a similar scale of one

<sup>10</sup> The average transacted rental means the rent agreed in the contract signed in Q4 2010. Generally, tenants move into the new office two to three months after signing the contract (time needed for decoration). Therefore, such rent will reflect on the landlords' book several months later.

<sup>11</sup> Gross rental figures throughout the office market section are calculated based on the assumption that the office efficiency rate will be generally at 70%.

million sq. m. The main feature of the Financial Street area is the large amount of owner-occupied office buildings. A number of examples of lettable office buildings include Winland International Financial Center, Fortune Resource International Center and Excel International Financial Center.

The major tenants are banks, insurance companies, security institutes, onshore/offshore investment corporations, financial supervision institutions and some state-owned companies. In Q4 2010, the average transacted rent was approximately RMB 212.12 per sq. m. (gross floor area) per month.

### ***Zhongguancun***

Since there are many universities and research institutions located in the Zhongguancun area, the government authorised it as both the hi-tech development centre of Beijing and the rest of the country. The office market in this district grows with the general development plan. However, because of the clear-cut characteristics of the region, the tenants are highly unique, limiting the expansion of the district to a certain extent.

The stock of Grade A offices in the district is about 760,000 sq. m. (gross floor area), and the vacancy rate is 1.78%. Typical projects include Raycom InfoTech Park, Ideal International Plaza and Tsinghua Technology Plaza. Major tenants are high tech corporations and R&D institutions, including IT, electronics and telecommunications. In Q4 2010, the average transacted rental level of Grade A offices was relatively low, about RMB 140.86 per sq. m. (gross floor area) per month.

### ***Lufthansa***

The Lufthansa submarket is close to the legation quarter and is one of the pioneers of office development. As the first international department store, Lufthansa shopping mall stimulated the growth of the district. The full sets of business facilities, as well as the cosmopolitan atmosphere, have provided favourable conditions for the office market to develop.

The stock of Grade A office premises is currently about 610,000 sq. m. (gross floor area), and the average vacancy rate is approximately 13.07%. The typical office projects comprise Landmark Tower, Hyundai Motor Tower and Phoenix Square. Major tenants are overseas enterprises, manufacturing (especially automobile manufacturing), as well as trading and professional services companies. In Q4 2010, the average transacted rental level of Grade A office was approximately RMB 154.38 per sq. m. (gross floor area) per month.

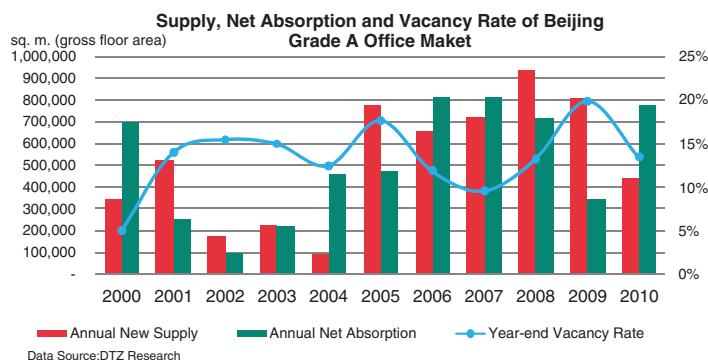
### ***East 2<sup>nd</sup> Ring Road***

This region is the preferred office location for many state-owned corporations due to the convenient transportation location. China National Offshore Oil Corporation, Sinopec group, China CYTS, China Telecom and China Mobile (Beijing) are all located here. Although the East 2<sup>nd</sup> Ring Road business district began relatively late, there are high-end office buildings in the market due to the demand from owner-occupied corporations.

The stock of Grade A offices is currently approximately 420,000 sq. m. (gross floor area) with the highest vacancy rate of 20.26% among all districts. Typical projects include Guohua Plaza, CYTS Plaza, Raffles City, and the Fifth Square. Major tenants are large scale state-owned companies, especially energy-related ones. In Q4 2010, the average transacted rental level of Grade A office was approximately RMB 171.52 per sq. m. (gross floor area) per month.

- **Beijing Grade A Office Supply, Absorption and Vacancy:** Total stock is 6.6 million sq. m. (gross floor area); Large supply since 2005 with strong absorption at the same time; vacancy rate is low at 13.8%

According to DTZ, little new Grade A office supply was completed before 2005. As a result, the whole market was still in recession and demand was not strong.



After 2005, much more new supply came onto the market, with an annual average of approximately 780,000 sq. m. (gross floor area) during the five years since 2005. The large supply was supported by the large office demand in a good economy. The tenants were also eager for high quality office space. By the end of 2010, the Grade A office stock totalled approximately 6.6 million sq. m. (gross floor area), with The Tower Offices at Oriental Plaza currently being the largest Grade A office development in Beijing (and has been since its opening).

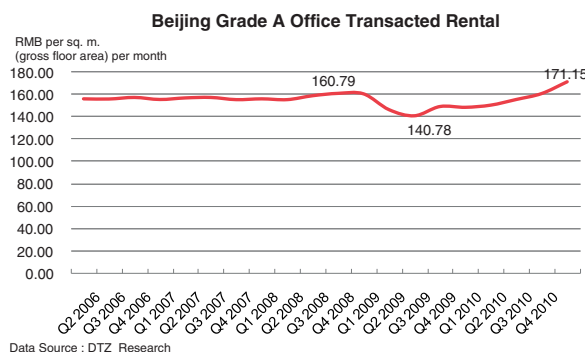
Although plenty of Grade A offices were completed, the average vacancy rate remained at a relatively low level. This was especially noticeable at the end of 2007, when the vacancy rate was 9.6%. Due to the financial crisis during Q4 2008 and 2009, the vacancy rate increased remarkably to 19.9% in a short period. However, in 2010, benefiting from the recovered office demand after the financial crisis, the average vacancy rate has fallen to 13.5% in Q4 2010, an acceptable level.

- **Beijing Grade A Office Rental Analysis:** the transacted rental remained at a high level (except during the financial crisis) of about RMB159.19 per sq. m. (gross floor area) per month in 2010

Despite high annual new supply since 2005, the Grade A office rental performed well because of the strong demand over the same period.

For example, transacted rentals during Q2 2006 and Q3 2008 witnessed stable growth of about RMB155 to RMB161 per sq. m. (gross floor area) per month.

At the same time, rentals suffered a sharp decrease to RMB140.78 per sq. m. (gross floor area) per month in Q2 2009 as a result of the financial crisis which began to impact the market in Q4 2008.



After Q3 2009, the Grade A office market trended upwards, with rentals rebounding to levels of before the financial crisis. The average transacted rent reached RMB171.15 per sq. m. (gross floor area) per month in Q4 2010. It is predicted that the rentals will keep rising in line with the expectation that the overall economic environment will remain positive.

- **Beijing Grade A Office Future Supply<sup>12</sup> Analysis: Lower future supply over the next three years (from 2011 to 2013) than the past five years (from 2006 to 2010); low market pressure and bright prospects**

#### Future Supply of Beijing Grade A Office Market

Name	Submarket	Estimated Completion Date	GFA (sq. m.)
CITIC Securities Plaza .....	Lufthansa	2011	70,000
Xidan Yinzuo Centre .....	Others	2011	80,000
Meisheng International Plaza .....	Others	2011	43,000
Parkview Green .....	Others	2011	80,000
Guosheng Center .....	East 2 <sup>nd</sup> Ring Road	2011	140,000
Fortune Plaza Phase III .....	CBD	2011	150,000
Aether Square .....	CBD	2011	50,000

Source: DTZ Consulting

According to DTZ, the future Grade A office supply in Beijing in the next three years (from 2011 to 2013) is about 0.61 million sq. m. (gross floor area), with nearly half concentrated in the CBD area. Most of the future supply is expected to come onto the market in 2011, with little supply in 2012 and 2013. Naturally, there will be little pressure on the Grade A office market in the future. On the basis that the absorption will remain at the same average level as before, the Grade A office vacancy rate is predicted to stay at a low level with rentals increasing further in the near future (up to the end of 2011).

- **Beijing Grade A Office Rental Forecast: Rental is forecast to have a y-o-y increase of about 5.21% in the next three years (from 2011 to 2013)**

DTZ takes into account several factors in deriving the rental forecast, including the historical rental change rate, the future supply and demand, as well as the inflation rate.

According to DTZ, Beijing Grade A office rental has witnessed an average y-o-y increase of 3.68% during the period from 2007 to 2010 (the abnormal rate of change during the financial crisis has been excluded). Since we are optimistic about future economic development, it is forecasted that the whole Beijing Grade A office rental will see the same average increase of 3.68% in the near future.

Since less future supply will come onto the market, the vacancy rate in 2013 is expected to be approximately 5.0% (8.5% lower than the vacancy rate of Q4 2010) on the basis that the absorption rate will remain at the current absorption level. As a result, a rental increase will naturally be expected.

According to the Beijing Statistics Bureau, the average inflation rate over the last decade (from 2000 to 2010) was about 1.53%, which is forecast to remain steady over the next three years (from 2011 to 2013).

<sup>12</sup> The future supply means those office buildings that have been clearly planned or have been under construction already, and have been expected to be Grade A offices. The completion date may be changed according to the actual construction schedule.

To sum up, DTZ forecasts that the Beijing Grade A office rental may have a y-o-y increase of about 5.21% (here, we considered two aspects: the expected rental growth rate and the expected future annual inflation rate) in the next three years (from 2011 to 2013).

### Transacted Rental Forecast of Grade A Office in Beijing

<u>Beijing Rental Forecast</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Forecast Value (RMB per net sq. m. per month) . . . . .	227.41	239.26	251.72	264.83
Forecast Value (RMB per sq. m. (GFA) per month) . . . . .	159.19	167.48	176.20	185.38

Source: DTZ Consulting

- **Sales Performance of Beijing Grade A office: En-bloc Sales transactions in 2009 were active, with an average sales price of about RMB30,000 per sq. m. (gross floor area)**

In 2009, Grade A office en-bloc sales transactions were active because the sales price of Grade A offices declined during the financial crisis and many investors were inclined to buy some office properties on expectations of future appreciation.

### Selected Office Sales Transactions in Beijing

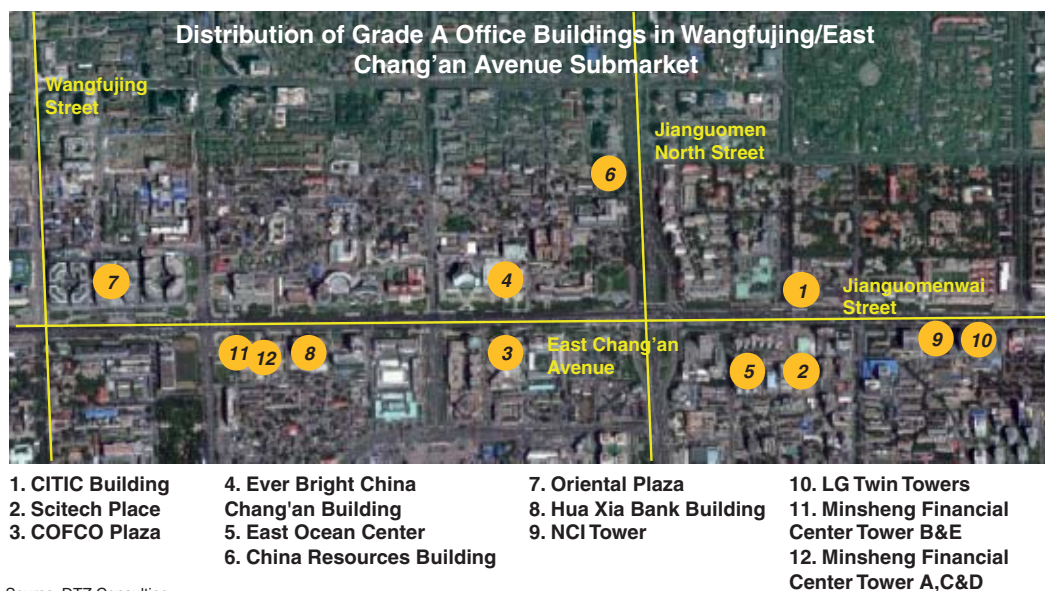
<u>Name</u>	<u>Submarket</u>	<u>Sales Type</u>	<u>Sales Area (sq. m. (GFA))</u>	<u>Transaction Date</u>	<u>Transaction Price (RMB/sq. m. (GFA))</u>
Raycom InfoTech Tower D . . . . .	Zhongguancun	En-bloc Sale	29,856	2009Q3	23,395
Zhaotai Beifeng C1 Tower . . . . .	Financial Street	En-bloc Sale	45,966	2009Q3	35,015
Jiasheng Center . . . . .	Lufthansa	En-bloc Sale	82,200	2009Q4	28,467
Gateway Plaza . . . . .	Lufthansa	En-bloc Sale	102,735	2010Q2	28,227

Date Source: Beijing Municipal Commission of Housing and Urban-Rural Development, DTZ Research

The sales price of the latest en-bloc transactions fluctuated around RMB 30,000 per sq. m. (gross floor area).

### 3.2 Wangfujing/East Chang'an Avenue Grade A Office Market Study

- **Wangfujing/East Chang'an Avenue Grade A Office Market Overview: Relatively mature submarket with good location**



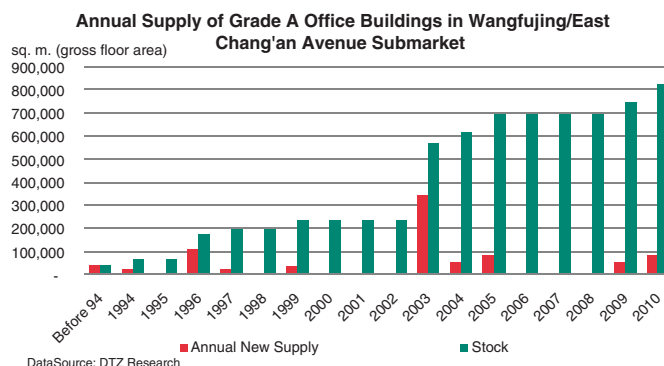
Most of the Grade A office buildings in this submarket are distributed along Chang'an Avenue and Jianguomenwai Avenue, with good accessibility (four stations of Line 1 are located in the area). The Wangfujing/East Chang'an Avenue submarket developed early and many high quality office buildings were completed in a phased process. This submarket is much more mature than other office submarkets. For example, the vacancy is as low as about 10.0%, especially for high quality office buildings such as the China Resources Building, The Tower Offices at Oriental Plaza and LG Twin Towers, which enjoy high occupation rates. The average rental has been stable over a long period of time.

- **Submarket Grade A Office Supply Analysis: The current Grade A office stock in the submarket totals at approximately 825,000 sq. m. (gross floor area), with few completions over the past seven years (from 2004 to 2010). The market outlook is positive**

The annual supply chart for the Grade A office submarket of Wangfujing/East Chang'an Avenue indicates that the average annual supply is small, while the total stock (stock meaning all the existing supply) is relatively large amongst all the major submarkets due to its long development history. By the end of 2010, the total stock of Grade A office buildings in Wangfujing/East Chang'an Avenue submarket was approximately 825,000 sq. m. (gross floor area).

It is noteworthy that annual new supply in 2003 was much larger than other years. This is because The Tower Offices at Oriental Plaza, with a total office GFA of about 300,000 sq. m. (gross floor area), came onto the market that year. The Tower Offices was appraised as the best office building in Beijing by the Beijing Municipal Bureau of Commerce and the Beijing Administration for Industry and Commerce as soon as it was completed. The office project has run well since completion, with an occupancy rate of approximately 95.0% since The Tower Offices launched in 2001, benefiting from its own supporting facilities as well as the submarket. Many high quality tenants of the professional services industry, IT industry, finance, insurance and investment industry are located therein. For example, three of the 'big four' accounting firms have leased office space in The Tower Offices at Oriental Plaza. Moreover, both Deloitte and Ernst & Young have naming rights to the respective office

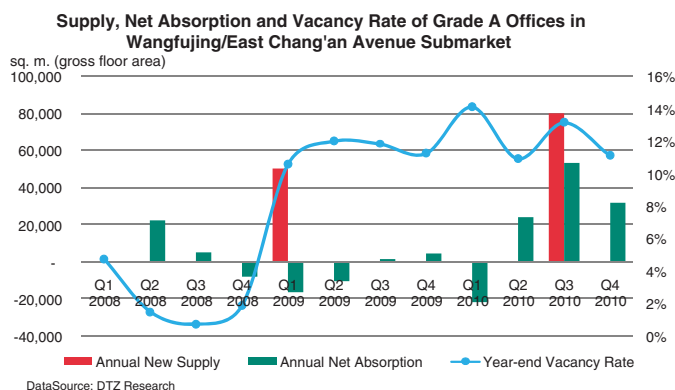
towers where their offices are located. The rental prices of The Tower Offices at Oriental Plaza are of the highest level in this submarket of Wangfujing/East Chang'an Avenue.



Meanwhile, it is apparent that new supply in 2006 and 2008 was limited in this submarket. Compared with the quantity of supply in other submarkets in Beijing over the same period, the market faced less pressure and a better business environment.

- **Submarket Grade A Office Net Absorption and Vacancy: Strong demand with current low vacancy rate of 13.15%.**

Office demand in Wangfujing / East Chang'an Avenue performed relatively well over the period from 2008 to 2010 (except during the period of the financial crisis). The vacancy rate in 2008 was as low as 2.2%. Not only was office demand affected during the financial crisis, but on the supply side, the Minsheng Financial Center was completed in phases over 2009 and 2010. The vacancy rate increased somewhat, but still remained at a level of about 11.9% during this period. As of Q4 2010, the vacancy rate of Wangfujing/East Chang'an Avenue submarket was 11.14%.

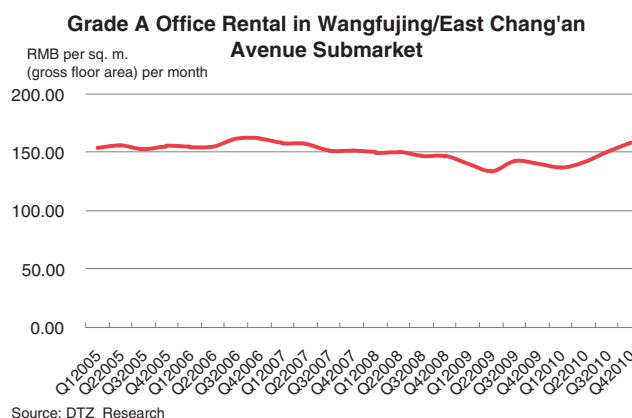


- **Submarket Grade A Office Rental Analysis: Average transacted rental remained stable (in Q4 2010, averaged at RMB157.90 per sq. m. (gross floor area) per month; Rental differences between the major projects**

According to DTZ, the average transacted rental of Wangfujing/East Chang'an Avenue Grade A office submarket was stable over the past five years (ie, from 2005 to 2010). As of Q4 2010, the average transacted rental was RMB157.90 per sq. m. (gross floor area) per month.

It is noteworthy that rental differed between office buildings in this submarket due to different facilities and building ages. For example, the rental of the best office buildings, such as The Tower

Offices at Oriental Plaza, China Resources Buildings and LG Twin Towers, is approximately 20% to 40% higher than the average rental level in this submarket.



- **Submarket Grade A Office Future Supply Analysis: Bright market prospects with little future supply in the next three years**

In an analysis of the future supply for the whole of the Beijing Grade A office market, most of the future supply will be concentrated in the CBD area, and it is forecast that there will not be any new completions in Wangfujing/East Chang'an Avenue submarket in the next three years (from 2011 to 2013). Therefore, the lack of future supply will bring less competition and market pressure, a positive sign for this Grade A office submarket.

- **Submarket Grade A Office Rental Forecast: The rental growth is forecast to be in line with that in Beijing, a y-o-y increase of approximately 5.21%.**

First, it is expected that there will be no future supply in the next three years (from 2011 to 2013). Second, the vacancy rate in this submarket is to remain at a low level (about 7.5% lower than the whole Beijing vacancy rate during the past three years (from 2007 to 2009)). Third, office demand in this submarket performed well and is forecasted to keep the same trend in the foreseeable future.

In light of these assumptions, the rental of Grade A office in Wangfujing/East Chang'an Avenue submarket is forecast to increase over the next three years (from 2011 to 2013), with an annual growth rate of about 5.21% (at least not lower than the predicted annual rental growth rate of the whole Beijing market).

#### Transacted Rental Forecast of Grade A Office in Wangfujing/East Chang'an Avenue Submarket

<b>Rental Forecast</b>	<b>2010 Q4</b>	<b>2011 Q4</b>	<b>2012 Q4</b>	<b>2013 Q4</b>
Forecast Value (RMB per sq. m. (GFA) per month) . . . . .	157.90	166.13	174.78	183.89

Data Source: DTZ Consulting

#### 4. Conclusion

- **Beijing's economy has developed quickly, with improved infrastructure and an increase in the city's appeal; the development of commercial property will benefit tremendously**

Total retail sales in Beijing witnessed a strong increase in the last decade (from 2000 to 2010), which led to the development of retail properties. Meanwhile, the office market has benefited from the increased number of employees in Beijing, especially those in the tertiary sector.

With better infrastructure, a more efficient government and the appeal of a higher living, work and consumption quality, increased investment and consumption will continue, thus propelling the development of the Beijing real estate market.

- **The whole Beijing retail property market is currently performing well, especially the submarket of Wangfujing/East Chang'an Avenue, which is currently outperforming the entire market and is forecast to remain strong.**

The major high-end retail projects are concentrated in eight submarkets. The Wangfujing/East Chang'an Avenue submarket, with a longer history and a good development plan, is more mature and maintains stable growth.

The high-end retail properties have developed quickly. Demand in both the whole Beijing market and the Wangfujing/East Chang'an Avenue submarket has remained strong. The retail property market of Wangfujing/East Chang'an Avenue has performed well, with the vacancy rate far lower than that of the whole Beijing retail property market.

Plenty of future retail supply in Beijing is expected to come onto the market. However, a small percentage is located in the Wangfujing/East Chang'an Avenue submarket, which indicates little market pressure on this submarket in the foreseeable future.

In 2010, the retail rental of Wangfujing/East Chang'an Avenue submarket was the highest amongst all the major submarkets, and is predicted to increase further in the foreseeable future.

- **The office market has developed rapidly, and is still growing. Wangfujing/East Chang'an Avenue office submarket has performed well and has bright prospects.**

The major Grade A office buildings are concentrated in six submarkets. The Wangfujing/East Chang'an Avenue submarket has the longest history.

The supply of Beijing Grade A office buildings began to surge as of 2005, while, in Wangfujing/East Chang'an Avenue submarket, little new supply has been completed in the past seven years (from 2004 to 2010). This means there is little competition and low market pressure.

Grade A office demand in Beijing's entire market and the Wangfujing/East Chang'an Avenue submarket has performed well, with the average vacancy rate currently remaining at a relatively low level.

In the next three years (from 2011 to 2013), the annual future Grade A office supply for the whole Beijing office market is predicted to be less than the annual supply over the past five years (from 2006 to 2010). No future supply is expected to come onto the market in the next three years (from 2011 to 2013), especially for the Wangfujing/East Chang'an Avenue submarket. All the projects in this submarket will benefit from the lack of future supply.

The average rental for the Grade A office market has rebounded from the financial crisis, and is forecast to increase further over the next three years (from 2011 to 2013).

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11 April 2011

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26/F CITIC Tower, 1 Tim Mei Avenue,  
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BOCI Asia Limited  
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Dear Manager, Trustee and Joint Listing Agents,

**Beijing Luxury Hotel and Serviced Apartments Market Study**

Jones Lang LaSalle-CIEC Co., Ltd. was instructed by Beijing Oriental Plaza Company Limited to provide an independent assessment ("Study") of the Beijing luxury hotel and serviced apartments sectors in connection to the launch of a Real Estate Investment Trust ("REIT") initially with the sole asset being Oriental Plaza. This report is prepared for the purpose of incorporation in the offering circular of the REIT and the information will become part of the offering circular for the launch of the REIT.

**Date of Assignment**

The contract engaging Jones Lang LaSalle-CIEC Co., Ltd. was executed on 28th September, 2010. This report reflects data and comments made according to desktop research conducted between 28th and 30th September, 2010.

**Statement of Pecuniary Interest**

We confirm that Jones Lang LaSalle-CIEC Co., Ltd. has no pecuniary or other interest in the market that would conflict with proper assessment or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. This position will be maintained until the purpose for which this Study is being obtained is completed.

**Information Utilised**

Our review is based on information developed from research of the markets, knowledge of the industry and certain information provided by Beijing Oriental Plaza Company Limited, which is integral to the outcome of our estimations. We have also obtained data and information for this assignment from a wide range of sources. Whilst due care has been undertaken in the application of this information, its accuracy cannot be verified by Jones Lang LaSalle-CIEC Co., Ltd.. Should it be revealed that any of this information is inaccurate or misleading so that its use would affect our Study, then Jones Lang LaSalle-CIEC Co., Ltd. reserves the right to amend its opinions and report. The sources and bases of the estimates and assumptions are stated in the body of the document. We have no responsibility to update this Study for events and circumstances occurring after the date of issuance.

**Qualifications and Assumptions**

This Study is based on current as well as likely future conditions as perceived by the market. We do stress that the estimation of future market conditions is a very problematic exercise, which, at best, should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forward projections involves assumptions regarding a considerable number of variables, which are acutely sensitive to changing conditions.

- In preparation of this Study, we have made the following assumptions: It must be recognised that, in the current economic climate, consumption and capital markets are subject to significant volatility and uncertainty.
- Against the backdrop of the recent global economic downturn, China's economy has experienced a milder growth pace as compared to the earlier years of development. While gradual recovery has been experienced at the local and national levels in 2010, there are concerns of a slow overseas recovery casting over the outlook of 2011.
- China's political situation and currency exchange rate against other major international currencies will remain stable.
- Disregarding short-term impacts, tourism trends in China are forecasted to be at least maintained with gradual improvement in visitor arrivals in the near future.
- There will not be a resurgence of Severe Acute Respiratory Syndrome (SARS) nor will there be any other disease or epidemic outbreaks that could cause a long-term negative impact on the hotel and tourism markets of China and Asia.
- It must be recognised that the real estate investment market is subjected to fluctuations and that estimations of future market conditions may become out of date after an extended period from the date of this Study. Further, the government may adopt measures and policies that have an immediate and sweeping impact on the real estate market in order to maintain stability of the macro economy.

Should you have any questions regarding this study, please do not hesitate to contact us.

Yours sincerely,

*Jones Lang LaSalle-CIEC Co., Ltd.*

## 1.0 Beijing Hotel Market Introduction

Home to 19.7 million<sup>1</sup> permanent residents (of which 12.5 million are registered permanent residents) and many expatriates and students, Beijing embodies the political, economic and cultural capital of China. It is one of the fastest growing cities in the world. Fuelled by China's economic open-door policy, Beijing was arguably one of the first cities in the Mainland to take off economically. Despite a few bumps in the past, Beijing saw unprecedented growth between 1999 and 2009 and the momentum has no signs of slowing down. In 2009, Beijing's average GDP per capita reached RMB70,452 (or USD 10,314), second only to Shanghai's per capita GDP of RMB77,764.

The most significant event that cast a lasting impact on Beijing's tourism and hotel market in recent years was the 2008 Summer Olympics hosted in Beijing. The successful execution of the event has put Beijing on the global map. While the two-week event generated a significant amount of domestic and international visitors to Beijing, the more notable impact of Beijing's hosting of the Olympics has continued after the event — in preparation to take its place on the world's centre stage, Beijing underwent a comprehensive facelift and spent over USD41 billion<sup>2</sup> for 800 infrastructure projects that largely modernised the ancient city and expedited future growth. On the hotel front, although a number of hotels opened prior to and around the Olympics, the new stock has also largely improved the quality of hotel offerings in Beijing and further improved the city's attractiveness for global meetings.

In many ways, the Olympics became a catalyst that propelled this ancient city into the 21st century and was a turning point of the city's hotel industry. While the global financial crisis continues to have a lingering impact overseas, China and Beijing's economy has recovered relatively quickly. This is also evident in Beijing's hotel market performance. As China continues to grow and gain importance in the global market, Beijing will further secure its position on the world stage thereby fueling growth of the local economy and hotel demand.

## 1.1 Beijing Tourism Market Overview

### Tourism Fact Sheet<sup>3</sup>

#### *Overall Tourist Arrivals*

- Historical CAAC<sup>4</sup> (2000 – 2010) = 5.9% per annum
- Total tourist arrivals in 2010 = 185 million

#### *Domestic Tourist Arrivals*

- Historical CAAC (2000 – 2010) = 5.9% per annum
- Total tourist arrivals in 2010 = 180 million

#### *International Tourist Arrivals*

- Historical CAAC (2000 – 2010) = 5.7% per annum
- Total tourist arrivals in 2010 = 4.9 million (an increase of 18.8% year-on-year growth)
- Top five source countries of tourists in 2010: United States, Japan, South Korea, Germany, Russia
- Peak months = April, May, August, September, October; Shoulder = March, June, July; Low = January, February, November, December

<sup>1</sup> According to Beijing Bureau of Statistics, 2009 data.

<sup>2</sup> South China Morning Post, Intensive Preparation 30 December 2007.

<sup>3</sup> As per latest data available

<sup>4</sup> CAAC – Compounded Average Annual Change.

***Tourism Receipts***From Domestic Travellers

- Historical CAAC (2000 – 2009) = 13.5% per annum
- Tourism receipts in 2010 = RMB 242.5 billion

From International Travellers

- Historical CAAC (2000 – 2009) = 6.2% per annum
- Tourism receipts in 2010 = USD 5.0 billion

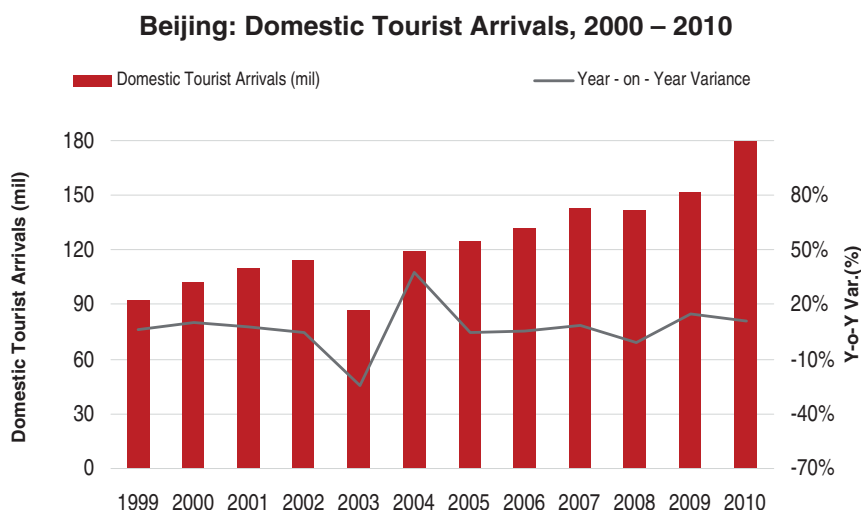
Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

***Domestic Tourist Arrivals***

Domestic tourist arrivals after 2003 have grown steadily (an increase of approximately 6.3% in CAAC between 2004 and 2007) although at a slower pace than international tourist arrivals, which grew at a CAAC of approximately 11.3% in the same period. In 2007, domestic tourist arrivals reached 142 million. Contrary to international tourist arrivals, domestic tourist arrivals in 2008 were only marginally lower (approximately a decrease of 0.7%) than the year before.

Although domestic visitor arrivals to Beijing were also affected by travel restrictions in the lead up to and during the Olympic Games, they were more resilient to global events, including but not limited to the worldwide economic downturn. Domestic visitor arrivals saw a significant year-on-year increase in both 2009 and 2010.

The following graph shows the trend of domestic visitor arrivals to Beijing between 2000 and 2010.



Source: Beijing Tourism Bureau

**Beijing: Change in Domestic Tourist Arrivals, 2010**

	2010	Y-o-y Change (%)	Historical CAAC (2000 – 2010)
<b>Total Number of Domestic Tourist Arrivals (million)</b> . . . . .	<b>180</b>	<b>10.7%</b>	<b>+5.9% per annum</b>

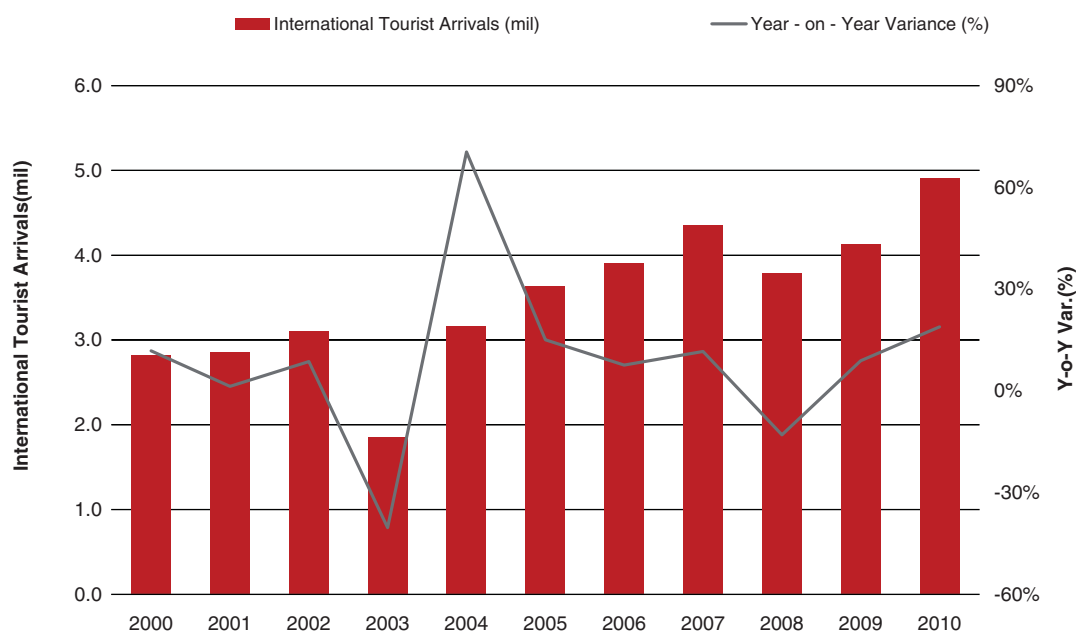
Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

**International Tourist Arrivals**

With the exception of a significant drop in tourism demand in 2003 as a result of the outbreak of SARS, international arrivals to Beijing have grown steadily. Between 2004 and 2007, international visitor arrivals grew at an impressive double-digit rate of approximately 11.3% (CAAC), resulting in a record volume of approximately 4.4 million arrivals in 2007. In 2008, however, this dropped by approximately 13.0%. Tightened visa regulations in the lead up to and during the Olympic Games significantly limited the much anticipated international tourist flow to the city. Moreover, the global financial crisis and the consequently slowing economic development in the third and fourth quarter of 2008 put further constraint on tourist demand. As a result, international visitor arrivals in 2008 declined approximately 13.0%.

Despite the on-going impact of the weak global economy, international tourist arrivals to Beijing showed some signs of recovery by the end of 2009. With approximately 4.1 million arrivals, international travellers were up by approximately 8.8% over 2008. Although still lower than the record volume seen in 2007, international tourist arrivals in 2009 surpassed the number of arrivals in 2006 by almost approximately 5.7% thus indicating initial signs of an upswing. Recovery started to gain further momentum in 2010, as international tourist arrivals increased by approximately 18.8% over 2009 reaching a historic record of approximately 4.9 million.

As the following supporting graph shows, international tourist arrivals to Beijing have grown at a strong pace since 2000.

**Beijing: International Tourist Arrivals, 2000 – 2010**

Note: Includes arrivals from Hong Kong, Macao and Taiwan  
Source: Beijing Tourism Bureau

**Beijing: Change in International Visitor Arrivals, 2010**

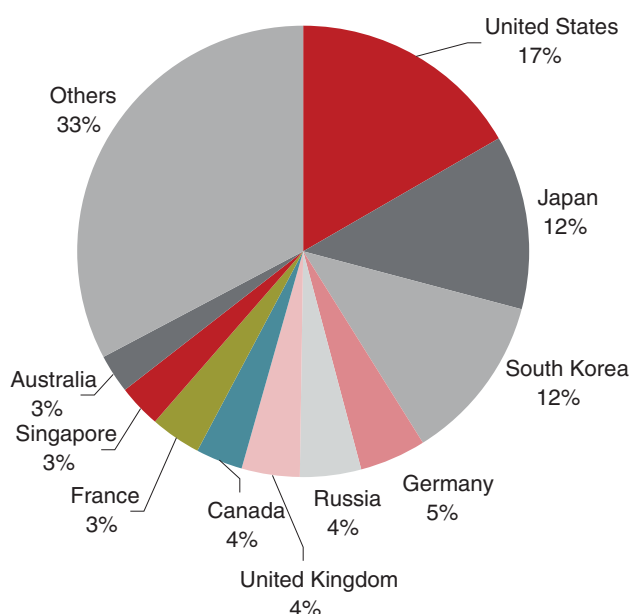
	2010	Y-o-y Change (%)	Historical CAAC (2000 – 2010)
<b>Total Number of International Visitor Arrivals (million) . . . .</b>	4.9	+18.8%	+5.7% per annum

Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

**Origin of Travelers**

As in previous years, the United States led Japan and South Korea as the top source market in 2010, accounting for 16.6% of total foreign arrivals.

In 2009, although arrivals from Russia (a decrease of 16.6%), France (a decrease of 11.0%), the United Kingdom (a decrease of 7.2%) and Australia (a decrease of 5.9%) reported a strong drop over 2008 results, a healthy recovery was seen from some of the key Asian markets, such as Japan (an increase of 15.5%) and Singapore (an increase of 18.2%). In 2010, along with the stronger recovery, the numbers showed a more positive picture. Arrivals from the United Kingdom showed an annual growth of 2.9% while arrivals from all other top markets showed double-digit growth over 2009 levels.

**Beijing: Top 10 Foreign Feeder Markets, 2010**

Note: Not include arrivals from Hong Kong, Macao and Taiwan

Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

### Seasonality

As the supporting graph shows, the peak season for inbound travel to Beijing is between April and May and August through to October. January, February, November and December are the quieter months while March, June and July are shoulder periods.



Note: Include arrivals from Hong Kong, Macao and Taiwan  
Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

As evident from the graph above, 2008 was an exceptional year. Due to visa restrictions implemented early that year, international visitor arrivals started to decrease in April and reached a record low for the month of July compared to other years. Tourist numbers picked up during the Olympic Games in August although the month also ended up being weaker than in previous years. When the global financial crisis became a world-wide phenomenon in September 2008, international arrivals plummeted again with a slight increase in October facilitated by the generally stronger Meetings, Incentives, Conventions and Exhibitions (MICE) business.

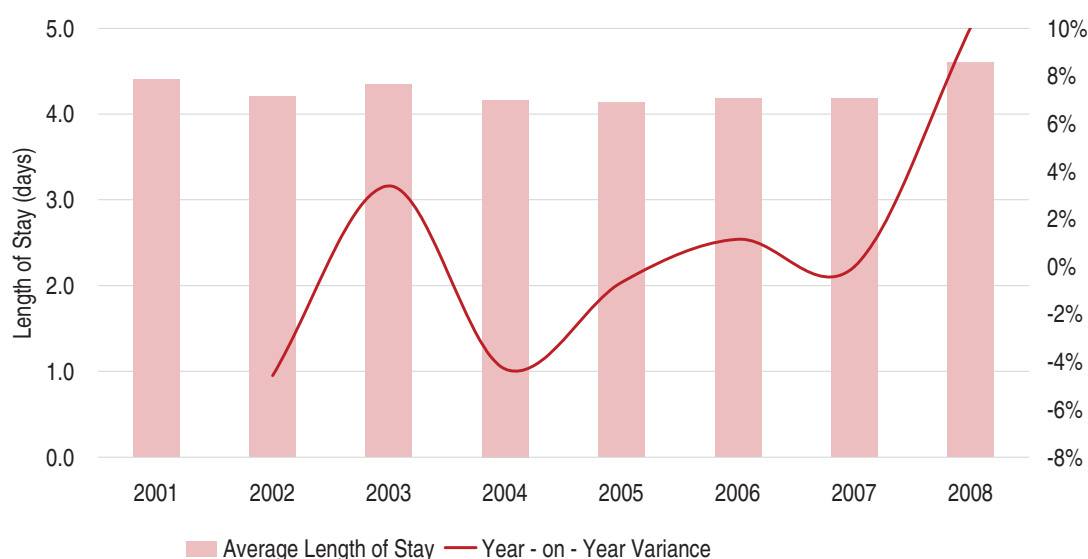
In 2009, Chinese New Year was relatively early. As such, the volume of international tourist arrivals was lower than in the first two months of 2008. Over the year, 2009 however reflected similar seasonality patterns to many (not 2008) years. The impact of the 60th anniversary celebrations of the founding of the People's Republic of China in October 2009 was observed to be relatively minor, indicating that this has been a predominantly domestic event.

In 2010, the impressive recovery of the international tourism market enabled the international tourist arrivals to follow the seasonality patterns of normal years such as in 2007. Growth of tourism arrivals over previous years' levels was particularly pronounced in the traditional high-season months, i.e. April, May, June and September.

### Average Length of Stay

According to the latest statistical data (2008) published by the Beijing Tourism Bureau, the average length of stay of international travellers has fluctuated in a tight range of 4.1 and 4.6 days between 2001 and 2008. As shown in the supporting graph, the average length of stay has, after having dropped in 2004 and 2005 to its lowest level, increased again in 2006 and reached its record level of 4.6 in 2008. This was higher than Shanghai's 3.7 days. Based on anecdotal evidence, this is a result of the higher share of leisure travellers to Beijing, who tend to stay longer than corporate travelers.

Beijing: Average Length of Stay, 2001 – 2008



Source: Jones Lang LaSalle Hotels, Beijing Tourism Bureau

## 1.2 Beijing Tourism Demand Generators

### *Office Clusters*

Commercial real estate development has been playing a pivotal role in shaping China's hotel markets. Availability of high-quality office space remains one of the key factors for location decisions of international corporations and increasingly, large domestic companies. Considering China's emerging shift towards the tertiary sector, of which the enterprises are typically office occupiers, office supply will become an increasingly important indicator of corporate lodging demand.

In brief, Beijing's office supply can be divided into six sub-markets with relevance for the hotel market, namely the Central Business District (CBD), East Second Ring Road, East Chang'an Avenue, the Third Embassy Area, Financial Street, Wangfujing and Zhongguancun Area. At the end of 2010, total stock of Grade A office supply in Beijing amounted to 5.4 million square metres.

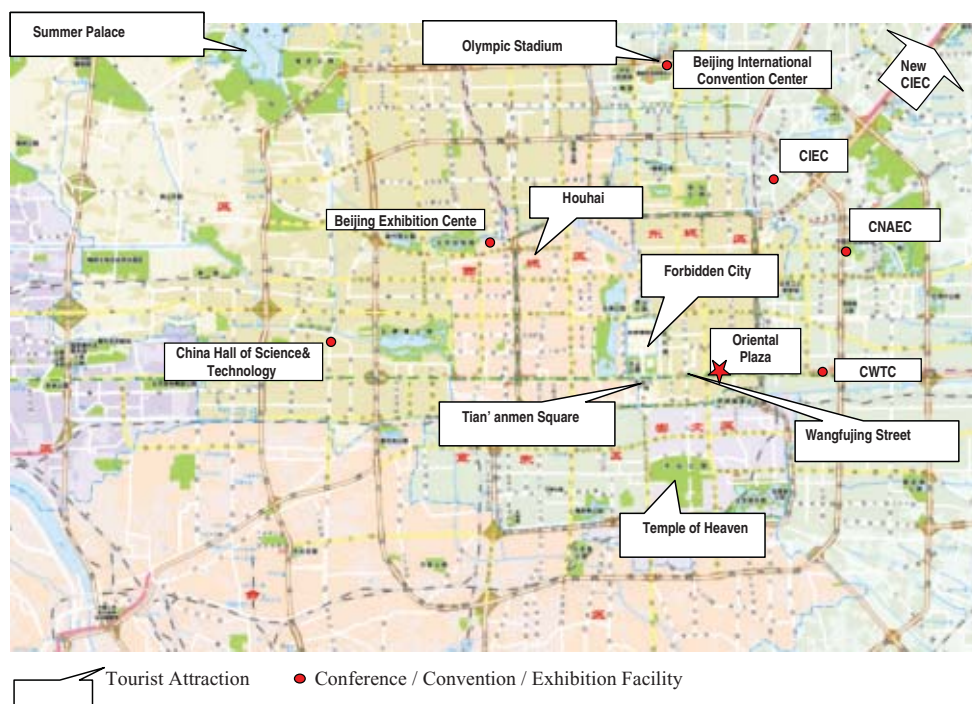
In addition to the aforementioned office markets, there are 28 major industrial parks in Beijing, including the three national level development areas namely Beijing Economic Technological Development Area, Zhongguancun Science Park and Beijing Tianzhu Processing Zone.

### *Meeting, Convention and Exhibition Facilities (MICE)*

Beijing also represents an internationally recognised MICE destination, ranking first in the country in terms of meetings. Phase I of the city's largest exhibition facility, the New China International Exhibition Centre, opened in April 2008. The Centre features some 200,000 square metres of indoor exhibition space and around 1.0 million square metres of commercial facilities. The Centre has been and will continue to attract large-scale events of international reputation and generate hotel demand for the city.

The map below identifies the city's major conference, convention and exhibition facilities, as well as key tourist attractions.

### Beijing: Key Conference, Convention and Exhibition Facilities and Key Tourist Attractions



Key:

- CIEC – China International Exhibition Centre
- New CIEC – New China International Exhibition Centre
- CNAEC – China National Agricultural Exhibition Centre
- CWTC – China World Trade Centre

Source: Jones Lang LaSalle Hotels

### Key Tourist Attractions

As the capital of China for many centuries, Beijing offers a number of landmark monuments that are a “must see” when visiting China. Some of the most popular cultural and historical sites in and around Beijing are listed on the previous page.

As evident from the map above, key tourist destinations are clustered in Beijing's downtown area close to Tian'anmen Square. Leisure travellers to Beijing tend to exhibit a relatively high sensitivity with regards to location and prefer to choose their place of stay subject to its proximity to the tourist spots to be visited. Hence, hotels in downtown Beijing and particularly along Chang'an Avenue and in the Wangfujing area have historically reported a relatively higher share of leisure travellers than hotels in other parts of the city.

In preparation for the Olympic Games and as part of the 11th Five-Year Plan (2006 to 2010), a series of tourism projects were completed. Among those are the re-development of the Olympic venues into a modern leisure and entertainment park, the establishment of the Qianmen-Dashilan traditional commercial area and the development of the Shichahai cultural area. Furthermore, new landmark buildings, such as the National Centre of Performing Arts and CCTV headquarters, have gained world attention and are further evidence of Beijing's growing attractiveness.

Leisure travellers represent a key overnight demand generator in Beijing. They are not only attracted by the various and world-famous sights in and around the city but also choose Beijing a key starting point for tours around China.

### ***Infrastructure***

Driven by the 2008 Olympic Games, Beijing has undergone a considerable infrastructural facelift. With the development of a new airport terminal, four new subway lines, new expressways and additional road connections between the six concentric ring roads, accessibility to and within the city has been enhanced considerably.

#### ***Roads***

Ostensibly to accommodate passenger traffic during the Olympics, the Beijing Municipal Government almost tripled the length of its expressway network. This included additional ring roads and expressways with the goal to link “every town with a population greater than 50,000” with downtown Beijing.

The capital currently has national highways linking to Zhuhai, Shenzhen, Shenyang, Harbin, Guangzhou and Kunming. In addition, the city also has more than 13,000 kilometres of local highways linking its rural towns and villages in the suburbs. The city’s highway development plan aims at building expressways to connect all key towns in the countryside on the outskirts of the city by 2010.

The Beijing Municipal Government has also made significant investments in the development of its road system, which now consists of a web of concentric ring roads with major spokes radiating from the centre of the city.

#### ***Rail***

As the national capital, Beijing is one of the largest railway hubs in China. Major trunk railway lines run between Beijing-Kowloon (Hong Kong), Beijing-Guangzhou, Beijing-Shanghai, and Beijing-Harbin. Beijing has three major rail stations: Beijing Station, Beijing West Station and Beijing South Station. Freight stations are located outside of Beijing proper and include Shuangqiao, Huairou, Shijingshan, Fengtai, and Sanjiadian stations.

Significant investments were devoted to road and railway improvements in the lead up to the Beijing Olympic Games. One of the key projects is the high-speed rail link connecting Shanghai and Beijing. With the completion of 1,318 kilometres of railway by 2013, rail travel time between China’s two major cities will be more than halved from twelve hours to under five. The project is the biggest investment in the nation’s medium and long-term railway development plan and is estimated to require around RMB 200 billion (nearly USD 30 billion) in funds.

#### ***Metro System***

Beijing’s first metro line started operations in 1969, making Beijing the first city in China to feature an underground transportation system. Currently, there are several metro lines in operation, including No. 1, 2, 5, 10, 13, Batong Line and the Airport Express. Its 198 kilometres of railway is estimated to serve more than 1.5 million commuters every day.

According to Beijing Metro Transport Construction Management Company, Beijing’s total mileage of metro lines is supposed to reach 561 kilometres by 2015. Lengthwise, the capital’s metro system is targeted to overtake the systems in London, Paris and Madrid with an ambitious goal of 19 lines by 2015.

Governmental plans unveiled in 2007 stated the creation of a network with three circular, four horizontal, five vertical and seven radial lines. Upon completion by 2015, the city is expected to benefit from an even denser network in the centre and also improved connections to the suburbs.

### *Air Transport*

There are two airports in Beijing, namely Beijing Nanyuan Airport and Beijing Capital International Airport ("BCIA").

Beijing Nanyuan Airport was converted to a civilian and military airport from a purely military airport in the 1990s. The airport serves domestic flights only. Since the completion of its expansion in 2007, it is capable of handling some 600,000 passengers per year.

BCIA is located approximately 27 kilometres northeast of Beijing. The airport experienced three extension phases in the last decade, including the opening of Terminal 2 in 1999, the opening of Terminal 1 in 2003 and the opening of Terminal 3 in 2008. Terminal 1 covers an area of 60,000 square metres and is designed to serve 60 flights daily and 1,500 passengers per peak hour. Terminal 2 covers an area of 336,000 square metres and is equipped with modern facilities to handle 26.5 million passengers per annum or approximately 9,200 passengers per peak hour. When the newly-opened Terminal 3 opened, it was the largest roofed building terminal in the world. Its opening prior to the Olympic Games in 2008 gave BCIA the ability to handle 78 million passengers and 1.8 million tons of freight per annum.

As the main international passage to China, BCIA currently services 20 domestic and 58 international airline companies. As at the end of 2010, there were 214 destinations flying out of BCIA, including 118 domestic and 96 international destinations.

The graph below shows the steady development of passenger volume at BCIA between 2000 and 2010.



Source: Jones Lang LaSalle Hotels, Beijing Capital International Airport Co. Ltd.

Following a slight reduction in 2003, the year when SARS broke out, passenger numbers grew at an impressive CAAC of 13.4% between 2004 and 2009. In 2010, the airport reported a passenger volume of 73.9 million, a 13.1% increase over 2009 levels. As such, the airport ranked second in the world in terms of passenger throughput.

According to the latest data available, in 2009 domestic flights amounted to around 392,700, accounting for 80.4% of total flights. International flights, including to/from Hong Kong and Macao, reached 95,800 or 19.6% of total flights.

It is widely anticipated that BCIA will overtake Tokyo International Airport to become the busiest airport in Asia by 2020. By then, BCIA is expected to catch up with the world's leading airports of Atlanta International Airport and Chicago International Airport in terms of number of total flights.

The Civil Aviation Administration of China has also announced that construction of what will be Beijing's third airport will begin shortly after 2010. This third airport is supposed to be devoted to domestic flights and it would appear that the capital region's airport infrastructure will be developed in a manner similar to the Pudong-Hongqiao model in Shanghai, whereby the former handles international flights and the latter mostly domestic ones. The new airport is likely to be located in Beijing's southern Daxing District. The National Development and Reform Commission (NDRC) brought up the potential need for a second airport in Beijing in 2003 when it approved the expansion of the current capital airport, citing strong increases in demand for air travel as the rationale for the construction of a third, domestic airport. A complete feasibility study for this project has yet to be released though passenger flow data for the existing airports speak of the underlying demand.

Although China's capital has developed into an international aviation hub, BCIA's cargo capacity is only half that of Shanghai's and will be smaller than Baiyun Airport in Guangzhou once it reaches its full capacity. However, along with the development of Beijing's neighbouring city, Tianjin, the Tianjin Binhai International Airport is currently being expanded with the aim to turn the city into the most important air cargo transportation and distribution hub in Northeast Asia.

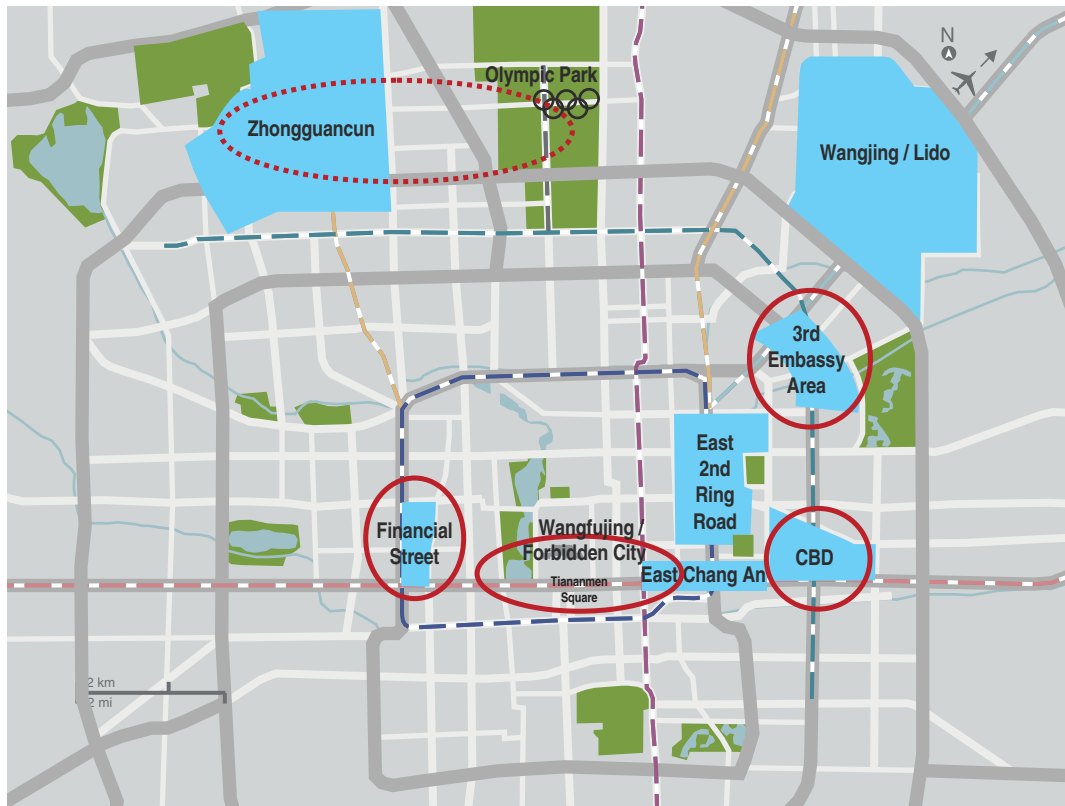
### *Ports*

Beijing is not a port city, although there are three ports on its periphery that handle the majority of its ocean freight. The first, Tianjin (140 kilometres away), is a major cargo and crude oil hub for northern China. The second, Qinhuangdao Port (340 kilometres away), is primarily a cargo facility, and the third, Jingtang Port (230 kilometres away), is currently under construction but promises to be the deepest water port in the area. These facilities are accessible from Beijing via the Beijing-Shenyang and Beijing-Tianjin-Tanggu expressways.

### **1.3 Beijing Hotel Market Overview**

The majority of Beijing's internationally branded five-star hotels are located in the centre and east of the city. The city's hotel market loosely follows office sub-markets, but more concentrated in the following areas: (1) Dongcheng (including Wangfujing and East Chang'an Avenue), (2) CBD, (3) Xicheng and Financial Street, (4) Liangmaqiao (including the Second and Third Embassy Areas and along North-Eastern Third Ring Road), and (5) Northern and Zhongguancun Area. In addition to these sub-markets, additional ones are taking shape as Beijing continues to expand. However, these new sub-markets remain small, from both supply and demand perspectives.

Major Hotel Submarkets in Beijing



Source: Jones Lang LaSalle Hotels

Located near the centre of Beijing is **Dongcheng**, a district representing the political and historical centre of the city. It is home to Tiananmen Square and the Forbidden City. Traditionally more leisure and government oriented, the development of Oriental Plaza by Hong Kong property tycoon Li Ka-Shing has rejuvenated the Dongcheng area and added a significant amount of Grade A office space to the area. Within Dongcheng, the office market of East Chang'an Avenue (which runs from Tiananmen Square to the western edge of the CBD) consists of a number of for-lease office buildings (a prominent one being Oriental Plaza) scattered between government offices and well-established five-star hotels. The occupied offices and related businesses have been the basis of corporate hotel demand in the area. Dongcheng district also features prominent retail malls of Wangfujing, Oriental Plaza and the boutiques in the Peninsula Palace Hotel. Hotel demand for lodging in this area has traditionally been more leisure-oriented and is thus more exposed to seasonality and rate sensitivity than properties in the CBD. The hotel RevPAR (revenue per available room) leader in Dongcheng has been Grand Hyatt Beijing, an integrated part of the Oriental Plaza mixed-use project.

East of Dongcheng/Wangfujing is Beijing's Central Business District (**CBD**), which is a government demarcated area that stretches from Dong Da Qiao in the West to Xi Da Wang Road in the East and from Guang Dong Dian Bei Street and Chaoyang Road in the North to Tonghui River in the South. As the city's district with the highest concentration of international Grade A office buildings including the China World Trade Centre, Kerry Centre, Fortune Plaza, Yin Tai Centre and China Central Place, the CBD is home to a large number of multinational corporations. Demand for lodging in the CBD is hence predominantly commercial, and as a function of the area's corporate occupier profile, primarily high-end.

Extending to the West from Tiananmen Square and Dongcheng is **Xicheng** district, with its Xidan retail area and Financial Street. In the past, it has upheld a more domestic profile in contrast to the

more international CBD and Liangmaqiao markets. For domestic corporate and institutional occupiers of the financial, insurance and real estate sector, Xicheng has traditionally been the preferred office location. Hence, demand for transient accommodation has historically been largely corporate with higher price sensitivity than in the international areas in the East. Nevertheless, the lodging market has seen an increase of high-end demand and greater product diversification with international hotels such as the InterContinental Beijing Financial Street, the Ritz-Carlton Financial Street, and the Westin Beijing Financial Street opening.

To the north of Beijing, there are two additional hotel sub-markets, namely the **Liangmaqiao and the Northern Area**. Liangmaqiao is located around the North-Eastern Third Ring Road, leading from the Changhong Bridge to the Airport Expressway. The area is adjacent to the Second and Third Embassy Area and hosts a number of office developments, which are slightly lower positioned and more dispersed than their counterparts in the CBD, constitute the key lodging demand generators of this area. The Liangmaqiao area also benefits from its proximity to a number of secondary sources of transient and meetings demand such as the National Agriculture Exhibition Centre and the China International Exhibition Centre.

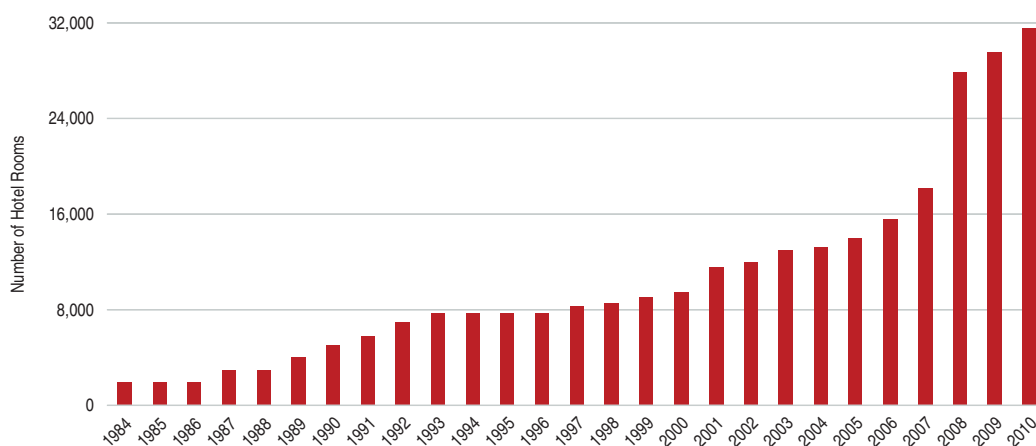
The **Northern Area** stretches from Zhongguancun, also termed Beijing's Silicon Valley, to the Asian Games Village and the Olympic Green. In the vicinity of Beijing's major universities, the area primarily accommodates research and development (R&D) facilities, science and technology parks as well as a number of domestic petrol and mining corporations along the northern 2nd and 3rd ring roads. While the Northern Area has historically lagged behind in development, it has clearly benefited from its proximity to the universities' intellectual capital and also has more recently started to attract an increasing amount of commercial investment resulting from a gradual upgrading of office stock. Lodging demand nevertheless remains primarily domestic, mid-market and geographically dispersed across the area.

In addition to a strong economy building on Beijing's political status and the existence of the headquarters of many state-owned enterprises and financial institutions, the city is arguably the most important tourist destination in China for both domestic and overseas visitors. Beijing also hosts the most international association meetings in China, and is the second largest MICE market in the country. As such, Beijing hotels enjoy multi-faceted sources of demand. The exposure and significance of Beijing has in the past attracted many international and domestic hotel operators to establish a presence in the city.

Despite the recent turmoil in the world's financial markets and the subsequent tightened financial environment, a number of stimulus measures launched by the central and municipal governments in 2009 have helped to support hotel development and construction work in Beijing. The deferral on land payments by developers (Beijing specific), as well as the central government's recent approval for domestic insurance companies to invest in real estate are examples of some of the measures that will have an impact on future supply.

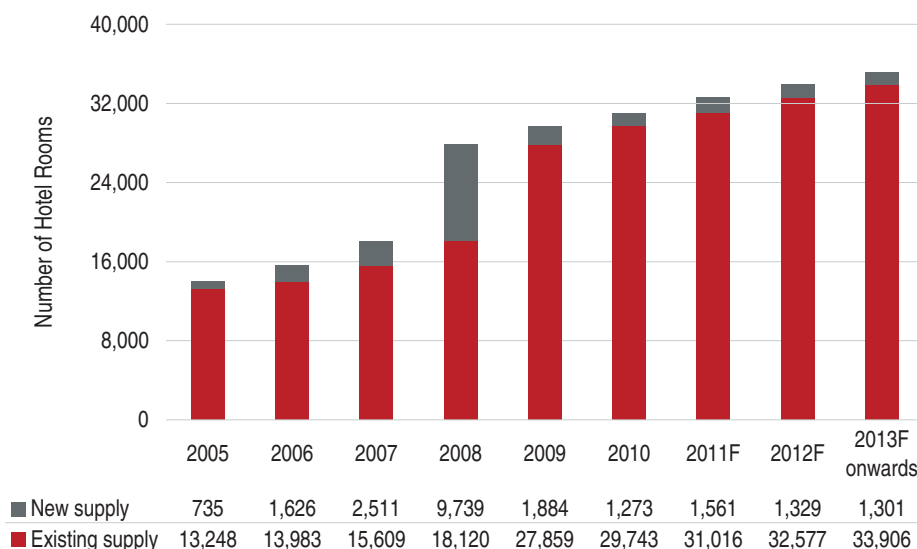
#### 1.4 Beijing High-end Hotel Supply

The first internationally-branded, five-star hotel to open in Beijing was the Beijing Great Wall Sheraton hotel located in the present-day Third Embassy Area. Since then, a number of internationally-branded hotels, including the China World Hotel Beijing and Hilton Beijing hotel have opened and largely cater to the growing market of inbound visitors to Beijing. When the Grand Hyatt Beijing opened in 2001, it was the largest five-star hotel in Beijing, which along with the Tower Offices, the Tower Apartments and the mall at Oriental Plaza, has created one of the iconic-developments in Beijing. The Grand Hyatt Beijing was the largest internationally-branded hotel in Beijing (in terms of room count) until the Beijing Marriott City Wall opened in 2008.

**Beijing: Hotel Supply – A Historical Perspective**

Source: Jones Lang LaSalle Hotels

As of end-December 2009, Beijing offered 757 star-rated hotels based on statistics published by the Beijing Tourism Administration. The graph above charts the growth of number of rooms provided by internationally branded four-and five-star hotels in Beijing.

**Growth of Number of Rooms Provided by High-end Internationally Branded Hotels in Beijing\***

\* As at December 2010; Source: Jones Lang LaSalle Hotels

Between 2005 and 2009 Beijing's internationally branded hotel supply grew at a CAAC of 20.8%, increasing from 13,983 rooms to 29,743 rooms at the end of 2009. 2008, the year of the Olympic Games, saw the most substantial increase in new supply with close to 10,000 guest rooms being added to Beijing's internationally branded high-end hotel room stock.

In 2009 and 2010, a total of 3,157 rooms of internationally branded high-end hotels entered the Beijing market. A minimum amount of 4,191 new guest rooms are expected to be introduced in 2011 and beyond.

**APPENDIX VII**
**LETTER FROM JLL IN RELATION TO SERVICED APARTMENT  
PROPERTY MARKET AND HOTEL INDUSTRY IN BEIJING**

The following tables set out the developments completed in 2009 and 2010 and the anticipated pipeline of hotel supply by the end of 2014:

	<b>Properties Opened in 2009 and 2010</b>	<b>District</b>	<b>Room Count</b>
1	Ariva Beijing West Hotel (Rebranding)	Haidian — Zhongguancun	318
2	Beijing Marriott Hotel Northeast	Chaoyang — Xiaoyun Road	321
3	Holiday Inn Beijing Moon River	Tongzhou	139
4	Holiday Inn Beijing Deshengmen	Xicheng	309
5	Park Plaza Beijing West	Haidian — Near Olympic venue	263
6	Pullman Beijing West Wanda	Shijinshan	312
7	Fairmont Beijing	Chaoyang — CBD	222
8	Hilton Beijing Capital Airport	Chaoyang — CBD	323
9	Holiday Inn Beijing Focus Square	Chaoyang — Wangjing	296
10	Langham Place Beijing Capital Airport Hotel	Chaoyang — Beijing Capital International Airport Terminal Three	376
11	China World Hotel Summit Wing	Chaoyang — CBD	278
		<b>Sub-Total</b>	<b>3,157</b>

	<b>Properties Planned to Open in 2011</b>	<b>District</b>	<b>Room Count</b>
1	Crowne Plaza Beijing Chaoyang U-Town	Chaoyang — Chaoyangmen	360
2	The Diaoyutai Art Hotel	Dongcheng — Lama Temple	103
3	Langham Place Hotel	Chaoyang — Chaoyangmen	422
4	Eclat Hotel	Chaoyang — Dongdaqiao Road	100
5	Guoman Hotel Beijing	Dongcheng — Dongzhimen	TBC
6	Sheraton Beijing Dongcheng Hotel	Chaoyang — North Third Ring	470
7	Taj Hotel Temple of Heaven Park	Chongwen — Temple of Heaven	106
		<b>Sub-Total</b>	<b>1,561+</b>

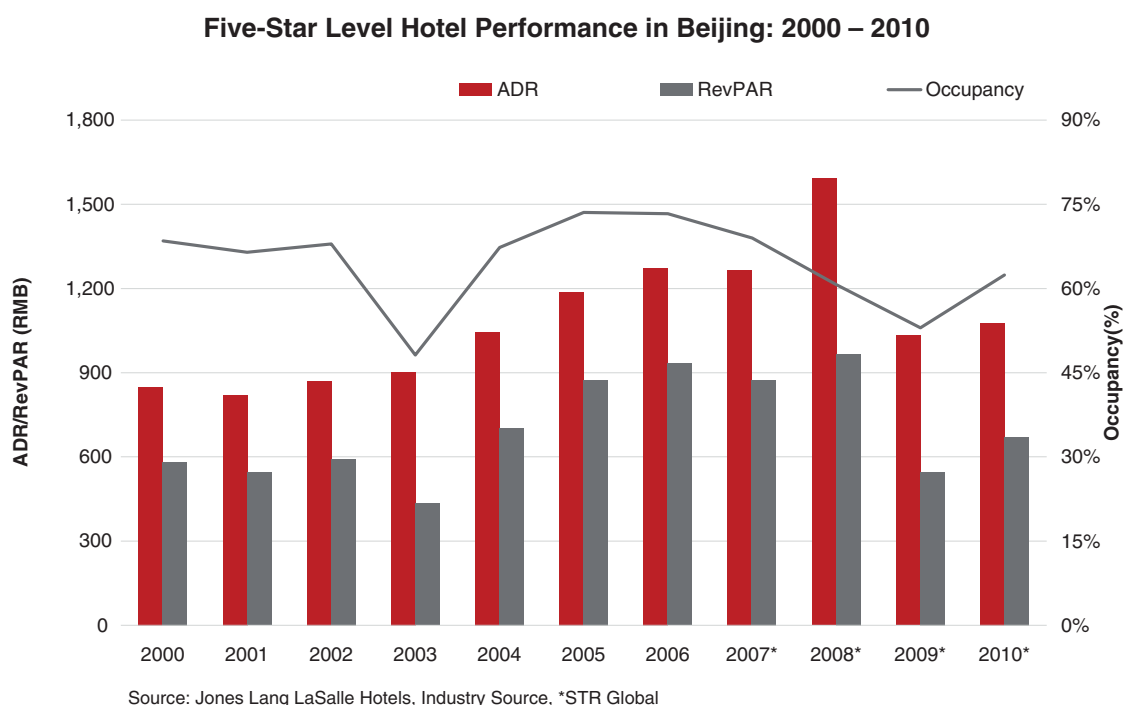
	<b>Properties Planned to Open from 2012 onwards</b>	<b>District</b>	<b>Room Count</b>
1	Four Seasons Beijing	Chaoyang — East 3rd Ring Road	320
2	Beijing EAST	Chaoyang — Jiang Tai	369
3	Conrad Beijing	Chaoyang — CBD	300
4	Jingguang New World hotel project (Rebranding)	Chaoyang — CBD	TBC
5	New World Hotel Beijing Chongwenmen	Chongwen — Chongwenmen	340
6	Boutique Hotel Project	Dongcheng — Wangfujing	TBC
7	InterContinental Beijing City Centre	Chaoyang — Sanlitun	320
8	Mandarin Oriental	Chaoyang — CBD	241
9	Waldorf Astoria Beijing	Dongcheng — Wangfujing	175
10	Four Seasons Beijing, Financial Street	Xicheng-Financial Street	225
11	W Beijing	Chaoyang — Chang'an Avenue	340
12	Hotel Nuo	Chaoyang — East 4rd Ring Road	TBC
		<b>Sub-Total</b>	<b>2,630+</b>

TBC: To be confirmed

Source: Jones Lang LaSalle Hotels, Industry Sources, December 2010

### 1.5 Beijing Five-Star Hotel Performance

The following chart illustrates the performance of five-star level hotels in Beijing. The sample comprises a total of 11,692 rooms in 2010.



Following a strong decline in occupancy in 2003, both Average Daily Rate (ADR<sup>5</sup>) and occupancy<sup>6</sup> quickly recovered and grew at a compound annual average change of approximately 12.2% and approximately 15.0% between 2003 and 2006, respectively. Revenue per Available Room<sup>7</sup> (RevPAR), as a consequence, increased at a compound annual average change approximately 29.1% during the same period and reached a record level of approximately RMB 934 in 2006.

With the opening of new hotels and consequently heightened competition, occupancy started to show the first sign of pressure in 2007, dropping by approximately 5.4 percentage points over the previous year. This trend continued in 2008 (despite the Olympics) and into 2009 as a result of new supply and the global financial crisis. The occupancy rate in 2009 reached a low point of approximately 53.0%.

Much of the growth in ADR in 2008 can be attributed to the Olympic Games and the premium rates achieved during the summer months. However, when excluding the Olympic impact in the month of August (where ADR increased approximately 248.0% over 2007), year-end ADR and RevPAR results in 2008 recorded a decline as compared to 2007.

Strong competition caused by an influx of new supply entered the market prior to and around the Olympics and reduced travel and travel budgets as a result of the global financial crisis have put pressure on Beijing's five-star hotel performance in 2009. The market achieved a full year occupancy

5 ADR — can be calculated as Rooms Revenue / Paid Rooms Occupied.

6 Occupancy — can be calculated as Rooms in Use / Rooms Available.

7 RevPAR — can be calculated as Total Rooms Revenues / Rooms Available for Sale.

of 53.0%, room rates in the order of RMB1,032 and a RevPAR of RMB547. A strong decline in both ADR (a decrease of approximately 18.6%) and occupancy (a decrease of approximately 16.0 percentage points) resulted in a severe drop in RevPAR of 37.5% over the same period in 2007<sup>8</sup>.

After two years of performance decline, the Beijing hotel market finally saw an upswing in performance in 2010. With a moderate amount of hotel openings and impressive growth in international tourism arrivals (an increase of approximately 18.8%), the occupancy rate for the Beijing five-star hotel market witnessed a pronounced increase that started in January of 2010 and reached 62.4% by the end of the year. Continuous improvement in occupancy has provided hoteliers much confidence in more aggressive pricing strategies, which translated into room rate increases in the last two quarters of the year. With the benefit of occupancy and rate growth of 9.4 percentage points and 4.4% respectively, Revenue per Available Room (RevPAR) for Beijing's five-star hotels increased a solid 22.8% in 2010.

### ***Grand Hyatt Beijing Performance***

Irrespective of the recent challenging macro-environment, the Grand Hyatt Beijing has been able to minimise the impact on its performance. Hotel performance has rebounded ahead of the market once overall conditions started to improve. Despite market conditions, the hotel has been able to maintain a leading position in the market, suggesting management's capability to adjust to market conditions and maintain the hotel's competitiveness against new and existing hotel supply.

Grand Hyatt Beijing's location, adjacent to the well-known Wangfujing shopping district and part of a 800,000 square-metre mixed use complex including Grade A offices, serviced apartments and retail has allowed the hotel to capture a significant amount of corporate business and a balance of MICE and leisure demand. The large portion of high-end corporate business also contributes to the hotel's ability to achieve high room rates.

According to Grand Hyatt Beijing, the hotel's competitive set includes the Peninsula Beijing, the China World Hotel, the Kerry Centre Hotel, Westin Beijing Financial Street and Regent Hotel Beijing, a total of 2,714 rooms. Against this competitive set and Beijing's five-star hotels, Grand Hyatt Beijing has consistently achieved a leading position in average room rate, occupancy and RevPAR. Between 2007 and 2010<sup>9</sup>, Grand Hyatt Beijing has impressed with monthly RevPAR premiums ranging from RMB 280 to RMB 580 against its competitive set.

Since its opening, Grand Hyatt Beijing has achieved numerous prestigious awards, which also include many food and beverage recognitions, distinctions which are not easily achieved by hotel restaurants. For instance, the hotel's restaurant, Made in China, has become a well-known restaurant in Beijing including being named amongst the Best 50 Restaurants in China by Food & Wine (Chinese version) in 2010.

Further, Grand Hyatt Beijing's location and integration with mixed-use components of Oriental Plaza has allowed the hotel to cater to a balanced mix of corporate, MICE and other leisure demand. This not only enables the hotel to maximise its capture of hotel demand, but also allows it to hedge against seasonality and low demand in any of the sectors.

### **1.6 Hotel Market Trend and Outlook**

2009 was a challenging year for hotels in China in general and particularly for Beijing. Following the entry of over 10,000 hotel rooms during the Olympic year, the prevailing global financial crisis caused a worldwide decline in travel demand and resulted in curtailed travel budgets, particularly affecting demand for high-end hotels. Challenging conditions from both the demand and supply side created significant pressure on occupancy and room rate among Beijing's hotels.

<sup>8</sup> With the Olympic Games having an extraordinary, one-time effect on ADR, 2008 is not a suitable basis for comparison. Therefore, we have made reference to performance in 2009 over 2007.

<sup>9</sup> According to STR reports provided by Grand Hyatt Beijing.

2010 was a much better year with occupancy improving markedly. On the other hand, this recovery was largely from an occupancy perspective with room rates recovering to a relatively lesser extent. It is not uncommon for hotel operators to be cautious in increasing rates until occupancy levels experience more consistent improvements and for rates to not increase “real-time” due to a time lapse in pre-committed contracts. Therefore, as mentioned earlier, hoteliers shifted to more aggressive pricing strategies only in the last two quarters of 2010 while occupancy had started to increase already in January.

In light of historical performance, the short to medium outlook of the market appears to be positive for hotels in Beijing:

- The city’s economic fundamentals remain sound. Beijing’s position as the political centre of China will be the foundation for growth of the city’s headquarter economy. By 2012, Beijing is expected to provide more than six million square metres of Grade A office space and rank second in the country after Shanghai in terms of supply. The take up of new office space in Beijing is also expected to correspond to an increase in corporate hotel demand in the future. Availability of high-quality office space, rapid growth of suburban development zone and business park locations and government incentives for the establishment of domestic or regional headquarters in Beijing are all reflective of the government’s efforts to attract businesses to Beijing and expedite the city’s economic growth. The continued growth of Beijing’s corporate community should bring a commensurate increase in corporate travel and be one of the most important growth drivers for lodging demand in the medium and long-term.
- The presence of government institutions, the city’s cultural appeal as a tourism destination as well as the availability of world-class facilities and infrastructure have started to foster the emergence of a steadily growing MICE sector and, accordingly, hotel demand. Beijing has enjoyed significant appeal to the international community of meeting planners and is likely to see strong growth in the MICE travel and hotel demand in the near future.
- Beijing’s corporate, leisure, MICE and government-related lodging demand has evolved to create a diversified mix of segments which not only complement each other with regard to their seasonal occurrence, but also create a demand environment that enjoys significant resilience.
- Recent performance trends in 2010 indicate that the market has seen solid recovery in tourism demand and subsequently hotel occupancy. Room rates, albeit slightly later, have also started to grow with the 2010 ADR of five-star hotels increasing by 4.4% over 2009. Against the backdrop of an optimistic demand growth scenario as the world economy gradually strides towards recovery and moderate new supply levels in the near future, there are reasons to believe that room rate growth across Beijing’s four-and five-star markets will resume growth in 2011.

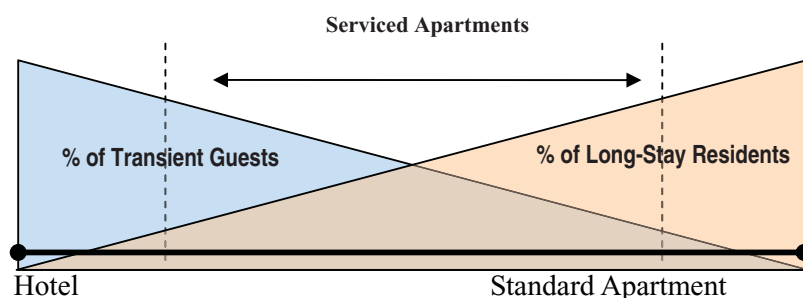
## **2.0 Beijing Serviced Apartment Market Study**

### **2.1 Definition of Serviced Apartment**

Serviced apartments are a property hybrid located on a continuum between hotels and residential apartments. Both products are differentiated primarily by the duration of stay, which is reflected in a properties’ facility offering. Hotels traditionally cater to temporary and shorter-term lodging needs, while apartments provide long-term accommodation.

Serviced apartment properties generally take a fluid positioning on the residential-hotel continuum and owners and managers can adjust this position in response to the performance of either market. For real estate investors, this flexibility can be helpful to mitigate risks and acts as a natural hedge against the volatility and cyclical nature of both the residential and hotel markets.

## THE HOTEL – APARTMENT CONTINUUM



Source: Jones Lang LaSalle Hotels

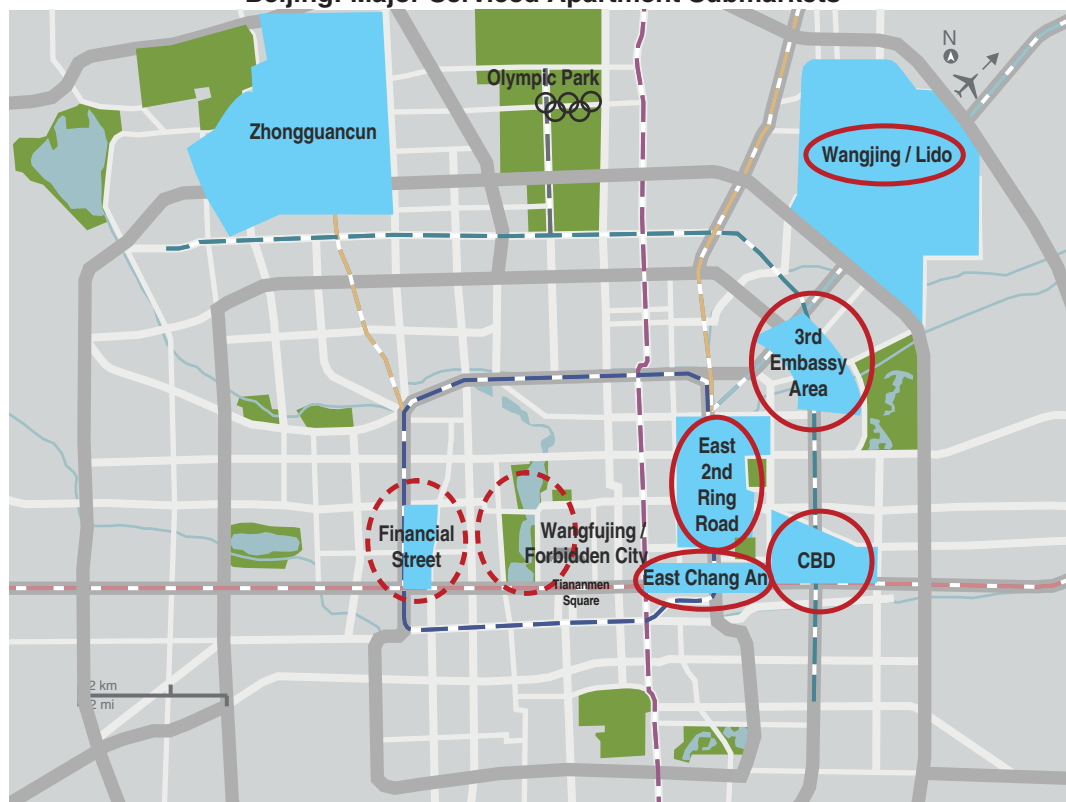
Whilst there is no official definition of the serviced apartment product in Beijing, for the purpose of this document, the definition is understood to be:

Resident profile:	Apartment properties accepting short, medium and long term stay
Positioning:	Properties catering to high-end, international market
Service package:	Properties offering housekeeping services as a standard part of the service package
Ownership structure:	Properties owned by majority shareholders en-bloc
Operators:	Properties operated by developers, serviced apartment operators or hotel operators

## 2.2 Beijing Serviced Apartment Supply

### Geographical Distribution of Supply and Submarkets

#### Beijing: Major Serviced Apartment Submarkets

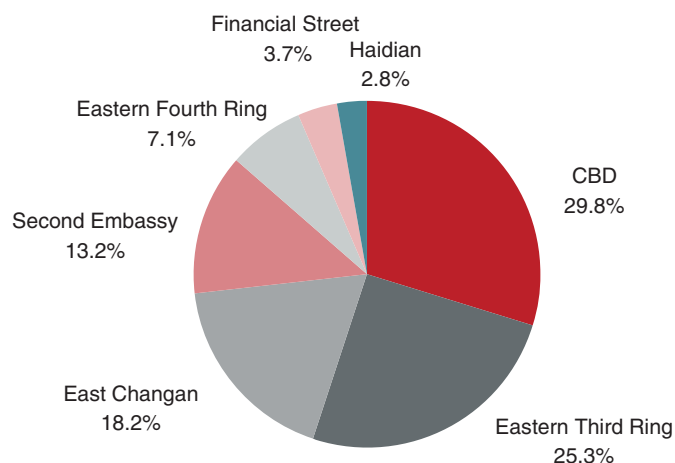


Source: Jones Lang LaSalle Hotels

The majority of serviced apartment supply in Beijing is concentrated in the key commercial districts of East Chang'an Avenue (including Wangfujing), Third Embassy Area and the CBD. Less commercially focused locations such as the Second Embassy Area/East Second Ring Road and the East Fourth Ring Road have also become home to serviced apartment development given their easy access to the key international commercial districts highlighted above. With increased foreign enterprises now located in emergent areas such as Haidian and Financial Street (in the west), these areas have also witnessed new supply of serviced apartments.

The chart below illustrates the geographical distribution of key serviced apartment supply in Beijing as of December 2010. East Chang'an Avenue/Wangfujing area makes up 18.2% of the total supply in Beijing and within this set, The Tower Apartments at Oriental Plaza contributed 613 units, making it the largest serviced apartment not only in this sub-market but also the largest in the Beijing market.

**Geographic Distribution of Beijing Serviced Apartment Stock**



Source: Jones Lang LaSalle Hotels, Industry Source

### **Existing Supply**

In general, the development of serviced apartment supply in Beijing can be classified into three major phases:

#### *Phase I*

The late 1980's and early 1990's saw the first wave of serviced apartments enter the Beijing market. They were located primarily in Beijing's North-East and East, along the East Third Ring Road. CAAC of supply over the four-year period between 1989 and 1993 amounted to 26.8%.

#### *Phase II*

The second generation of serviced apartment development coincided with the emergence of the CBD and the redevelopment of new offices in the Wangfujing district in the late 1990's/early 2000's, including the opening of the Oriental Plaza mixed-use complex in 2002 with its 613-units of serviced apartments. CAAC of supply over the five-year period between 1998 and 2003 was 20.8%.

The segregation of domestic and foreign approved residences was lifted by the Beijing Municipal Bureau for Land Resources and Housing Management on 1 September 2002. The impact of this change has allowed the upper end of the domestic housing market to start merging with the lower end of the previously foreign-approved market. As a result of this effective convergence of existing supply, supply growth was relatively limited during 2003 – 2005, recording a CAAC of only 3.6%.

The consequences of the deregulation on the market took one to two years to become material. The result was a strong supply growth at the lower end of the previously foreign-approved market attracted by the prospects of a continuously growing Chinese upper class and increasingly budget conscious multinational corporate tenants. In the early years following deregulation, serviced apartments saw more intense competition for long-stay demand and operators responded to this by partially re-defining their business mix, accepting a higher proportion of transient and mid-term residents.

### *Phase III*

The continuous growth of Beijing's economy and foreign investment in particular led to another wave of new serviced apartment developments in the capital city between 2007 and 2008. The 2008 Olympics and the preceding construction moratorium created a concentration of new supply entering the market during this period.

Properties which opened in 2008 include Lanson Place, Shama Luxe Chang'an and Fraser Suites CBD. By the end of 2008, Beijing's serviced apartment inventory totaled approximately 4,976 units. Supply growth between 2006 and 2008 reached a CAAC of 20.6%.

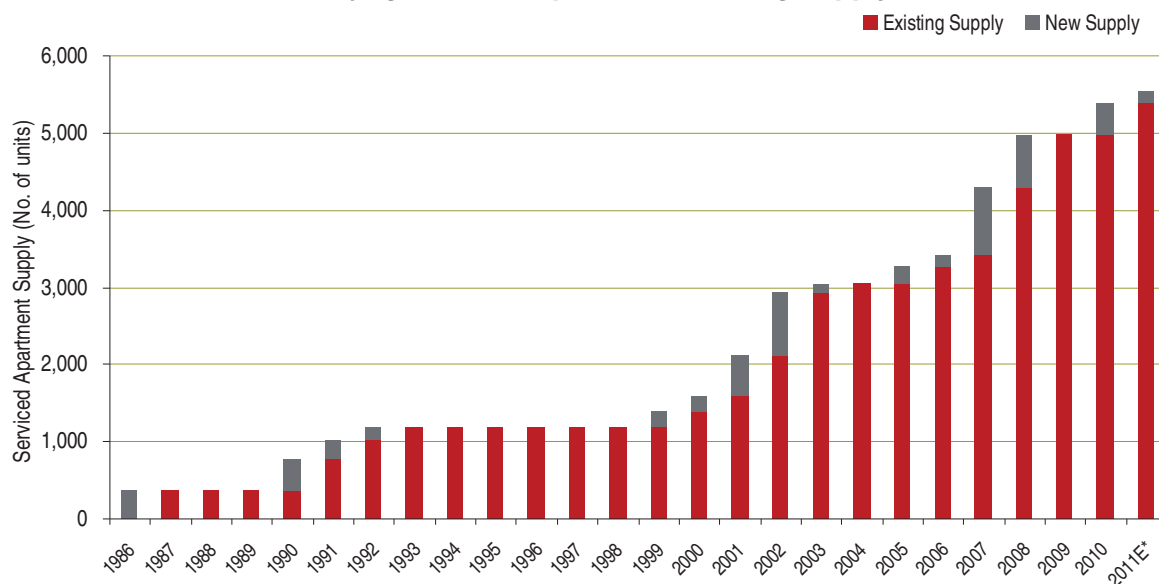
In 2009, two major factors caused a general decline in Beijing's serviced apartment market occupancy and rental rates: the global financial crisis caused many multinational companies to reduce expatriate staff in China and/or lower housing budgets; this, coupled with a significant amount of new supply in hotels and non-serviced apartments opening prior to and in 2009, resulted in downward pressure on serviced apartments' performance.

It is interesting to note that in 2009, while there were new serviced apartments that entered the market, including Ascott Raffles City, Millennium Residences, and Sandalwood Beijing Marriott Executive Apartments, a few owners also decided to strata-title and sell their properties as the residential market received a boost due to government's stimulus policies. Properties that were converted from serviced apartments to strata-title sold units included Shama Luxe Chang'an, Marriott Executive Apartments and Oakwood Residence (east third ring road). As a result, the net increase of new supply serviced apartments was only 10 units and the total stock stood at 4,986 units by the end of 2009.

In 2010, the new additions to supply remained limited. With the 407-unit Oakwood Residence Dongzhimen being the only new property, the total stock of serviced apartments achieved 5,393 units by the end of 2010.

The chart below illustrates the historical and projected supply of key serviced apartment projects in Beijing.

### Beijing Serviced Apartment Existing Supply



Source: Jones Lang LaSalle Hotels, Industry Source

### Future Supply

Many international serviced apartment and hotel operators have already established their presences in Beijing and, in order for them to further capture market share, many are introducing new brands of varying tiers to the market. This trend will result in further segmentation of the market. For example Frasers Hospitality opened Fraser Residences CBD East in 2007, followed by Fraser Suites CBD in 2008 and Fraser Place is expected to open in 2011. While these three properties are managed by Fraser, each brand offers a different product and price point.

In 2010, the only new supply of serviced apartments in Beijing was a 407-unit Oakwood Residence located in Dongzhimenwai Xiejie. An additional property, Fraser Place, is expected to have 150 units and to open in 2011. No new supply is expected to open in the Wangfujing area before 2012.

The table below details recently opened projects and planned supply in the pipeline.

#### Properties Opened in 2009 and 2010

	District	Units
Ascott Raffles City	2nd Embassy	162
Millennium Residences	CBD	329
The Sandalwood Beijing Marriott Executive Apartment	Eastern Fourth Ring	168
Oakwood Residence Dongzhimen	Chaoyang — Second Embassy	407
	<b>Sub-Total</b>	<b>1,066</b>

#### Properties Planned to Open in 2011

	District	Units
Fraser Place	Chaoyang — Sanyuan Bridge	150
	<b>Sub-Total</b>	<b>150</b>

Source: Jones Lang LaSalle Hotels, Industry Sources (December 2010)

### 2.3 Beijing Serviced Apartment Demand Characteristics

Demand characteristics for serviced apartments in Beijing can be inferred from the most recent survey conducted in April 2010 amongst 2,800 units of key serviced apartments in the city. The survey results generally reflect the demand characteristics of 2009. It should be noted that while the survey included nearly half (46%) of the serviced apartment stock in Beijing, the results only present general trends and observations of the sample taken at a specific time. The results of the survey should only be used as a reference of demand characteristics instead of an all-encompassing or absolute representation of the market.

#### *Length of Stay*

Based on the length of stay, serviced apartments in Beijing generally capture three main types of demand, namely long-term, medium-term and short-term/transient. The tables below summarises the key characteristics of these three types of demand.

Type	Short-term / transient	Medium-term	Long-term
Length of Stay	Below 1 month	1 – 6 months	Above 6 months
Purpose of Travel	<ul style="list-style-type: none"> <li>• Business</li> <li>• Leisure</li> </ul>	<ul style="list-style-type: none"> <li>• Project-related</li> <li>• Transition period during housing search before moving into residential property</li> </ul>	<ul style="list-style-type: none"> <li>• Relocation</li> </ul>
Household Size	<ul style="list-style-type: none"> <li>• Single</li> <li>• Family (leisure)</li> </ul>	<ul style="list-style-type: none"> <li>• Single</li> </ul>	<ul style="list-style-type: none"> <li>• Single/Couple</li> <li>• Family</li> </ul>
Selection criteria	<ul style="list-style-type: none"> <li>• Distance to work</li> <li>• Location convenience</li> </ul>	<ul style="list-style-type: none"> <li>• Distance to work</li> <li>• Location convenience</li> <li>• Living amenities</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> <li>• Distance to international schools and hospitals (especially for families)</li> <li>• Living amenities</li> <li>• Residential feel</li> <li>• Community</li> </ul>
Unit preference	<ul style="list-style-type: none"> <li>• Studio</li> <li>• One-bedroom</li> </ul>	<ul style="list-style-type: none"> <li>• One- and two-bedroom</li> <li>• Duplex/penthouse</li> </ul>	<ul style="list-style-type: none"> <li>• One- to four-bedroom</li> </ul>
Housing decision makers	<ul style="list-style-type: none"> <li>• Company</li> <li>• Individual (leisure)</li> </ul>	<ul style="list-style-type: none"> <li>• Company</li> </ul>	<ul style="list-style-type: none"> <li>• Company provides a budget and the individual makes the decision</li> </ul>
Sensitivity to the distance between work and accommodation	<ul style="list-style-type: none"> <li>• Very sensitive</li> </ul>	<ul style="list-style-type: none"> <li>• Somewhat sensitive</li> </ul>	<ul style="list-style-type: none"> <li>• Insensitive</li> </ul>
Maximum travel time between work and accommodation	<ul style="list-style-type: none"> <li>• 15 – 20 minutes drive</li> </ul>	<ul style="list-style-type: none"> <li>• 20 – 30 minutes drive</li> </ul>	<ul style="list-style-type: none"> <li>• 30 – 60 minutes drive</li> </ul>

Source: Jones Lang LaSalle Hotels

***Long-term Stay***

Long-term stay demand is typically generated by expatriates working in Beijing. Expatriate postings usually last between two to five years. The serviced apartment lease term is normally one year or longer. Expatriates are generally allocated housing budgets by their employers and tend to select serviced apartments whose rental is within their budgets.

This resident segment looks for comfort, livable amenities and a residential environment. As such, residential ambience, tenant community and distance to international schools (for families) usually take priority over the length of commute to work.

Among the serviced apartments surveyed, approximately 59.9% of tenants stay beyond six months, making this the primary source of demand.

***Medium-term Stay***

Medium-term stay demand is usually generated by professionals who are working on projects or assignments in Beijing for a defined period of time, for example, a product launch or a construction project. Another source of medium-term stay demand is generated by expatriates who are in transition and searching for long-term lodging. Prior to selecting their more permanent accommodation, they typically stay at a serviced apartment as a temporary residence. Travel distance or convenience to / from the place of work is important.

Survey results indicated that approximately 31.0% of researched serviced apartment residents stay for between one to six months.

***Short-term Stay***

Short-term stay demand consists of business travellers and, occasionally, families travelling for leisure. Business travellers usually value proximity of the property to their place of work and sometimes prefer serviced apartments over hotels for space and a less “transient” or “hotel” feel. Contrary to the long-term stay segment, where guests generally have the flexibility to select the property for their stay, short-term guests’ choice of lodging is often driven by their company’s corporate contract.

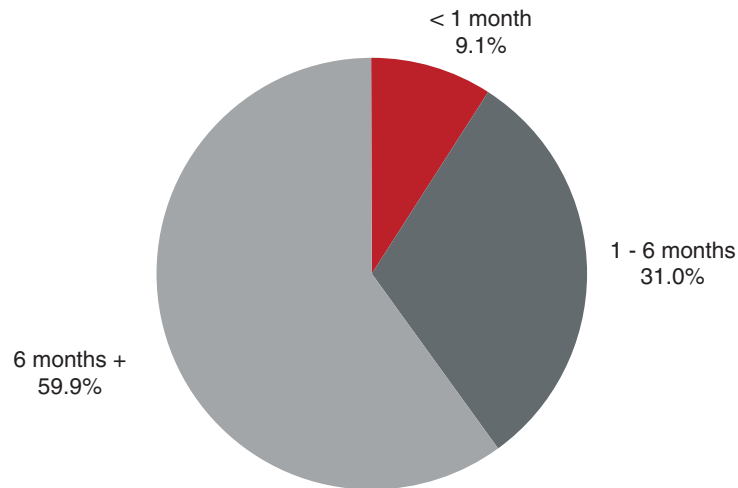
The market is somewhat split in terms of serviced apartments catering to short-term customers. While some serviced apartments are not willing, or have the set up, to accept short-term stay requests and only would do so if the request comes from a company that is also using the property for long-term stay, some serviced apartments are actively targeting short-term demand and increasingly using their Global Distribution System (GDS) and online booking engines. However, government is changing requirements that serviced apartment operators to also have hotel operation license in order to take in short-term customers. This will reduce the ability of serviced apartment operators to target short term demand.

Short-term stay demand, which competes directly with the hotel market, can be classified as stays of less than one month and when analysed across the surveyed properties, contributes only approximately 9.1% of total market share. The Tower Apartments at Oriental Plaza captured no short-stay demand largely because of the complex’s affiliation with Grand Hyatt Beijing, where short-term stay demand are typically be serviced by the hotel and the Tower Apartments be marketed towards mid-to long-term stay customers.

The broad market trends for short-term stay demand are aligned with the hotel sector and as such, can be analysed in terms of visitor arrivals into Beijing, the geographic origin of travelers, seasonality trends and the average length of stay highlighted in the hotel section of this report.

The following chart illustrates demand segmentation based on length of stay among the surveyed serviced apartment properties.

**Beijing Serviced Apartment Demand - Length of Stay**



Source: Jones Lang LaSalle Hotels, Industry Source

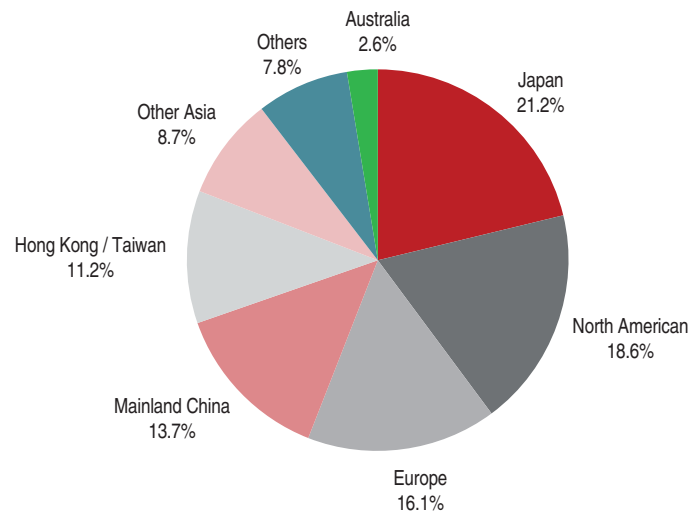
### ***Nationality***

Demand for serviced apartments illustrates the following source market segmentation:

- Japan comprised the largest geographic demand group in 2009 among the surveyed properties, contributing 21.2% to total market demand,
- North America and other European countries were the second and third largest contributors, accounting for 18.6% and 16.1% of total demand, respectively
- Mainland Chinese residents constituted the fourth largest segment representing primarily short-stay guests who chose to stay at serviced apartments as an alternative to hotels.

The increased contribution from mainland Chinese residents in 2009 is a reflection of the concerted effort of serviced apartment operators to change their segmentation strategy and counter the impact of the global credit crunch in 2008 and 2009. With a number of multinational companies repatriating Beijing-based staff, this resulted in vacancies driving operators to shift their marketing focus on to the domestic market. In light of this, the market share of mainland Chinese customers in 2009 reached a record level of 13.7%, compared to only 3.5% in 2006.

Beijing Served Apartment Demand - Geographic Origin



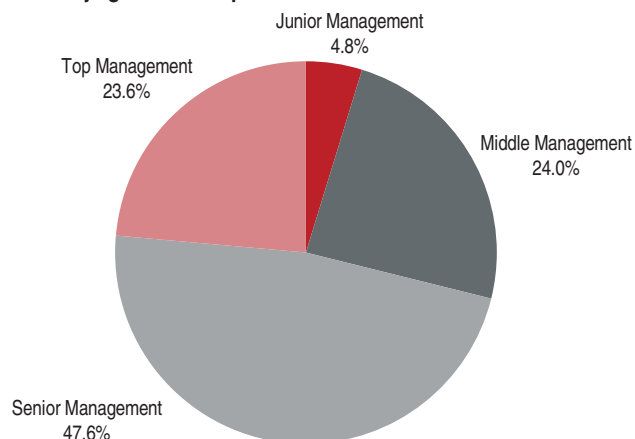
Source: Jones Lang LaSalle Hotels. Industry Source

When compared to the surveyed sample, Oriental Plaza apartments displayed a very similar guest origin pattern, with Hong Kong/Macau and Mainland China being the largest contributor, followed by guests from Japan, North America and Europe.

### Guests Profile

The surveyed serviced apartments also revealed that among their tenants, 47.6% belong to senior management, 24.0% to middle management, 23.6% to top management and 4.8% to junior management. For The Tower Apartments, senior (50%) and middle management (40%) are the dominating guest profiles of its tenants.

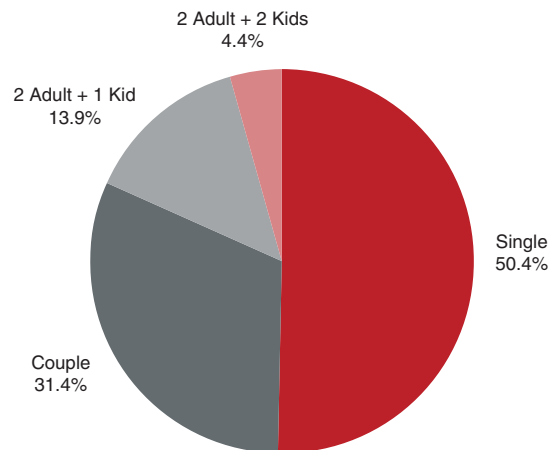
Beijing Served Apartment Demand - Guests Profile



Source : Jones Lang LaSalle Hotels, Industry Source

**Household Size**

In Beijing, those who stay at serviced apartments tend to be small households of either singles or couples. The surveyed serviced apartments indicated these two groups combined made up over 81% of demand. This is followed by two adults with one child (at 13.9% of total) and large households made up the smallest portion at 4.4% of total. The sample result is generally applicable to serviced apartments in many markets across China, as larger households generally prefer villas or larger residential apartments that offer more space.

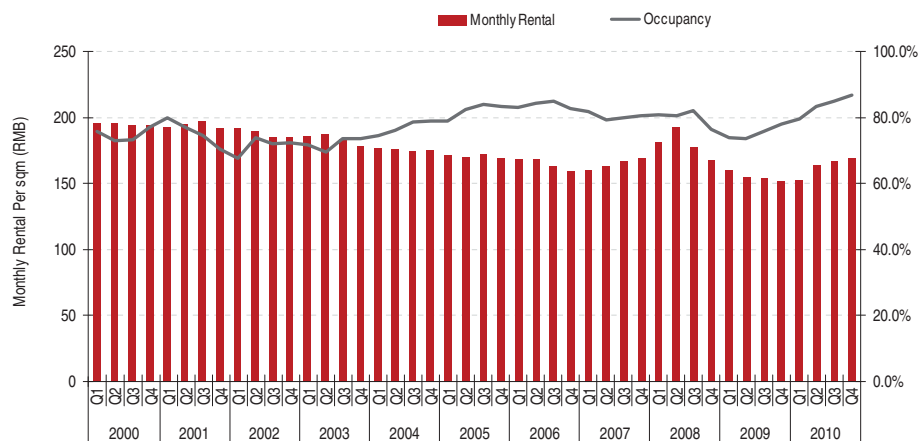
**Beijing Serviced Apartment Demand - Household Size**

Source: Jones Lang LaSalle Hotels, Industry Source

When compared to the surveyed sample, customers at The Tower Apartments have a higher weight of singles (65%) and couples (35%). This higher profile of singles and couples is reflective of the property's city-centre location and its unit-mix with studio, one and two-bedroom units making up 94% of its inventory.

**2.4 Beijing Serviced Apartment Market Performance**

The graph below illustrates the quarterly performance among a selected sample of 8,427 units of serviced apartments in Beijing between 2000 and 2010.

**Beijing Serviced Apartment Performance**

Source: Jones Lang LaSalle Hotels

**Occupancy**

Between 2000 and 2005, occupancies in the Beijing serviced apartment sector remained relatively stable, oscillating between the 70% and 80% mark. Unlike the hotel industry which was significantly impacted by the SARS epidemic in 2003, the strong share of long-term tenants created a buffer for the serviced apartment sector to maintain robust occupancy levels.

Occupancies saw a marked upward trend between the second quarter in 2004 (70.0%) and the fourth quarter in 2006 (85.1%), growing at an average 2.0% per quarter. Thereafter, the market maintained an occupancy level around 80.0% (between 79.2% and 81.8%), and peaked in the third quarter of 2008 at 82.0% boosted by demand generated during the Olympic Games.

We note that the growth in occupancy occurred notwithstanding high levels of new supply. During the period between 2004 and 2008, 2,000 new serviced apartment units were added to the market from about 3,000 units to close to 5,000 units. The strong market performance was primarily driven by:

- Strong medium-term and long-term stay demand generated by projects directly or indirectly related to the 2008 Olympic Games;
- Strong demand and limited new supply in Beijing's high-end hotel sector (before 2006), which allowed serviced apartments to compete with hotels in the short-stay segment;
- Decreases in overall rental levels, reflecting serviced apartments discounting rentals to attract more tenants.

However, starting in the fourth quarter of 2008, occupancies began to decline and reached 75.5% by the first quarter of 2009. This decline is the cumulative effect of:

- Reduction in expatriate relocation and corporate travel as a result of the global financial crisis;
- New supply pressure from hotel and non-serviced properties having entered the market in the years leading to the Olympics.

In the second and third quarter of 2009, occupancies started to pick up and reached 78.0% by the last quarter of 2009.

This upward trend has continued into 2010, reflecting in part the improved global corporate environment and a relatively stabilised amount of new supply. In line with economic recovery, Beijing has seen a pickup in business activities, which is bringing in new expatriates and generating fresh demand for serviced apartments. In the fourth quarter of 2010, the market occupancy reached 86.9%.

**Rentals**

Compared to occupancy levels, serviced apartment rental rates have seen greater fluctuations, reflecting relatively elastic pricing strategies / acceptance by owners and operators. Between the third quarter of 2003 and the third quarter of 2007, the serviced apartment industry saw a relative decline in rental levels. While this decline was offset to some extent by higher occupancy levels, we attribute the following factors to the decline:

- The deregulation of the residential market in 2002 created competition for serviced apartments from the non-serviced residential sector;
- Substantial new serviced apartment supply entered the market during that time, increasing competition within the serviced apartment sector;
- Exchange rate pressure: the depreciation of the US dollar generated strong pressure on rentals as companies continued to maintain rental budgets in USD. This in turn converted to lower amounts in RMB available to allocate to serviced apartments rentals.

Rents achieved record heights (an average of RMB 226 per square metre per month) in the lead up to and during the Olympics between the fourth quarter 2007 and the third quarter 2008, when many serviced apartments were rented to corporate or diplomatic groups for extended periods of time.

Due to the negative impact of the global financial crisis and increased competition from new supply of high-end hotels, rents started to decrease in the third quarter of 2008 and ended the year at an average of RMB 168 per square metre. This trend continued into 2009 where average monthly rents per square metre declined from RMB 160 in the first quarter to RMB 152 in the fourth quarter of 2009, while rental rates increased slightly and reached RMB 153 in the first quarter of 2010. As occupancy recovered, rentals also improved and by the fourth quarter of 2010 experienced a solid increase of 11.3% compared to the same period in 2009 reaching RMB 168.

Anecdotal evidence from interviews with serviced apartment operators suggests that the occupancy and rental increase could also be driven by conversion of some serviced-apartments into strata-title sale residential projects which reduced the supply of serviced markets in the city. Further, as demand increases and occupancy generally recovers, operators are also more comfortable to increase rates to improve yield.

## 2.5 Beijing Serviced Apartment Market Trends and Outlook

Based on analysis of the current market dynamics, the following commentary summarizes some of the key trends in the Beijing's serviced apartment market.

- *Changes to the expatriate mix:* For expatriate families, multinational companies typically cover education and medical expenses for all family members and provide higher housing budgets allowing the renting of sufficiently large residential units. As such, relocating expatriate managers with families is generally more costly than relocating singles or couples. Expatriates with families tend to be middle to senior management. With increased pressure on rationalising costs, multinational companies have most recently shown a stronger propensity to localise middle and senior management positions in order to repatriate or to avoid relocating expatriate families. Heightened costs awareness has also resulted in a decrease in the proportion of families within the Beijing expatriate community and, on the other hand, has correspondingly increased the proportion of singles and childless couples. This trend represents an opportunity for serviced apartments catering primarily to singles and couples. The Tower Apartments at Oriental Plaza have traditionally catered to small-size households and have an advantage to benefit from this market trend.
- *Increasing domestic demand:* Partly driven by the recent global economic downturn and partly by the overall trend of companies hiring local talents, serviced apartments are increasingly capturing those customers. This trend is likely to continue in the future, prompting operators to be more proactive in addressing the needs of this customer group.
- *Replacing long-term relocation with project work:* Against the backdrop of higher cost sensitivity of multinational companies and an increasingly better-educated local labour pool, multinational companies are exhibiting a stronger preference for moving foreign specialists into Beijing on an assignment basis, rather than relocating expatriates for the longer term. This has resulted in an increasing demand for medium-and short-stay accommodation in exchange of long-term stay demand.
- *Increasing product and market segmentation:* It should be noted that with the increase in serviced apartment supply in Beijing, the market has also become more diverse. Serviced apartment operators with multiple brands are offering products at different price levels and facilities, which increases their total market share. This in turn, is creating sub-markets within greater Beijing, geographically and in terms of price points within the serviced apartment sector.
- *Less intensive competitive market environment moving forward:* Intense competition posed the greatest challenge to Beijing's serviced apartment market since 2008, causing both rental rates and occupancy to decline. In particular as new serviced apartments

located in core commercial areas became available at lower rents, serviced apartments in less central areas or properties with less well maintained facilities faced the greatest pressure on rates. However, as seen in results for 2010, overall demand increased and the conversion of some serviced-apartments into strata-title sale residential projects had, to some extent, reduced supply stock and subsequently competitive pressure among serviced-apartment properties.

As the country's capital and economic powerhouse, Beijing has always drawn and is likely to continue to attract national and regional headquarters of multinational companies, diplomatic representations and non-governmental organizations with an increasing need for high-end housing. As such, the city has seen an accelerating number of serviced apartment openings in recent years. Although demand growth has been generally keeping pace with supply, the recent global financial crisis and the consequently heightened cost awareness among multinational companies have resulted in lower demand and price levels in recent years. Yet, as seen in the results recorded in 2010, the rates have already started to increase.

At the hotel-end of the spectrum, strong supply in the hotel sector leading to the Olympic Games led to intense competition which also impacted the serviced apartments, especially for short-term stay demand. Although short-term stay comprises the smallest demand segment for serviced apartments, many properties have responded to the shifting dynamic by allocating resources and offering more flexible service and facilities to capture such demand.

In the short to medium-term, as global economies improve and local markets continue to grow, demand for serviced apartments is anticipated to increase correspondingly. This, combined with a relatively limited pipeline of new serviced apartments entering the Beijing market in the near term, is likely to provide a good basis for occupancy and rate growth.



Hui Xian Asset Management Limited  
(as manager of Hui Xian REIT)  
DB Trustees (Hong Kong) Limited  
(as trustee of Hui Xian REIT)  
CITIC Securities Corporate Finance (HK) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
BOCI Asia Limited

11 April 2011

Dear Sirs,

**Due Diligence Survey on Oriental Plaza  
Building Consultancy Review Summary**

**1. Introduction**

Savills Project Consultancy Ltd was appointed as the Property Consultant to carry out a comprehensive building condition survey on Oriental Plaza situated at No.1 East Chang An Avenue, the heart of Beijing District. (hereinafter called the Development) :-

This letter summarises the approach of our comprehensive building condition survey conducted from 8 October 2010 to 12 October 2010 and the findings of review. However, this letter only covers the major points of the report. More detailed and relevant information is contained in the comprehensive condition survey report of the Development. Thus, this letter should be used in connection with the comprehensive condition survey report.

**2. Surveys and Evaluations Conducted**

The comprehensive building condition survey on Oriental Plaza focused on the following areas:

- (a) visual inspection of the Development to confirm its structural integrity;
- (b) visual inspection of the current building layout and usage against the latest general building plans approved by the government to identify any additional structure;
- (c) review of current building layout to identify any existing or potential hazards and deviations in respect of the fire safety requirements and usage;
- (d) visual inspection of all building elements in accessible common areas of the Development, including all building facade, units, external walls, roofs, corridors, lobbies, lavatories, electrical and mechanical plant rooms and etc. to identify any apparent major building defects;
- (e) visual inspection of all major building services installations, including mechanical ventilation air-conditioning, fire services, electricity, lifts, escalators, plumbing, above ground drainage and grey water recycle systems to identify any apparent major defects;
- (f) check and review of current building layouts to identify any contravention of Planning Permit or other statutory or regulatory requirements;
- (g) check and review of current building layout to identify any environmental, pollution, health and safety hazard or other risks; and
- (h) check and review the existing building layout to identify any encroachment on Government Land or properties of others.

After completion of the visual inspection and review of the Development, we have:

- (a) compiled a list of minor visible defects of building elements and major building services installations, together with the proposed remedial works; and
- (b) compiled a ten-year Forecast of Maintenance and Capital Expenditure.

The comprehensive building condition survey was carried out by registered professional surveyors (Building Surveying) and experienced building services engineers. It consisted of visual inspection of the building elements of common areas and units, major building services installations and review of the current building layout of the Development in order to verify its overall condition and conformity to the relevant statutory requirements in respect of health and safety. The findings of the survey are as follows:

**(a) Structural Soundness**

Visual inspection was carried out of the exposed structure of the Development. No major structural defects or deficiencies which a prudent creditor or purchaser might take into consideration were found. We are satisfied that the structure of the Development is sound.

**(b) Building Layout**

Having reviewed the approved general building plans, the relevant permits and the information provided by the Manager against the existing site condition and usage at the time of inspection, no unauthorised additional building work or incompatible use was found in the Development.

**(c) Health and Safety**

We noted that the Development complied generally with relevant health and safety requirements as at the time of inspection.

**(d) Building Defects**

The overall condition of the building elements of accessible common areas and units in the Development was generally good.

**(e) Building Services Defects**

The major building services installations, including mechanical ventilation air-conditioning, fire services, escalators and lifts, plumbing, above ground drainage and grey water recycle systems of the Development were in good condition.

**3. Reports Delivered**

We have prepared a comprehensive condition survey report for the Development. The contents of the report include:

- (a) a summary of the report;
- (b) a brief description of the Development;
- (c) a brief description of minor visible defects of building elements and building services installation that were found during the inspection;
- (d) our recommendations on remedial works for defects ;
- (e) a confirmation of no contravention to the local regulations, Planning Permit and other relevant requirements;

- (f) a confirmation that the Development complies generally with relevant health and safety regulations;
- (g) a confirmation that no damage was caused to adjacent land, that there is no encroachment on Government land or development of others and that no squatter or trespasser was found on the Development;
- (h) ten-year forecasts of maintenance and capital expenditure; and
- (i) photographic records of defects.

#### 4. Cost Estimates for Remedial Works and Ten-years Forecast of Maintenance and Capital Expenditure

After the extent and nature of those minor visible defects were identified, we estimated the cost of necessary remedial works. In addition to the cost of remedial works, we have prepared a ten-year forecast of maintenance and capital expenditure for some building elements and building services installation that may be required within that time.

The summary of this forecast is shown below.

The following methodology was adopted to estimate the ten-year forecast of maintenance and capital expenditure:

- (a) The estimation of repair costs was based on the minor visible defects that were found during the visual inspection of the accessible common areas of the Development.
- (b) The estimation of this forecast was based on historical cost data provided by the Manager, the existing condition and age of the Development, together with appropriate maintenance schedules formulated using our professional judgment.
- (c) The estimation of this forecast has included allowance for inflation which is shown in Million RMB.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Repair and Maintenance .....	53	75	82	86	84	78	74	76	75	74
Improvement works .....	93	73	71	22	25	32	32	32	32	32
Total .....	146	148	153	108	109	110	106	108	107	106

#### 5. Conclusion

Based on our building condition survey and visual inspection of the Development on 8 October 2010 to 12 October 2010, only defects of a minor nature were found and they do not affect the structural stability of the Development. Thus, we conclude that the building is structurally safe and is maintained in good condition and that there are no material defects that would affect the operation and usage of the Development and/or impede the transfer of the Development.

#### 6. Caveats

- (a) The survey and review are based on the information provided by the Manager, such as approved general building plans, permits, the licensing information of existing usage, as-built services drawings, test certificates, maintenance and capital expenditure records. We conducted interviews with the Technical Manager of the Development so as to establish a good understanding of the use of the various parts of the Development. We have also independently verified the information provided by the Manager through physical site inspections.

- (b) The survey was conducted based on visual inspection and no testing was carried out on any of the structure, building fabric, services or equipment of the Development.
- (c) We cannot accept any liability for the condition of concealed or inaccessible parts of the Development.

**7. Disclosure**

All relevant PRC laws and regulations, including Construction Law of the People's Republic of China and Law of The Peoples Republic of China on Administration of the Urban Real Estate, have been considered by us when preparing the comprehensive building condition survey report.

Your sincerely

For and on behalf of

**Savills Project Consultancy Limited**

Remus Wong

Associate Director

MSc BSc MHKIS MRICS RPS(BS)

ACI Arb Authorised Person (List of Surveyors)

**PRC Laws Regarding Sino-foreign Cooperative Joint Ventures**

Sino-foreign cooperative joint ventures are governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by the PRC National People's Congress on 13 April 1988 and amended on 31 October 2000 and the Implementation Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by the Ministry of Foreign Trade and Economic Cooperation, the predecessor of the Ministry of Commerce, on 4 September 1995.

***The establishment of a Sino-foreign cooperative joint venture***

The establishment of a Sino-foreign cooperative joint venture requires the approval of the Ministry of Commerce or such departments and local governments as authorised by the State Council with certain requisite documents to be submitted for approvals. Within 30 days after the issue of the approval certificate by the Ministry of Commerce or such departments and local governments as authorised by the State Council, the applicant is required to apply to the State Administration for Industry & Commerce or its local branches for the issue of a business license. A Sino-foreign cooperative joint venture is formally established on the date its business license is issued.

A Sino-foreign cooperative joint venture may or may not be registered as an independent legal entity. If a Sino-foreign cooperative joint venture is registered as an independent legal person, it will take the form of a limited liability company.

Profits and losses of Sino-foreign cooperative joint ventures may be distributed to and shared by the joint venture partners in such manner as those partners may agree to. A Sino-foreign cooperative joint venture should set aside a portion of its profits after tax as certain reserve funds, and its dividends and other distributions/payments (no matter in foreign currencies or in RMB) representing the profit entitlement of its foreign investor can be legally remitted out of the PRC to its foreign investor through commercial banks without the need of obtaining any pre-approval or authorisation from the relevant foreign exchange bureau. In addition, where the cooperative joint venture contract provides for the reversion of all fixed assets of the Sino-foreign cooperative joint venture to the PRC joint venture partner for no consideration upon the expiry of the term of the joint venture agreed in the joint venture contract, the joint venture partners may agree in the joint venture contract that the foreign joint venture partner may have priority in recovering investment during the term of the joint venture, subject to the approvals of relevant authorities.

***Management***

The highest authority of a Sino-foreign cooperative joint venture is vested in its board of directors or joint management committee, which shall decide on all important matters of the joint venture. The powers and functions of the board of directors or joint management committee are generally governed by the provisions of the joint venture contract and the articles of association of the joint venture. Meetings of the board of directors or joint management committee are required to be held at least once every year. A number of specified important matters are to be decided upon unanimously by the directors present or the committee members present at a meeting, such as amending articles of association, change in registered capital, dissolution, mortgage of assets of the joint venture, merger, division or change in organisation structure, and other matters required to be decided unanimously as agreed by the joint venture partners. The board of directors or joint management committee should appoint a general manager in charge of the daily operation and management of the joint venture.

***Assignment of joint venture interest***

Any transfer of all or part of the interest in the Sino-foreign cooperative joint venture by one joint venture partner to other joint venture partners or the third parties is subject to the consent of other joint venture partners and approval of the relevant commerce authorities.

***Termination***

A Sino-foreign cooperative joint venture may be dissolved in the following situations:

- (1) where its term of joint venture has expired;
- (2) where the joint venture suffers heavy losses or suffers from serious damages incurred by force majeure, and is unable to continue operations;
- (3) where one or many of the joint venture partners fail(s) to fulfil the obligations prescribed by the joint venture contract or articles of association, and the joint venture is unable to continue its operation;
- (4) where other reasons for dissolution prescribed by the joint venture contract and articles of association occur; or
- (5) where the joint venture was shut down by the relevant authorities due to its violation of laws or regulations.

In any of the circumstances described in (2) and (4) above, the board of directors or joint management committee shall submit an application for dissolution to the relevant commerce authorities for approval. In the circumstances described in (3) above, the party that has performed its obligations as stipulated in the joint venture contract shall make such application, and the party or parties that failed to fulfil the obligations stipulated in the joint venture contract or articles of association shall be liable for the losses thus caused.

Before the expiration of the joint venture term, the board of directors or joint management committee of a cooperative joint venture may decide to dissolve the joint venture upon unanimous approval by the directors present or the committee members present at the meeting held to approve this, which shall be subject to the approval from the relevant commerce authority, and the assets and properties of the cooperative joint venture shall be distributed between the joint venture partners according to the stipulations of the joint venture contract. In case the joint venture contract does not specify how to distribute the assets and properties of the cooperative joint venture between the joint venture partners, the joint venture partners may revise the joint venture contract and/or enter into an agreement to address such matters, and such revised joint venture contract and/or agreement shall be subject to the approval of the relevant commerce authority.

**The Land and Property System of the PRC*****The Land system***

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas in a city or town is state-owned, and all land in the rural areas of a city or town and all rural land are, unless otherwise specified by law, collectively-owned. The State has the right to resume land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organisations are permitted to hold and develop land for which they are granted land use rights. Furthermore, those who obtain the State-owned land use rights by means of grant (出讓) or assignment (轉讓) can lease the aforementioned land use rights to a third party.

In April 1988, the Constitution of the PRC (the “**Constitution**”) was amended by the PRC National People’s Congress to allow for the transfer of land use rights for value. In December 1988, the Land

Administration Law (中華人民共和國土地管理法) of the PRC was amended to permit the transfer of land use rights for value. Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the “**Urban Land Regulations**”) promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium. Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

<u>Use of land</u>	<u>Maximum period (in years)</u>
Commercial, tourism, entertainment .....	40
Residential .....	70
Industrial .....	50
Public utilities .....	50
Others .....	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The National People’s Congress adopted the PRC Property Rights Law (中華人民共和國物權法) in March 2007, which became effective on 1 October 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

### ***Grant of land use rights***

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On 11 June 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定), which became effective on 1 August 2003. According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan on grant of state-owned land use rights by agreement (協議出讓方案) concerning

issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and designing, and submit such plan as well as the proposed minimum price of land premium, which is designated by the group decision based on the valuation result, to the relevant government for approval. The local land bureau and the intended user will negotiate the land premium which shall not be lower than the minimum price approved by the relevant government and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding. Furthermore, according to the Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction or Silent Auction (招標拍賣掛牌出讓國有土地使用權規定) (the “**Land Use Grant Rules**”) which are effective from 1 July 2002, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to evaluate the tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of silent auction, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction or Silent Auction (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by public tender, auction or silent auction. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use right certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Land and Resources issued a Circular on the Distribution of the catalogue for Restricted Land Use Projects (Supplement to the 2006 Version) and the catalogue for Prohibited Land Use Projects (Supplement to the 2006 Version) (關於印發《限制用地專案目錄(2006年本增補本)》和《禁止用地專案目錄(2006年本增補本)》的通知) as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has restricted the area of land that may be granted by

local governments for development of commodity residential properties to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Control Over the Revenue and Expenditure on Land Grant (關於進一步加強土地出讓收支管理的通知). The Notice raises the minimum downpayment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the “**Notice**”) on 8 March 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price shall be no less than 70% of the basic land price in which the granted land is located and the real estate developers’ bid deposit shall be no less than 20% of the lowest grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium shall be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment shall be paid in accordance with the contract, but no later than one year. If the land grant contract is not executed in accordance with the requirement above, the land shall not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards shall be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity residential properties shall be strictly implemented. The development and construction of large low-density residential properties shall be strictly restricted, and the floor area ratio for residential land is required to be more than 1. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviours in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

### ***Transfer of land use rights***

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such land use rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or

country level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Law of Administration of Urban Real Property (2007 revision) (中華人民共和國城市房地產管理法(2007年修訂)) (the “**Urban Real Property Law**”), real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) where the investment or development involves housing construction projects, more than 25% of the total amount of investment or development must have been made or completed; (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied; (v) where the real property is assigned with a completed building, the building ownership certificate is needed as well.

#### ***Termination of land use rights and repossession of properties***

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use rights and ownership of the related buildings erected thereon and other attachments shall be resumed by the State without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

The State generally will not resume land use right before the expiration of its term of grant unless for special reasons (such as in the public interests). Where the State resumes a land use right before the expiration of its term of grant, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user. In addition, according to the Urban Real Property Law, where a real property development is carried out on land for which the land use rights are acquired by means of grant and the development does not commence within two years from the date as set out in the land grant contract, the relevant land use rights may be resumed without compensation before the expiration of its term of grant, with limited exceptions as stipulated in relevant PRC laws and regulations.

#### ***Documents of title***

In the PRC, there are two registers for property interests. Land registration is achieved by the issue of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration Regulations (土地登記規則) (the “**Registration Regulations**”) promulgated by the State Land Administration Bureau (國家土地管理局), the predecessor of the Ministry of Land and Resources, on 28 December 1995 and implemented on 1 February 1996, the Land Registration Measures (土地登記辦法) promulgated by the Ministry of Land and Resources on 30 December 2007 and effective on 1 February 2008, and the Building Registration Measures (房屋登記辦法) promulgated by the Ministry of Housing and Urban-Rural

Development on 15 February 2008 and effective on 1 July 2008, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

### ***Mortgage***

The grant of mortgage in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法) (the “**Security Law**”) promulgated by the Standing Committee of the National People’s Congress in June 1995, the Measures for Administration of Mortgages of Urban Real Estate promulgated by the Ministry of Construction (城市房地產抵押管理辦法) in May 1997, as amended in August 2001, and the PRC Property Rights Law and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor’s liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

### ***Lease***

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法) (the “**Measures**”), which was promulgated in accordance with the Urban Real Property Law. Under the Measures, owners of buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property

administrative authority at municipality or county level within 30 days after its execution. A contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Urban Real Property Law, where the owner of a house built on state-owned land leases his/her property and that the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

According to the Notice on Strengthening Registrations of Building Leasing Agreements for Non-residence (關於加強非居住房屋租賃合同登記備案工作有關問題的通知) issued by Beijing Municipal Commission of Housing and Urban-Rural Development in May 2008 and effective from June 2008, the Administration Rules on Building Leasing of Beijing (北京市房屋租賃管理若干規定) issued by Beijing Municipal Government in November 2007 and effective as of January 2008, and the Measures, within Beijing, the building lease agreements for residence should be registered with the building lease service station (出租房屋服務站), and those for non-residence should be registered with the relevant property administrative authority at municipality or county level according to the Measures.

In December 2010, the Ministry of Housing and Urban-Rural Development issued the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法), which will supersede the Measures upon effectiveness as of 1 February 2011. According to the Administrative Measures for Leasing of Commodity Housing, the landlords and tenants are required to enter into lease contracts which must contain specified provisions, the floor area per tenant may not be less than the minimum living space stipulated by the local government where the building is located, no kitchens, lavatories, balconies or basement storerooms should be rented out as residence, and the lease contract should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the lease contract is extended or terminated or if there is any change to the registered items, the landlord and the tenant are required to effect alteration registration, extension of registration or deregistration with the relevant construction or property authorities within 30 days after the occurrence of the extension, termination or alteration.

The Contract Law of the People's Republic of China (中華人民共和國合同法) promulgated by the National People's Congress in March 1999 and effective from October 1999 provides among others, that the lease agreement shall be in writing if its term is over six months, and the term of any lease agreement shall not exceed twenty years. During the lease term, any change of ownership to the leased property does not affect the validity of the lease contract. The tenant may sub-let the leased property if it is agreed by the landlord and the lease agreement between the landlord and the tenant is still valid and binding. When the landlord is to sell a leased housing under a lease agreement, it shall give the tenant a reasonable advance notice before the sale, and the tenant has the priority to buy such leased housing on equal conditions.

The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time, or otherwise terminate the lease with a default fine.

Except as mentioned below, if the landlord wishes to terminate the lease before its expiry date, prior consent shall be obtained from the tenants who are entitled to be indemnified for any resulting loss.

The landlord has the right to terminate the lease agreement if the tenant sub-lets the property without prior consent from the landlord, or causes loss to the leased properties resulting from its using the property not in compliance with the usage as stipulated in the lease agreement, or defaults in rental payment after the reasonable period as required by the landlord, or other circumstances occurs allowing the landlord terminate the lease agreement under relevant PRC laws and regulations.

***Sale and transfer of property***

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; c) the enterprise shall have the construction works planning permit and construction works commencement permit; d) the building shall have been completed, inspected and accepted as qualified; e) the relocation of the original residents shall have been completed; f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction (城市房地產轉讓管理規定) in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been properly obtained;
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed;
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled made ready for industrial or other construction purposes; and
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term provided the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights

and pay the land premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be assigned by competitive bidding, public auction or listing-for-sale under the current PRC laws and regulations.

### **Property Management Rules in the PRC**

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and enforced on 1 September 2003, as amended on 26 August 2007 and effective on 1 October 2007, the state implements a qualification scheme system in monitoring the property management enterprises and enterprises engaging in property management shall obtain relevant qualifications from competent authorities. According to the Measures for Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on 17 March 2004, as amended on 30 October 2007, a property service enterprise shall be classified as either class one, class two or class three. The relevant construction authorities will issue the qualification certificates for property service enterprises according to relevant criteria, including but not limited to, the registered capital, the numbers of relevant technical personnel, the property service experience and the service administration systems of the property service enterprise. According to the Regulation on Property Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise. In addition, under the Administrative Measures on Property Management of Beijing (北京市物業管理辦法) as promulgated by Beijing Municipal Government on 20 April 2010 and effective as of 1 October 2010, property service enterprises are required to submit the property service contract to relevant property administrative authority at county level for record within 15 days after the execution of the property service contract.

### Comparison of Certain Aspects of PRC and Hong Kong Property Law

The following is a general comparison of the legal protection of proprietary rights over real estate conferred by the legal systems of PRC and Hong Kong:-

PRC	Hong Kong
<p><b>General</b></p> <p>Under the Urban Real Property Law, the legitimate rights and interests of the owners over real estate shall be protected by the law of PRC, on which no person may unlawfully infringe.</p> <p>In general, the legitimate rights and interests of the owners over real estate in PRC are protected under PRC law.</p> <p><b>Land System in the PRC</b></p> <p>PRC law distinguishes between the ownership of land and the right to use land. According to the Constitution, all land in the cities is owned by the State while land in the rural and suburban areas, unless otherwise specified by law, is owned by collectives. Houses sites (宅基地), privately farmed crop land (自留地) and hilly land (自留山) are also owned by collectives. The State may expropriate or take over land and pay compensation in accordance with law if such land is required for public benefit.</p> <p>Under the Urban Land Regulations, a system for the grant and transfer of state owned land in urban areas was implemented. Pursuant to this system, all local and foreign companies, enterprises and other organisations and individuals, unless the law provides otherwise, are permitted to acquire land use rights and to develop and operate properties in accordance with law.</p> <p>Under the Urban Land Regulations, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium. There are different maximum periods of grant for different uses of land. They are generally as follows:</p> <ul style="list-style-type: none"> <li>• up to 70 years for residential use;</li> </ul>	<p><b>General</b></p> <p>Following Hong Kong's reunification with the PRC on 1 July 1997, the Basic Law of Hong Kong Special Administrative Region becomes the constitution of Hong Kong. Article 6 of the Basic Law provides that the Hong Kong Special Administrative Region shall protect the right of private ownership of property in accordance with law. Under the concept of "one country, two systems", Hong Kong enjoys a high degree of autonomy and its legal system is separate from that of the PRC. The proprietary rights of land owners over landed properties in Hong Kong are protected under Hong Kong law, which consists of the English common law principles as well as the Hong Kong legislations.</p> <p><b>System of Land Holding in Hong Kong</b></p> <p>Land tenure in Hong Kong is essentially leasehold. Title to a landed property is derived from long-term Government lease or agreements and conditions for lease (as the case may be) granted by the Hong Kong Government. Owners of landed properties in Hong Kong are effectively long leaseholders.</p> <p>Due to historical reasons, the terms of the Government leases vary from short term leases to leases of up to 999 years. Article 120 of the Basic Law essentially provides that all Government leases of land granted, decided upon or renewed before the establishment of the Hong Kong Special Administrative Region which extended beyond 30 June 1997, and all rights in relation to such Government leases, shall continue to be recognised and protected under the law of Hong Kong. Article 121 of the Basic Law provides that as regards all Government leases of land granted or renewed where the original Government leases contain no right of renewal, during the period from 27 May 1985 to 30 June 1997, which extend beyond 30 June 1997 and expire not later than 30 June 2047, the Government lessee is not required to pay any additional premium as from 1 July 1997, but an annual rent equivalent to 3% of the rateable value of the landed property concerned is payable to the Hong Kong Government.</p>

PRC	Hong Kong
<ul style="list-style-type: none"> <li>• up to 50 years for industrial use or for public use;</li> <li>• up to 40 years for commercial, tourism and entertainment uses; and</li> <li>• up to 50 years for all other uses.</li> </ul> <p>Upon expiration of the term of grant, it is possible for a land user to renew such term subject to the execution of a new land grant contract and payment of a land grant premium. If the term of the grant is not renewed, the land use rights of the land and ownership of any building thereon will revert to the State without compensation. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.</p> <p>Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.</p> <p>According to the Land Use Grant Rules which are effective from 1 July 2002, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding.</p> <p>On 11 June 2003, the Ministry of Land and Resources promulgated the Regulation on Transfer of State-owned Land Use Rights by Agreement. According to this regulation, land use rights may be granted by way of agreement if it is not required under applicable laws and regulations that the land be granted by public auction, tender or bidding.</p> <p>Upon signing of the contract for the grant of land use right, the grantee is required to pay the land grant premium in accordance with the terms of the contract. Once the land grant premium is paid in full, the contract may be submitted to the relevant local bureau for the issue of a land use rights certificate evidencing the grant of land use rights.</p> <p>In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing for-sale to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full</p>	<p>In general, the terms of the earlier Government grants are less restrictive. As society has become more sophisticated, extensive development requirements, obligations and restrictions are found in recent Government grants. Very often, the Government will provide a restriction on alienation in the Government grant - the grantee is required to comply with all the positive obligations in the Government grant, such compliance being evidenced by the issuance of a certificate of compliance by the Lands Department, before the grantee is in a position to sell/assign any individual unit of the development. If no such compliance has been issued, the grantee can only sell/assign the units unless it shall have obtained the relevant prior written consent from the Lands Department. Any non-compliance of the terms of the Government grant may render the Government exercising its rights of re-entry of the land.</p> <p>Certain Government grants and certain legislations in Hong Kong contain Government's right of resumption of the land or any part thereof for public purposes before expiry of the terms granted. Compensation may be made payable to the affected owners.</p> <p>Any individual or corporate legal entity, whether local or overseas, is entitled to own landed property in Hong Kong. Property transaction in Hong Kong attracts payment of ad valorem stamp duty in accordance with the Stamp Duty Ordinance (Cap.117, Laws of Hong Kong). On 19 November 2010, the Financial Secretary has announced that on top of the current ad valorem stamp duty, Special Stamp Duty would be introduced on disposal of residential properties. Any residential property acquired on or after 20 November 2010, either by an individual or a company (regardless of its place of incorporation), and resold within 24 months will be subject to the proposed Special Stamp Duty at different rates (up to 15% of the stated consideration or market value) for different holding periods (up to 24 months) of such property. The implementation of the new measures is subject to the enactment of the proposed legislative amendments.</p>

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under the land grant contract, can the grantee apply for the land registration and obtain the land use rights certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

Subject to any restrictions imposed, the party to which the land use right is granted may transfer such land use rights. The transfer may be by way of sale, exchange or gift. The term of land use rights for the transferred land is the original term granted under the grant contract less the term which has already been enjoyed by the original grantee.

A transfer of land use rights must be evidenced by a written contract. Upon such transfer, all rights and obligations contained in the original contract for the grant of land use rights by the State are deemed to be simultaneously transferred to the transferee, together with any buildings and other fixtures on the land. The transfer must be duly registered at the relevant local land bureau and a new certificate of land use rights will be issued and the original land use rights certificate will be suspended.

Under the Urban Real Property Law, in relation to a transfer of land for which land use rights were acquired by way of grant, the following conditions must be met:

- the land premium must have been paid in full in accordance with the land grant contract and a land use rights certificate must have been obtained;
- investment in or development of such land must have been made or carried out in accordance with the terms of the land grant contract;
- if the investment or development involves the construction of building on the land, more than 25% of the total amount of investment or development must have been made or completed; and
- where the investment or development involves a large tract of land, conditions for the use of the land for industrial or other construction purposes must have been met.

## Property Owners' Committee

According to the Regulation on Property Management, owners may engage or dismiss a

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## Strata Title Ownership

Strata-title ownership is commonly found in Hong Kong's multi-storey buildings. The structure is

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property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a real estate management enterprise, it shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

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derived from the concept that all owners of the units are holding the land and the development jointly as co-owners. Such piece of land and the development built thereon are notionally divided into a number of undivided shares. An owner of each unit holds a certain number of the allocated undivided shares, together with the exclusive right to hold use occupy and enjoy his unit. All owners of the development then share the use of such common part and common facilities of the development which are intended for common use. The allocation of the undivided shares is usually made by the architect of the development with reference to the gross floor area of each unit. Immediately after the first unit of a development is assigned, the developer, the first purchaser of a unit and the manager of the development will enter into a document known as the Deed of Mutual Covenant and Management Agreement (“the DMC”), which sets out the rights and obligations of the parties vis-à-vis each other relating to the co-ownership and management of the development.

The system of building management in Hong Kong is mainly based upon private contractual arrangements between the owners of units in the development by virtue of a DMC. The governing legislation for building management is the Building Management Ordinance (Cap.123, Laws of Hong Kong), which also plays an important role in guarding against drafting in of unfair terms by the developer in the DMC and in setting out the framework for the mandatory terms to be contained in a DMC, to the intent that the rights and obligations of the owners and the manager of the development are regulated for the purpose of co-ownership and management of the development. The DMC is usually prepared in accordance with the guidelines laid down by the Government and the rules laid down by The Law Society of Hong Kong. It is commonly found in the newer Government grants that the terms of the DMC have to be approved by the Lands Department.

**Documents of Title**

There are two types of title registrations in the PRC, namely land registration and building registration. Land registration is effected by the issue of land use rights certificate by the relevant authority to the land owner evidencing that the land owner has obtained land use rights which can be assigned, mortgaged or leased. The building

**Land Registration**

The present land registration system in Hong Kong is a “deeds registration” system. The governing legislation is the Land Registration Ordinance (Cap.128, Laws of Hong Kong). Documents affecting landed properties in Hong Kong are lodged with the Land Registry for registration.

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registration is the issue of a building ownership certificate or a real estate ownership certificate to the owner evidencing that the owner has obtained building ownership rights in respect of the building. According to the Land Registration Regulations, the Land Registration Measures and the Building Registration Measures, all land use rights and building ownership rights which are duly registered are protected by law.

The two different systems are commonly maintained separately in many cities in the PRC. However, in Shenzhen, Guangzhou, Shanghai and some other major cities, the two system have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued to evidence the ownership of both land use rights and the buildings erected thereon.

**Leases/Tenancies in PRC**

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Urban Buildings (the “Measures”), which was promulgated in accordance with the Urban Real Property Law. Under the Measures, owners of

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The Land Registry maintains a public land register for recording interests in the landed property in Hong Kong. Registration does not serve as a proof that a person registered as the owner has good title to the property. The deeds registration system simply confers priority on registered documents and any registered document will become a public record. Legal advice on title checking should be sought if one would like to ascertain whether a person has good and marketable title to a particular property.

Hong Kong has enacted the Land Title Ordinance in 2004. The new title registration system will transform the present system of deeds registration into a system to title registration. Under the new system, the title register will be conclusive evidence of title to the property. However, the date on which the new system will be implemented is yet to be ascertained.

**Proving Title to Property**

Before the title registration comes into actual operation, title of a property has to be proved by investigation of the original title deeds (if they relate exclusively to a particular property) or certified copies of the title deeds in order to ascertain the owner’s title is properly derived from his pre-decessors in title and is not encumbered.

The Conveyancing and Property Ordinance (Cap. 219, Laws of Hong Kong) is the governing legislation of the conveyance of landed property in Hong Kong. It was enacted in 1984. It has been adopted from the relevant English statutes and codified various common law principles in real estate conveyance aspects. Apart from this ordinance, the rulings in the judgments of the court cases play an important part in determining whether the title to a property is in order.

**Leases/Tenancies in Hong Kong**

The governing legislation of leasing and letting of landed property in Hong Kong is the Landlord and Tenant (Consolidation) Ordinance (Cap. 7, Laws of Hong Kong) (“LTCO”). Under the former regime before the amendment is made to the LTCO in 2004, a domestic tenant is entitled to statutory renewal of tenancy provided he is willing to pay the prevailing market rent. Only on certain statutory grounds of opposition stated in

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buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or country level within 30 days after its execution. A contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Notice on Strengthening Registrations of Building Leasing Agreements for Non-residence, the Administration Rules on Building Leasing of Beijing, and the Measures, within Beijing, the building lease agreements for residence should be registered with the building lease service station (出租房屋服務站), and those for non-residence should be registered with the relevant property administrative authority at municipality or country level according to the Measures.

The Contract Law of the People's Republic of China provides among others, that the lease agreement shall be in writing if its term is over six months, and the term of any lease agreement shall not exceed twenty years. During the lease term, any change of ownership to the leased property does not affect the validity of the lease contract. The tenant may sub-let the leased property if it is agreed by the landlord and the lease agreement between the landlord and the tenant is still valid and binding. When the landlord is to sell a leased housing under a lease agreement, it shall give the tenant a reasonable advance notice before the sale, and the tenant has the priority to buy such leased housing on equal conditions.

The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time, or otherwise terminate the lease with a default fine.

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the pre-amended LTCO, namely self-occupation by the landlord, rebuilding by the landlord, use of property for an illegal purpose or illegal subletting etc, could the landlord refuse to renew the tenancy. This regime has been abolished by the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004 (the "Amendment Ordinance") which came into effect on 9 July 2004.

Further, under the Amendment Ordinance, the fixed term non-domestic tenancy will end upon the expiration of its contractual term and the landlord is no longer required to give a not less than 6-month statutory notice to quit to the tenant to end the tenancy. These changes have brought flexibility and free operation to landlords and tenants in view of the active leasing market in Hong Kong.

After the implementation of the Amendment Ordinance, in general, the landlord and the tenant enjoy more freedom in their negotiation on the terms of the letting. It is common practice in Hong Kong for landlords, especially those who own the whole commercial developments or residential blocks to impose extensive obligations on the tenants, such as the covenant to pay rent, management fees and rates, and sometime promotion levy (particularly for large shopping arcades), to maintain the leased premises in a tenantable condition, not to underlet, compliance with DMC, the land grant, ordinances and other governmental regulations. The landlord's obligations will simply be confined to the giving of "quiet enjoyment" (in brief it means the non-interference with the tenant's rights under the tenancy agreement), payment of government rent and the obligation to repair the structural part of the premises. The landlord or the tenant may institute legal proceedings to enforce their rights under the tenancy.

It should be noted that a tenancy with a term not exceeding three years is not required to be entered as a deed and registered in the Land Registry. However, if an option to renew the tenancy is granted to the tenant, common law cases laid down the ruling that the tenant should submit the tenancy agreement for registration in the Land Registry in order to obtain priority against third party interest even though the original term or the option term does not exceed three years.

### Foreign Exchange Controls

The lawful currency of the PRC is the RMB, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local branch of the State Administration of Foreign Exchange (the “SAFE”) before it could convert RMB into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. RMB could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the RMB requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of RMB in current account items, the establishment of the system of settlement and payment of foreign exchange by designated banks, and the unification of the official RMB exchange rate and the market rate for RMB established at swap centres. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行管理規定) (the “Provisional Regulations”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for RMB was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of RMB. Pursuant to such systems, the PBOC sets and publishes the daily RMB-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for RMB-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of RMB against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks shall, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated Regulations for the control of Foreign Exchange (中華人民共和國外匯管理條例) (the “Control of Foreign Exchange Regulations”) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997 and on 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “Settlement Regulations”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign

invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swap Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The RMB exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity rate for trading of the RMB on the following business day.

Save for foreign invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organisations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds. On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective as at 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, "special purpose company" (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents (both PRC domestic legal person and natural person) for the special purpose of carrying out equity financing with their assets or interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice

applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by 31 March 2006.

On 11 July 2006, the PBOC, SAFE and other authorities jointly promulgated the Opinions on Foreign Investment in Real Estate (關於規範房地產市場外資准入和管理的意見), which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a foreign invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a foreign invested real estate enterprise with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for foreign invested real estate enterprise with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established foreign invested real estate enterprise will first obtain an approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a foreign invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commerce authorities. The investor shall submit a letter of guarantee to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence of alteration filing by construction authorities and evidence from the tax authorities confirming the tax payment situation; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase funds in a lump sum and with its own capital and shall ensure the proper treatment for enterprise's employees and bank loans in accordance with applicable PRC laws; (vi) if the registered capital of a foreign invested real estate enterprise is not fully paid up, its land use right certificate has not been obtained or the capital-fund in respect of development project is less than 35% of the total investment amount of the project, the foreign invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) neither the domestic investors nor the foreign investors in a foreign invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in contract, articles of association, equity transfer agreement or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a foreign invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On 1 September 2006, the Ministry of Construction and SAFE promulgated the Circular on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). This circular states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the RMB account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange account of current account of the real estate development enterprises; (ii) where the commercial house transaction fails to complete and the foreign purchaser intends to remit the purchase funds in RMB back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in RMB is remitted to foreign currencies, the

foreign purchaser shall be subject to examination by the local branch of SAFE; and (iv) if the registered capital of a foreign invested real estate enterprise is not fully paid up, its land use right certificate has not been obtained or the capital-fund in respect of development project is less than 35% of the total investment amount of the project, the foreign invested real estate enterprise is prohibited from borrowing from any foreign lenders and SAFE shall not process the foreign debt registration or examination and approval regarding the settlement of foreign debt.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知). The notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or examination and approval regarding the settlement of foreign debt for foreign invested real estate enterprises which obtain authorisation certificates from and file with the Ministry of Commerce on or after 1 June 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or alteration of such registrations) or settlement and sale of foreign exchange under capital account for foreign invested real estate enterprises which obtain approval certificates from local government commerce authorities but do not file with the Ministry of Commerce on or after 1 June 2007.

The Control of Foreign Exchange Regulations was amended by the State Council on 1 August 2008 and came effective on 5 August 2008. Under the revised Control of Foreign Exchange Regulations, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon real and legal transactions, individuals and entities may keep their income in foreign currencies inside or outside China according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaging in the settlement and sale of foreign exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approvals from the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled fund of foreign exchange of capital account must be used in the way as approved by the competent authorities and SAFE or its branches, and the SAFE or its branches are empowered to supervise the utilisation of the foreign exchange or settled fund of foreign exchange of capital account and the alterations of the capital accounts. The RMB follows a managed floating exchange rate system in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall undergo registration formalities with foreign exchange administrative authorities of the State. Furthermore, such individual or entity shall apply for the approval or filing on such investment, issue or transaction form relevant authorities prior to the approval or filing if otherwise required by relevant PRC laws and regulations.

On 29 August 2008, the General Affairs Department of SAFE issued a Notice with Regard to the Issue of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知). This notice further regulates the administration of settlement of foreign currency capital of foreign invested enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy firm. The designated banks should not engage in settlement of foreign currency capital for foreign invested enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in RMB obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for foreign invested real estate enterprises, foreign investment enterprises may not use funds in RMB obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in RMB obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign invested investment enterprises approved by the commerce authorities must first undergo examination and approval by the SAFE. The receipt and settlement in respect of profits obtained by PRC entities or individuals through the sale of shares or interests in PRC enterprises to foreign investors must be conducted through a foreign exchange account exclusively for assets realisation. The opening of such account, and any related transferral of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

On 1 July 2009, the PBOC, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Measures for the Administration of Pilot RMB Settlement in Cross-border Trade (跨境貿易人民幣結算試點管理辦法), under which, eligible enterprises as designated by relevant authorities located in the cities or provinces which have been chosen by the State Council to execute the pilot RMB trade settlement scheme, are allowed to settle the cross-border trade transactions in RMB. On 17 June 2010, the PBOC, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Circular on Issues Regarding the Extension of Pilot RMB Settlement in Cross-border Trade (關於擴大跨境貿易人民幣結算試點有關問題的通知), which extended the pilot scheme to cover more than 20 provinces and cities, including Beijing, and to make RMB trade and other current account item settlement available in all countries worldwide.

On 25 February 2011, the Ministry of Commerce issued the Notice on Relevant Issues regarding the Administration of Foreign Investment (商務部關於外商投資管理工作有關問題的通知), under which, if a foreign investor intends to make investment in the PRC, including establishing new foreign invested enterprises, increasing capital to or acquiring existing PRC enterprises, and providing loans, with its RMB proceeds through settlement of cross-border trades or obtained lawfully through other means outside the PRC, it shall apply to the relevant commerce authority for approval. Upon receiving such application, the relevant provincial commerce authority shall report to the Ministry of Commerce for its consent. Only with the consent of the Ministry of Commerce, may the provincial commerce authority process with the relevant approval procedures.

**1. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the agreements will be available for inspection free of charge at the office of Woo, Kwan, Lee & Lo at 26/F Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to the Listing Date.

- (a) Trust Deed;
- (b) Accountants' Report of Hui Xian REIT, the text of which is set out in Appendix I to this Offering Circular;
- (c) Unaudited Pro Forma Statements of Financial Position of Hui Xian REIT and the Reporting Accountants' letter in relation thereto, the text of which is set out in Appendix II to this Offering Circular;
- (d) the report of the Manager on the profit forecast, the letter of Deloitte Touche Tohmatsu on the profit forecast and the report of Joint Listing Agents on the profit forecast, the text of which are set out in Appendix III to this Offering Circular;
- (e) letter from the Independent Property Valuer in relation to Rental Income, the text of which is set out in Appendix IV to this Offering Circular;
- (f) Independent Property Valuer's Valuation Report, the text of which is set out in Appendix V to this Offering Circular;
- (g) letter from DTZ in relation to retail and office property market in Beijing, the text of which is set out in Appendix VI to this Offering Circular;
- (h) letter from Jones Lang LaSalle-CIEC Co., Ltd. in relation to serviced apartment property market and hotel industry in Beijing, the text of which is set out in Appendix VII to this Offering Circular;
- (i) letter from the Property Consultants in relation to its Building Condition Survey Summary Report, the text of which is set out in Appendix VIII to this Offering Circular;
- (j) Corporate governance policy adopted by the Manager on 4 April 2011;
- (k) JV Documents;
- (l) Reorganisation Agreement;
- (m) Hui Xian Holdings Subscription Agreement;
- (n) Hotel Management Agreement;
- (o) Facility Agreement;
- (p) BOC Term Loan Agreement and BOC Revolving Facility Agreement;
- (q) Hong Kong Underwriting Agreement;
- (r) written consents referred to in the sub-section headed "Qualification and Consents of Experts" below; and
- (s) the Trustee's letters appointing the directors of Hui Xian BVI, Hui Xian Investment and BOP.

In addition, a copy of the Trust Deed will be available for inspection free of charge at the above registered office of the Manager during normal business hours as long as the Units are listed on the Hong Kong Stock Exchange.

## 2. INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, BOP and Hui Xian BVI have registered or have applied for the registration of the following intellectual property rights.

### A. Trademarks







#### (a) Registered trade or service marks owned by BOP

As of the Latest Practicable Date, BOP is the owner of certain registered trade or service marks, details of which are as follows:

Trade/service marks	Name of registered owner	Territory of Registration	Class	Registration Number	Commencement Date	Expiry Date
东方广场	BOP	PRC	35	3006340	14 February 2005	13 February 2015
东方广场	BOP	PRC	36	1986451	28 March 2005	27 March 2015
东方广场	BOP	PRC	37	3006341	7 February 2005	6 February 2015
东方广场	BOP	PRC	39	1991407	28 October 2007	27 October 2017
东方广场	BOP	PRC	41	1992953	21 April 2008	20 April 2018
东方广场	BOP	PRC	42	2014518	21 February 2005	20 February 2015
	BOP	PRC	35	3006343	14 February 2005	13 February 2015
	BOP	PRC	36	1986449	21 February 2005	20 February 2015
	BOP	PRC	37	3006342	28 January 2005	27 January 2015
	BOP	PRC	41	1993010	14 May 2008	13 May 2018
	BOP	PRC	42	2014520	21 November 2004	20 November 2014
Oriental Plaza	BOP	PRC	35	3006344	14 February 2005	13 February 2015
Oriental Plaza	BOP	PRC	36	3006345	7 February 2005	6 February 2015
Oriental Plaza	BOP	PRC	37	3006346	7 February 2005	6 February 2015
Oriental Plaza	BOP	PRC	39	3006347	21 April 2008	20 April 2018
Oriental Plaza	BOP	PRC	41	3006348	21 February 2005	20 February 2015
Oriental Plaza	BOP	PRC	42	3006349	21 November 2004	20 November 2014
东方经贸城	BOP	PRC	35	3006334	21 May 2005	20 May 2015
东方经贸城	BOP	PRC	41	3006331	21 December 2004	20 December 2014
东方新天地	BOP	PRC	35	3006339	7 February 2004	6 February 2014
东方新天地	BOP	PRC	36	3006338	7 January 2004	6 January 2014

## APPENDIX X

## GENERAL INFORMATION

Trade/service marks	Name of registered owner	Territory of Registration	Class	Registration Number	Commencement Date	Expiry Date
东方新天地	BOP	PRC	36	3327174	21 August 2004	20 August 2014
东方新天地	BOP	PRC	39	3006337	7 March 2003	6 March 2013
东方新天地	BOP	PRC	41	3006336	7 April 2003	6 April 2013
东方新天地	BOP	PRC	42	3006335	21 January 2003	20 January 2013
	BOP	PRC	41	4333007	21 April 2008	20 April 2018
	BOP	PRC	36	4333008	21 April 2008	20 April 2018
	BOP	PRC	41	4333010	21 April 2008	20 April 2018
	BOP	PRC	36	4333011	21 April 2008	20 April 2018
	BOP	PRC	36	3327172	21 August 2004	20 August 2014
	BOP	PRC	35	3327173	7 November 2007	6 November 2017
东方新天地会	BOP	PRC	35	3327175	7 May 2004	6 May 2014
东方新天地会	BOP	PRC	36	3327176	21 August 2004	20 August 2014
东方豪庭	BOP	PRC	35	3006350	7 April 2003	6 April 2013
东方豪庭	BOP	PRC	36	3006351	7 April 2003	6 April 2013
东方豪庭	BOP	PRC	39	3006352	7 March 2003	6 March 2013
东方豪庭	BOP	PRC	41	3006354	7 April 2003	6 April 2013
东方豪庭	BOP	PRC	42	3006353	21 January 2003	20 January 2013

## (b) Application for registration of trademark

As of the Latest Practicable Date, Hui Xian BVI has applied for registration of the following trademarks, details of which are as follows:

Trademark	Name of Applicant	Territory of Application	Class	Application Number	Application Date
京					
	Hui Xian (B.V.I.) Limited	Hong Kong	16, 35, 36, 41	301794051	20 December 2010
HUI XIAN REIT HUI XIAN REIT	Hui Xian (B.V.I.) Limited	Hong Kong	16, 35, 36, 41	301794060	20 December 2010
匯賢產業信託 汇贤产业信托					
▲ 匯賢產業信託 * 汇贤产业信托	Hui Xian (B.V.I.) Limited	Hong Kong	16, 35, 36, 41	301794079	20 December 2010
	Hui Xian (B.V.I.) Limited	PRC	16, 35, 36, 41	—(Note 1)	14 March 2011
	Hui Xian (B.V.I.) Limited	PRC	16, 35, 36, 41	— (Note 1)	14 March 2011
HUI XIAN REIT	Hui Xian (B.V.I.) Limited	PRC	16, 35, 36, 41	— (Note 1)	14 March 2011
汇贤产业信托	Hui Xian (B.V.I.) Limited	PRC	16, 35, 36, 41	— (Note 1)	14 March 2011
匯賢產業信託	Hui Xian (B.V.I.) Limited	PRC	16, 35, 36, 41	— (Note 1)	23 March 2011

Note 1: Usually a filing receipt will be issued and an application number will be assigned by China Trademark Office one to two months after filing the trademark application.

**B. Domain Names/China Internet Keyword (通用網址)**

As at the Latest Practicable Date, BOP has registered the following domain names/ China internet keywords:

<u>Registrant</u>	<u>Domain Name/ China Internet Keyword</u>	<u>Territory of Registration</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
BOP	東方新天地	PRC	6 August 2004	6 August 2014
BOP	東方經貿城	PRC	6 August 2004	6 August 2014
BOP	東方豪庭公寓	PRC	6 August 2004	6 August 2014
BOP	北京東方廣場 有限公司	PRC	11 August 2004	11 August 2014

**3. QUALIFICATION AND CONSENTS OF EXPERTS**

The qualifications of the experts who have given opinions in the Offering Circular are as follows:

<u>Name</u>	<u>Qualification</u>
BOCI Asia Limited	A licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
CITIC Securities Corporate Finance (HK) Limited	A licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
The Hongkong and Shanghai Banking Corporation Limited	A registered institution under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
American Appraisal China Limited	Chartered valuers and surveyors
Commerce & Finance Law Offices	PRC legal advisers
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung, Beijing	Real Estate Consultants
Jones Lang LaSalle-CIEC Co., Ltd.	Real Estate Consultants
Savills Project Consultancy Limited	Chartered surveyors

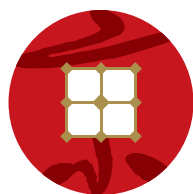
Each of the entities listed above has given and has not withdrawn its written consent to the issue of this Offering Circular with the inclusion of its report and/or opinion and/or memorandum and/or valuation certificate and/or summary thereof (as the case may be) and/or references to its name included herein in the form and context in which it is included.

**4. MISCELLANEOUS**

Save as disclosed in this Offering Circular, as at the Latest Practicable Date:

- (a) none of the Directors nor any of the parties listed in paragraph 3 of this Appendix is interested in Hui Xian REIT's promotion, or in any assets which have, within the two years immediately preceding the issue to this Offering Circular, been acquired or disposed of by or leased to Hui

- Xian REIT, or are proposed to be acquired or disposed of by or leased to Hui Xian REIT or any companies controlled by it;
- (b) none of the Directors nor any of the parties listed in paragraph 3 of this Appendix is materially interested in any contract or arrangement subsisting at the date to this Offering Circular which is significant in relation to Hui Xian REIT's business;
  - (c) save in connection with the Underwriting Agreements and save as disclosed in the section headed "Underwriting" of this Offering Circular, none of the parties listed in paragraph 3 of this Appendix:
    - (i) is interested legally or beneficially in any of the Units or any shares in any of companies controlled by Hui Xian REIT; or
    - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Hui Xian REIT's securities;
  - (d) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date to this Offering Circular to any of Hui Xian REIT's promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;
  - (e) except that KAM Hing Lam and IP Tak Chuen, Edmond are directors of Beijing ChangLe Real Estate Development Company Limited and Beijing PoGarden Real Estates Development Company Limited (being two of the top ten tenants in respect of The Apartments) and CHENG Hoi Chuen, Vincent is a director of HSBC Bank (China) Company Limited (the Beijing Branch of which is one of the top ten tenants in respect of The Apartments), none of the Directors are directors of any of the top ten tenants in respect of The Malls, The Tower Offices and The Tower Apartments in terms of rental income for the month ended 31 December 2010;
  - (f) none of the Directors or their respective associates has any ownership interest in the top ten tenants in respect of The Malls, The Tower Offices and The Tower Apartments, in terms of rental income for the month ended 31 December 2010, other than, in the case of any tenant or its holding company which is a listed company, as a shareholder holding less than 0.1% of the issued share capital of the listed company;
  - (g) there are no outstanding loans or guarantees granted or provided by Hui Xian REIT or any companies controlled by it to, or for the benefit of, any of the Directors;
  - (h) within the two years immediately preceding the date of this Offering Circular, Hui Xian REIT has not issued nor agreed to issue any Units fully or partly paid either for cash or for a consideration other than cash;
  - (i) save in connection with the Underwriting Agreements, no outstanding Units are under option or are agreed conditionally or unconditionally to be put under option;
  - (j) Hui Xian REIT has not issued or agreed to issue any founder units, management units or deferred units;
  - (k) none of the equity and debt securities of Hui Xian REIT is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
  - (l) Hui Xian REIT has no outstanding convertible debt securities;
  - (m) within the two years immediately preceding the date of this Offering Circular, no commissions, discounts, brokerages or other special items have been granted or paid to any Director, proposed Director, promoter, any of the parties listed in paragraph B of this Appendix nor any other person in connection with the issue or sale of any Units or shares or loan capital of Hui Xian REIT or any of the companies controlled by it;
  - (n) there are no arrangements in existence under which future dividends are to be waived or agreed to be waived; and
  - (o) there have been no interruptions in the business of the Hui Xian BVI Group or Hui Xian Cayman which may have or have had a significant effect on the financial position of the Hui Xian BVI Group or Hui Xian Cayman, taken as a whole, in the last 12 months.



**HUI XIAN** REIT

匯賢產業信託