



**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



2011 INTERIM REPORT

## HUI XIAN REIT

Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) (stock code: 87001) is a real estate investment trust constituted by a trust deed (“**Trust Deed**”) entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited, and DB Trustees (Hong Kong) Limited. Hui Xian REIT was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 29 April 2011.

## REIT MANAGER

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “**Manager**”), a company incorporated in Hong Kong for the sole purpose of managing Hui Xian REIT. The Manager is a direct wholly-owned subsidiary of World Deluxe Enterprises Limited, which in turn is ultimately owned as to 40% by CITIC Securities International Company Limited, 30% by Cheung Kong (Holdings) Limited and 30% by ARA Asset Management Limited.

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## Financial Highlights

This is the first set of financial results for the Reporting Period prepared by Hui Xian Real Estate Investment Trust (“**Hui Xian REIT**”) since its listing on the Stock Exchange on 29 April 2011, therefore, there is no past comparison. Where appropriate, comparisons will be made against the forecast figures stated in the offering circular (“**OC Forecast**”) of Hui Xian REIT dated 11 April 2011 (“**Offering Circular**”).

### For the period from 29 April 2011 to 30 June 2011

Key Financial Figures	Actual	OC Forecast <sup>(1)</sup>	Change
	RMB Million	RMB Million	
Total Revenue	404	404	—
Property Operating Expenses	125	139	-10.1%
Net Property Income	279	265	5.3%
Profit After Tax	149	140	6.4%
Distributable Income	202	193	4.7%
Distribution Amount	202	193	4.7%
Net Asset Value <sup>(4)</sup>	25,802	NA	NA
Gross Asset Value	33,366	NA	NA
Per Unit Figures	RMB	RMB	Change
Distribution Per Unit	0.0403	0.0386	4.4%
Annualised Distribution Yield	4.83% <sup>(2)</sup>	4.26% <sup>(3)</sup>	13.4%
Net Asset Value Per Unit <sup>(4)</sup>	5.1604	NA	NA

	Actual	OC Forecast <sup>(1)</sup>	Change
<b>Ratio</b>			
Gearing Ratio			
Debt to Net Asset Value	0.8%	NA	NA
Debt to Gross Asset Value	0.6%	NA	NA
Expense Ratio	30.9%	34.4%	-10.2%
Payout Ratio <sup>(5)</sup>	100%	100%	—

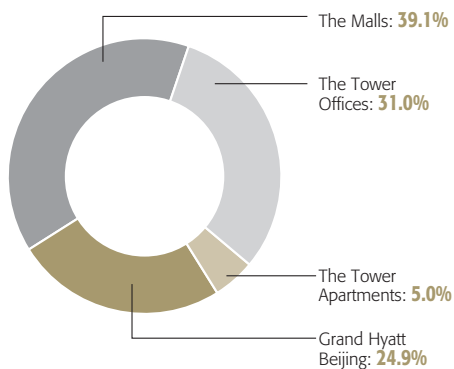
Financial Highlights

Notes:

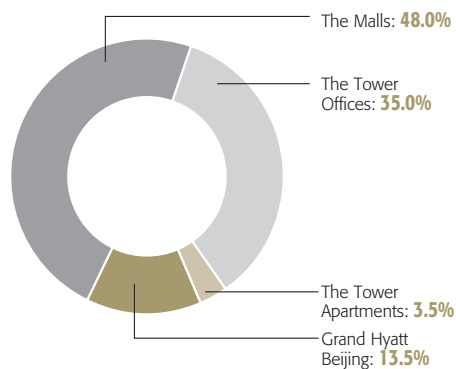
- (1) Forecast figures disclosed in the Offering Circular.
- (2) Based on the closing price on 30 June 2011 and the annualised actual distribution amount.
- (3) Based on the IPO Price and the annualised forecast disclosed in the Offering Circular.
- (4) After deduction of dividend to be distributed.
- (5) The Manager’s policy is to distribute to Unitholders an amount equal to 100% of Hui Xian REIT’s Annual Distributable Income for the period from the Listing Date to 31 December 2012.

### Oriental Plaza – Business Review (January–June 2011)

Revenue (RMB million)



Net Property Income (RMB million)



## Chairman's Statement

On behalf of Hui Xian Asset Management Limited, the management company of Hui Xian REIT, it gives me great pleasure to present the maiden interim results of Hui Xian REIT for the period from its listing date on 29 April 2011 to 30 June 2011 ("**Reporting Period**").

The successful listing of Hui Xian REIT in April 2011 on the Stock Exchange of Hong Kong marked an important milestone as the first RMB-denominated equity initial public offering ("**IPO**") outside of Mainland China, as well as the world's first RMB-denominated REIT.

### RESULTS AND DISTRIBUTION

Hui Xian REIT recorded an encouraging performance during the Reporting Period. Total revenue during the Reporting Period was RMB 404 million, in line with OC Forecast. Net property income amounted to RMB 279 million, 5.3% higher than OC Forecast. Cost control measures helped to reduce property operating expenses to RMB 125 million, 10.1% lower than OC Forecast.

Total distributable income for the Reporting Period was RMB 202 million, 4.7% above OC Forecast. Unitholders will receive an interim distribution per unit ("**DPU**") of RMB 0.0403, which represents an annualised distribution yield of 4.83%, based on the closing unit price of RMB 4.83 on 30 June 2011. This is higher than the OC Forecast of 4.26% based on the IPO price of RMB 5.24.

### OPERATIONS REVIEW

Hui Xian REIT's portfolio comprises Oriental Plaza, one of the largest and most iconic commercial complexes in Beijing, PRC. The development comprises four businesses: The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing.

Although Hui Xian REIT has only operated Oriental Plaza since 29 April 2011, the development has been in business in Beijing for over ten years and enjoyed a compound annual growth rate ("**CAGR**") of 17.2% in operating profit from 2002 to 2010.

## Chairman's Statement

We would like to share with you the operating performance of Oriental Plaza in the first half of 2011 compared to the same period in 2010. We believe Oriental Plaza will continue to maintain its growth momentum.

On the back of a thriving Chinese economy, Oriental Plaza made good progress in the first six months of 2011. Total revenue was RMB 1,118 million, an increase of 9.0% compared to the same period last year. Net property income rose 5.7% to RMB 740 million over the corresponding period in 2010.

**The Malls**

Strong leasing momentum at The Malls continued in the first six months of 2011. As at 30 June 2011, the occupancy rate remained at 100%. Net property income reached RMB 355 million, a 4.4% increase over the same period in 2010. The growth was mainly attributable to China's robust retail sales, rising domestic consumption as well as rental increases from new leases and renewal of existing leases.

**The Tower Offices**

Buoyant business activities and corporate expansion underpinned a strong office leasing market in Beijing. As at 30 June 2011, The Tower Offices' committed occupancy rate was 99.6%. Net property income was RMB 259 million in the first six months of 2011, representing a 3.6% increase over the same period last year. Spot rent increased to RMB 290 per sq m gross for the month of June 2011.

**The Tower Apartments**

The Tower Apartments' net property income generated from the first half of 2011 was RMB 26 million, a rise of 30.0% compared to the same period in 2010. Occupancy rate increased to 93.1% as at 30 June 2011.

Demand for The Tower Apartments was strong in the first half of 2011, due to the expansion of multinational companies and growth of expatriate population in Beijing. The introduction of home purchase restrictions on expatriates in early 2011 also fuelled high demand for luxury serviced apartments.

## Chairman's Statement

### Grand Hyatt Beijing

In the first six months of 2011, Grand Hyatt Beijing's net property income was RMB 100 million, an increase of 11.1% as compared to the same period in 2010. The average room rate per night was RMB 1,525, 12% more than the same period last year. RevPAR also increased to RMB 1,115 for the first half of 2011 from RMB 980 for the same period of 2010.

In June 2011, Grand Hyatt Beijing was named "Best Business Hotel in Beijing" by *National Geographic Traveler China* for the third consecutive year.

### UNIQUE PLATFORM

As a RMB-denominated REIT, we believe that Hui Xian REIT offers a unique opportunity for its Unitholders to receive a stable and sustainable distribution while at the same time have the chance to capture the potential benefits of currency gain. The exchange rate of RMB to Hong Kong dollars has appreciated 5.7%\* since 1 January 2010 to 30 June 2011.

### EARLY LOAN RETIREMENT

Following the early loan retirement on 1 July 2011, Hui Xian REIT is now free from debt and there is no pledge on the property.

According to Hong Kong's current REIT code, Hui Xian REIT is allowed to borrow up to 45% of its gross asset value. We believe that the greater financial flexibility and borrowing capacity will strengthen our acquisition and expansion capabilities.

### OUTLOOK

Looking ahead, we will continue to actively manage Hui Xian REIT's portfolio to optimise occupancy, control property expenses, achieve steady rental and enhance net property income.

\* Based on the HK\$/RMB exchange rate of 1:0.8804 on 1 January 2010 and 1:0.8306 on 30 June 2011 (Source: Bloomberg)



## Chairman's Statement

Asset enhancement initiatives have been planned for Oriental Plaza. Grand Hyatt Beijing has set out a three-year renovation programme to upgrade guest rooms, restaurants and other facilities. Asset improvement works have also been continually implemented at The Malls.

A dedicated Project Development team has been established to pursue investment opportunities in China. We will proactively seek additional assets that are yield accretive and boost overall returns.

Hong Kong hosts the largest pool of RMB liquidity outside of Mainland China. As at the end of May 2011, offshore RMB deposits in Hong Kong exceeded RMB 540 billion, a seven-fold increase compared to January 2010. We believe that this growing trend will continue.

The economic outlook of China, the world's second largest economy, remains positive. China's gross domestic product ("GDP") expanded by 9.5% year-on-year in the first half of 2011. Hui Xian REIT is well-positioned to capitalise on China's economic growth in the future.

On behalf of the Board, I would like to express my gratitude to all who have contributed to the successful listing. In addition, I would like to thank our Unitholders for their support and confidence in Hui Xian REIT.

**KAM Hing Lam**

*Chairman*

**Hui Xian Asset Management Limited**

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

Hong Kong, 2 August 2011

# Management Discussion and Analysis

## PORTFOLIO HIGHLIGHTS

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 Beijing Oriental Plaza Co., Ltd. ("**BOP**"). BOP holds the land use rights and building ownership rights of Oriental Plaza, one of the largest commercial complexes in Beijing. The development comprises the following businesses:

	<b>Details</b>	<b>Gross Floor Area (sq m)</b>
The Malls	World-class shopping centre	130,195
The Tower Offices	8 Grade A office buildings	309,552
The Tower Apartments	2 serviced apartment towers (613 units)	81,603
Grand Hyatt Beijing	825-room, 5-star hotel	125,420
Car parking spaces & other ancillary facilities	1,901 car parking spaces	140,289
<b>Total</b>		<b>787,059</b>

## Management Discussion and Analysis

**BOP BUSINESS REVIEW (JANUARY TO JUNE 2011)**

<b>Oriental Plaza</b>	<b>Jan–Jun 2011</b>	Jan–Jun 2010	
	<i>RMB million</i>	<i>RMB million</i>	<b>% Change</b>
<b>The Malls</b>			
Revenue	<b>437</b>	403	8.4%
Net Property Income	<b>355</b>	340	4.4%
<b>The Tower Offices</b>			
Revenue	<b>347</b>	323	7.4%
Net Property Income	<b>259</b>	250	3.6%
<b>The Tower Apartments</b>			
Revenue	<b>56</b>	43	30.2%
Net Property Income	<b>26</b>	20	30.0%
<b>Grand Hyatt Beijing</b>			
Revenue	<b>278</b>	257	8.2%
Net Property Income	<b>100</b>	90	11.1%
<b>Total</b>			
Revenue	<b>1,118</b>	1,026	9.0%
Net Property Income	<b>740</b>	700	5.7%

In the first half of 2011, Oriental Plaza has progressed well on the back of a booming Chinese economy. Total revenue generated from January to June 2011 was RMB 1,118 million, an increase of 9.0% compared to the same period in 2010. Net property income was RMB 740 million, representing a year-on-year rise of 5.7%. Oriental Plaza was also named “The Best Developer – Multi Use Project” in *Capital's* “The Best Developer Awards 2011”.

**The Malls**

Driven by robust domestic consumption, leasing momentum at The Malls remained strong. As at 30 June 2011, it had an occupancy rate of 100%. In the first half of 2011, net property income generated from The Malls was RMB 355 million, a 4.4% increase over the same period in 2010. The average monthly passing rent was RMB 854 per sq m for the first half of 2011 compared to RMB 813 per sq m for the year 2010. The rental reversion rate was 23%.

## Management Discussion and Analysis

For the leases which expired during the first half of 2011, about 51% of the total gross rentable area was renewed with the existing tenants.

The Malls is constantly improving its retail offerings and tenant mix to further enhance the shopping experience. The number of tenants on the waiting list has remained high, at 280 in June 2011.

In May 2011, The Malls was named “Best Retail Development, China” and “Best Retail Development, Asia Pacific” by the International Property Awards, in association with Bloomberg Television.

In the first half of 2011, China’s retail sales were up 16.8% year-on-year. Underpinned by rising disposable income and domestic consumption, we expect the Beijing retail market will continue its strong growth.

With its convenient location, strategic tenant mix and proactive asset management, The Malls is expected to continue to be one of Beijing’s favourite shopping centres.

### **The Tower Offices**

Demand for Grade A offices in Beijing remained firm as many multinational companies demonstrated a renewed willingness to implement expansion plans on the back of China’s robust economic growth. Large-scale domestic corporations have also exhibited an increased appetite for prime office space.

During the first six months of 2011, net property income of The Tower Offices was RMB 259 million, an increase of 3.6% over to the same period in 2010. As at 30 June 2011, the committed occupancy rate of The Tower Offices was 99.6%. We have also successfully achieved a positive rental reversion rate of 26%. 124 leases (new and renewed) commenced in the first half of 2011, occupying a total of 38,231sq m. The spot rent for January to June 2011 and the month of June 2011 are approximately RMB 221 per sq m gross and RMB 290 per sq m gross respectively, which represent 18% and 53% above the spot rent in the last quarter of 2010. There was significant growth in reversion on both renewals and new lettings, which reached RMB 444 per sq m gross.

## Management Discussion and Analysis

In May 2011, The Tower Offices was named “Best Office Development, China” by the International Property Awards, in association with Bloomberg Television.

**The Tower Apartments**

The Tower Apartments’ net property income soared 30.0% to RMB 26 million in the first half of 2011 as compared to the same period in 2010. Occupancy rate increased to 93.1% as at 30 June 2011.

Demand for The Tower Apartments was strong in the first half of 2011, due to the expansion of multinational companies and growth of expatriate population in Beijing. The introduction of home purchase restrictions on expatriates in early 2011 also fuelled high demand for luxury serviced apartments.

**Grand Hyatt Beijing**

Net property income generated from Grand Hyatt Beijing during the first half of 2011 was RMB 100 million, registering a year-on-year increase of 11.1%. The occupancy rate was 72.5% for the month of June 2011. From January to June 2011, 165 conferences and events were held in Grand Hyatt Beijing.

In June 2011, the 825-room hotel was named “Best Business Hotel in Beijing” by *National Geographic Traveler China* for the third consecutive year.

The three-year renovation programme is now in place to upgrade the guest rooms, restaurants and other facilities.

Management Discussion and Analysis

## FINANCIAL REVIEW

### Distributions

#### ***Distribution Amount***

Hui Xian REIT will distribute a total of RMB 202 million ("**Distribution Amount**") to holders of units of Hui Xian REIT ("**Units**") for the period from 29 April 2011 to 30 June 2011 (the "**Reporting Period**"), 4.7% higher than the income available for distribution forecast in the Offering Circular dated 11 April 2011. The Distribution Amount represents 100% of Hui Xian REIT's total distributable income during the Reporting Period and will be paid in RMB.

#### ***Distribution per Unit***

The distribution per Unit for the Reporting Period was RMB 0.0403 based on 5,000,000,000 Units. The distribution per Unit represents an annualised Distribution yield of 4.83% based on the closing price of RMB 4.83 as at 30 June 2011.

#### ***Closure of Register of Unitholders***

The record date for the interim distribution will be Tuesday, 6 September 2011 ("**Record Date**"). The Register of Unitholders will be closed from Tuesday, 30 August 2011 to Tuesday, 6 September 2011, both days inclusive, during which period no transfer of Units will be effected. The Distribution will be payable on Thursday, 15 September 2011 to Unitholders whose names appear on the Register of Unitholders on Record Date.

In order to qualify for the 2011 Interim Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with Hui Xian REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 29 August 2011.

### Debt Positions

As at 30 June 2011, total outstanding borrowings of Hui Xian REIT amounted to RMB 200 million. The total borrowings comprised of a five-year term loan entered between BOP and Bank of China Limited in 2008. The loan bears interest at 90% of the benchmark interest

## Management Discussion and Analysis

rate quoted by the People's Bank of China and is payable in full in January 2014. Based on the REIT's net asset value of RMB 25,802 million as at 30 June 2011, Hui Xian REIT's gearing ratio stood at 0.8%.

On 1 July 2011, Hui Xian REIT made an early repayment of such loan in full, leaving it completely debt-free.

**Cash and Asset Positions**

As at 30 June 2011, Hui Xian REIT's cash amounted to RMB 535 million. The cash is predominately dominated in RMB. No currency hedge was employed.

Hui Xian REIT's principal assets are a 130,000 sq m shopping mall, eight blocks of Grade A office towers, two blocks of serviced apartments towers and an 825-room business hotel in a 787,059 sq m building complex at 1 Chang'an Avenue, Beijing, PRC and are collectively named as Oriental Plaza. Hui Xian REIT holds and controls Oriental Plaza through Hui Xian Investment Limited, which is the foreign partner of BOP, a sino-foreign cooperative joint venture. BOP holds the land use right and building ownership rights of Oriental Plaza.

American Appraisal China Limited, Hui Xian REIT's principal valuer, valued the eight blocks of office towers, the shopping mall and car parking spaces at RMB 26,500 million as at 30 June 2011. Together with the hotel and serviced apartment premises, gross property value of Hui Xian REIT was RMB 32,699 million as at the balance sheet date.

**Net Assets Attributable To Unitholders**

As at 30 June 2011, net assets attributable to Unitholders amounted to RMB 25,802 million or RMB 5.1604 per unit, a 6.8% premium to the closing unit price of RMB 4.83 as at 30 June 2011.

**Pledge of Assets**

As at 30 June 2011, the land and property of Oriental Plaza were pledged to banks to obtain bank loans.

## Management Discussion and Analysis

After the early repayment of the five-year term note expiring in 2014 on 1 July 2011, all pledges will be removed.

### **Commitments**

As at 30 June 2011, Hui Xian REIT did not have any significant commitments.

### **Employees**

As at 30 June 2011, 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.

Save as disclosed above, Hui Xian REIT is managed by the Manager and does not directly employ any staff.

### **Real Estate Sale and Purchase**

Hui Xian REIT did not enter into any real estate sale and purchase transactions during the Reporting Period.



# Corporate Governance

## 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. In particular, the Manager has adopted a compliance manual (“**Compliance Manual**”) which sets out the key processes, systems, measures, and certain corporate governance policies and procedures to be applied for governing the management and operation of Hui Xian REIT and for compliance with all applicable regulations and legislation. Throughout the Reporting Period, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the Compliance Manual and adhered to all the applicable corporate governance practices.

### Authorisation Structure

Hui Xian REIT is a collective investment scheme authorised by the Securities and Futures Commission (the “**SFC**”) under section 104 of the Securities and Futures Ordinance (the “**SFO**”) and regulated by the provisions of the Code on Real Estate Investment Trust (“**REIT Code**”) issued by the SFC.

The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. During the Reporting Period, the Manager had three persons who were approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and paragraph 5.4 of the REIT Code, namely Mr. CHU Stephen Henry, Mr. KWAN Man Fai, Louis\* and Mr. PANG Shuen Wai, Nichols.

DB Trustees (Hong Kong) Limited (the “**Trustee**”) is registered as a trust company under section 77 of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

During the Reporting Period, the Manager and Hui Xian REIT had complied with the provisions of the REIT Code, the Trust Deed, the relevant provisions and requirements of the SFO and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which are applicable to Hui Xian REIT.

\* Mr. KWAN Man Fai, Louis ceased to be a Responsible Officer of the Manager with effect from 5 August 2011.

## Corporate Governance

### 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.

### Board of directors of the Manager

The board of directors of the Manager (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.

During the Reporting Period, the Board comprised nine members, three of whom were independent non-executive directors. The positions of Chairman and Chief Executive Officer are held by two separate persons in order to maintain an effective segregation of duties.

The Manager has currently established an Audit Committee, a Disclosures Committee and a Designated (Finance) Committee with clear terms of reference to assist the Board in discharging its duties:

- (a) the role of the Audit Committee is to, among other things, establish and maintain an adequate internal control structure of the Manager and to ensure the quality and integrity of financial statements of Hui Xian REIT and the existence and working of

## Corporate Governance

an effective system of internal control and risk management, in respect of both the Manager and Hui Xian REIT, and to nominate independent external auditors;

- (b) the role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements; and
- (c) 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.

**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 independent non-executive directors; and

## Corporate Governance

- (d) a director of the Manager 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.

### Review of Interim Report

The interim report of Hui Xian REIT for the Reporting Period has been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their terms of reference. The interim financial statements have also been audited by Hui Xian REIT's auditors Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

### Interest of, and Dealings in Units by, Directors and the Manager

The Manager has adopted a code governing dealings in the securities of Hui Xian REIT by the Directors or the Manager (the "**Units Dealing Code**"). The Units Dealing Code is also applicable to the other senior executives, officers and other employees of the Manager.

Specific enquiry has been made with the Directors, the Manager and its senior executives, officers and other employees, all of them confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Period.

### Change of Directors' Information

Subsequent to publication of the Offering Circular of Hui Xian REIT dated 11 April 2011, the Manager received notification regarding the following changes of Directors' information during the Reporting Period:

1. Mr. IP Tak Chuen, Edmond is a non-executive director of Real Nutraceutical Group Limited (formerly known as Ruinian International Limited) and the change of company name took effect from 7 June 2011.

## Corporate Governance

2. Mr. LIM Hwee Chiang has been appointed as a non-executive director of APN Property Group Limited (Australia-listed) on 2 May 2011. He was also a non-executive director of Pteris Global Limited (formerly known as Inter-Roller Engineering Limited) (Singapore-listed) until 24 April 2009.
3. Mr. CHENG Hoi Chuen, Vincent ceased to be a director of each of HSBC Bank (China) Company Limited, HSBC Bank (Taiwan) Limited and HSBC Holdings plc at (and with effect from) the conclusion of the annual general meeting of HSBC Holdings plc held at 11:00 a.m. on 27 May 2011 (London time). He is the Advisor to the Group Chief Executive of HSBC Holdings plc since 28 June 2011. Further, he has been appointed as an independent non-executive director of CLP Holdings Limited with effect from 17 August 2011.

**Unit Capital**

The total number of issued Units as at 30 June 2011 is 5,000,000,000 Units.

**New Units Issued**

No new unit of the Hui Xian REIT was issued during the Reporting Period.

**Purchase, Sale or Redemption of Units**

During the Reporting Period, there was no repurchase, sale or redemption of the units of Hui Xian REIT by the Manager on behalf of Hui Xian REIT or any of the special purpose vehicles that are owned and controlled by Hui Xian REIT.

**Public Float**

As far as the Manager is aware, more than 25% of the issued and outstanding units of Hui Xian REIT were held in public hands as at 30 June 2011.

## Corporate Governance

**CONNECTED PARTY TRANSACTIONS**

Set out below is information in respect of connected party transactions during the Reporting Period involving Hui Xian REIT and its connected persons as defined in paragraph 8.1 of the REIT Code, which are governed by Chapter 8 of the REIT Code based on the best knowledge of the Manager:

**Waivers from Strict Compliance**

Waivers from strict compliance with the disclosure and approval requirements of Unitholders under Chapter 8 of the REIT Code in respect of certain connected party transactions entered into by Hui Xian REIT with its connected persons (the “**Waivers**”) have been granted by the SFC upon listing of Hui Xian REIT. The Waivers have been granted subject to stipulated terms and conditions including, inter alia, the requirements that transactions should be entered into at arm’s length on normal commercial terms, with specific caps on transaction amounts or fees paid, to be reviewed by the auditor or the independent non-executive directors of the Manager and/or approved by the Board (the “**Waiver Conditions**”). During the Reporting Period, Hui Xian REIT has complied with the requisite Waiver Conditions, where applicable.

**Connected Party Transactions – Income**

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income during the Reporting Period:

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Income for the Reporting Period RMB</b>
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment & Consulting Co., Ltd.)*	Associate of officer of Manager <sup>1</sup>	Leasing and licensing transaction	6,882.00

## Corporate Governance

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Income for the Reporting Period RMB</b>
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	661,538.97
和記電訊信息科技(深圳)有限公司 (Hutchison Telecommunications Information Technology (Shenzhen) Limited)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	71,811.02
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	354,362.36
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	493,468.15

## Corporate Governance

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Income for the Reporting Period RMB</b>
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	182,077.47
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	364,357.93
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	4,337,224.40
Cheung Kong (Holdings) Limited (Beijing Office)	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	11,366.67
TOM Group International Limited Beijing Representative Office	Associate of director of Manager <sup>3</sup>	Leasing and licensing transaction	67,932.85



## Corporate Governance

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Income for the Reporting Period RMB</b>
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	Subsidiary of Manager	Leasing and licensing transaction	40,642.33
HSBC Bank (China) Company Limited (Beijing Branch)	Associate of director of Manager <sup>4</sup>	Leasing and licensing transaction	15,002.15
Bank of China Limited	Associated company of significant holder <sup>2</sup>	Leasing and licensing transaction	3,307,652.14
Orient Overseas Container Line (China) Co., Ltd. (Beijing Branch)	Associate of director of significant holder <sup>5</sup>	Leasing and licensing transaction	76,727.07
OOCL Logistics (China) Ltd. (Beijing Branch)	Associate of director of significant holder <sup>5</sup>	Leasing and licensing transaction	88,185.38
Li Ka Shing Foundation (Hong Kong) Beijing Office	Associate of director of significant holder <sup>6</sup>	Leasing and licensing transaction	85,603.35

## Corporate Governance

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the Reporting Period <i>RMB</i>
Bank of China Limited	Associated company of significant holder <sup>2</sup>	Interest Income on Deposits	823,505.45
<b>Total</b>			<b>10,988,339.69</b>

*Notes:*

- 1 Mr. WONG K, James, the Deputy Chief Operating Officer — Malls, Offices and Apartments of the Manager, is a director of the connected party concerned.
- 2 Significant holders being Hui Xian (Cayman Islands) Limited (“**HX Cayman**”) and Hui Xian Holdings Limited (“**HX Holdings**”).
- 3 Mr. IP Tak Chuen, Edmond, a non-executive director of the Manager, is a director of the connected party concerned.
- 4 Mr. CHENG Hoi Chuen, Vincent, an independent non-executive director of the Manager, ceased to be a director of HSBC Bank (China) Company Limited at (and with effect from) the conclusion of the annual general meeting of HSBC Holdings plc held at 11:00 a.m. on 27 May 2011 (London time). The figure represented the amount of income for the period from 29 April 2011 up to and including 27 May 2011.
- 5 The connected party concerned is an associate (within the meaning of the REIT Code) of Mr. TUNG Chee Chen, being a director of each of HX Cayman and HX Holdings as at 30 June 2011.
- 6 The connected party concerned is an associate (within the meaning of the REIT Code) of Mr. LI Tzar Kuoi, Victor, being a director of each of HX Cayman and HX Holdings as at 30 June 2011.

The terms “associate”, “associated company” and “significant holder” shall have the same meanings as they are defined under the REIT Code.

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

### Connected Party Transactions – Expenses

The following table sets out information on connected party transactions in which Hui Xian REIT incurred its expenses during the Reporting Period:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for the Reporting Period <i>RMB</i>
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	Associated company of significant holder <sup>1</sup>	Property Management Fee	803,733.56
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	Associated company of significant holder <sup>1</sup>	Property Management Fee	1,659,061.16
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	Associated company of significant holder <sup>1</sup>	Internet Services Fee	910,188.14
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch)	Associated company of significant holder <sup>1</sup>	Insurance Premium Payment	96,806.38
中國人壽財產保險股份有限公司北京市分公司	Associated company of significant holder <sup>1</sup>	Insurance Premium Payment	338,822.32

## Corporate Governance

<b>Name of Connected Party</b>	<b>Relationship with Hui Xian REIT</b>	<b>Nature of Connected Party Transaction</b>	<b>Expenses for the Reporting Period RMB</b>
China Life Insurance Company Limited Beijing Branch	Associated company of significant holder <sup>1</sup>	Insurance Premium Payment	18,847.26
Bank of China Limited	Associated company of significant holder <sup>1</sup>	Interest Expenses on Loan	1,959,300.00
DB Trustees (Hong Kong) Limited	Trustee	Trustee's Fee	564,928.77
Hui Xian Asset Management Limited	Manager	Manager's Fee	22,576,678.55
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	Subsidiary of Manager	Property Manager's Fee	2,814,407.77
American Appraisal China Limited	Principal Valuer	Valuation Fee	203,702.00
<b>Total</b>			<b>31,946,475.91</b>

## Notes:

1 Significant holders being HX Cayman and HX Holdings.

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

## **Connected Party Transactions – Others**

### ***Hui Xian Holdings Facility Transactions***

On 8 April 2011, HX Holdings (as lender) and Hui Xian Investment Limited (“**HX Investment**”) (as borrower) entered into a facility agreement pursuant to which HX Holdings has agreed to grant to HX Investment the facility in the aggregate amount of RMB 1,400 million (comprising a RMB 1,300 million revolving credit facility and a RMB 100 million revolving credit facility). The RMB 100 million revolving credit facility will be used to finance the general working capital requirements and general corporate funding of Hui Xian REIT and its special purpose vehicles, and is available for multiple drawings on a revolving basis from the listing date of Hui Xian REIT 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 HX Holdings and HX Investment may extend by mutual agreement in writing from time to time). The RMB 1,300 million revolving credit 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 of Hui Xian REIT 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 HX Holdings and HX Investment may extend by mutual agreement in writing from time to time). As at 30 June 2011, the revolving credit facilities were not utilised.

### ***BOC Banking Financial Services Transactions***

Bank of China Limited (“**BOC**”) has been providing certain ordinary banking and financial services to Beijing Oriental Plaza Co., Ltd (“**BOP**”), including deposit services and extension of loans to BOP.

As at 30 June 2011, BOP had deposits in certain time deposit account and current accounts maintained with BOC and Bank of China (Hong Kong) Limited in the total balance of RMB 488,802,655.24.

On 30 December 2008, BOP entered into a term loan agreement with BOC for a term loan in the total amount of RMB 1,100 million (“**BOC Term Loan**”). As at 30 June 2011, BOP was indebted to BOC in the outstanding principal amount of RMB 200 million, which shall

## Corporate Governance

be repayable in full on 8 January 2014, subject to any prepayment that may be made by BOP\*.

On 12 February 2009, BOP entered into a revolving facility agreement with BOC for a revolving facility in the total amount of RMB 500 million (“**BOC Revolving Facility**”). As at 30 June 2011, the BOC Revolving Facility had not been drawn down by BOP.

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. As at 30 June 2011, the amount of the value of the assets which had been pledged by BOP in favour of BOC was RMB 32,699,459,076.55.

\* An early repayment of such loan in the amount of RMB200 million in full was made by BOP on 1 July 2011.

## DISCLOSURE OF INTERESTS

### Holdings of Significant Holders and Other Unitholders

As at 30 June 2011, each of the following persons was considered as a “significant holder” of Units, and hence a “connected person” of Hui Xian REIT, within the meaning and for the purpose of the REIT Code:

Name	As at 30 June 2011		As at 29 April 2011	
	Direct Interest	Deemed Interest	Direct Interest	Deemed Interest
Hui Xian (Cayman Islands) Limited <sup>(1)</sup>	2,700,000,000	300,000,000	2,700,000,000	300,000,000
Hui Xian Holdings Limited <sup>(2)</sup>	300,000,000	2,700,000,000	300,000,000	2,700,000,000
HKSCC Nominees Limited <sup>(3)</sup>	2,284,466,000	—	2,283,565,000	—

## Corporate Governance

*Notes:*

- (1) Hui Xian (Cayman Islands) Limited ("**HX Cayman**"), the holder of 2,700,000,000 Units, is a connected person of Hui Xian REIT as it is a significant holder (within the meaning of the REIT Code) of Hui Xian REIT as at 30 June 2011. HX Cayman is a direct wholly-owned subsidiary of Hui Xian Holdings Limited ("**HX Holdings**") and is deemed, for the purpose of determining whether it is a significant holder of Hui Xian REIT under the REIT Code, to hold also the 300,000,000 Units held by HX Holdings as at 30 June 2011.
- (2) HX Holdings is a connected person of Hui Xian REIT as it is a significant holder (within the meaning of the REIT Code) of Hui Xian REIT as at 30 June 2011 by virtue of the aggregate of the deemed holding of its wholly-owned subsidiary, HX Cayman, of 2,700,000,000 Units and its own direct holding of 300,000,000 Units as at that date.

Noblecrown Investment Limited ("**Noblecrown**") is an indirect wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("**Cheung Kong**") as at 30 June 2011 and is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of HX Holdings. By virtue of the deemed application of Part XV of the SFO, Cheung Kong, Noblecrown and each of the intermediate holding companies (namely, Cheung Kong (China Property Development) Limited, Cheung Kong China Property Limited, Cheung Kong (China Property) Limited, Cheung Kong Holdings (China) Limited and Cheung Kong Investment Company Limited) through which Cheung Kong is interested in the share capital of Noblecrown, were taken under Part XV of the SFO to have an interest in the Units held by HX Cayman and/or HX Holdings.

In addition, each of Mr. Li Ka-shing, Li Ka-Shing Unity Trustee Company Limited, Li Ka-Shing Unity Trustee Corporation Limited and Li Ka-Shing Unity Trustcorp Limited was also taken to have an interest in the Units held by HX Cayman and/or HX Holdings by virtue of the deemed application of Part XV of the SFO.

- (3) HKSCC Nominees Limited is a connected person of Hui Xian REIT as it is a significant holder (within the meaning of the REIT Code) of Hui Xian REIT as at 30 June 2011 based on the record shown on the register of Unitholders as kept by the Unit Registrar of Hui Xian REIT. Further, based on information available to the Manager, HKSCC Nominees Limited held such Units as a nominee and the Manager has not received any notice of deemed interest of HKSCC Nominees Limited in the Units.

### Interests of the Manager

As at 30 June 2011, the Manager did not hold any issued unit of Hui Xian REIT.

## Corporate Governance

**Interests of the Directors, senior executives and officers of the Manager**

Details of the unitholding interests of the Directors, senior executives and officers of the Manager were as follows:

<b>Name</b>	<b>As at 30 June 2011 Number of Units held</b>	<b>As at 29 April 2011 Number of Units held</b>
KAM Hing Lam	100,000 <sup>1</sup>	—
CHU Stephen Henry	50,000 <sup>2</sup>	22,000 <sup>2</sup>
MAN Ka Keung, Simon	9,000 <sup>3</sup>	9,000 <sup>3</sup>
WONG K, James	10,000 <sup>4</sup>	5,000 <sup>4</sup>
LEUNG Pik Sai, Charlotte	3,000 <sup>5</sup>	3,000 <sup>5</sup>

*Notes:*

- 1 These 100,000 Units were held by Mr. KAM Hing Lam as a bare trustee and this is a voluntary disclosure made by Mr. KAM Hing Lam.
- 2 These Units were owned by Mr. CHU Stephen Henry as beneficial owner.
- 3 These Units were owned by Mr. MAN Ka Keung, Simon as beneficial owner.
- 4 These Units were owned by Mr. WONG K, James as beneficial owner.
- 5 These Units were owned by Ms. LEUNG Pik Sai, Charlotte as beneficial owner.

Save as disclosed above in this section headed "DISCLOSURE OF INTERESTS", the Manager is not aware of any connected persons (as defined under the REIT Code) of Hui Xian REIT holding any beneficial interest in Units as at 30 June 2011.



## Independent Auditor's Report

**TO THE UNITHOLDERS OF HUI XIAN REAL ESTATE INVESTMENT TRUST**

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

We have audited the consolidated financial statements of Hui Xian Real Estate Investment Trust (the "Hui Xian REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 90, which comprise the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders, consolidated statement of cash flows and distribution statement for the period from 29 April 2011 (date of listing) to 30 June 2011, and a summary of significant accounting policies and other explanatory information.

**MANAGER'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Hui Xian Asset Management Limited ("the Manager" of the Hui Xian REIT) is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the deed of trust dated 1 April 2011 (the "Trust Deed") and the relevant disclosure requirements set out in the Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong, and for such internal control as the manager determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the

## Independent Auditor's Report

Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 30 June 2011, and of the Group's results and cash flows for the period from 29 April 2011 (date of listing) to 30 June 2011 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

2 August 2011

## Consolidated Statement of Comprehensive Income

For the period from 29 April 2011 (date of listing) to 30 June 2011

	<i>Note</i>	<b>RMB million</b>
Revenue	5	<b>404</b>
Rental related income	6	<b>9</b>
Other income	7	<b>2</b>
Hotel inventories consumed		<b>(10)</b>
Staff costs		<b>(15)</b>
Depreciation and amortisation		<b>(35)</b>
Other operating expenses	8	<b>(109)</b>
Finance costs	9	<b>(2)</b>
Real estate investment trust expenses	10	<b>(25)</b>
Profit before taxation and transactions with unitholders		<b>219</b>
Income tax expense	11	<b>(70)</b>
Profit for the period, before transactions with unitholders		<b>149</b>
Distribution to unitholders		<b>(202)</b>
Excess of distribution over profit for the period, after transactions with unitholders and total comprehensive expense		<b>(53)</b>
Income available for distribution to unitholders		<b>202</b>
Basic earnings per unit ( <i>RMB</i> )	12	<b>0.0298</b>

## Distribution Statement

For the period from 29 April 2011 (date of listing) to 30 June 2011

	<b>RMB million</b>
Profit for the period, before transactions with unitholders	<b>149</b>
Adjustments:	
Manager's fee	<b>14</b>
Depreciation and amortisation	<b>35</b>
Deferred tax	<b>4</b>
Income available for distribution ( <i>note (i)</i> )	<b>202</b>
Distributions payable to unitholders	<b>202</b>
Distribution per unit (RMB) ( <i>note (ii)</i> )	<b>0.0403</b>

As disclosed in Hui Xian REIT's offering circular dated 11 April 2011, Hui Xian REIT's first distribution after listing of its units on The Stock Exchange of Hong Kong Limited (the "HKSE") is for the period from the listing date to 30 June 2011.

## Distribution Statement

For the period from 29 April 2011 (date of listing) to 30 June 2011

*Notes:*

- (i) Adjustments for the current period include:
  - (a) Manager's fee paid in units of RMB14 million (2,903,274 units) out of the total Manager's fee of RMB23 million (the difference of RMB9 million are paid in cash).
  - (b) Deferred tax provision of RMB4 million in relation to accelerated tax depreciation.
  - (c) Depreciation and amortisation of the Group's properties of RMB35 million.

In accordance with the Trust Deed, Hui Xian Real Estate Investment Trust ("Hui Xian REIT") is required to distribute to unitholders not less than 90% of its distributable income for each financial period and it is the REIT Manager's stated policy to distribute 100% 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% of Hui Xian REIT's annual distributable income for each financial year. Pursuant to the Trust Deed, annual distributable income is defined as the amount calculated by the REIT Manager as representing the consolidated profit after tax of Hui Xian REIT and its subsidiaries for the relevant financial year/period, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of comprehensive income for the relevant financial year/period.

- (ii) The distribution per unit of RMB0.0403 for the period from 29 April 2011 (date of listing) to 30 June 2011 is calculated based on Hui Xian REIT's income available for distribution of RMB201,578,077 over 5,000,000,000 units, representing issued units as at 30 June 2011. The distribution will be paid to unitholders on 15 September 2011.

## Consolidated Statement of Financial Position

As at 30 June 2011

	Note	<b>RMB million</b>
<b>Non-current assets</b>		
Investment properties	13	<b>26,500</b>
Property, plant and equipment	14	<b>2,002</b>
Land and related costs	15	<b>4,177</b>
Total non-current assets		<b>32,679</b>
<b>Current assets</b>		
Hotel inventories	16	<b>19</b>
Land and related costs	15	<b>105</b>
Trade and other receivables	17	<b>28</b>
Bank balances and cash	18	<b>535</b>
Total current assets		<b>687</b>
<b>Total assets</b>		<b>33,366</b>
<b>Current liabilities</b>		
Trade and other payables	19	<b>356</b>
Tenants' deposits		<b>120</b>
Bank borrowings	20	<b>200</b>
Tax payable		<b>29</b>
Manager's fee payable		<b>23</b>
Distribution payable		<b>202</b>
Total current liabilities		<b>930</b>
<b>Total assets less current liabilities</b>		<b>32,436</b>

Consolidated Statement of Financial Position  
As at 30 June 2011

	<i>Note</i>	<b>RMB million</b>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>		
Tenants' deposits		<b>358</b>
Deferred tax liabilities	21	<b>6,276</b>
Total non-current liabilities, excluding net asset attributable to unitholders		
		<b>6,634</b>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		
		<b>7,564</b>
<b>Net assets attributable to unitholders</b>		
		<b>25,802</b>
Units in issue ('000)		
	23	<b>5,000,000</b>
Net asset value per unit (RMB) attributable to unitholders		
	24	<b>5.1604</b>

The consolidated financial statements on pages 33 to 90 were approved and authorised for issue by the Board of Directors of Hui Xian Asset Management Limited, as the Manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT"), on 2 August 2011 and were signed on its behalf by:

**KAM Hing Lam**  
DIRECTOR

**CHU Stephen Henry**  
DIRECTOR

## Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the period from 29 April 2011 (date of listing) to 30 June 2011

	Issued units <i>RMB million</i>	Retained profit <i>RMB million</i>	Total <i>RMB million</i>
Units issued for business combination (Notes 22 and 23)	14,148	—	14,148
Units issued from initial offering (Note 23)	12,052	—	12,052
Unit issue costs	(345)	—	(345)
	<b>25,855</b>	<b>—</b>	<b>25,855</b>
Profit for the period, before transactions with unitholders	—	149	149
Distribution payable	(53)	(149)	(202)
Total comprehensive expense for the period	(53)	—	(53)
<b>Net assets attributable to unitholders as at 30 June 2011</b>	<b>25,802</b>	<b>—</b>	<b>25,802</b>



# Consolidated Statement of Cash Flows

For the period from 29 April 2011 (date of listing) to 30 June 2011

	<i>Note</i>	<b>RMB million</b>
<b>Operating activities</b>		
Profit before taxation		<b>219</b>
Adjustments for:		
Depreciation of property, plant and equipment		<b>17</b>
Amortisation of land and related costs		<b>18</b>
Interest income		<b>(2)</b>
Finance costs		<b>2</b>
Operating cash flows before movements in working capital		<b>254</b>
Decrease in trade and other receivables		<b>17</b>
Increase in trade and other payables		<b>32</b>
Increase in tenants' deposits		<b>14</b>
Increase in Manager's fee payable		<b>23</b>
Cash generated from operations		<b>340</b>
Profits tax paid		<b>(114)</b>
<b>Net cash from operating activities</b>		<b>226</b>
<b>Investing activities</b>		
Acquisition of a business	22	<b>259</b>
Interest received		<b>2</b>
<b>Cash from investing activities</b>		<b>261</b>
<b>Financing activities</b>		
Proceeds from issue of new units		<b>12,052</b>
Issue cost paid		<b>(294)</b>
Interest paid		<b>(3)</b>
Repayment of amount due to a unitholder	(a)	<b>(11,707)</b>

## Consolidated Statement of Cash Flows

For the period from 29 April 2011 (date of listing) to 30 June 2011

	<i>Note</i>	<b>RMB million</b>
<b>Net cash from financing activities</b>		<b>48</b>
<b>Increase in cash and cash equivalents</b>		<b>535</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>—</b>
<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash</b>		<b>535</b>

*Note:*

- (a) Following the completion of the initial offering ("Offering") of Hui Xian REIT, the proceeds (net of all fees and charges) from the Offering will be used for repaying the Indebtedness (defined in Note 23) immediately on 29 April 2011 (date of listing).

# Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 1. GENERAL

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to listing date. Hui Xian REIT commenced operation on 29 April 2011 (date of listing) and its units were listed on the HKSE since that date. This interim financial report covers the period from 29 April 2011 (date of listing) to 30 June 2011. Hui Xian REIT is governed by the deed of trust dated 1 April 2011 (the “Trust Deed”) made between Hui Xian Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission.

The principal activity of Hui Xian REIT and its subsidiaries (the “Group”) is to own and invest in high quality commercial properties in the People’s Republic of China (the “PRC”) with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

The consolidated financial statements are presented in Renminbi, which is also the functional currency of Hui Xian REIT.

The Group has entered into various service agreements in relation to the management of Hui Xian REIT and its property operations. The fee structures of these services are as follows:

### (a) Property Manager’s fee

Under the Operations Management Agreement, the Property Manager, Beijing Hui Xian Enterprise Services Limited, will receive a property manager’s fee of 1% per annum of NPI (before deduction therefrom of the Variable Fee (as defined in 1(c)) and the Property Manager’s fee) for provision of business advisory and management services, marketing and lease management services and property management co-ordination services.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

### 1. GENERAL (continued)

#### (a) Property Manager's fee (continued)

NPI means the amount equivalent to the gross revenue less property operating expenses.

#### (b) Trustee's fees

The Trustee is entitled to receive a one-off inception fee of not more than RMB 100,000 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 values of the real estate properties (the "Property Values") as at the end of such financial year (which may be increased without obtaining unitholders' approval to a maximum of 0.06% per annum of the Property Values by giving at least one month's prior written notice to the Manager and the unitholders), subject to a minimum amount of RMB 56,000 per month.

#### (c) Manager's fees

Under the Trust Deed, the Manager is entitled to receive the following remuneration for the provision of asset management services:

##### **Base Fee**

Under the Trust Deed, the Manager will receive a base fee from Hui Xian REIT at 0.3% per annum of the Property Values. For the period from the date of listing 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. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 1. GENERAL (continued)

### (c) Manager's fees (continued)

#### **Variable Fee**

Under the Trust Deed, the Manager will receive a variable fee ("Variable Fee") of 3% 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.

The Manager may elect whether the variable fee is to be paid in cash or in units in accordance with the provisions in the Trust Deed.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include the applicable disclosures requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission and the Rules Governing the Listing of Securities on the HKSE.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values, as explained in the accounting policies set out below.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Hui Xian REIT and entities controlled by the Hui Xian REIT (its subsidiaries). Control is achieved where the Hui Xian REIT 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.

### (c) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (other than deferred tax assets and liabilities). If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) 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 terms 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.

### (e) 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.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Investment properties (continued)

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.

### (f) 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.

### (g) Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.



Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. 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.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial assets** (continued)

##### *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 financial assets 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 asset, 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.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial assets** (continued)

##### *Impairment of financial assets* (continued)

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 loss 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.

In accordance with the Trust Deed, Hui Xian REIT has a limited life of 80 years less 1 day from the date of commencement of Hui Xian REIT. The units contain a contractual obligation to its unitholders, upon the termination of Hui Xian REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Hui Xian REIT less any liabilities, in accordance with their proportionate interests in Hui Xian REIT at the date of its termination.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial liabilities and equity** (continued)

In accordance with the Trust Deed, Hui Xian REIT's distribution policy provides the unitholders with a right to receive distribution which Hui Xian REIT has a contractual obligation to distribute to unitholders at 100% of Hui Xian REIT's Annual Distributable Income (defined in the Trust Deed) for the period from 29 April 2011 (date of listing) to 31 December 2011 and the financial year ending 31 December 2012 and thereafter at least 90% of Hui Xian REIT's Annual Distributable Income for each financial year.

Accordingly, the issued units are compound instruments in accordance with HKAS 32 "Financial Instruments: Presentation". The Manager considers the equity component of the issued units to be insignificant.

Unit issue costs are the transactions costs relating to issue of units in Hui Xian REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

Financial liabilities (including trade and other payables, manager's fee payable, distribution payable and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial instruments (continued)

#### **Financial liabilities and equity** (continued)

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.

#### **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.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) 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.

### (j) 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.

### (k) 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.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) 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.

### (m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. 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.



Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Taxation (continued)

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.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)**(o) 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.

**(p) Potential impact arising from recently issued accounting standards**

At the date of authorisation of these consolidated financial statements, the following Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)"), Interpretations ("HK(IFRIC)(s)") and amendments were issued but not yet effective:

HKAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>3</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>3</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>3</sup>
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>2</sup>
HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>3</sup>
HKFRS 11	Joint Arrangements <sup>3</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Potential impact arising from recently issued accounting standards (continued)

The amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property”. As at 30 June 2011, the deferred tax arising from the revaluation of the properties amounted to RMB4,159 million. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the Manager anticipates that the application of the amendments to HKAS 12 will have a material impact on deferred tax recognised for investment properties that are measured using the fair value model.

The Manager anticipates that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

### 3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Manager 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 2(e) and 13, 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 valuers, the Manager has exercised its judgment and is satisfied that the method of valuation is reflective of the current 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.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

#### 4. SEGMENT REPORTING

Hui Xian REIT determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (i.e. the Manager) for the purpose of allocating resources to segments and assessing their performance. Four operating segments have been identified:

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.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**4. SEGMENT REPORTING** (continued)**(a) Segment revenue and results**

	The Malls <i>RMB million</i>	The Tower Offices <i>RMB million</i>	The Tower Apartments <i>RMB million</i>	The Hotel <i>RMB million</i>	Consolidated <i>RMB million</i>
Segment revenue	150	121	20	113	404
Segment profit	126	94	11	48	279
Finance costs					(2)
Depreciation and amortisation					(31)
Unallocated income					2
Unallocated expense					(29)
Profit before taxation and transactions with unitholders					219
Income tax expense					(70)
Profit for the period, before transactions with unitholders					149

The accounting policies of the operating segments are the same as the accounting policies described in Note 2. Segment profit is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

#### 4. SEGMENT REPORTING (continued)

##### (b) Segment assets

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

	<b>As at 30 June 2011 RMB million</b>
The Malls	<b>14,636</b>
The Tower Offices	<b>11,901</b>
The Tower Apartments	<b>2,307</b>
The Hotel	<b>4,046</b>
Total segment assets	<b>32,890</b>
Bank balances and cash	<b>447</b>
Other assets	<b>29</b>
Consolidated assets	<b>33,366</b>

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.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**4. SEGMENT REPORTING** (continued)**(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 current period.

**(d) Other segment information**

	The Malls	The Tower Offices	The Tower Apartments	The Hotel	Segment Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Depreciation of property, plant and equipment	1	1	—	2	4

**5. REVENUE**

	<i>RMB million</i>
Gross rental from investment properties	271
Income from hotel operation	113
Income from serviced apartments operation	20
Total	404



Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 5. REVENUE (continued)

The gross rental from investment properties includes contingent rents of RMB3 million for the period from 29 April 2011 (date of listing) to 30 June 2011.

The direct operating expense from investment properties amounting to RMB51 million for the period from 29 April 2011 (date of listing) to 30 June 2011.

## 6. RENTAL RELATED INCOME

	<i>RMB million</i>
Service income	7
Forfeited tenant deposits	1
Others	1
<b>Total</b>	<b>9</b>

## 7. OTHER INCOME

Amount mainly represents bank interest income.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**8. OTHER OPERATING EXPENSES**

	<i>RMB million</i>
Advertising and promotion	1
Audit fee	—
Business tax	23
Insurance	1
Lease agency fee	4
Property management fees	10
Repairs and maintenance and other miscellaneous expenses	34
Stamp duty	1
Urban land use tax	1
Urban real estate tax	19
Utilities	15
Valuation fees (paid to principal valuer)	—
	<b>109</b>

**9. FINANCE COSTS**

	<i>RMB million</i>
Interest expense on secured bank loans wholly repayable within five years	2

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 10. REAL ESTATE INVESTMENT TRUST EXPENSES

	<i>RMB million</i>
Manager's fee	<b>23</b>
Trustee's fee	<b>1</b>
Trustee expenses	<b>1</b>
	<b>25</b>

## 11. INCOME TAX EXPENSE

	<i>RMB million</i>
The income tax expense comprises:	
Current tax — PRC enterprise income tax	<b>58</b>
Deferred taxation ( <i>Note 21</i> )	<b>12</b>
	<b>70</b>

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 25% on the estimated assessable profits of a PRC subsidiary.

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 30 June 2011, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**11. INCOME TAX EXPENSE** (continued)

The tax charge for the period can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	<i>RMB million</i>
Profit before taxation	<b>219</b>
Tax at the applicable income tax rate 25%	<b>55</b>
Tax effect of expenses not deductible for tax purpose	<b>7</b>
Deferred tax on undistributed earnings of a PRC subsidiary	<b>8</b>
Tax charge for the period	<b>70</b>

**12. EARNINGS PER UNIT**

The earnings per unit is calculated by dividing the net profit for the period of RMB149 million by 5,001,451,637 units being the number of units in issue during the period of 5,000,000,000 plus the weighted average number of units issuable as Manager's fee for the period from 29 April 2011 (date of listing) to 30 June 2011 of 1,451,637.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

### 13. INVESTMENT PROPERTIES

	<i>RMB million</i>
FAIR VALUE	
Addition arising from business combination ( <i>Note 22</i> )	<b>26,500</b>
Change in fair value of investment properties	—
At the end of the period	<b>26,500</b>

- (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 30 June 2011 by American Appraisal China Limited, an 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.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**14. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b>				<b>Total</b>
	<b>Hotel</b>	<b>Serviced</b>	<b>Plant and</b>	<b>Others</b>	
	<b>RMB million</b>	<b>apartments</b>	<b>machinery</b>	<b>RMB million</b>	
	<b>RMB million</b>	<b>RMB million</b>	<b>RMB million</b>	<b>RMB million</b>	<b>RMB million</b>
<b>COST</b>					
Addition arising from business combination (Note 22) and at 30 June 2011	<b>1,207</b>	<b>578</b>	<b>145</b>	<b>89</b>	<b>2,019</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 29 April 2011	—	—	—	—	—
Depreciation	<b>7</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>17</b>
At 30 June 2011	<b>7</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>17</b>
<b>CARRYING AMOUNTS</b>					
At 30 June 2011	<b>1,200</b>	<b>575</b>	<b>142</b>	<b>85</b>	<b>2,002</b>

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method on the following basis:

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 $\frac{1}{3}$ % per annum

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

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.

## 15. 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:

	<i>RMB million</i>
Non-current asset	<b>4,177</b>
Current asset	<b>105</b>
	<b>4,282</b>

The land use rights have been pledged to secure bank borrowings of the Group.

## 16. HOTEL INVENTORIES

	<i>RMB million</i>
Food and beverage	<b>3</b>
Other consumables	<b>16</b>
	<b>19</b>

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**17. TRADE AND OTHER RECEIVABLES**

	<i>RMB million</i>
Trade receivables	<b>14</b>
Deposits and prepayments	<b>9</b>
Advance to suppliers	<b>3</b>
Other receivables	<b>2</b>
	<b>28</b>

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

	<i>RMB million</i>
Less than or equal to 1 month	<b>13</b>
Over 3 months	<b>1</b>
	<b>14</b>

There is no credit period given on billing for rental properties, including the malls, tower offices, tower apartments and 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 0.1% per day.

Hotel revenue is normally settled by cash or credit card.



Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 17. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB3 million as at 30 June 2011 which were past due at the reporting dates on which the Group did not provide for doubtful debts as there were no 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 period is 30 days at 30 June 2011.

Aging of trade receivables which are past due but not impaired is as follows:

	<i>RMB million</i>
Overdue:	
Less than or equal to 1 month	<b>3</b>

Trade and other receivables are denominated in RMB.

## 18. BANK BALANCES AND CASH

	<i>RMB million</i>
Cash at bank and in hand	<b>498</b>
7 days notice bank deposits	<b>37</b>
	<b>535</b>
Average interest rate per annum is as follows:	
Bank deposits	
— 7 days notice	<b>0.63%</b>

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**18. BANK BALANCES AND CASH** (continued)

Bank balances and cash are denominated in the following currencies:

	<i>RMB million</i>
RMB	533
US\$	2
	<b>535</b>

**19. TRADE AND OTHER PAYABLES**

	<i>RMB million</i>
Trade payables	57
Rental received in advance	132
Others	167
Total	<b>356</b>

Trade and other payables are denominated in the following currencies:

	<i>RMB million</i>
RMB	350
US\$	6
	<b>356</b>

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 20. BANK BORROWINGS

	<i>RMB million</i>
Secured term loans	<b>200</b>

Bank borrowings are all denominated in RMB.

As at 30 June 2011, the Group had a RMB200 million term loan banking facility.

The terms and conditions of the facility are as follows:

RMB200 million term loan bears interest at 90% of the benchmark interest rate quoted by the People's Bank of China and is repayable in full in 2014. The Group early settled the full amount in July 2011.

The effective interest rate is 5.60% per annum for the period from 29 April 2011 (date of listing) to 30 June 2011.

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 30 June 2011.

The fair values of the Group's borrowings approximate to their carrying amounts.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**21. DEFERRED TAX LIABILITIES**

The following are the major components of deferred tax liabilities (assets) recognised and movements therein during the period:

	Accelerated tax depreciation <i>RMB million</i>	Fair value of investment properties <i>RMB million</i>	Withholding tax on retained profits to be distributed <i>RMB million</i>	Total <i>RMB million</i>
Addition arising from business combination (Note 22)	2,004	4,159	101	6,264
Charge to profit or loss	4	—	8	12
At 30 June 2011	2,008	4,159	109	6,276

**22. ACQUISITION OF A BUSINESS**

On 29 April 2011, Hui Xian REIT effectively obtained control of Hui Xian (B.V.I.) Limited (“Hui Xian BVI”) together with its subsidiaries and acquired the interests in the amount owing by Hui Xian BVI to Hui Xian (Cayman Islands) Limited (“Hui Xian Cayman”), amounting to RMB11,707 million for consideration of RMB14,148 million satisfied by issuance of 2,700,000,000 units. This acquisition has been accounted for using the purchase method. Hui Xian BVI is an investment holding company and indirectly owns Beijing Oriental Plaza Co., Ltd which engages in property investment and hotel and serviced suites operations in Beijing, China.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 22. ACQUISITION OF A BUSINESS (continued)

### Consideration transferred

	<i><b>RMB million</b></i>
Units issued	<b>14,148</b>

The fair value of 2,700,000,000 units of Hui Xian REIT, determined using the offer price of RMB5.24 per unit amounted to RMB14,148 million in total.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i><b>RMB million</b></i>
Investment properties	<b>26,500</b>
Property, plant and equipment	<b>2,019</b>
Land and related costs	<b>4,300</b>
Hotel inventories	<b>19</b>
Trade and other receivables	<b>45</b>
Bank balances and cash	<b>259</b>
Trade and other payable	<b>(274)</b>
Tenants' deposits	<b>(464)</b>
Amount due to Hui Xian Cayman	<b>(11,707)</b>
Tax payable	<b>(85)</b>
Bank borrowings	<b>(200)</b>
Deferred tax liabilities	<b>(6,264)</b>
	<b>14,148</b>

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**22. ACQUISITION OF A BUSINESS** (continued)**Consideration transferred** (continued)

	<i>RMB million</i>
Net cash flow arising on acquisition:	
Bank balances and cash acquired	<b>259</b>

Fair value of investment properties, property, plant and equipment and land and related costs on 29 April 2011 had been arrived at on the basis of valuations carried out on that date by American Appraisal China Limited, an independent valuer having appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuations of properties was arrived at using investment approach by capitalising i) net income derived from the existing tenancies with due allowance for the reversionary income potential of the properties and ii) income generated from operating hotel after deducting the operating and non-operating expenses, or where appropriate, by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

**23. UNITS IN ISSUE**

On 8 April 2011, the Trustee (as trustee of Hui Xian REIT), the Manager, Hui Xian Cayman and Hui Xian Holdings Limited (“Hui Xian Holdings”) entered into a reorganisation agreement, pursuant to which Hui Xian Cayman has agreed to transfer and assign to the Trustee (as trustee of Hui Xian REIT) the share of Hui Xian (B.V.I.) Limited (“Hui Xian BVI Share”) and interests in the amount owing by Hui Xian (B.V.I.) Limited (“Hui Xian BVI”) to Hui Xian Cayman immediately prior to Completion (as defined below), amounting to RMB11,707 million (the “Indebtedness”).

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 23. UNITS IN ISSUE (continued)

Completion of the transfer of Hui Xian BVI Share and the assignment of the Indebtedness took place by the end of 28 April 2011 (the "Completion"). The consideration for the transfer and assignment of the Hui Xian BVI Share and the Indebtedness were satisfied by the issuance of 2,700,000,000 Units to Hui Xian Cayman.

After Completion and prior to the completion of the Offering, Hui Xian REIT issued 2,700,000,000 units and all the units in Hui Xian REIT were owned by Hui Xian Cayman.

Upon listing on 29 April 2011, Hui Xian REIT issued 2,300,000,000 units at RMB5.24 per unit, amounting to RMB12,052 million. As at 30 June 2011, Hui Xian REIT had 5,000,000,000 issued units.

## 24. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders and the total number of 5,000,000,000 units in issue as at 30 June 2011.

## 25. NET CURRENT LIABILITIES

At the end of the reporting period, the Group's net current liabilities, defined as current assets less current liabilities, amounted to RMB243 million.

## 26. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB32,436 million.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 27. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	<i>RMB million</i>
<b>Financial assets</b>	
<i>Loans and receivables</i>	
Trade and other receivables	16
Bank balances and cash	535
	551
<b>Financial liabilities</b>	
<i>Amortised cost</i>	
Trade and other payables	181
Manager's fee payable	23
Distribution payable	202
Bank borrowings	200
	606
Tenants' deposits	478
Unitholders' funds	25,802



Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 27. FINANCIAL INSTRUMENTS (continued)

### 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. 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.

As the amounts of variable-rate bank borrowings and 7 days notice bank deposits are not material, the Manager considers that the exposure of interest rate fluctuation is not significant for the period. Accordingly, no interest rate sensitivity analysis is disclosed in the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**27. FINANCIAL INSTRUMENTS** (continued)**b. Financial risk management objectives and policies** (continued)**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 Manager 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:

	<i>RMB million</i>
<b>Assets</b>	
US\$	<b>2</b>
<b>Liabilities</b>	
US\$	<b>6</b>

The foreign currency risk is managed by the Manager on an ongoing basis as well as by minimising the net debt in US\$.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 27. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Foreign currency risk** (continued)

For the monetary assets and monetary liabilities denominated in US\$, since the amounts are not material, the Manager considers the exposure of exchange rate fluctuation is not significant for the period. Accordingly, no foreign currency sensitivity analysis is disclosed in the consolidated financial statements.

#### **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 0.1% per day. In addition, the Manager is responsible for follow up action to recover the overdue debt. The Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

## 27. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Credit risk** (continued)

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 and bank 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 30 June 2011, the Group had net current liabilities of RMB243 million. Taking into account of the internally generated funds and the available revolving credit facilities granted by Hui Xian Holdings Limited set out in Note 31, the Group will be able to meet its financial obligation when they fall due.

As at 30 June 2011, the Group had unutilised revolving credit facilities of RMB1,400 million.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 27. FINANCIAL INSTRUMENTS (continued)

### b. Financial risk management objectives and policies (continued)

#### **Liquidity risk** (continued)

##### *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 at the end date of the reporting period for borrowings at variable interest rate.

	Weighted average interest rate %	On demand and				Total undiscounted cash flows RMB million	Carrying amount at 30 June 2011 RMB million
		less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million		
<b>Non-derivative financial liabilities</b>							
Trade and other payables	–	181	–	–	–	181	181
Tenants' deposits	–	41	79	90	268	478	478
Manager's fee payable	–	23	–	–	–	23	23
Distribution payable	–	–	202	–	–	202	202
Bank borrowings (Note)	5.60	3	9	12	207	231	200
		248	290	102	475	1,115	1,084

Note: The bank borrowings, which was originally repayable over 2 years, were early settled in full in July 2011 as set out in Note 20.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

### 27. FINANCIAL INSTRUMENTS (continued)

#### 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 Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their corresponding fair values.

### 28. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to participate in a defined contribution retirement scheme administered by the local municipal government. The 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 RMB1 million for the period from 29 April 2011 (date of listing) to 30 June 2011.

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

## 29. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking facilities granted to the Group at the end of the reporting period:

	<i>RMB million</i>
Investment properties	<b>26,500</b>
Land and related costs	<b>4,282</b>
Plant and machinery	<b>142</b>
Hotel and serviced apartments	<b>1,775</b>
	<b>32,699</b>

## 30. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group as the lessor had contracted with tenants for the following future minimum lease payments:

	<i>RMB million</i>
Within one year	<b>1,320</b>
In the second to fifth years inclusive	<b>1,666</b>
Over five years	<b>4</b>
Total	<b>2,990</b>

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 6 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%.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**31. CONNECTED AND RELATED PARTY TRANSACTIONS**

During the period, the Group entered into the following transactions with connected and related parties:

<b>Name of Connected/Related Party</b>	<b>Notes</b>	<b>RMB'000</b>
<b>Rent and rental related income</b>		
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.)*	(a)	7
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited)*	(b)	662
和記電訊信息科技(深圳)有限公司 (Hutchison Telecommunications Information Technology (Shenzhen) Limited)*	(b)	72
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	(b) & (j)	354
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	(b) & (j)	493
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(b) & (j)	182
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(b) & (j)	364
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(b) & (j)	4,337
Cheung Kong (Holdings) Limited (Beijing Office)	(b) & (j)	11
TOM Group International Limited Beijing Representative Office	(c)	68
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(d)	41
HSBC Bank (China) Company Limited (Beijing Branch)	(e)	15
Bank of China Limited	(b)	3,308
Orient Overseas Container Line (China) Co., Ltd. (Beijing Branch)	(f)	77
OOCL Logistics (China) Ltd. (Beijing Branch)	(f)	88
Li Ka Shing Foundation (Hong Kong) Beijing Office	(g)	86



Notes to the Consolidated Financial Statements  
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### 31. CONNECTED AND RELATED PARTY TRANSACTIONS

(continued)

Name of Connected/Related Party	Notes	RMB'000
<b>Bank interest income</b>		
Bank of China Limited	(b)	824
<b>Property management fee</b>		
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(b) & (j)	804
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(b) & (j)	1,659
<b>Internet services fee</b>		
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(b) & (j)	910
<b>Insurance expense</b>		
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch)	(b)	97
中國人壽財產保險股份有限公司北京市分公司	(b)	339
China Life Insurance Company Limited Beijing Branch	(b)	19
<b>Interest expense</b>		
Bank of China Limited	(b)	1,959
<b>Trustee's fee</b>		
DB Trustees (Hong Kong) Limited		565
<b>Manager's fee</b>		
Hui Xian Asset Management Limited		22,577
<b>Property Manager's fee</b>		
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited)*	(d)	2,814

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**31. CONNECTED AND RELATED PARTY TRANSACTIONS**

(continued)

Name of Connected/Related Party	Notes	RMB'000
<b>Valuation fee</b>		
American Appraisal China Limited	(h)	204
<b>Revolving credit facilities</b>		
Hui Xian Holdings Limited	(i)	—
<b>Pledge of assets for bank borrowings</b>		
Bank of China Limited	(b)	32,699,459
Balances with connected and related parties are as follows:		
<b>Bank borrowings</b>		
Bank of China Limited	(b)	200,000
<b>Bank balance</b>		
Bank of China Limited	(b)	427,129
Bank of China (Hong Kong) Limited	(b)	61,674
<b>Deposits placed with the Group for the lease of the Group properties</b>		
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.)*	(j)	536
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.)*	(j)	767
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.)*	(j)	262
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.)*	(j)	518
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.)*	(j)	1,114

Notes to the Consolidated Financial Statements  
For the period from 29 April 2011 (date of listing) to 30 June 2011

### 31. CONNECTED AND RELATED PARTY TRANSACTIONS

(continued)

- (a) Mr. Wong K, James, a deputy chief operating officer of the Manager, is a director of this company.
  - (b) These companies are associated companies<sup>1</sup> of Hui Xian Holdings, a significant unitholder<sup>2</sup> of Hui Xian REIT.
  - (c) Mr. Ip Tak Chuen, Edmond, a non-executive director of the Manager, is also a director of this company.
  - (d) The company is a subsidiary of the Manager.
  - (e) Mr. Cheng Hoi Chuen, Vincent, an independent non-executive director of the Manager, is also a director of this company. He ceased to be a director of HSBC Bank (China) Company Limited at (and with effect from) the conclusion of the annual general meeting of HSBC Holdings plc held at 11:00 am on 27 May 2011 (London time).
  - (f) These companies are associates (within the meaning of the REIT Code) of Mr. Tung Chee Chen, a director of Hui Xian Holdings.
  - (g) Mr. Li Tzar Kuor, Victor, a director of Hui Xian Holdings and Hui Xian Cayman, is also a director of this company.
  - (h) The company is the principal valuer of Hui Xian REIT.
  - (i) On 8 April, 2011, Hui Xian Holdings (as lender) and Hui Xian Investment Limited ("Hui Xian Investment"), a subsidiary of Hui Xian REIT (as borrower) entered into a facility agreement pursuant to which Hui Xian Holdings had agreed to grant to Hui Xian Investment the facility 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 will be used to finance the general working capital requirements and general corporate funding of Hui Xian REIT and its special purpose vehicles, and is available for multiple drawings on a revolving basis from the listing date of Hui Xian REIT 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 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 of Hui Xian REIT 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 Limited and Hui Xian Investment may extend by mutual agreement in writing from time to time). As of 30 June 2011, the credit facilities were unused.
  - (j) These companies are representative office or subsidiaries of Cheung Kong Holdings Limited which has significant influence over Hui Xian REIT.
    - 1 As defined in the REIT Code, a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of another company.
    - 2 As defined in the REIT Code, a unitholder is a significant holder if it holds 10% or more of the outstanding units.
- \* The English name is shown for identification purpose only.

## Notes to the Consolidated Financial Statements

For the period from 29 April 2011 (date of listing) to 30 June 2011

**32. LIST OF SUBSIDIARIES**

The following entities are wholly-owned and controlled by Hui Xian REIT as at 30 June 2011.

<b>Name of company</b>	<b>Date of incorporation</b>	<b>Ordinary share capital/ registered capital</b>	<b>Principal activities</b>	<b>Name of property held</b>
<b>Incorporated in the British Virgin Islands:</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	18 August 1992	10,000 shares of US\$1 each	Investment holding in Beijing Oriental Plaza Co., Ltd.	—
<b>Incorporated in 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

## Performance Table

For the period from 29 April 2011 to 30 June 2011

<b>Key Financial Figures</b>	<b>RMB Million</b>
Total Revenue	404
Property Operating Expenses	125
Net Property Income	279
Profit After Tax	149
Distributable Income	202
Distribution Amount	202
Net Asset Value <sup>(1)</sup>	25,802
Gross Asset Value	33,366
<b>Per Unit Figures</b>	<b>RMB</b>
Distribution Per Unit	0.0403
Annualised Distribution Yield	4.83% <sup>(2)</sup>
Net Asset Value Per Unit <sup>(1)</sup>	5.1604
<b>Ratio</b>	
Gearing Ratio	
Debt to Net Asset Value	0.8%
Debt to Gross Asset Value	0.6%
Expense Ratio	30.9%
Payout Ratio <sup>(3)</sup>	100%

Notes:

- (1) After deduction of dividend to be distributed.
- (2) Based on the closing price on 30 June 2011 and the annualised actual distribution amount.
- (3) The Manager's policy is to distribute to Unitholders an amount equal to 100% of Hui Xian REIT's Annual Distributable Income for the period from the Listing Date to 31 December 2012.

## Corporate Information

### Manager

Hui Xian Asset Management Limited  
Unit 303  
Cheung Kong Center  
2 Queen's Road Central  
Hong Kong  
Tel: (852) 2121 1128  
Fax: (852) 2121 1138

### Board of Directors of the Manager

KAM Hing Lam  
*(Chairman and Non-executive Director)*  
CHU Stephen Henry  
*(Chief Executive Officer and Executive Director)*  
KWAN Man Fai, Louis <sup>(Note)</sup>  
*(Chief Investment Officer and Executive Director)*  
*(Resigned on 5 August 2011)*  
PANG Shuen Wai, Nichols  
*(Chief Financial Officer and Executive Director)* <sup>(Note)</sup>  
*(Appointed on 5 August 2011)*  
IP Tak Chuen, Edmond  
*(Non-executive Director)*  
LIM Hwee Chiang  
*(Non-executive Director)*  
YIN Ke  
*(Non-executive Director)*  
CHENG Hoi Chuen, Vincent  
*(Independent Non-executive Director)*  
LEE Chack Fan  
*(Independent Non-executive Director)*  
CHOI Koon Shum, Jonathan  
*(Independent Non-executive Director)*

### Audit Committee of the Board of Directors of the Manager

CHENG Hoi Chuen, Vincent *(Chairman)*  
LEE Chack Fan  
CHOI Koon Shum, Jonathan  
IP Tak Chuen, Edmond  
YIN Ke

### Disclosures Committee of the Board of Directors of the Manager

CHU Stephen Henry *(Chairman)*  
IP Tak Chuen, Edmond  
LEE Chack Fan

### Designated (Finance) Committee of the Board of Directors of the Manager

YIN Ke *(Chairman)*  
CHU Stephen Henry  
CHOI Koon Shum, Jonathan

### Company Secretary of the Manager

Fair Wind Secretarial Services Limited

### Trustee

DB Trustees (Hong Kong) Limited

*Note: Mr. KWAN Man Fai, Louis has resigned as an executive director and the Chief Investment Officer of the Manager with effect from 5 August 2011. Mr. PANG Shuen Wai, Nichols, the Chief Financial Officer of the Manager, has been appointed as an executive director of the Manager with effect from 5 August 2011.*

## Corporate Information

**Unit Registrar**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Tel: (852) 2862 8628  
Fax: (852) 2529 6089

**Auditor**

Deloitte Touche Tohmatsu

**Investor Relations**

TONG BARNES Wai Che, Wendy  
Tel: (852) 2121 1128  
Fax: (852) 2121 1138  
Email: info@huixianreit.com

**Property Manager**

北京匯賢企業管理有限公司  
(Beijing Hui Xian Enterprise Services  
Limited)\*

**Stock Code**

87001

**Website**

www.huixianreit.com

(\* the English name is shown for identification purposes  
only)

## Key Dates

Interim Results Announcement	2 August 2011
Issuance of Interim Report	26 August 2011
Closure of Register for entitlement of interim distribution	30 August 2011 to 6 September 2011 (both days inclusive)
Interim distribution payable at RMB 0.0403 per Unit	15 September 2011



## Directors' Biographical Information

**KAM Hing Lam**, aged 64, is the founding Chairman of Hui Xian Asset Management Limited. He is also the founding Chairman of Beijing Oriental Plaza Co., Ltd.

Since the early 1990s, Mr. Kam has overseen the development of Oriental Plaza from its initial planning, design and construction stages to the company's present state of being one of the leading commercial complexes in Asia. Under Mr. Kam's leadership, 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. He possesses extensive experience in the real estate sector in Hong Kong and Mainland China. In Mainland China, beyond Oriental Plaza, Mr. Kam has considerable involvement with similar mixed-use developments in a number of cities. He is the Deputy Chairman of Lido Hotel Co. Ltd., the Director of Shanghai Westgate Mall Co., Ltd., and the Director of Hutchison Enterprises (Chong Qing) Limited. He is also the Director and Deputy Chairman of Beijing Po Garden Real Estates Development Co., Ltd., the Chairman of Shenyang Lido Business Co. Ltd., as well as the Chairman of Chengdu Changtian Co. Ltd.

Mr. Kam's wide breath of experience in the PRC also extends to his role as Group Managing Director of Cheung Kong Infrastructure Holdings Limited. 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 Int'l., (Holdings) Inc., and an Executive Director of Hutchison Whampoa Limited and Power Assets Holdings Limited, 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.

## Directors' Biographical Information

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.

**CHU Stephen Henry**, aged 50, has been an Executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is also the Chief Executive Officer and a Responsible Officer of Hui Xian Asset Management Limited. Prior to joining Hui Xian Asset Management Limited, Mr. Chu was 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.

Mr. Chu holds a Bachelor of Arts (Honours) degree and a Master of Business Administration degree.

**PANG Shuen Wai, Nichols**, aged 52, is the Executive Director of Hui Xian Asset Management Limited. He is also the Manager's Chief Financial Officer and Responsible Officer.

Mr. Pang is the Executive Director of the Investment Management Division of CITIC Securities International Company Limited ("**CITIC Securities**"), but has been seconded by CITIC Securities to work for the Manager on a full-time basis.

## Directors' Biographical Information

Mr. Pang has more than 20 years of experience in the property and investment sectors, both in Hong Kong and Mainland China. He began his career as a research analyst of the property sector of the Greater China region in various financial institutions. He then moved to the asset management field by managing public and private funds.

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.

**IP Tak Chuen, Edmond**, aged 59, is a Non-executive Director of Hui Xian Asset Management Limited. Mr. Ip has been an Executive Director of Cheung Kong (Holdings) Limited since 1993, and Deputy Managing Director since 2005. He is an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc.

Mr. Ip is also a Non-executive Director of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited, Real Nutraceutical Group Limited (formerly known as Ruinian International Limited) and Shougang Concord International Enterprises Company Limited. All the companies above are listed companies.

In addition, Mr. Ip is a Non-executive Director of ARA Asset Management (Fortune) Limited, and a Director of ARA Trust Management (Suntec) Limited.

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

## Directors' Biographical Information

**LIM Hwee Chiang**, aged 55, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is also the Group Chief Executive Officer and Executive Director of ARA Asset Management Limited ("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 a non-executive director of APN Property Group Limited (Australia-listed) 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.

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

## Directors' Biographical Information

**YIN Ke**, aged 47, has been a Non-executive Director of Hui Xian Asset Management Limited since 21 December 2010. He is the chief executive officer, executive director and vice chairman of CITIC Securities International Company Limited. He is also an 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.

**CHENG Hoi Chuen, Vincent**, aged 63, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is also an independent non-executive director of Great Eagle Holdings Limited, MTR Corporation Limited and CLP Holdings Limited, and a non-executive director of Swire Properties Limited. He is the Advisor to the Group Chief Executive of HSBC Holdings plc since 28 June 2011. He was previously the chairman and a director of The Hongkong and Shanghai Banking Corporation Limited, the chairman of HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited and an executive director of HSBC Holdings plc.

## Directors' Biographical Information

Mr. Cheng is a career banker with extensive international business experience particularly in Asia. 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 66, has been an Independent Non-executive Director of Hui Xian Asset Management Limited 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 Chinese Academy of Engineering. He is also an independent non-executive director of Paul Y. Engineering Group Limited.

## Directors' Biographical Information

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 recognised. 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

## Directors' Biographical Information

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 54, has been an Independent Non-executive Director of Hui Xian Asset Management Limited 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) (Toronto-listed), Chairman of SW Kingsway Capital Holdings Limited (Hong Kong-listed), Chairman of the Sun Wah Hi-Tech Group and Chairman of the Sun Wah Media 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 of the PRC. 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, the University of Macau, Fudan University, Nanjing University and Northeastern University in Liaoning.



## Directors' Biographical Information

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 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 the 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

(Terms used in this section shall, unless otherwise defined in this section, follow the same definition as in the Offering Circular.)

### **Part A – Waiver for certain connected party transactions between Hui Xian REIT Group and Hui Xian Holdings**

The SFC has granted a waiver for strict compliance so that the transactions contemplated under the Facility Agreement entered into between Hui Xian Holdings as lender and Hui Xian Investment as borrower ("**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:

- (i) 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.
- (ii) 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.

### **Part B – Waiver for certain connected party transactions between Hui Xian REIT Group and Cheung Kong 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 the following categories of connected party transactions between Hui Xian REIT Group and the Cheung Kong Connected Persons Group ("**Cheung Kong Continuing CPTs**").

#### **(I) Categories of transactions**

##### **(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 Oriental Plaza with the Cheung Kong Connected Persons Group ("**Cheung Kong Leasing and Licensing Transactions**").

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### (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 BOP may also 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, 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**

Pursuant to such waiver, the connected party transactions falling within the categories as set out above need not be disclosed as connected party transactions and are not subject to Unitholders’ approval, subject to the terms and conditions set out below:

### (i) **Extensions or modifications**

The waiver for the connected transactions listed above shall be for a period which will 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 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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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:

Categories of connected party transactions	29 April 2011 ("Listing Date") to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
Cheung Kong Leasing and Licensing Transactions	RMB 77 million	RMB 85 million	RMB 103.5 million
Cheung Kong Property Management and Club Facilities Transactions	RMB 28 million	RMB 36 million	RMB 38 million
Cheung Kong Internet Services Transactions	RMB 6 million	RMB 6.5 million	RMB 7 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 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).

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

**(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 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) 8.14 of the REIT Code**

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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### Part C – Waiver for certain connected party transactions between Hui Xian REIT Group and the CITIC Securities Group

The SFC has granted a waiver from strict compliance with the requirement under 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 relation to certain "corporate finance transactions" between Hui Xian REIT Group and the CITIC Securities Group ("**CITIC Securities Corporate Finance Transactions**"), and that 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 (IV)(A) to (G) below.

For the purposes of this part, "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;
- (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 Hong Kong Stock Exchange will not be a connected party transaction.

#### (II) Scope of CITIC Securities Corporate Finance Transactions

For the purposes of this part, 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
- (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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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).

### (III) Waiver general conditions and undertakings

In support of the application for the 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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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.

Notwithstanding the foregoing, the SFC reserves the right to review or revise any of the terms and conditions of the waiver 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.

### (IV) Waiver specific conditions

The 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 (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;



## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 (III) in this part 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 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.

### Part D – Waiver for certain connected party transactions between Hui Xian REIT Group and the Manager 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 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**").

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### (I) Categories of transactions

#### (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 Operations Management Agreement entered into between BOP and the Property Manager ("**Manager Group Leasing and Licensing Transactions**").

#### (ii) **Operations Management Agreement**

Pursuant to the Operations Management Agreement entered into by BOP and the Property Manager, the Property Manager is 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 is a wholly-owned subsidiary of the Manager and thus a connected person of Hui Xian REIT. Under the Operations Management Agreement, the Property Manager is entitled to 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 shall 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

Pursuant to such waiver, the connected party transactions falling within categories as set out above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the terms and conditions set out below:

#### (i) **Extensions or modifications**

The waiver for the connected transactions listed above shall be for a period which will 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;
- (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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

**(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:

Categories of connected party transactions	Listing Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
Manager Group Leasing and Licensing Transactions	RMB 0.2 million	RMB 0.3 million	RMB 0.3 million
Manager Group Property Management Transactions	RMB 32 million (Note)	RMB 49 million (Note)	RMB 52 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 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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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) 8.14 of the REIT Code**

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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### **Part 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").

#### **(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 HSBC Connected Persons 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 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
- (iii) 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 Hong Kong 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;
- (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 Mr. CHENG Hoi Chuen, Vincent 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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

and (ii) the full Board (including the INEDs (*Note*: excluding Mr. Cheng Hoi Chuen, Vincent)) considers that it is fair and reasonable and 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.

### (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, may from time to time enter into, or 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 ("**HSBC Leasing and Licensing Transactions**").

Pursuant to such waiver, the connected party transactions falling within the category listed above are exempt from strict compliance with the disclosure and Unitholders' approval requirements set out in Rules 8.10, 8.11, 8.14 and 8.15 of the REIT Code, subject to the following terms and 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 required for such transactions unless they are entered into at arm's length on normal commercial terms consistent with the terms offered to the public (including at published rates) or otherwise at market rates taking into account the circumstances of the particular tenant, the particular property, the relevant trade mix and/or similar tenants or properties;
- (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) auditor of Hui Xian REIT to report to the Manager confirming that the transactions:
  - (i) have been duly approved by the Board (*Note*: excluding Mr. Cheng Hoi Chuen, Vincent) 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### (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 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 the purpose of this part, 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;
- (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-part 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 (*Note: excluding Mr. Cheng Hoi Chuen, Vincent*) 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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 (Note: excluding Mr. Cheng Hoi Chuen, Vincent)); (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 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 part, 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 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 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 or securities; or



## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 is 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 clear 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 relevant 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 (Note: excluding Mr. Cheng Hoi Chuen, Vincent) 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;
- (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;

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- (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 above 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 (*Note*: excluding Mr. Cheng Hoi Chuen, Vincent)) 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 SFC) 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

### **Part 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 disclosure and Unitholders' approval requirements under 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;
- (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**").

Pursuant to such waiver, the connected party transactions falling within the categories as set out above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the terms and conditions set out below:

#### **(i) Extensions or modifications**

The waiver for the connected transactions listed above shall be for a period which will 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:

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (a) the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) 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:

Categories of connected party transactions	Listing Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
BOC Leasing and Licensing Transactions	RMB 19 million	RMB 20 million	RMB 21 million
BOC Insurance Transactions	RMB 0.8 million	RMB 1.3 million	RMB 1.4 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.

### (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 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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

**(ix) 8.14 of the REIT Code**

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

**(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 30 June 2011, BOP had deposits in certain time deposit account and current accounts maintained with BOC.

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 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 the purpose of this part, 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).

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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-part 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 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 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

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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 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 is 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;



## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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.

### Part 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 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 China Life Insurance Transactions.

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### Waiver conditions

Pursuant to such waiver, the connected party transactions falling within the categories as set out above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the terms and conditions set out below:

#### (i) **Extensions or modifications**

The waiver for the connected transactions listed above shall be for a period which will 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;
- (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:

Listing Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
RMB 3.5 million	RMB 5 million	RMB 5 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 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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

**(ix) 8.14 of the REIT Code**

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

### **Part 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 disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the OOIL Leasing and Licensing Transactions.

#### **Waiver conditions**

Pursuant to such waiver, the connected party transactions falling within the categories as set out above need not be disclosed as connected party transactions and are not subject to Unitholders' approval, subject to the terms and conditions set out below:

**(i) Extensions or modifications**

The waiver for the connected transactions listed above shall be for a period which will 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;
- (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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

**(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:

Listing Date to 31 December 2011	For the year ending 31 December 2012	For the year ending 31 December 2013
RMB 1 million	RMB 1 million	RMB 1 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 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.

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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) 8.14 of the REIT Code**

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

### Part I – Waiver for certain connected party transactions between Hui Xian REIT Group and Trustee Connected Persons

The SFC has granted waivers from strict compliance with the disclosure and Unitholders' approval requirements under 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 part:

- (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);

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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;
- (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.

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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 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:

- (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;



## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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

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**"). 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 the purpose of this part, 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).

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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-part headed "Waiver for the DB Corporate Finance Transactions" set out below.

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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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-part 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;

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

- (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 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.

### Part J – Exclusion relating to the employees

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.

### Part K – Waiver for certain Connected Party Transactions relating to Issuance of New Units and Convertible Instruments

The SFC has granted a waiver from strict compliance with the requirements under 6.2, Chapter 8, 10.7(b)(iv) and/or 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, 10.7(b)(iv) and/or 12.2 of the REIT Code, or any valuation requirement under 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 10.3 and 10.4(k) of the REIT Code containing details of the placing and top-up subscription of Units and/or Convertible

## Conditions of Waivers for Certain Connected Party Transactions Granted by the Securities and Futures Commission

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 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 Convertible Instruments in its capacity as Unitholders;
- (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 conditions are complied with:
  - (i) the issue of new units and/or securities to a connected person of Hui Xian REIT where the connected person is acting as underwriter or sub-underwriter of such issue by Hui Xian REIT ("**Connected Underwriter**") shall comply with all applicable provisions of the Listing Rules pursuant to which such issue to the Connected Underwriter is qualified for the exemption from all reporting, announcement and independent shareholders' approval requirements applicable to connected transactions under the Listing Rules (as amended from time to time), with necessary changes being made, as if the provisions therein are applicable to REITs;
  - (ii) an announcement shall be issued by the Manager pursuant to 10.3 and 10.4 of the REIT Code containing details of the issuance of new units or Convertible Instruments to the Connected Underwriter;
  - (iii) issuance of such units and/or Convertible Instruments to the connected persons of Hui Xian REIT shall be made strictly in accordance with the Trust Deed and no Unitholders' approval would otherwise have to be sought under 12.2 or 12.3 of the REIT Code<sup>(Note)</sup>.

*Note: The purpose of the condition mentioned in paragraph 6(iii) is to ensure the waiver would not otherwise exempt Hui Xian REIT from Unitholders' approval requirement for the proposed issue of new Units and/or Convertible Instruments if Unitholders' approval is required under other provisions of the REIT Code (such as 12.2 or 12.3 of the REIT Code).*



# The Malls

at Oriental Plaza

北京東方廣場

東方新天地





The Malls at Oriental Plaza is a large scale one-stop shopping complex, featuring a gross floor area of over 130,000 square metres. It boasts some 280 top international and domestic brands, as well as a waiting list of over 280 prospective tenants.

東方新天地是大型一站式購物商場，建築面積超過130,000平方米。商場網羅約280個國內外知名品牌，而等候進駐的品牌亦超過280個。



# The Tower Offices

at Oriental Plaza

北京東方廣場

東方經貿城





The Tower Offices at Oriental Plaza comprises eight Grade-A office towers with a gross floor area of approximately 300,000 square metres. It is the largest single landlord Grade-A office development in Beijing. The Tower Offices counts amongst its tenants a number of Fortune 500 businesses, as well as some of the leading multinational and domestic companies.

東方經貿城擁有8幢甲級寫字樓，建築面積約300,000平方米，乃北京最大型的單一業主甲級寫字樓群，匯聚多家《財富》五百強企業與國內外各行業龍頭公司。



# The Tower Apartments

at Oriental Plaza

北京東方廣場

## 東方豪庭公寓



The Tower Apartments is the largest serviced apartment development in Beijing. It offers residents utmost convenience of city living in a tranquil environment. The two luxury serviced apartment buildings, namely Millennium Heights and Centennial Heights, offer a total of over 600 modern serviced apartment units.

東方豪庭公寓是北京最大型的服務式公寓，為住客帶來便利的生活和恬靜的居住環境。東方豪庭公寓由尊萃豪庭和匯賢豪庭兩幢服務式公寓組成，提供600多個豪華單位。





# Grand Hyatt Beijing

at Oriental Plaza

北京東方廣場

北京東方君悅大酒店



Grand Hyatt Beijing is a top choice hotel for both leisure and corporate travellers. Featuring 825 well-appointed guest rooms, and a professional management and service team, it is well known for its five-star service. The hotel has won over 100 awards and accolades since opening.

北京東方君悅大酒店深受遊客和商務人士歡迎，擁有825間設施一流的客房，以及專業的管理和服務團隊。酒店的五星級服務譽滿京城，開業以來共榮獲超過100個獎項。