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## STRATEGY

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### **Principal Strategy**

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

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

### **Asset Management Strategy**

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

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

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

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

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

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

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

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

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

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

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

### **Acquisition Strategy**

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

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

### **Capital Management Strategy**

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

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