The following discussion should be read in conjunction with the "Selected Financial Information" and audited financial statements and notes thereto included in Appendix I to this Offering Circular.

Basis of Discussion and Principal Accounting Policies

The Manager sets out below a discussion of the historical operating results of Hui Xian REIT for the financial years ended 31 December 2007, 2008 and 2009 and the ten months ended 31 October 2010 and the unaudited results for the ten months ended 31 October 2009. For details of the principal accounting policies, see the accountants' report set out in Appendix I to this Offering Circular.

Components of Results of Operations

Revenue

Hui Xian REIT generated revenue mainly from the four operating segments of Oriental Plaza, namely The Malls, The Tower Offices, The Tower Apartments and Grand Hyatt Beijing.

The following table sets forth a breakdown of the revenue for the periods indicated:-

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

Note: The revenue generated from the operation of car parking spaces is included in the revenue of The Malls of the above table.

Rental Related Income

Rental related income comprises service income (including utilities charge, leasing of telecommunication cables and air conditioning charges etc), income from various tradeshows, exhibitions, roadshows and fairs held at the atriums of The Malls, forfeited tenant deposits, renovation income from tenants, interest income from tenants and other rental related income.

Other Income

Other income comprises bank interest income, government incentives and other miscellaneous receipts.

Foreign Currency Exchange Gain

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Hotel Inventories Consumed

Hotel inventories consumed represents the costs of food and beverage incurred by Grand Hyatt Beijing.

Staff Costs

Staff costs represents the salary and other benefit costs of the staff employed by BOP for the management and operation of Oriental Plaza.

Depreciation and Amortisation

Depreciation and amortisation mainly represents the depreciation of The Tower Apartments and Grand Hyatt Beijing and the amortisation of the prepaid lease payments for land.

Other Operating Expenses

Other operating expenses include business tax, lease agency fee, property management fees, urban real estate tax, utilities and repair and maintenance and other miscellaneous expenses.

Change in Fair Value of Investment Properties

The Malls, The Tower Offices and the basement portion of Oriental Plaza are accounted for as investment properties. Investment properties are properties held to earn rentals and for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in the profit and loss account for the period in which they arise.

The investment properties were revalued as at 31 December 2007, 2008, 2009 and 31 October 2010 by DTZ Debenham Tie Leung Limited, an independent property valuer, having appropriate professional qualifications and experience in the valuation of commercial properties in Beijing and similar properties in other cities of China. The valuation of the investment properties performed by DTZ Debenham Tie Leung Limited represents their market values being the estimated amount at which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation of the investment properties was arrived at using the investment approach by capitalising net income derived from the existing tenancies with due allowance for the reversionary income potential of the investment properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in similar locations and conditions.

The fair value of the investment properties as at 31 December 2007, 2008 and 2009 and 31 October 2010 were approximately RMB11.3 billion, RMB11.3 billion, RMB11.2 billion and RMB20.0 billion, respectively. This translated into a decrease of approximately RMB65 million in 2007, an increase of approximately RMB923 million in 2008, a decrease of approximately RMB16 million in 2009 and an increase of approximately RMB8.8 billion for the ten months ended 31 October 2010, respectively, which was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group.

In 2008, BOP and the Domestic JV Partner entered into supplemental agreements to the JV Documents and agreed on the Relevant Amount. For details, see the section headed "Materials Agreements and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular. The agreement of the Relevant Amount with the Domestic Partner led to a cost adjustment on the carrying amount of the investment properties. As a result, a change in the fair value of the investment properties was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group for the year ended 31 December 2008.

For the ten months ended 31 October 2010, there was an increase in the fair value of investment properties of approximately RMB8.8 billion that was recognised in the consolidated statement of comprehensive income of Hui Xian BVI Group. This increase was primarily due to a reduction in the respective capitalisation rates (from 10.5% to 8.0% and from 9.0% to 7.0% for The Malls and The Tower Offices, respectively), which are the yields expected by the market for comparable properties. These capitalisation rates were applied in the re-valuation of the investment properties and was supplemented by increases in the monthly rental rates of The Malls and The Tower Offices on the back of an economic recovery in Beijing following the global financial crisis. The Malls recorded an increase in the average monthly rental per leased Rentable Area in sq. m. from approximately RMB764 as at 31 December 2009 to approximately RMB815 as at 31 October 2010, while the average monthly rental per leased Rentable Area in sq. m. of The Tower Offices increased from approximately RMB160 as at 31 December 2009 to RMB163 as at 31 October 2010. In addition, the average monthly contracted rental per leased Rentable Area achieved for new leases and/or renewals commenced in the six months preceding 31 October 2010 are set out as follows:

	Average monthly contracted rental	**Percentage of total Rentable Area[Note]**
	(RMB/sq.m.)	
The Malls	1,264	20.3%
The Tower Offices	182	28.0%

Note: As at 31 October 2010.

Furthermore, the PRC government implemented various policies to stimulate domestic consumption and relaxed restrictions on PRC insurance companies on investing in commercial properties. This, together with the continued appreciation of the RMB and high inflation levels, attracted investors to the PRC property market for both investment and hedging purposes, resulting in a growing demand for income-generating commercial properties and a general increase in capital values, implying a reduction in capitalisation rates. It is noted that the market prices of comparable properties per sq.m. on a Gross Floor Area basis referenced by DTZ Debenham Tie Leung Limited in its valuation of The Malls increased from a range of approximately RMB62,000 to RMB72,000 as at 31 December 2009 to a range of approximately RMB90,000 to RMB149,000 as at 31 October 2010. The market prices of comparable properties per sq.m. on a Gross Floor Area basis referenced by DTZ Debenham Tie Leung Limited in its valuation of The Tower Offices increased from a range of approximately RMB35,000 to RMB40,000 as at 31 December 2009 to a range of approximately RMB39,000 to RMB60,000 as at 31 October 2010. As such, the anticipated rental growth, the expected investment return and the perceived industry risk based on the professional judgment of DTZ Debenham Tie Leung Limited was captured in the reduction in the applied capitalisation rates by approximately 22%-23% for the investment properties which, together with the increase in monthly rental rates, resulted in the increase of the fair value of investment properties to RMB20 billion as at 31 October 2010.

Finance Costs

Finance costs represent the interest expense on secured bank loans.

Income Tax Expense

PRC enterprise income tax was provided at the applicable enterprise income tax rate of 33.0% on the estimated assessable profits of BOP for the year ended 31 December 2007.

Pursuant to the PRC Enterprise Income Tax Law (the "**EIT Law**") promulgated on 16 March 2007, the enterprise income tax for both domestic and foreign-invested enterprises has been unified at the rate of 25.0% effective from 1 January 2008. For details, see the section headed "Taxation" in this Offering Circular.

Results of Operation

Ten months ended 31 October 2010 compared against ten months ended 31 October 2009

Revenue

Total revenue increased from approximately RMB1,634 million for the ten months ended 31 October 2009 to approximately RMB1,739 million for the ten months ended 31 October 2010 by approximately RMB105 million, or approximately 6.4%.

Revenue generated from The Malls (including that generated from car parking spaces) increased by approximately RMB62 million, or approximately 10.0%, from approximately RMB617 million for the ten months ended 31 October 2009 to approximately RMB679 million for the ten months ended 31 October 2010, mainly because tenants were willing to pay a premium to stay at The Malls in anticipation of a recovery in consumer confidence post the global financial crisis, leading to an increase in rental rate. The average occupancy rate of The Malls for the ten months ended 31 October 2010 slightly decreased to approximately 97.8% as compared to that for the ten months ended 31 October 2009 of approximately 98.3%. Such decrease was mainly because certain Rentable Area of The Malls was held back by BOP for shop merging or reorganizing, or changing of tenant mix.

Revenue generated from The Tower Offices decreased by approximately RMB21 million, or approximately 3.7%, from approximately RMB563 million for the ten months ended 31 October 2009 to approximately RMB542 million for the ten months ended 31 October 2010. The average occupancy rate of The Tower Offices for the ten months ended 31 October 2010 decreased to approximately 90.4% as compared to that for the ten months ended 31 October 2009 of approximately 93.3%. The main reason for the decrease was that many office tenants suspended their expansion plans as a result of the global financial crisis in 2009 leading to a decrease in demand for office spaces. Further, some tenants did not renew their tenancies upon expiry.

Revenue generated from The Tower Apartments decreased by approximately RMB8 million, or approximately 9.8%, from approximately RMB82 million for the ten months ended 31 October 2009 to approximately RMB74 million for the ten months ended 31 October 2010. The decrease was due primarily to the continued limited demand for serviced apartments after the global financial crisis and the increase in the overall supply of serviced apartments in Beijing which led to a more competitive market, although the average occupancy rate of The Tower Apartments for the ten months ended 31 October 2010 increased to approximately 69.8% as compared to that for the ten months ended 31 October 2009 of approximately 66.2%.

Revenue generated from Grand Hyatt Beijing increased by approximately RMB72 million, or approximately 19.4%, from approximately RMB372 million for the ten months ended 31 October 2009 to approximately RMB444 million for the ten months ended 31 October 2010. The average occupancy rate of Grand Hyatt Beijing for the ten months ended 31 October 2010 increased to approximately 66.3% as compared to that for the ten months ended 31 October 2009 of approximately 56.6%. The increase was mainly due to the economic recovery from the global financial crisis which led to an increase in occupancy level and room rate.

Rental Related Income

Rental related income decreased by approximately RMB8 million, or approximately 16.7%, from approximately RMB48 million for the ten months ended 31 October 2009 to approximately RMB40 million for the ten months ended 31 October 2010. The drop was mainly due to the reduced renovation income and the decrease in the amount of early termination compensation received from tenants for the ten months ended 31 October 2010.

Other Income

Other income increased by approximately RMB11 million, or approximately 78.6%, from approximately RMB14 million for the ten months ended 31 October 2009 to approximately RMB25 million for the ten months ended 31 October 2010. The increase was mainly due to the write back of construction payables in 2010, notwithstanding that this was partly offset by the decreased interest income in the same period.

Foreign Currency Exchange Gain

Foreign currency exchange gain decreased by approximately RMB66 million, or approximately 78.6%, from approximately RMB84 million for the ten months ended 31 October 2009 to approximately RMB18 million for the ten months ended 31 October 2010 as certain exchange gains were realised upon repayment of shareholder's loan in year 2009.

Hotel Inventories Consumed

Hotel inventories consumed increased by approximately RMB7 million, or approximately 20.0%, from approximately RMB35 million for the ten months ended 31 October 2009 to approximately RMB42 million for the ten months ended 31 October 2010 due to the increased consumption of food and beverages which was in line with the increase in revenue of the restaurants operated by Grand Hyatt Beijing.

Staff Costs

Staff costs slightly increased by approximately RMB4 million, or approximately 4.4%, from approximately RMB91 million for the ten months ended 31 October 2009 to approximately RMB95 million for the ten months ended 31 October 2010.

Depreciation and Amortisation

Depreciation and amortisation increased by approximately RMB1 million, or approximately 0.9%, from approximately RMB111 million for the ten months ended 31 October 2009 to approximately RMB112 million for the ten months ended 31 October 2010.

Other Operating Expenses

Other operating expenses increased by approximately RMB21 million, or approximately 4.8%, from approximately RMB439 million for the ten months ended 31 October 2009 to approximately RMB460 million for the ten months ended 31 October 2010 primarily due to the increase in contracted labour cost.

Change in Fair Value of Investment Properties

The increase in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) was approximately RMB8,756 million for the ten months ended 31 October 2010 compared to a decrease of approximately RMB27 million for the ten months ended 31 October 2009. The significant increase in the fair value of investment properties for the ten months ended 31 October 2010 was mainly due to improving economic conditions in Beijing, resulting in rising property values and rising rents. For details, see the sub-section headed "Components of Results of Operations — Change in Fair Value of Investment Properties" above.

Finance Costs

Finance costs decreased by approximately RMB17 million, or by approximately 24.3%, from approximately RMB70 million for the ten months ended 31 October 2009 to approximately RMB53 million for the ten months ended 31 October 2010. The decrease was mainly attributable to the decrease of effective interest rates as well as the reduction of bank borrowings.

Income Tax Expense

Income Tax expenses increased by approximately RMB2,209 million, or by approximately 788.9%, from approximately RMB280 million for the ten months ended 31 October 2009 to approximately RMB2,489 million for the ten months ended 31 October 2010. The increase was primarily due to the increase in deferred taxation charge as a result of the increase in fair value of investment properties in total revenue.

Profit

Profit increased by approximately RMB6,600 million, or by approximately 907.8%, from approximately RMB727 million for the ten months ended 31 October 2009 to approximately RMB7,327 million for the ten months ended 31 October 2010 mainly as a result of the cumulative effect of the factors described above.

Financial Year ended 31 December 2009 compared against Financial Year ended 31 December 2008

Revenue

Total revenue decreased by approximately RMB300 million, or approximately 13.2%, from approximately RMB2,269 million for the year ended 31 December 2008 to approximately RMB1,969 million for the year ended 31 December 2009.

Revenue generated from The Malls (including the revenue generated from car parking spaces) increased by approximately RMB53 million, or approximately 7.6%, from approximately RMB695 million for the year ended 31 December 2008 to approximately RMB748 million for the year ended 31 December 2009. Despite the global financial crisis in 2009, the average occupancy rate of The Malls for the year ended 31 December 2009 only slightly decreased to approximately 98.3% from approximately 99.7% for the year ended 31 December 2008. Such decrease was mainly because certain Rentable Area of The Malls was reserved by BOP and was not available for leasing due to BOP's plan to merge or re-organise certain shop units. After certain areas in The Malls were renovated in 2009, the shops concerned were leased with higher rental rates, resulting in the increase in the overall revenue generated from The Malls.

Revenue generated from The Tower Offices increased by approximately RMB23 million, or approximately 3.6%, from approximately RMB646 million for the year ended 31 December 2008 to approximately RMB669 million for the year ended 31 December 2009. The average occupancy rate of The Tower Offices for the year ended 31 December 2009 slightly decreased to approximately 92.9% from approximately 93.1% for the year ended 31 December 2008. Even though the global financial crisis took place in late 2008, its impact on the rental rate of office space had not fully materialised in 2009 because many tenancies had already been entered into before the crisis.

Revenue generated from The Tower Apartments decreased by approximately RMB44 million, or approximately 31.0%, from approximately RMB142 million for the year ended 31 December 2008 to approximately RMB98 million for the year ended 31 December 2009 due to the combined impact of post Beijing Olympics and the global financial crisis. The average occupancy rate of The Tower Apartments for the year ended 31 December 2009 also decreased to approximately 67.1% from approximately 72.2% for the year ended 31 December 2008. 2008 was an exceptional year where both the occupancy and rental rates were historically high due to the Beijing Olympics. Thereafter, coupled with the global financial crisis, many expatriates in Beijing did not renew their tenancies upon expiry and new demand was limited. These adversely affected the rental rate and occupancy level of The Tower Apartments because most of its units were occupied by expatriates working in Beijing.

Revenue generated from Grand Hyatt Beijing decreased by approximately RMB332 million, or approximately 42.2%, from approximately RMB786 million for the year ended 31 December 2008 to approximately RMB454 million for the year ended 31 December 2009. The average occupancy rate of Grand Hyatt Beijing for the year ended 31 December 2009 also decreased to approximately 56.9% from approximately 62.3% for the year ended 31 December 2008. After the Beijing Olympics took place in 2008, there was an oversupply of hotel rooms in Beijing. Combined with the impact of the global financial crisis in 2009, Grand Hyatt Beijing experienced a substantial decrease in revenue.

Rental Related Income

Rental related income increased slightly by approximately RMB5 million, or approximately 6.9%, from approximately RMB72 million for the year ended 31 December 2008 to approximately RMB77 million for the year ended 31 December 2009. The increase was mainly due to increased forfeited tenant deposits during 2009.

Other Income

Other income decreased by approximately RMB16 million, or approximately 48.5%, from approximately RMB33 million for the year ended 31 December 2008 to approximately RMB17 million for the year ended 31 December 2009. The decrease was mainly attributable to decreased interest income which was a result of reduced bank balances as well as reduced interest rates.

Foreign Currency Exchange Gain

Foreign currency exchange gain decreased by approximately RMB113 million, from approximately RMB197 million for the year ended 31 December 2008 to approximately RMB84 million for the year ended 31 December 2009, or approximately 57.4% due to the reduction of US Dollar denominated bank borrowings as well as the slower appreciation of RMB during the period.

Hotel Inventories Consumed

Hotel inventories consumed decreased by approximately RMB11 million, or approximately 19.6%, from approximately RMB56 million for the year ended 31 December 2008 to approximately RMB45 million for the year ended 31 December 2009 due to decreased consumption of food and beverages which was in line with the decrease in revenue of restaurants operated by Grand Hyatt Beijing.

Staff Costs

Staff costs decreased by approximately RMB34 million, or approximately 24.1%, from approximately RMB141 million for the year ended 31 December 2008 to approximately RMB107 million for the year ended 31 December 2009. Both headcount and average salary rates dropped in 2009.

Depreciation and Amortisation

Depreciation and amortisation slightly decreased by approximately RMB4 million, or approximately 2.9%, from approximately RMB138 million for the year ended 31 December 2008 to approximately RMB134 million for the year ended 31 December 2009.

Other Operating Expenses

Other operating expenses increased by approximately RMB60 million, or approximately 12.4%, from approximately RMB484 million for the year ended 31 December 2008 to approximately RMB544 million for the year ended 31 December 2009. Other operating expenses were relatively low in 2008 mainly as a result of an overprovision made in prior years. But for such overprovision, other operating expenses in 2009 would have been lower than those in 2008.

Change in Fair Value of Investment Properties

There was a decrease in the fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) of approximately RMB16 million for the year ended 31 December 2009 compared to an increase of approximately RMB923 million for the year ended 31 December 2008. The substantial increase in the fair value of investment properties for the year ended 31 December 2008 was due to the cost adjustment on the carrying amount of investment properties as a result of the Relevant Amount (as defined in the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT— JV Documents" in this Offering Circular) agreed with the Domestic JV Partner. For details, see the section headed "Material Agreements and Other Documents relating to Hui Xian REIT — JV Documents" in this Offering Circular and the sub-section headed "Components of Result of Operations — Change in Fair Value of Investment Properties" above.

Finance Costs

Finance costs decreased slightly by approximately RMB1 million, or by approximately 1.2%, from approximately RMB83 million for the year ended 31 December 2008 to approximately RMB82 million for the year ended 31 December 2009 as the decrease in the effective interest rate was largely offset by increased bank borrowings in year 2009.

Income Tax Expense

Income tax expenses decreased by approximately RMB279 million, or by approximately 44.6%, from approximately RMB625 million for the year ended 31 December 2008 to approximately RMB346 million for the year ended 31 December 2009. The decrease was primarily due to the decrease in taxable income as a result of the decrease in total revenue.

Profit

Profit decreased by approximately RMB1,094 million, or by approximately 55.6%, from approximately RMB1,967 million for the year ended 31 December 2008 to approximately RMB873 million for the year ended 31 December 2009, mainly as a result of the cumulative effect of the factors described above.

Financial Year ended 31 December 2008 compared against Financial Year ended 31 December 2007

Revenue

Total revenue increased by approximately RMB192 million, or approximately 9.2%, from approximately RMB2,077 million for the year ended 31 December 2007 to approximately RMB2,269 million for the year ended 31 December 2008.

Revenue generated from The Malls (including the revenue generated from car parking spaces) increased by approximately RMB107 million, or approximately 18.2%, from approximately RMB588 million for the year ended 31 December 2007 to approximately RMB695 million for the year ended 31 December 2008. After certain areas in The Malls were renovated in 2007, the shops concerned were leased with higher rental rates, resulting in the increase in the overall revenue generated from The Malls in late 2007 and 2008. The average occupancy rate of The Malls for the year ended 31 December 2008 also increased to approximately 99.7% from approximately 96.6% for the year ended 31 December 2007.

Revenue generated from The Tower Offices slightly increased by approximately RMB32 million, or 5.2%, from approximately RMB614 million for the year ended 31 December 2007 to approximately RMB646 million for the year ended 31 December 2008. The average occupancy rate of The Tower Offices for the year ended 31 December 2008 also increased to approximately 93.1% from approximately 90.1% for the year ended 31 December 2007. Due to the Beijing Olympics in 2008, measures were adopted by the Beijing Government to monitor and restrict construction work in Beijing for safety reasons, resulting in limiting the overall supply of office space in Beijing, leading to an increase in rental rate and occupancy levels of The Tower Offices in 2008.

Revenue generated from The Tower Apartments slightly increased by approximately RMB3 million, or approximately 2.2%, from approximately RMB139 million for the year ended 31 December 2007 to approximately RMB142 million for the year ended 31 December 2008. Due to the increase in demand for serviced apartments as a result of the Beijing Olympics in 2008, the rental rate of The Tower Apartments increased. This was partly offset by the decrease in the average occupancy rate of The Tower Apartments from approximately 87.0% for the year ended 31 December 2007 to approximately 72.2% for the year ended 31 December 2008 which was mainly due to the decrease in the number of tenants after the Beijing Olympics and the global financial crisis.

Revenue generated from Grand Hyatt Beijing increased by approximately RMB50 million, or approximately 6.8%, from approximately RMB736 million for the year ended 31 December 2007 to approximately RMB786 million for the year ended 31 December 2008. The average occupancy rate of Grand Hyatt Beijing for the year ended 31 December 2008 decreased to approximately 62.3% from approximately 72.6% for the year ended 31 December 2007. Due to the Beijing Olympics in 2008, the average room rate was high and its positive effect on revenue was more than enough to offset the impact of decreased average occupancy during the year.

Rental Related Income

Rental related income increased by approximately RMB11 million, or approximately 18.0%, from approximately RMB61 million for the year ended 31 December 2007 to approximately RMB72 million for the year ended 31 December 2008 due to the increase in renovation income paid or payable by tenants in 2008.

Other Income

Other income increased by approximately RMB9 million, or approximately 37.5%, from approximately RMB24 million for the year ended 31 December 2007 to approximately RMB33 million for the year ended 31 December 2008 which was mainly attributable to the government incentives received in 2008.

Foreign Currency Exchange Gain

Foreign currency exchange gain decreased by approximately RMB76 million, or approximately 27.8%, from approximately RMB273 million for the year ended 31 December 2007 to approximately RMB197 million for the year ended 31 December 2008 due to the decrease of US Dollar denominated bank borrowings during the period.

Hotel Inventories Consumed

Hotel inventories consumed remained at approximately RMB56 million for the years ended 31 December 2007 and 31 December 2008.

Staff Costs

Staff costs slightly increased by approximately RMB6 million, or approximately 4.4%, from approximately RMB135 million for the year ended 31 December 2007 to approximately RMB141 million for the year ended 31 December 2008.

Depreciation and Amortisation

Depreciation and amortisation increased by approximately RMB5 million, or approximately 3.8%, from approximately RMB133 million for the year ended 31 December 2007 to approximately RMB138 million for the year ended 31 December 2008.

Other Operating Expenses

Other operating expenses decreased by approximately RMB175 million, or approximately 26.6%, from approximately RMB659 million for the year ended 31 December 2007 to approximately RMB484 million for the year ended 31 December 2008. Other operating expenses in 2008 were at a relatively low level mainly as a result of an overprovision made in prior years. But for such overprovision, other operating expenses in 2008 would have been higher than those in 2007.

Change in Fair Value of Investment Properties

Increase in fair value of investment properties (being The Malls, The Tower Offices and the basement portion of Oriental Plaza) was approximately RMB923 million for the year ended 31 December 2008 compared to a decrease of approximately RMB65 million for the year ended 31 December 2007. The increase in fair value of investment properties for the year ended 31 December 2008 was due to the cost adjustment on the carrying amount of investment properties as a result of the Relevant Amount agreed with the Domestic JV Partner. For details, see the section headed "Material Agreements and Other Documents Relating to Hui Xian REIT — JV Documents" in this Offering Circular and the sub-section headed "Components of Result of Operations — Change in Fair Value of Investment Properties" above.

Finance Costs

Finance costs decreased by approximately RMB76 million, or by approximately 47.8%, from approximately RMB159 million for the year ended 31 December 2007 to approximately RMB83 million for the year ended 31 December 2008. This was mainly due to a decrease in bank borrowings coupled with the decrease in interest rates.

Income Tax Expense

Income tax expense increased by approximately RMB349 million, or by approximately 126.4% from approximately RMB276 million for the year ended 31 December 2007 to approximately RMB625 million for the year ended 31 December 2008. The increase was primarily due to the increase in taxable income as a result of the increase in total revenue.

Profit

Profit increased by approximately RMB1,015 million, or by approximately 106.6% from approximately RMB952 million for the year ended 31 December 2007 to approximately RMB1,967 million for the year ended 31 December 2008, mainly as a result of the cumulative effect of the factors described above.

Liquidity and Capital Resources

The principal sources of funding for the management of Oriental Plaza and asset enhancement initiatives have historically been from internally generated funds and loan facilities from various banks.

Indebtedness

As at 28 February 2011, the loan from the holding company and bank borrowings amounted to approximately RMB6,387 million, including the BOC Term Loan of approximately RMB500 million, of which RMB200 million and RMB100 million were repaid in March 2011 and April 2011, respectively. As at 28 February 2011, approximately 7.8% of the aggregate amount of the loan from the holding company and bank borrowings were interest bearing, with interest rates of 5.6% per annum.

Hedging Strategy

As at the Listing Date, based on the unaudited pro forma statement of financial position of Hui Xian REIT set out in Appendix II to this Offering Circular, the aggregate amount of the existing borrowings will represent no more than 1.0% of the total gross asset value of Hui Xian REIT. Should the Facility be fully drawn, the aggregate amount of the existing borrowings and borrowings drawn under the Facility will represent no more than 5.0% of the total gross asset value of Hui Xian REIT. BOP receives almost all of its revenue in RMB and the BOC Term Loan and the Loan Facility are also in RMB. Further, the Manager expects that the BOC Term Loan will be repaid within two years from the listing of Hui Xian REIT. In light of the foregoing, the Manager does not consider that there is a significant risk associated with changes in interest rates or exchange rates relating to the borrowings of Hui Xian REIT that need to be hedged.

The Manager does not have any immediate plans to enter into any hedging strategies with respect to the borrowings. The Manager will review the appropriateness of hedging risks relating to Hui Xian REIT's borrowings regularly. If a hedging strategy is adopted, the Manager intends to primarily use plain vanilla interest rate swaps to hedge any interest rate risks associated with the borrowings of Hui Xian REIT.

Valuation Reconciliation

The following table sets forth the reconciliation of the properties of Hui Xian REIT from the Accountants' Report as at 31 October 2010 to the Property Valuation in Appendix V to this Offering Circular.

		RMB million
Valuation of properties as at 31 January 2011, as set out in the Property Valuation in Appendix V to this Offering Circular		31,410
Net book value as at 31 October 2010:		
Property, plant and equipment (note (1))	1,885	
Land and related costs (note (2))	1,778	
Investment properties	19,998	
Total	23,661	
Less: Amortisation of land use rights and depreciation of Grand Hyatt Beijing and The Tower Apartments during the period from 1 November 2010 to 31 January 2011		(26)
Net book value of properties of the Group as at 31 January 2011, as set out in the Property Valuation in Appendix V to this Offering Circular		23,635
Revaluation surplus and differences between net book values and fair values of the properties, before corporate income tax and LAT		7,775
		31,410

Note:

(1) Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate. Approximately RMB99 million of the other fixed assets, which consisted of furniture and fixture and computer equipment, was excluded from the valuation in Appendix V to this Offering Circular and was therefore also excluded from this reconciliation.

(2) Land and related costs are stated at cost less accumulated amortisation.

Revaluation surplus and differences between net book values and fair values of the properties of approximately RMB7,775 million comprised (i) the revaluation surplus of The Malls and The Tower Offices of approximately RMB5,182 million and (ii) the differences between the net book value and fair value of the Tower Apartments and Grand Hyatt Beijing of approximately RMB2,593 million.

The revaluation surplus of The Malls and The Tower Offices of approximately RMB5,182 million was mainly due to the increase in the Appraised Value of The Malls and The Tower Offices assessed as at 31 January 2011 compared to that of The Malls and The Tower Offices as at 31 October 2010. In determining the valuation of The Malls and The Tower Offices as at 31 January 2011, the Independent Valuer has taken into account the changes of the monthly rental rates of The Malls and The Tower Offices. As at 31 January 2011, The Malls recorded an increase in the average monthly rental per leased Rentable Area in sq.m. from approximately RMB815 as at 31 October 2010 to approximately RMB882 as at 31 January 2011, while the average monthly rental per leased Rentable Area in sq. m. of The Tower Offices was approximately RMB163 as at 31 October 2010 and remained unchanged as at 31 January 2011. The average monthly rental rate per sq. m. of leased Rentable Area of The Malls increased mainly due to the willingness of existing tenants to pay a premium to stay at The Malls in anticipation of a recovery in consumer confidence after the recent global financial crisis. For The Tower Offices, apart from the unexpired leases entered into before 2010 which were still charged at lower monthly rental rates, the monthly rental rates achieved for renewals and new leases have been steadily growing. Meanwhile, the capital values of the income-generating commercial properties in China have also increased as a result of a combination of rising rents, higher occupancies and growing demand for such properties. The asking/alleged transaction prices of properties per sq.m on a gross floor area ranged from approximately RMB80,000 to RMB190,000 for The Malls and approximately RMB34,000 and RMB46,000 for The Tower Offices, respectively, as at 31 January 2011. Having considered that Oriental Plaza is a high quality mixed use development located in the prime location of Beijing, and taking into account the market rental, the expected investment return and the perceived industry risk of the PRC commercial property market, the Independent Property Valuer has assessed the aggregate revalued value of The Malls and The Tower Offices as at 31 January 2011 to be approximately RMB24,890 million leading to the revaluation surplus of approximately RMB5,182 million.

Since the services provided to customers by The Tower Apartments and Grand Hyatt Beijing, unlike The Malls and The Tower Offices which are held to earn rental income and/or for capital appreciation, are significant to the arrangement as a whole and generate cash flows that are attributable not only to property, but also to other assets used in the provision of service process, The Tower Apartments and Grand Hyatt Beijing are classified under "property, plant and equipment" and are stated at net book values in the books and records of Hui Xian BVI Group. For purpose of listing, The Tower Apartments and Grand Hyatt Beijing were revalued. As at 31 January 2011, the valuation of The Tower Apartments and Grand Hyatt Beijing assessed by the Independent Property Valuer were approximately RMB6,230 million which resulted in the difference between net book value and fair values of the properties of approximately RMB2,593 million.