

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Hui Xian REIT in a transparent manner and with built-in checks and balances. Set out below is a summary of the key components of the corporate governance policies that have been adopted having due regard to the requirements under Appendix 14 of the Listing Rules and will be followed by the Manager and Hui Xian REIT. Such policies may be amended with the approval of a simple majority of all the Directors.

Authorisation Structure

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The SFC does not take any responsibility for the financial soundness of Hui Xian REIT or for the correctness of any statements made or opinions expressed in this document and other documents relating to Hui Xian REIT. SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. The Manager has three persons who are approved as Responsible Officers pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code, namely the two executive Directors and the Chief Financial Officer. The Chief Executive Officer was approved by the SFC as an approved person of the Manager pursuant to sections 104(2) and 105(2) of the SFO.

The Trustee is registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and Manager

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Hui Xian REIT on behalf of Unitholders. The Manager's role under the Trust Deed is to manage Hui Xian REIT in accordance with the Trust Deed in the sole interest of the Unitholders and to fulfil the duties imposed on it under general law as the manager of Hui Xian REIT and, in particular, to ensure that the financial and economic aspects of Hui Xian REIT's assets are professionally managed in the sole interests of the Unitholders.

Functions of the Board

The Board currently comprises nine members, three of whom are INEDs.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business and is responsible for the overall governance of the Manager. The Board exercises its general powers within the limits defined by the Articles of Association, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board will also review major financial decisions and the performance of the Manager. In accordance with the REIT Code, the Manager is required to act in the best interests of the Unitholders, to whom it owes a fiduciary duty.

Board Composition

Pursuant to the Manager's corporate governance policy, INEDs must be individuals who fulfil the independence criteria set out in the compliance manual adopted by the Manager.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director;
- the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and

CORPORATE GOVERNANCE

- at least one-third of the Board should comprise INEDs, with a minimum of three INEDs (which, based on the current composition of the Board, will require the Manager to have at least three INEDs).

The positions of Chairman and the Chief Executive Officer are held by two separate persons in order to maintain an effective segregation of duties. The Chairman leads the Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintenance of effective communications with Unitholders. The Chief Executive Officer is responsible for the day-to-day management of the Manager and Hui Xian REIT. He executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Hui Xian REIT's business via management reports.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Board Committees

The Board has the power to delegate to committees consisting of such numbers of its body as it thinks fit. Various committees have been established to assist the Board in discharging its responsibilities. The committees of the Board have been set up with clear terms of reference to review specific issues or items and then to submit their findings and recommendations to the full Board for consideration and endorsement. Unless the decision making power has been vested in the relevant committee by the Board, the ultimate responsibility for making final decisions rests with the full Board and not the committees.

The committees of the Board are currently as follows:

Audit Committee

The Audit Committee is appointed by the Board from among its members who are non-executive Directors. A majority of the members of the Audit Committee shall be INEDs and at least one member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Offering Circular, the members of the Audit Committee are CHENG Hoi Chuen, Vincent, LEE Chack Fan and CHOI Koon Shum, Jonathan, all of whom are INEDs, and IP Tak Chuen, Edmond and YIN Ke, who are non-executive Directors. CHENG Hoi Chuen, Vincent has been appointed as the Chairman of the Audit Committee.

The Audit Committee is responsible for establishing and maintaining an adequate internal control structure and ensuring the quality and integrity of financial statements. The Audit Committee is also responsible for the nomination of independent external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Audit Committee also ensures the existence and working of an effective system of internal control and risk management, in respect of both the Manager and Hui Xian REIT.

The Audit Committee's responsibilities also include:

- (1) reviewing dealings of the Manager and the Directors on a half-yearly basis;
- (2) making recommendations on persons for appointment and reappointment as Directors to, and propose Directors for removal from, the full Board;
- (3) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to supply non-audit services;
- (4) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;

CORPORATE GOVERNANCE

- (5) assisting the Board in its monitoring of the entities' overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- (6) periodically reviewing and monitoring all connected party transactions and related party transactions; and
- (7) reviewing the Manager and Hui Xian REIT's compliance with legal and regulatory requirements on a regular basis.

Disclosures Committee

The Disclosures Committee comprises the Chief Executive Officer, two non-executive Directors, one of whom should be an INED. The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the disclosure of information is accurate, complete and not misleading. As at the date of this Offering Circular, the members of the Disclosures Committee are CHU Stephen Henry, IP Tak Chuen, Edmond and LEE Chack Fan. CHU Stephen Henry has been appointed as the Chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of conflict of interests;
- (2) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Hui Xian REIT to the public and applicable regulatory agencies;
- (3) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Hui Xian REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable;
- (4) reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies;
- (5) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- (6) reviewing correspondence containing financial information disseminated to Unitholders.

Designated (Finance) Committee

The Designated (Finance) Committee comprises the Chief Executive Officer and two non-executive Directors, one of whom should be an INED. The role of the Designated (Finance) Committee is to review matters relating to hedging strategies, financing and re-financing arrangements, and transactions involving derivative instruments for hedging purposes. As at the date of this Offering Circular, the members of the Designated (Finance) Committee are YIN Ke, CHU Stephen Henry and CHOI Koon Shum. YIN Ke has been appointed as the Chairman of the Designated (Finance) Committee.

The Designated (Finance) Committee's responsibilities include reviewing, considering, and deciding or recommending to the Board (as the case may be), based on recommendation papers prepared by the management, on matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes.

Conflicts of Interest

All conflicts of interest shall be managed by the Board in accordance with the articles of association of the Manager and applicable laws, rules and regulations. The Manager shall ensure that all conflicts of interest relating to Hui Xian REIT shall be managed and avoided. The following measures are taken in that regard:

- (a) Unless with the approval from the SFC, the Manager will not manage any REIT other than Hui Xian REIT nor manage any real estate assets other than those in which Hui Xian REIT has an ownership interest or investment;
- (b) the Manager has established internal control systems to ensure that connected party transactions between Hui Xian REIT and its connected persons are monitored and undertaken according to procedures and/or on terms in compliance with the REIT Code (or where applicable, in compliance with the waiver conditions imposed by the SFC) and that other potential conflicts of interest situation that may arise are monitored;
- (c) all conflicts of interests will be required to be managed by the full Board, including the INEDs; and
- (d) a Director who has material interests in a matter which is the subject of a resolution proposed at a board meeting of the Manager shall abstain from voting on the resolution concerned and not to be counted in the quorum at the board meeting at which such resolution is proposed.

For details on the conflicts of interest relating to Hui Xian REIT, see the risk factors under the section headed (i) “Risk Factors — There are potential conflicts of interest between Hui Xian REIT, the Manager, the Cheung Kong Group, Fortune REIT and Prosperity REIT”, (ii) “Risk Factors — The Manager is an associated company of ARA. There are potential conflicts of interest between Hui Xian REIT and REITs and private real estate funds managed by ARA for property acquisition and leasing opportunities”, and (iii) “Risk Factors — The Manager is an associated company of CITIC Securities International. There are potential conflicts of interest between Hui Xian REIT, the Manager and CITIC Securities Group”.

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share. After the Listing Date, where required under the REIT Code, the Takeovers Code or the applicable provisions of the Listing Rules, the Manager and its connected persons shall abstain from voting in relation to the relevant issuance of new Units. The Manager and its connected persons shall also abstain from voting in relation to any proposal on the termination or merger of Hui Xian REIT if such proposal is recommended by the Manager, and the Manager and connected persons related to it hold interests in the Units and their interest (at the sole determination of the Trustee) in the termination or merger of Hui Xian REIT is different from that of all other Unitholders.

It is also provided in the Trust Deed that as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time or upon request in writing by the Manager, the Trustee shall take actions or commence proceedings on behalf of Hui Xian REIT as necessary, including against any connected persons of the Trustee in relation to any transactions or agreements entered into by the Trustee for and on behalf of Hui Xian REIT with such persons provided that in the event of any action against the connected persons of the Trustee, the Trustee shall act upon the Manager’s request and instructions. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach by a connected person of the Trustee of any agreement or transaction entered into by Hui Xian REIT (or by the Trustee or the Manager for and on behalf of Hui Xian REIT) with such connected

person and the Manager may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders.

General Meetings

Hui Xian REIT will in each calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of Unitholders in Hong Kong at such time or place as they may think fit and propose resolutions for consideration at such meeting. The Manager will also convene a meeting if requested in writing by not less than two Unitholders registered as together holding not less than 10.0% of the Units for the time being in issue and outstanding. In respect of an annual general meeting, not less than 20 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders. In respect of any meeting of Unitholders other than an annual general meeting, not less than 10 days' notice, or not less than 20 days' notice where a Special Resolution is proposed for consideration at the relevant meeting, (in each case, exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given and of Saturdays, Sundays and public holidays in Hong Kong) in writing thereof shall be given to the Unitholders. Without prejudice to the aforementioned notice requirements, at least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed, except that at least 21 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Unitholders where a Special Resolution is proposed for consideration at such meeting. The notice for each of the above meetings shall specify the time and place of the meeting and the resolutions to be proposed.

Two or more Unitholders present in person or by proxy registered as holding together not less than 10.0% of the Units for the time being in issue and outstanding will form a quorum for the transaction of all business, except for the purpose of passing a Special Resolution. The quorum for passing a Special Resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25.0% of the Units in issue and outstanding. The quorum for an adjourned meeting shall be such number of Unitholders who are present in person or by proxy regardless of the number of Units held by them.

Reporting and Transparency

Hui Xian REIT will prepare its accounts in accordance with HKFRS with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and accounts for Hui Xian REIT will be published and sent to Unitholders no later than four months following each financial year-end and the interim results no later than two months following each financial half-year end.

The Manager shall ensure that a full valuation of each of Hui Xian REIT's real estate in the form of land (whether held directly by the Trustee or indirectly through a Special Purpose Vehicle) shall be conducted by a principal valuer appointed in accordance with the Trust Deed at least once a year, and may require the principal valuer to carry out additional valuations or inspections at such other dates as the Manager may determine in its sole discretion, except that the next valuation of Hui Xian REIT's real estate in the form of land following the establishment of Hui Xian REIT will be effected no later than or as at the end of the relevant financial year (the first valuation to be effected at the end of the financial year in which the IPO is completed). The Manager shall also ensure that the principal valuer shall produce a valuation report (i) on real estate to be acquired or sold by Hui Xian REIT or (ii) on non-cash consideration in the nature of real estate which is to be received for the issue of Units in accordance with the Trust Deed or (iii) in any other circumstance prescribed by the REIT Code.

CORPORATE GOVERNANCE

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Hui Xian REIT will be made on a timely basis in order to keep Unitholders apprised of the position of Hui Xian REIT.

The Manager will also issue circulars to the Unitholders in respect of transactions that, pursuant to the REIT Code (or in the reasonable opinion of the Trustee or the Manager), require Unitholders' approval or circulars in respect of material information in relation to Hui Xian REIT, in accordance with the Trust Deed.

Issues of Further Units Post-Listing

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20.0% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an Ordinary Resolution is obtained. Subject thereto, Units may be issued as consideration for the acquisition of additional real estate.

Hui Xian REIT is also subject to certain restrictions in respect of the Units held by it, the details of which are set out in the section headed "The Offering" in this Offering Circular.

Interests of, and Dealings in Units by, Directors, the Manager or the Significant Holders

To monitor and supervise any dealings of Units, the Manager has adopted a code containing rules on dealings by the Directors equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Pursuant to this code, all Directors, senior executives, officers and other employees of the Manager, subsidiaries of the Manager or the Special Purpose Vehicles who, because of his/her office or employment in the Manager, the relevant subsidiaries of the Manager or the relevant Special Purpose Vehicles, is likely to be in possession of unpublished price sensitive information in relation to the securities of Hui Xian REIT ("**Management Persons**") wishing to deal in the Units must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions applied to the securities of Hui Xian REIT.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules as if applicable to Hui Xian REIT or any connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the Units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules. Management Persons who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Management Persons who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Hui Xian REIT's securities for a similar period.

A Management Person must not deal in any of the Units on any day on which Hui Xian REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the code containing rules on dealings by the Management Person adopted by the Manager.

CORPORATE GOVERNANCE

The Manager is subject to the same dealing requirements as the Directors (*mutatis mutandis*).

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. The provisions of Part XV of the SFO are deemed to apply to the Manager, the Directors and chief executive of the Manager and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5.0% or more of the Units in issue, and the directors and chief executive of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Hong Kong Stock Exchange, the Trustee and the Manager of their holdings in Hui Xian REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager. For further details of the Trust Deed, see the section headed "The Trust Deed" in this Offering Circular.

Subject to the provisions of the Trust Deed and without in any way affecting the generality of the provisions of the Trust Deed, where the Trustee or the Manager believes that a Unitholder may be a significant holder (as defined in the Trust Deed), each of the Trustee (on the instructions of the Manager in writing) and the Manager shall have the powers and legal capacity of a natural person or a corporation acting in his / her or its own capacity and have full and absolute powers in relation to the Deposited Property of requiring the Unitholder to promptly disclose to the Trustee and the Manager all of the legal, beneficial and equitable interests in Units held by the Unitholder and such other persons whose holdings of Units would be taken into account in determining whether the Unitholder is a significant holder (as defined in the Trust Deed). Without prejudice to the above, the Trustee shall have the power to require any Unitholder to promptly disclose to the Trustee all of the Unitholder's beneficial interests in Units.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Special Resolution. For further details of such matters, see the section headed "The Trust Deed — Meeting of Unitholders" in this Offering Circular.

Appointment of Principal Valuer

The Manager shall select and recommend one or more property valuers to the Trustee and the Trustee will appoint at its discretion a property valuer as the principal valuer recommended by the Manager to make a valuation of real estate, subject to the REIT Code. In appointing the property valuer, the Trustee shall at all times act in accordance with the provisions of the Trust Deed and may exercise discretion in refusing to appoint any principal valuer recommended by the Manager which the Trustee considers to be insufficiently qualified or in respect of whose integrity the Trustee is not satisfied. Where any property valuer recommended by the Manager is not appointed by the Trustee in such circumstances, the Manager shall recommend an alternative property valuer subject to the provision of the Trust Deed. The Manager when making such recommendations to the Trustee, shall have regard to the particular type or types of authorised investments, the subject of such valuation, recommendation or report, provided that in relation to an investment which is real estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, the person so recommended shall be a property valuer that carries on the business of valuing real estate in Hong Kong, shall meet the criteria of independence as set out in the REIT Code, and have key personnel who are fellow or associate members of the Hong Kong Institute of Surveyors and who are qualified to perform property valuations in accordance with the REIT Code. The Manager shall, upon the request by the Trustee, provide such information about the property valuer recommended by the Manager, which would assist the Trustee in exercising its discretion in the selection of property valuers under the provision of the Trust Deed. The remuneration of the principal

CORPORATE GOVERNANCE

valuer appointed for the purposes of the IPO shall be determined on an arm's length basis by the Manager. Thereafter, the remuneration of the principal valuer (which shall be payable out of the Deposited Property) shall be determined by the Manager with the approval of the Trustee and disclosed in the annual financial statements of Hui Xian REIT. The Trustee shall not be liable for the acts or omissions of the principal valuer provided that the Trustee has acted in good faith and without negligence or wilful default in the appointment of such valuer.