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**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)**

**Managed by:**

**Hui Xian Asset Management Limited**  
匯賢房託管理有限公司

**(1) CONNECTED PARTY TRANSACTIONS RELATING  
TO THE PROPOSED ACQUISITION OF THE  
CHONGQING PROPERTY  
(2) CERTAIN CONTINUING CONNECTED  
PARTY TRANSACTIONS  
AND  
(3) POSSIBLE ISSUANCE OF  
MANAGER ACQUISITION FEE UNITS**

**Financial adviser to the REIT Manager**



Citigroup Global Markets Asia Limited

### **SALE AND PURCHASE AGREEMENT**

As proposed by the REIT Manager, Hui Xian REIT has conditionally agreed to acquire the entire interest in the Chongqing Property through the acquisition of the Target Company. The Chongqing Property is an integrated commercial property development located at No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC. The Chongqing Property comprises (i) the Shopping Mall, a 12-storey shopping mall (inclusive of 353 car park spaces) currently called “Metropolitan Plaza 大都會廣場” and (ii) the Office Building, a 37-storey office building currently called “Metropolitan Tower 大都會商廈”. The Chongqing Property has a total GFA of approximately 164,360 sq. m.

On 10 November 2014, the Purchaser, the Vendors and the Guarantors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire or procure its nominee to acquire the Sale Shares and the Sale Loans at the Consideration which will be equal to the aggregate of (i) the Adjusted Asset Value of the Target Group as at Completion and (ii) the Final Net Distribution.

The Adjusted Asset Value refers to (i) the Attributable Value (being RMB3,910 million) plus (ii) the current assets of the Target Group as at Completion, and minus (iii) the current and non-current liabilities of the Target Group as at Completion and the Distribution, further details of which are set out in the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration*” of this announcement. The Attributable Value of RMB3,910 million, which is the value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014. The Attributable Value has been determined on the basis of commercial and arm’s length negotiations between the parties, taking into account the information and particulars relating to the Chongqing Property, the Appraised Value and the terms of the Sale and Purchase Agreement.

The Final Net Distribution refers to the Final Distribution, after deducting therefrom the amount of withholding tax payable on the Final Distribution upon the distribution of the Final Distribution by the Chongqing Company according to the relevant PRC laws and regulations and any applicable tax treaties, which will be paid to the Vendors as part of the Consideration.

The Target Company is a Hong Kong incorporated company which owns the entire interest in the Chongqing Company, a PRC-incorporated company which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property.

Knight Frank Petty Limited, the current principal valuer of Hui Xian REIT, has been appointed as the Independent Property Valuer for the purpose of the Acquisition. The Appraised Value of the Chongqing Property as appraised by the Independent Property Valuer as at 31 August 2014 was RMB4,104 million.

The Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that Chongqing Company’s Total Income shall not be less than RMB299.28 million per annum in each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015). The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire period will be subject to a maximum amount of RMB100 million.

The Sale and Purchase Agreement contains certain customary representations and warranties given by each of the Vendors severally in respect of their respective Sale Shares and the Sale Loans and in respect of the Target Group and the Chongqing Property.

Pursuant to the Sale and Purchase Agreement, the Vendors shall, severally in equal proportion, indemnify and hold harmless the Purchaser (on behalf of itself and on trust for all members of the Hui Xian REIT Group) and the Target Group Companies against all claims, liabilities, losses, expenses and costs incurred in connection with (a) the Hotel Transfer, and/or (b) Highsmith Limited having owned and/or operated directly or indirectly the Chongqing Hotel.

HWL Guarantor has guaranteed the proper and punctual performance by Joinpower of all its obligations under or pursuant to the Sale and Purchase Agreement and CKH Guarantor has guaranteed the proper and punctual performance by Cheerjoy of all its obligations under or pursuant to the Sale and Purchase Agreement.

Subject to the fulfilment (or, where applicable, waiver) of all the Conditions Precedent, the REIT Manager currently expects that Completion will take place in or around late December 2014 or early 2015.

The REIT Manager currently expects that the Consideration payable by Hui Xian REIT will be financed: (i) as to approximately 80%, by new bank borrowings expected to be obtained prior to Completion; and (ii) as to approximately 20%, by existing cash. Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowings and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased from 9.2% to 15.4%.

## **MANAGER'S ACQUISITION FEE AND POSSIBLE ISSUANCE OF MANAGER ACQUISITION FEE UNITS**

Pursuant to the Trust Deed, the REIT Manager will be entitled to receive the Manager's Acquisition Fee for the Acquisition. The REIT Manager has elected that the Manager's Acquisition Fee be paid entirely in the form of new Units to be issued, with such election to be subject to the approval of Independent Unitholders by way of an Ordinary Resolution at the EGM.

## **IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED**

### **Sale and Purchase Agreement**

Under 8.1 of the REIT Code, connected persons of a REIT include, among others, any "associated company" of a "significant holder" (each within the meaning ascribed to it under the REIT Code). The Vendors (namely Joinpower Holdings Ltd. and Cheerjoy Limited), the Guarantors (namely Hutchison Properties Limited and Cheung Kong Holdings (China) Limited), the Administrative Service Provider (namely 和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch)) and Hutchison Whampoa Enterprises Limited are associated companies of Hui Xian Cayman which is a significant holder of Hui Xian REIT. Accordingly, all of them are connected persons of Hui Xian REIT under the REIT Code. The Sale and Purchase Agreement and the transactions contemplated thereunder thus constitute connected party transactions of Hui Xian REIT under the REIT Code.

Since the maximum amount payable by the Purchaser to the Vendors under the Sale and Purchase Agreement, i.e. the Overall RMB Cap, being RMB4,100 million, exceeds 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, as adjusted for any relevant subsequent transactions since its publication, pursuant to 8.11 of the REIT Code and the Trust Deed, the Sale and Purchase Agreement and the transactions contemplated thereunder will require Independent Unitholders' approval by way of an Ordinary Resolution.

The Overall RMB Cap of the Consideration represents approximately 23.4% of the total market capitalisation of Hui Xian REIT based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the date of the Sale and Purchase Agreement. As the highest applicable percentage for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for Hui Xian REIT pursuant to Chapter 14 of the Listing Rules if it is applicable to Hui Xian REIT.

### **Transitional Administrative Service Agreement and Trademark Licence Agreements**

As the counterparties to the Transitional Administrative Service Agreement and the Trademark Licence Agreements, namely Hutchison Whampoa Property Management Limited Chongqing Branch and Hutchison Whampoa Enterprises Limited respectively, are connected persons of Hui Xian REIT under the REIT Code, the transactions contemplated under such agreements constitute connected party transactions of Hui Xian REIT after Completion.

### **Continuing Connected Party Transactions**

After Completion, there will be, and it is likely that there will continue to occur from time to time, on-going transactions between the Hui Xian REIT Group as one party, and any member of the Cheung Kong Connected Persons Group, the REIT Manager Group, the HK Bank Connected Persons Group and the DB Group as a counterparty. Those transactions will either arise as a result of the Acquisition, or involve increased amounts because of the Acquisition. An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision.

### **Waiver in respect of direct employment arrangements of the Chongqing Company after Completion**

Based on the Vendors' representations, as at 30 September 2014, the Chongqing Company employed approximately 315 employees in the PRC. For the reasons set out in the section headed "*Implications under the REIT Code and the Trust Deed — 3. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion*" of this announcement, the REIT Manager has applied to the SFC for a waiver from strict compliance with the requirements of 7.5(c)(i) of the REIT Code to allow the Chongqing Company to directly employ (i) the Core Function Employees (currently expected to be not more than 50) after Completion and (ii) the Remaining Employees whose labour contracts and employment relationship with the Chongqing Company have not been effectively terminated on or before the date of Completion.

### **Number of layers of special purpose vehicles**

The REIT Manager has made a submission to the SFC regarding 7.5(d) of the REIT Code to allow of Hui Xian REIT's holding of the Chongqing Property through more than two layers of Special Purpose Vehicles upon Completion subject to the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Hui Xian REIT for holding the Chongqing Property without further approval of the SFC.

## **GENERAL**

The Circular containing, among other things: (i) a letter from the Board to the Unitholders containing, among other things, details of the Transaction Matters Requiring Approval; (ii) a letter from the Independent Board Committee to the Independent Unitholders in relation to the Transaction Matters Requiring Approval; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Transaction Matters Requiring Approval; (iv) the valuation report in respect of the Chongqing Property; and (v) the notice of the EGM, will be sent to the Unitholders in accordance with the REIT Code.

**Unitholders and potential investors of Hui Xian REIT are reminded that Completion is conditional upon all the Conditions Precedent as referred to in the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 6. Conditions Precedent and Termination Rights*” of this announcement being fulfilled (or, where applicable, waived), and the Acquisition may or may not proceed. Unitholders and potential investors of Hui Xian REIT are advised to exercise caution when dealing in the Units.**

## **THE PROPOSED ACQUISITION**

As proposed by the REIT Manager, Hui Xian REIT has conditionally agreed to acquire the entire interest in the Chongqing Property through the acquisition of the Target Company. The Chongqing Property is an integrated commercial property development located at No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC. More information of the terms and conditions of the Acquisition and information of the Chongqing Property is set out in the sections headed “*A. Sale and Purchase Agreement*” and “*B. Information in relation to the Chongqing Property and the Target Group*” below.

### **A. Sale and Purchase Agreement**

#### **1. Date**

10 November 2014

#### **2. Parties**

- (i) The Purchaser (as purchaser);
- (ii) Joinpower (as vendor);
- (iii) Cheerjoy (as vendor);
- (iv) HWL Guarantor (as guarantor); and
- (v) CKH Guarantor (as guarantor).

### 3. *Subject matter of the Acquisition*

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire or procure its nominee to acquire:

- (a) the Sale Shares representing 100% of the total number of issued shares of the Target Company, of which 50% will be acquired from Joinpower and 50% will be acquired from Cheerjoy;
- (b) from Joinpower the benefit of and interest in the Joinpower Loan; and
- (c) from Cheerjoy the benefit of and interest in the Cheerjoy Loan.

### 4. *Consideration*

The total Consideration payable in respect of the Acquisition will be equal to the aggregate of (i) the Adjusted Asset Value of the Target Group as at Completion and (ii) the Final Net Distribution, subject to the Overall RMB Cap (as defined below).

The respective consideration for the Joinpower Loan and the Cheerjoy Loan will be an amount equal to the principal amount of such loans as at Completion, which will be payable by the Purchaser to Joinpower and Cheerjoy respectively in cash in HK\$ at Completion. The Share Consideration will be an amount equal to the HK\$ Equivalent of the Adjusted Asset Value as at Completion less the Total Loan Consideration.

Further, the Purchaser will pay to each of the Vendors an amount equal to 50% of the HK\$ Equivalent as at the date of Completion of the Final Net Distribution on or before 30 September 2015 in cash.

#### *(i) Adjusted Asset Value of the Target Group*

“**Adjusted Asset Value**” refers to the Attributable Value:

- (a) plus the current assets of the Target Group as at Completion (such as all receivables (but excluding receivables of the Target Group as at Completion which are in the nature of amortisation for rent free periods under tenancies and licences) from the operation of the Target Group Companies, all refundable utility and other deposits placed with relevant authorities or suppliers in connection with the operation of the Target Group Companies, all cash and deposits at bank and all prepaid operating expenses and, for the avoidance of doubt, excluding the carrying value of the Chongqing Property);
- (b) minus the current and non-current liabilities of the Target Group as at Completion (such as all security deposits in relation to the Chongqing Property (excluding such deposits already forfeited as other income), all rental/licence fees received in advance in relation to the Chongqing Property, all payment due to creditors and accruals of property and other relevant expenses in relation to the operation of the Target Group Companies, all deferred tax liabilities (other than those in relation

to the revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property) and all provision for taxation (including provision for withholding tax on dividend distributions) and the Employment Provision, but excluding the Sale Loans); and

- (c) minus an amount equal to the profit after tax of the Chongqing Company for the period from 1 January 2014 to the date of Completion which remains undistributed as at the date of Completion after deducting therefrom an amount calculated at applicable rate at which the Chongqing Company would be required to allocate out of such profit after tax to the statutory reserve (法定公積金) pursuant to the relevant PRC laws and regulations (the “**Distribution**”).

Since the equity interest of the Chongqing Property is proposed to be acquired by Hui Xian REIT through the acquisition of the Target Company, taking into account the present intention of the Hui Xian REIT to hold the Chongqing Property for long-term investment purpose, the REIT Manager considers that it is very unlikely that deferred tax liabilities in relation to the revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property will crystallise. Therefore, no account has been taken of such deferred tax liabilities in the calculation of the Adjusted Asset Value. For illustration purposes only, the deferred tax liabilities in relation to (i) the revaluation of the Chongqing Property and (ii) the depreciation allowance of the Chongqing Property of the Target Group as at 30 June 2014 were approximately RMB695 million and RMB186 million respectively, based on the audited financial statements of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

As the Existing Bank Loans and Entrusted Loans will be repaid in full prior to Completion, the REIT Manager expects that other than the Chongqing Property, the assets and liabilities of the Target Group at Completion would mainly consist of cash, advanced rental payments and tenants’ deposits, which are the usual assets and liabilities of a property holding and leasing company, which the REIT Manager considers not material for disclosure.

*(ii) Final Distribution and Final Net Distribution*

Since the Vendors and the Purchaser have agreed that all earnings of the Chongqing Company up to the date of Completion shall belong to the Vendors, the Distribution will be deducted from the current assets of the Chongqing Company in the calculation of the Adjusted Asset Value. The “**Final Distribution**” is an amount representing the profit after tax of the Chongqing Company for the period from 1 January 2014 to the date of Completion which remains undistributed as at the date of Completion as shown in the income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion as audited by the Certifying Accountants and deducting therefrom an amount of statutory reserve (法定公積金) calculated at a rate at which the Chongqing Company is required to allocate out of such profit after tax to the statutory reserve pursuant to the relevant PRC laws and regulations. The “**Final Net Distribution**” refers to the Final Distribution, after deducting therefrom the amount of withholding tax payable on the Final Distribution upon the distribution of the Final

Distribution by the Chongqing Company according to the relevant PRC laws and regulations and any applicable tax treaties, which will be paid to the Vendors as part of the Consideration. The introduction of the “Final Net Distribution” is to ensure that the withholding tax arising from the distribution of the Final Distribution will be borne by the Vendors.

The Attributable Value of RMB3,910 million, which is a value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014. The Attributable Value has been determined on the basis of commercial and arm’s length negotiations between the parties, taking into account the information and particulars relating to the Chongqing Property, the Appraised Value and the terms of the Sale and Purchase Agreement. The Deed of Income Guarantee has not been taken into account in the course of the Independent Property Valuer’s valuation of the Chongqing Property, which the REIT Manager considers is more prudent.

The Vendors will arrange for the Target Company to provide to the Purchaser prior to Completion a pro forma consolidated balance sheet of the Target Group as at the date of Completion (the “**Pro Forma Completion Balance Sheet**”) based on the management accounts of each of the Target Group Companies as at, and the income statement of the Chongqing Company (the “**Pro Forma CQ Completion Income Statement**”) for the period from 1 January 2014 to the last date of, the latest month end preceding the due date for such delivery (the “**Original Pro Forma Date**”) or if the due date for such delivery falls on or before the 20th day of a month, then the management accounts of each of the Company and the Chongqing Company as at, and the income statement of the Chongqing Company for the period from 1 January 2014 to, the month end day preceding the Original Pro Forma Date. The Pro Forma Completion Balance Sheet will state the Adjusted Asset Value as at the date of Completion (the “**Pro Forma Adjusted Asset Value**”), after taking into account a number of agreed adjustments and the items in the Pro Forma CQ Completion Income Statement shall be extracted from the corresponding items in the management accounts of the Target Group Companies and the income statement the Chongqing Company as mentioned above.

Pursuant to the Sale and Purchase Agreement, the Pro Forma Completion Balance Sheet and the audited Completion Balance Sheet (collectively, the “**Completion Accounts**”), based on which the Pro Forma Adjusted Asset Value and the Adjusted Asset Value will be derived from, will follow the accounting policies of the Target Company for the year ended 31 December 2013. The REIT Manager understands that it is the Chongqing Company’s accounting policy that the withholding tax arising from undistributed earnings would only be booked at the time the distribution is made instead of making a withholding tax provision for possible future distribution of earnings. As such, the Completion Accounts will not include any withholding tax provision relating to undistributed earnings of the Chongqing Company and the withholding tax will not be double counted.



At Completion, the Purchaser shall pay each of the Vendors an amount equal to 50% of the HK\$ Equivalent (calculated as at 15 Business Days before the date of Completion) of the Pro Forma Adjusted Asset Value less the Total Loan Consideration as an initial amount of the Share Consideration (such amount referred to as the “**Initial Share Consideration**”).

Within 150 days after Completion, the Vendors will prepare the income statement of the Chongqing Company for the period from 1 January 2014 to the date of Completion and the Completion Balance Sheet, both of which will be audited by the Certifying Accountants and the Certifying Accountants will provide a certified statement (the “**Certified Statement**”) of the amount equal to the HK\$ Equivalent on the date of Completion of the Adjusted Asset Value as at the date of Completion less the Total Loan Consideration (the “**Certified Sum**”) and a certified statement of the Final Distribution and the Final Net Distribution, on the basis of which:

- (a) if the Certified Sum is higher than the Initial Share Consideration, the Purchaser will pay to each of the Vendors an amount equal to 50% of such excess amount; and
- (b) if the Certified Sum is lower than the Initial Share Consideration, each of the Vendors will refund to the Purchaser an amount equal to 50% of such shortfall amount,

provided that:

- (1) if the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate exceeds or equals to RMB4,100 million (the “**Overall RMB Cap**”), then the Purchaser shall only be required to pay to each of the Vendors an amount in HK\$ equal to 50% of the excess of the HK\$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate of the Initial Share Consideration and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly, and the Final Net Distribution shall not be payable by the Purchaser to the Vendors; and
- (2) if the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate is less than the Overall RMB Cap, then the maximum amount payable by the Purchaser to each of the Vendors pursuant to paragraph (a) above shall be limited to an amount in HK\$ equal to 50% of the excess of the HK\$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate of the Initial Share Consideration and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly.

On or before 30 September 2015, the Purchaser shall pay to each of the Vendors an amount equal to 50% of the HK\$ Equivalent as at the date of Completion of the Final Net Distribution in cash, but in the event that the RMB Equivalent as at the date of Completion of the Certified Sum and the Total Loan Consideration in aggregate is less than the Overall RMB Cap but the RMB Equivalent as at the date of Completion of (i) the Certified Sum, (ii) the Total Loan Consideration and (iii) the Final Net Distribution

as certified by the Certifying Accounting in aggregate exceeds or equals to the Overall RMB Cap, then the amount which the Purchaser shall pay to each of the Vendors shall be an amount in HK\$ equal to 50% of the excess of the HK\$ Equivalent as at the date of Completion of the Overall RMB Cap over the aggregate amount of the Certified Sum and the Total Loan Consideration, and the amount of the Consideration shall be limited accordingly.

The REIT Manager will announce the respective amounts of the Initial Share Consideration, the Certified Sum and the Final Net Distribution after the relevant amount has been finalised.

## **5. Completion**

Where the date on which all of the Conditions Precedent have been fulfilled or (where applicable) waived is before 29 December 2014, the Acquisition is to be completed on (a) 29 December 2014, or (b) such other date (not being later than the Long Stop Date) as may be agreed between the Vendors and the Purchaser. Where the date on which all of the Conditions Precedent have been fulfilled or (where applicable) waived is on or after 29 December 2014, the Acquisition is to be completed on (a) the 10th Business Day after the fulfilment (or, where applicable, waiver) of all the Conditions Precedent, or (b) such other date (not being later than the Long Stop Date) as may be agreed between the Vendors and the Purchaser.

The REIT Manager currently expects that Completion will take place in or around late December 2014 or early 2015, of which Unitholders will be informed by way of an announcement.

## **6. Conditions Precedent and Termination Rights**

Completion is conditional upon the fulfilment (or waiver) of a number of Conditions Precedent, which are summarised below:

- (a) the approval by the Independent Unitholders by way of a poll, in accordance with the REIT Code and the Trust Deed, of the Sale and Purchase Agreement and the other Transaction Documents, and the transactions contemplated thereunder;
- (b) obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders at a general meeting of Hui Xian REIT in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed “*Continuing Connected Party Transactions*” and “*Implications Under the REIT Code and the Trust Deed — 1. Connected Party Transactions*” of this announcement, other than the waivers described in the section headed “*Continuing Connected Party Transactions — 2. New waiver in respect of connected party transactions with the HK Bank Connected Persons Group*” of this announcement;
- (c) all of the Entrusted Loans having been repaid and settled in full;

- (d) all of the Existing Bank Loans having been repaid and settled in full, all underlying security relating thereto having been fully discharged and released, and all relevant registration procedures relating to the discharge and release of all such underlying security having been completed;
- (e) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary (if any) for or in respect of the Acquisition and the Transaction Documents (and the transactions thereunder) having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the REIT Manager, and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect; and
- (f) new banking facilities of an amount not less than HK\$4,000 million or RMB3,128 million being in place and available for drawdown by the Purchaser or the Hui Xian REIT Group.

Under the Sale and Purchase Agreement, the Conditions Precedent in items (a) and (b) above cannot be waived. Except those, the Purchaser may (to the extent permitted by the REIT Code, the Listing Rules and other applicable laws, rules and regulations) in its absolute discretion at any time before Completion waive in whole or in part any or all of the Conditions Precedent (except the Conditions Precedent in items (a) and (b) above) by notice in writing to the Vendors.

If any of the Conditions Precedent is not fulfilled or waived by the Purchaser on or before the Long Stop Date, the Sale and Purchase Agreement will lapse and be of no further effect.

If, at any time on or before Completion, certain specified government acquisition or resumption event occurs in respect of the whole or any material part of the land use rights or building ownership rights of or relating to the Chongqing Property, the Purchaser may in its absolute discretion (i) terminate the Sale and Purchase Agreement or (ii) elect to effect Completion (such Completion will be subject to compliance with the REIT Code and obtaining the SFC's approval and/or waiver (if required)) subject to an adjustment to the Adjusted Assets Value payable which shall take into account the diminution in value of the Chongqing Property caused by the aforementioned acquisition or resumption event concerned, and all the compensation, allowance or other fees recovered or recoverable from the relevant government authority in respect of the aforementioned acquisition or resumption event concerned.

If prior to Completion any of the warranties was, when given, or will be or would be, at Completion, not complied with or otherwise untrue or misleading in any material respect, and which will have a material adverse effect on the financial condition, earnings, business, undertaking or assets of the Target Group and/or on the Chongqing Property (in each case, taken as whole), the Purchaser may terminate the Sale and Purchase Agreement. Accordingly, in the event that the Chongqing Company does not have good title to the Chongqing Property, the Purchaser will be able to terminate the Sale and Purchase Agreement notwithstanding that good title to the Chongqing Property is not a condition precedent to the Acquisition.

## 7. *Representations, Warranties and Indemnities*

The Sale and Purchase Agreement contains certain customary representations and warranties given by each of the Vendors severally in respect of their respective Sale Shares and Sale Loans and in respect of the Target Group and the Chongqing Property. Such representations and warranties include, among others, that: (i) the relevant Sale Shares and the Sale Loans are, and will at Completion be, legally and beneficially owned by the respective Vendors free from all encumbrances; (ii) the Chongqing Company will at Completion be the sole registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property free from all encumbrances save for the tenancies; (iii) the Chongqing Company has a good title to the whole of the Chongqing Property; and (iv) the Chongqing Property is in good and substantial repair and condition in all material respects and is fit for purpose for which it is presently used.

### *(i) Limitation of time*

No claim (“**Relevant Claim**”) relating to a breach of any of the representations and warranties given by the Vendors (“**Warranties**”) shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement under or in respect of any of the warranties unless written notice of the Relevant Claim has been given to that other party on or before the end of the Limitation Period after the date of Completion with “**Limitation Period**” being 21 months, save and except that:

- (a) if the Relevant Claim is made in connection with the Warranties relating to tax or any of them, the Limitation Period shall be 7 years; and
- (b) no claim shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement under or in respect of the Circular 698 Obligations unless written notice of the claim has been given to that other Party on or before the expiry of 7 years after the date of Completion.

The limitation of time mentioned above will not apply to any claim relating to (i) the Hotel Transfer, (ii) the Employment Liabilities and (iii) the Relevant Matters (as defined in the section headed “*B. Information in relation to the Chongqing Property and the Target Group — 1. Information on the Chongqing Property — (d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas*” below).

### *(ii) Limitation of amounts*

The aggregate liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (other than claims relating to the Hotel Transfer and any Area Issue (as defined in the section headed “*D. Arm’s Length Terms and Due Diligence Review*” below), in relation to which, there will be no limitation on the maximum liability of the Vendors and the Guarantors) is subject to a maximum amount equal to the amount of the Consideration or the Overall RMB Cap, whichever is the lower amount.

The above limitation period and limits of claims are considered by the REIT Manager as acceptable, on normal commercial terms following arm's length negotiations between the relevant parties, fair and reasonable, and are in the interests of Hui Xian REIT, the Independent Unitholders, as well as Unitholders as a whole.

Under the Sale and Purchase Agreement, no claim shall be brought by the Purchaser against any other party to the Sale and Purchase Agreement relating to a breach of the Warranties unless (a) each single claim exceeds RMB200,000 or its equivalent in other currency or currencies and (b) the claims in aggregate exceeds RMB1,000,000 or its equivalent in other currency or currencies, in which case that party shall be liable for the whole amount of the claim or claims and not only for the excess over RMB1,000,000, however such limitation will not apply to any claims in respect of or otherwise relating to the Employment Liabilities, the warranties given by the Vendors under the Sale and Purchase Agreement in relation to employment matters, the Hotel Transfer or the Circular 698 Obligations.

The Vendors shall, severally in equal proportion, indemnify and hold harmless the Purchaser (on behalf of itself and on trust for all members of the Hui Xian REIT Group) and the Target Group Companies against all claims, liabilities, losses, expenses and costs incurred in connection with (a) the Hotel Transfer; and/or (b) Highsmith Limited having owned and/or operated directly or indirectly the Chongqing Hotel.

## 8. *Guarantee*

Under the Sale and Purchase Agreement, HWL Guarantor has guaranteed the proper and punctual performance by Joinpower of all its obligations under or pursuant to the Sale and Purchase Agreement and CKH Guarantor has guaranteed the proper and punctual performance by Cheerjoy of all its obligations under or pursuant to the Sale and Purchase Agreement.

## 9. *Deed of Income Guarantee*

For the reasons set out in the section headed "*C. Reasons for and Benefits of the Acquisition — 1. Iconic landmark property to be acquired at favourable terms — (d) Attractive income level, with further certainty from Deed of Income Guarantee*" below, the Vendors agreed to deliver to the Purchaser the Deed of Income Guarantee at Completion, under which each of the Vendors shall guarantee to the Purchaser that Chongqing Company's Total Income shall not be less than RMB299.28 million per annum ("**Guaranteed Income Level**") in each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015) (the "**Relevant Period**", and each year referred to as a "**Guaranteed Year**").

The Guaranteed Income Level has been determined on the basis of commercial and arm's length negotiations between the parties, after taking into account the historical performance of the Chongqing Property and various factors.

If the aggregate amount of the Total Income of Chongqing Company in respect of any Guaranteed Year is less than the Guaranteed Income Level (such shortfall referred to as the “**Income Shortfall**”), each of the Vendors will pay to the Purchaser 50% of the HK\$ Equivalent as at 31 December of that financial year of the Income Shortfall. If the Total Income exceeds the Guaranteed Income Level, the Purchaser will be entitled to the benefit of the surplus absolutely. Such payment obligation of the Vendors under the Deed of Income Guarantee shall not arise until the Purchaser has fulfilled its obligation, if any, under the Sale and Purchase Agreement to pay the Final Net Distribution to the Vendors.

The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to a maximum amount of RMB100 million (the “**Income Guarantee Cap**”).

The Income Shortfall will initially be determined on the basis of the unaudited management accounts of the Chongqing Company for the relevant Guaranteed Year, and if the Total Income as shown in such accounts for any Guaranteed Year (the “**Unaudited Income**”) is less than the Guaranteed Income Level, each Vendor shall within 30 days after the computation is delivered to the Vendors pay to the Purchaser 50% of the difference between the Unaudited Income and the Guaranteed Income Level. The Income Shortfall will then be finally determined on the basis of the audited accounts of the Chongqing Company. If the Total Income as shown in the audited accounts of the Chongqing Company for any Guaranteed Year (“**Audited Income**”) is different from the Unaudited Income, appropriate adjustment payments will be made between the Vendors and the Purchaser based on the difference between the Unaudited Income and the Audited Income, such payments to be made within 30 days after the computation and certification by the auditors.

The obligations of Joinpower and Cheerjoy under the Deed of Income Guarantee will be guaranteed by HWL Guarantor and CKH Guarantor respectively.

For the avoidance of doubt, if the Total Income for any Guaranteed Year exceeds the Guaranteed Income Level for that Guaranteed Year: (a) Hui Xian REIT shall have no obligation to pay the excess to the Vendors; and (b) no credit shall be allowed, and no adjustment shall be made, in respect of such excess when calculating the Income Shortfall for any other Guaranteed Year.

After taking into account the historical income generated by the Chongqing Property in the year ended 31 December 2013 and the 6 months ended 30 June 2014, as well as the prevailing market trend including information provided by the Independent Property Valuer and the Market Consultant, the REIT Manager is of the view that it is unlikely that the Income Guarantee Cap will be used up during the Relevant Period. **Unitholders and other investors should note that, the Income Guarantee Cap (that is, RMB100 million) will effectively be an upper limit on the total payment obligations of the Vendors under the Deed of Income Guarantee in respect of the Income Shortfalls, and that once the total amount of the payments made to meet Income Shortfalls reached the Income Guarantee Cap, the Vendors (and the Guarantors) will have no further liability or payment obligations under the Deed of Income Guarantee in respect of Income Shortfalls during the Relevant Period or the remaining part of it.**

In the event that, during the Relevant Period, either (a) the entirety of the Chongqing Property has ceased to be owned by the Hui Xian REIT Group or (b) the Chongqing Company ceases to be owned or controlled by the Hui Xian REIT Group (“**Ownership Cessation**”), the Relevant Period will expire on the date of the Ownership Cessation and the Income Shortfall in respect of the Relevant Period (as shortened) will remain payable by the Vendors provided that for the purpose of calculating whether there is any Income Shortfall for the last Guaranteed Year (as shortened): (i) the Guaranteed Income Level shall be calculated on a pro rata basis with such shortened period, and (ii) the Total Income to be used for such calculation shall be the Total Income in respect of such shortened period and no payment for the Income Shortfall in respect of any period after the Ownership Cessation will be payable by the Vendors.

The amount payable by the Vendors to meet any Income Shortfall including the details thereof will be announced as soon as practicable after the relevant payment has been determined (including, without limitation, by way of results announcement, where appropriate) and will be disclosed in the next published annual report of Hui Xian REIT or (if the relevant payment could only be determined after the finalisation of such annual report) the next published interim report of Hui Xian REIT. Moreover, an opinion from the independent non-executive Directors as to whether the Vendors have fulfilled their payment obligations to meet the Income Shortfall will be included in the next published annual report of Hui Xian REIT or (if the due date for the payment to meet the relevant Income Shortfall falls after the finalisation of such annual report) the next published interim report of Hui Xian REIT.

## ***10. Deed of Tax Covenant***

Under the Sale and Purchase Agreement, the Vendors are required to deliver to the Purchaser the Deed of Tax Covenant at Completion, under which each of the HWL Indemnifiers on the one part and the Cheung Kong Indemnifiers on the other part will severally covenant to indemnify the Purchaser 50% of (among others):

- (i) any liability to taxation (including but not limited to profits tax, enterprise income tax, stamp duty, rates, penalties and others) falling on any Target Group Companies or in respect of the Chongqing Property resulting from or by reference to any transactions, events or matters that occurred or effected on or before the date of Deed of Tax Covenant or in respect of any gross receipts, income, profits or gains earned, accrued, received by any Target Group Company on or before the date of the Deed of Tax Covenant;
- (ii) any and all liability of any Target Group Companies for or in respect of taxation resulting from or in connection with (a) the transfer of any Sale Shares or assignment of any benefit of and interest in the Sale Loans or any part thereof or (b) the Hotel Transfer (including but not limited to any tax liabilities and any amounts which may be charged or imposed by any PRC tax authorities on any Target Group Companies

pursuant to or in connection with Circular 698 (AA) as it was in force at the date of Completion or (BB) as it is deemed to have been in force at the date of Completion by virtue of an amendment to or re-enactment of Circular 698 issued within 7 years of the date of Completion but, for item (a), excluding any liability for stamp duty); and

- (iii) any losses and any reasonable costs (including legal and professional costs) and expenses incurred by the Target Group Companies or the Purchaser in connection with any tax liability giving rise to a claim under the Deed of Tax Covenant.

No claim shall be brought by the Purchaser under the Deed of Tax Covenant unless written notice of the claim has been given to the Vendors on or before the expiry of 7 years after the date of the Deed of Tax Covenant (i.e. the date of Completion) provided that the aforesaid limitation shall not apply to any claim in respect of or otherwise relating to the Hotel Transfer.

The aggregate maximum liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (other than the liabilities of any Target Group Companies in respect of taxation resulting from or in connection with the Hotel Transfer as undertaken by the Vendors under the Deed of Tax Covenant and the liabilities undertaken by the Vendors pursuant to the Sale and Purchase Agreement in relation to Area Issues, in relation to which, there shall not be any limitation on the maximum liability of the Vendors) shall not exceed the amount of the Consideration or RMB4,100,000,000, whichever is the lower amount.

No claim under the Deed of Tax Covenant shall be brought by the Purchaser unless (a) each of such claim exceeds RMB200,000 or its equivalent in other currency or currencies; and (b) the claims in aggregate exceed RMB1,000,000 or its equivalent in other currency or currencies, in which case, the Vendor(s) shall be liable for the whole amount of claim and not only for the excess over RMB1,000,000. Such limitation in claim will not apply to a claim relating to the Hotel Transfer or the Circular 698 Obligations.

## ***11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement***

### ***(a) Chongqing Property Manager Agreement***

It is intended that the Chongqing Property Manager Agreement will take effect on the date of Completion, pursuant to which the Chongqing Property Manager will be appointed as the property manager in respect of the Chongqing Property and will provide business advisory and management services, marketing and lease management services and property management co-ordination services. The Chongqing Property Manager will be fully reimbursed by the Chongqing Company for (i) the employment costs and remuneration of the personnel provided or procured by the Chongqing Property Manager engaged solely and exclusively for the provision of its services relating to the Chongqing Property; and (ii) management expenses incurred by the Chongqing Property Manager on the Chongqing Property, including but not limited to the costs and expenses incurred under contracts entered into with third party service providers by the Chongqing Property Manager (as agent for the Chongqing Company) at the request of the Chongqing Company for the provision of cleaning, maintenance, security, car park management and other services for the Chongqing Property.



The transactions contemplated under the Chongqing Property Manager Agreement will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code after Completion. Please refer to the section headed “*Continuing Connected Party Transactions — 1. Annual Caps Revisions — (ii) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group*” for further details in this regard.

*(b) New Chongqing Property Management Agreement*

With effect from Completion, the Existing Chongqing Property Management Agreement will be terminated and the New Chongqing Property Management Agreement will take effect, pursuant to which the New Chongqing Property Management Company will be engaged to provide cleaning, security, patrolling, maintenance and other building management services with respect to the Chongqing Property. The New Chongqing Property Management Company will be entitled to receive from the Chongqing Company a service fee of RMB27,500 per month. In addition to its fees, the New Chongqing Property Management Company will be fully reimbursed by the Chongqing Company for direct costs and expenses (including tax) incurred solely and exclusively for the purpose of performance of its obligations under the New Chongqing Property Management Agreement to the extent set out in the annual budget which will be provided to, and agreed by, the Chongqing Company.

The transactions contemplated under the New Chongqing Property Management Agreement will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code after Completion. Please refer the section headed “*Continuing Connected Party Transactions — 1. Annual Caps Revisions — (i) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group*” for further details in this regard.

**12. Transitional Administrative Service Agreement**

As mentioned in the section headed “*The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 2. Information on the Target Group*”, under the Sale and Purchase Agreement, the Vendors shall procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion.

It is intended that, the Transitional Administrative Service Agreement will take effect on the date of Completion, pursuant to which the Administrative Service Provider will:

- (i) provide advisory services in relation to human resources, administration, property management and financial, legal and other matters to the Chongqing Company for

a period of 6 months commencing from the date of the Transitional Administrative Service Agreement. The Administrative Service Provider will be entitled to receive a service fee of RMB170,000 per month during such period; and

- (ii) allow the Chongqing Company to use certain computer programmes for operations and provide relevant support services for a period of 12 months commencing from the date of the Transitional Administrative Service Agreement at a fee of RMB276,000.

### ***13. Trademark Licence Agreements***

Under the Sale and Purchase Agreement, the Vendors are required to deliver to the Purchaser at Completion the Trademark Licence Agreements under which HWEL will license to the Chongqing Company at no cost the use of the Trade Marks for the Chongqing Property until the expiry of the term of registration of the Trade Marks on 13 July 2015, 13 November 2020, 27 October 2020 and 6 September 2021 respectively. HWEL will undertake under the Trademark Licence Agreements to use its best efforts to extend the registration of the relevant Trade Marks upon expiration and will thereafter enter into new trademark license agreements with the Chongqing Company on terms same as the Trademark Licence Agreements.

The Trademark Licence Agreements will automatically terminate in the following circumstances:

- (a) the Chongqing Company no longer owns the Shopping Mall and Office Building;
- (b) the Chongqing Company defaults under the Trademark Licence Agreements and infringes the Trade Marks, and fails to rectify the same within 30 days after being requested to do so in writing by HWEL;
- (c) the Chongqing Company becomes insolvent or is wind-up or is under dissolution, merger or restructuring or there is material change to its credit position; or
- (d) the registration of the Trade Marks being ineffective or withdrawn otherwise than due to the reason, negligence or fault of the Chongqing Company.

## **B. Information in relation to the Chongqing Property and the Target Group**

### ***1. Information on the Chongqing Property***

#### *(a) Description of the Chongqing Property*

The Target Company is a Hong Kong incorporated company which owns the entire interest in the Chongqing Company, a wholly foreign-owned limited liability company ( 有限責任公司 ( 台港澳法人獨資 )) established in the PRC, which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property. The Chongqing Property is an integrated commercial property development comprising (i) the Shopping Mall, a 12-storey shopping mall (inclusive of 353 car park spaces) currently called “Metropolitan Plaza 大都會廣場” and (ii) the Office Building, a 37-storey Grade A office building currently called “Metropolitan Tower 大都會商廈”. The Chongqing Property has a total GFA of approximately 164,360 sq. m.

A simplified holding structure of the Chongqing Property as at the Latest Practicable Date and a simplified expected holding structure of the Chongqing Property immediately after Completion are represented in the section headed “*The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 3. Current and Expected Holding Structures*” of this announcement.

Knight Frank Petty Limited, the current principal valuer of Hui Xian REIT, has been appointed as an independent property valuer to appraise the value of the Chongqing Property for the purpose of the Acquisition. The value of the Chongqing Property as appraised by the Independent Property Valuer as at 31 August 2014 was RMB4,104 million.

The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that Chongqing Company has legally obtained the state-owned land use rights in respect of the Chongqing Property, it is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property, and it has legal ownership of the Shopping Mall and Office Building and can legally own, use and deal with such properties in accordance with the relevant PRC laws. The PRC legal adviser of the REIT Manager had also advised that the Chongqing Company is the sole owner of the land use rights and building ownership rights underlying the Chongqing Property and that such rights are free from encumbrances other than the existing mortgages and tenancies. The Chongqing Property is currently subject to mortgage for purpose of securing certain of the Existing Bank Loans, but it is a Condition Precedent that the Existing Bank Loans be repaid and settled in full and all underlying securities relating thereto be fully discharged and released. The PRC legal adviser of the REIT Manager had advised that upon the discharge and release of such mortgages, the Chongqing Company is free to sell or otherwise transfer the Chongqing Property. Based on the above advice of its PRC legal adviser, the REIT Manager is of the view that the Chongqing Company has good, marketable, legal and beneficial title to the Chongqing Property.

*(b) Location*

*(i) About Chongqing*

Located in southwest China at the confluence of Yangtze River and Jialing River, Chongqing shares its borders with the provinces of Hubei, Hunan, Guizhou, Sichuan and Shaanxi. Chongqing covers an area of almost 83,000 square kilometres, and has a growing population of over 33 million. It is the most populous and largest city by area in China. It also has a long history of cultural and political significance spanning more than 3,000 years.

As one of the four direct-controlled municipalities (and the only one within inland China) that reports directly to the Central Government of the PRC, and a critical transportation and industrial hub within interior China, Chongqing is well positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country, which endeavour to elevate the economic status of interior China to levels comparable to the eastern, coastal regions.

Acclaimed as "China's Chicago", it is the only mega city in inland parts of China with access to all four modes of transport: rail, river, road and air. Its strategic location and well developed infrastructure system renders the city an economic, financial, manufacturing and logistics hub that connects China's inland to the east coast and the rest of the world.

Chongqing is one of China's fastest growing local economies. In 1H2014, Chongqing's GDP reached RMB644 billion, up 10.9% year-on-year, the highest growth rate amongst all key cities in China. Similarly, urban disposable income and retail sales grew at 9.6% and 13.1% year-on-year respectively in 1H2014. In 2013, foreign direct investment in Chongqing was US\$4.14 billion, representing a 34.3% year-on-year growth. Chongqing's economic growth is also boosted by rapid urbanisation. Currently there are seven million inhabitants living in the core city area of Chongqing, and it is expected to reach twelve million in 2020.

Strong job creation, productivity gains and rapid urbanisation have boosted wages and increased retail consumption. Chongqing's retail sales in 2013 was RMB451 billion (more than seven-fold increase since 2000), and ranked 4th nationally, only behind Shanghai, Beijing and Guangzhou.

*(ii) Surrounding Environment*

The Chongqing Property is located at the Jiefangbei, Yuzhong District, Chongqing, which is a well-established central business district ("CBD"). The Jiefangbei CBD was officially designated by the Chongqing Municipal Government as the commercial and trade centre of Chongqing in 2003. Jiefangbei CBD features a pedestrian street around the Jiefangbei Monument, currently called Jiefangbei Pedestrian Street. Established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street project in China. The Jiefangbei Pedestrian Street boasts robust foot traffic with 300,000 visitations per day during weekdays and

over 1 million visitations per day during holidays. It features a number of shopping malls and is a popular shopping area as well as a tourist destination. The Jiefangbei CBD is also considered to be the most important business centre in Chongqing. As of the second quarter of 2014, approximately 62% of quality offices in Chongqing in terms of GFA are located in the Jiefangbei CBD.

In terms of transportation options, the Chongqing Property is located within close proximity to three existing Chongqing Rail Transit (“CRT”) stations — the Linjiangmen Station (臨江門站), the Jiaochangkou Station (較場口站), and the Xiaoshizi Station (小什字站) connecting to Line 1 and Line 2 of CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in close proximity to the Chongqing Property and near the Jiefangbei CBD respectively. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively.

(c) *Key Information*

The table below sets out certain key information on the Chongqing Property as at 31 August 2014, unless otherwise indicated.

Address	No.68 Zou Rong Road, Yuzhong District, Chongqing, the PRC
Commencement of operations	Shopping Mall : 1997 Office Building : 1998
Terms of land use rights	From 30 August 1994 to 30 August 2044
GFA (approximate)	Shopping Mall : 109,743 sq. m. (area inclusive of 353 car park spaces) Office Building : 54,617 sq. m. <b>Total</b> : 164,360 sq. m.
Lettable Area (excluding car park spaces)	Shopping Mall : 58,705 sq. m. Office Building : 50,505 sq. m. <b>Total</b> : 109,210 sq. m.
GFA (approximate) of each typical floor of the Office Building ( <i>Note 1</i> )	From 1,679 sq. m. to 1,984 sq. m.
Number of tenants	Shopping Mall : 114 (excluding tenants of car park spaces) Office Building : 151
Average monthly rent per leased sq. m. for Shopping Mall (excluding car park spaces)	approximately RMB295
Average monthly rent plus monthly commercial service fee per leased sq. m. for Office Building	approximately RMB120

Average monthly income per car park space for the 12 months ended 31 August 2014	approximately RMB710																										
Occupancy rate ( <i>Note 2</i> )	Shopping Mall : approximately 92.5% (excluding car park spaces) Office Building : approximately 97.3%																										
Revenue and rental-related income for the six months ended 30 June 2014 ( <i>Note 3</i> )	approximately RMB141 million																										
NPI for the six months ended 30 June 2014	approximately RMB89 million																										
Summarised expiry profile of existing tenancies	<table> <thead> <tr> <th><i>Year</i></th> <th><i>% of leased area (approximate) in respect of which existing tenancies are to expire</i></th> </tr> </thead> <tbody> <tr> <td>1. Shopping Mall (excluding car park spaces)</td> <td></td> </tr> <tr> <td>2014</td> <td>3.6%</td> </tr> <tr> <td>2015</td> <td>7.0%</td> </tr> <tr> <td>2016</td> <td>19.5%</td> </tr> <tr> <td>2017 and beyond</td> <td>69.9%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> <tr> <td>2. Office Building</td> <td></td> </tr> <tr> <td>2014</td> <td>9.8%</td> </tr> <tr> <td>2015</td> <td>35.0%</td> </tr> <tr> <td>2016</td> <td>34.4%</td> </tr> <tr> <td>2017 and beyond</td> <td>20.8%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	<i>Year</i>	<i>% of leased area (approximate) in respect of which existing tenancies are to expire</i>	1. Shopping Mall (excluding car park spaces)		2014	3.6%	2015	7.0%	2016	19.5%	2017 and beyond	69.9%	Total	100%	2. Office Building		2014	9.8%	2015	35.0%	2016	34.4%	2017 and beyond	20.8%	Total	100%
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Total	100%																										
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- Note:*
1. Typical floors of the Office Building are the 9th to 13th floors, 15th to 23rd floors, 25th to 33rd floors, and 35th to 36th floors
  2. The occupancy rate is calculated based on the occupied Lettable Area over the total Lettable Area. As at 31 August 2014, approximately 2.7% and 4.0% of the total Lettable Area of the Shopping Mall and the Office Building respectively were occupied by companies associated with the Vendors without formal tenancy documentation, and has been included as occupied Lettable Area above but no account has been taken of such area in calculating the number of tenants, gross revenue and the summarised expiry profile information stated above. It is proposed that, upon Completion, part of such area in the Office Building (which represents approximately 3.5% of the total Lettable Area of the Office Building) will continue to be used by companies associated with the Vendors with formal tenancy/lease agreements to be entered into at or prior to Completion, and the remaining Lettable Area in the Shopping Mall and the Office Building occupied by companies associated with the Vendors without formal tenancy documentation will be vacated and handed over to the Chongqing Company at Completion.
  3. The percentage of revenue and rental-related income from connected persons of Hui Xian REIT for the six months ended 30 June 2014 was approximately 1.8%.

*(d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas*

Previously, the same State-owned land use right grant contract (the “**Original Grant Contract**”) covered both the plot of land on which the Chongqing Property was built and the plot of land on which the Chongqing Hotel was built, but subsequently, such contract was split into two, with one State-owned land use rights grant contract covering the plot of land on which the Chongqing Property was built (the “**Chongqing Property Grant Contract**”) and another covering the plot of land on which the Chongqing Hotel (which does not form part of the subject of the Proposed Acquisition) was built. In the course of negotiations with the Vendors and the REIT Manager’s due diligence review on the Chongqing Property, the REIT Manager noted that (1) the area as stated in the building ownership certificates (房屋所有權證) covering the Chongqing Property (the “**Chongqing Property Building Certificates**”) appears to exceed the total construction area stated in the Chongqing Property Grant Contract by approximately 3,000 sq. m., but when such area stated in the Chongqing Property Building Certificates is aggregated with the area stated in the building ownership certificate covering the Chongqing Hotel, it appears that the total area is less than the total construction area stated in the Original Grant Contract and (2) the aggregate area as stated in the building ownership certificates covering various buildings including (among others) the Chongqing Property and the Chongqing Hotel appears to exceed the construction area set out in the building permit (建設工程規劃許可證) covering such buildings by approximately 5,951 sq. m.. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that, notwithstanding the above issues relating to areas, Chongqing Company has legally obtained the State-owned land use rights in respect of the Chongqing Property, it is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property, and it has legal ownership of the Shopping Mall and Office Building and can legally own, use and deal with such properties in accordance with the relevant PRC laws.

Under the Sale and Purchase Agreement, each of the Vendors has undertaken and agreed with the Purchaser to (1) rectify any Area Issue and any other matters in relation to the Chongqing Property found to be non-compliant and notified by the Purchaser to the Vendors in writing before Completion (the “**Other Issues**”, and together with the Area Issues, the “**Relevant Matters**”) in order to comply with the requirements under all the legal, regulatory, administrative, contractual and building rules, codes and guidelines applicable from time to time; and (2) bear 50% of any premium, penalty, fees and other payments payable or paid by the Chongqing Company, the Target Company and/or the Purchaser, and all reasonable costs and expenses of rectifying the Relevant Matters incurred by any of them. Under the Sale and Purchase Agreement, each of the Vendors has also agreed to indemnify each of the Purchaser, the Chongqing Company and the Target Company against 50% of all actions, proceedings, claims, demands, losses, liabilities, damages, costs and expenses which may result or which any of them may incur in connection with any of the Relevant Matters. The REIT Manager expects that the issues relating to areas as mentioned above will also be covered under the above undertaking and indemnity by the Vendors, either as an Area Issue and/or as an Other Issue to be notified by the Purchaser to the Vendors before

Completion. Please also refer to the Vendors' undertakings and indemnities under the Sale and Purchase Agreement, as mentioned in the section headed "*D. Arm's Length Terms and Due Diligence Review*" below for further details.

## **2. Information on the Target Group**

The Target Company is a company incorporated in Hong Kong with limited liability and the Chongqing Company is a wholly foreign owned limited liability company ( 有限責任公司 ( 台港澳法人獨資 )) enterprise established in the PRC. The Target Company owns the entire interest in the Chongqing Company which in turn is the registered legal owner of the land use rights and building ownership rights underlying the Chongqing Property. Under the business licence ( 營業執照 ) currently in force, the term of operation of the Chongqing Company is from 18 November 1993 to 17 November 2043. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that there is no legal impediment for the renewal of the term of operation of the Chongqing Company as such renewal will primarily involve formality procedures. Jincheng Tongda & Neal has further advised that, there is no legal impediment on the remittance of dividends on retained earnings of the Chongqing Company out of the PRC to the Target Company, provided that such remittance is made in accordance with the procedures set out under the relevant PRC foreign investment and foreign exchange laws and regulations.

Based on the Vendors' representations, the Target Company and the Chongqing Property will not at Completion have any business operations other than the investment in the Chongqing Company and the investment, holding, leasing and management of the Chongqing Property (collectively referred to as the "**Target Business**"). The Target Company previously owned the Chongqing Hotel through certain subsidiaries but had disposed of all such interest prior to the date of the Sale and Purchase Agreement (the "**Hotel Transfer**").

Based on the Vendors' representations, the Target Company currently has no employees and the Chongqing Company has about 315 employees as at 30 September 2014 handling administrative and property management functions and services in connection with the Chongqing Company and the Chongqing Property. Under the Sale and Purchase Agreement, the Vendors shall procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion in accordance with PRC laws and regulations and all amounts payable by the Chongqing Company to the Employees shall have been fully paid on or before the date of Completion. It is recognised that the implementation of such employment termination arrangement may take time and may not be fully in place on the date of Completion, and the Chongqing Company may continue to directly employ certain Employees whose labour contracts or employment relationship with the Chongqing Company have not been effectively and properly terminated on or before the date of Completion ("**Remaining Employees**") and who may remain for a period after Completion until their employment with Chongqing Company has been effectively terminated (the "**Remaining Period**").



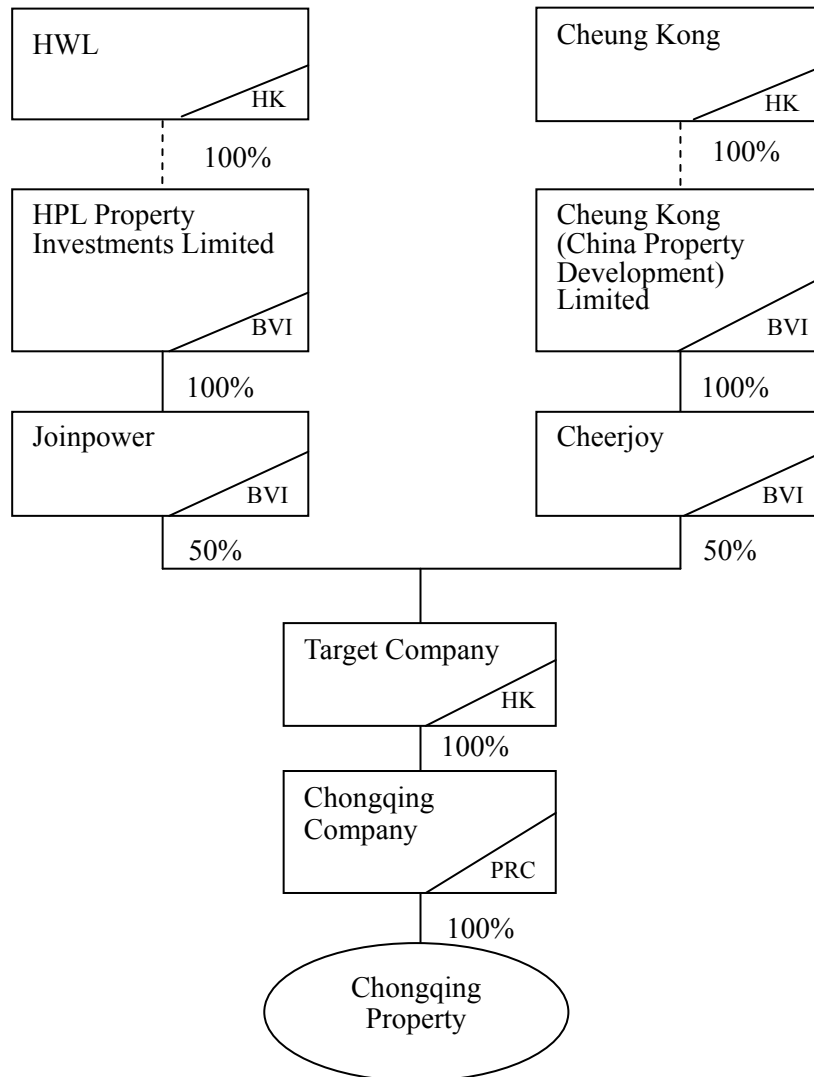
Under the Sale and Purchase Agreement, if at Completion, there shall remain any labour contracts or employment relationship between the Chongqing Company and any Employees which the Vendors fail to procure their proper and effective termination, or that any amounts payable by the Chongqing Company to any Employees shall not have been fully paid, the Vendors will procure that at Completion, the Chongqing Company shall, for the purpose of termination of the labour contracts or employment relationship with the Remaining Employees, make a provision in its accounts in an amount calculated based on the average monthly salary and the years of service of the Remaining Employees (the “**Employment Provision**”, such Employment Provision shall also be included in the Pro Forma Completion Balance Sheet and in the Completion Balance Sheet), for settlement of (i) all amounts which the Chongqing Company pays after Completion under or in connection with the labour contracts or the employer-employee relationship between the Remaining Employees and the Chongqing Company and the termination thereof, including but not limited to those with respect to their wages, entitlements, benefits, insurance, compensations, pensions, long service, severance, redundancy and annual leave payments; and (ii) all amounts which the Chongqing Company pays to the Remaining Employees after Completion for the purpose of securing the termination of their labour contracts or employer-employee relationships, in each case, whether under law, contract or otherwise (the “**Employment Liabilities**”). The HK\$ Equivalent as at the date of Completion of an amount equivalent to the difference between the actual Employment Liabilities and the Employment Provision, in respect of those Remaining Employees whose employment agreements or labour contracts are effectively terminated after Completion but before the date of delivery of the Certified Statement (as defined in the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration*” of this announcement), will be paid as an adjustment between the Vendors and the Purchaser.

Any Employment Liabilities in respect of the Remaining Employees whose employment agreements or labour contracts are effectively terminated after the date of delivery of the Certified Statement exceeding the Employment Provision in respect of that relevant Remaining Employee will be paid by the Vendors to the Purchaser within 10 Business Days after receipt of the Purchaser’s written notification.

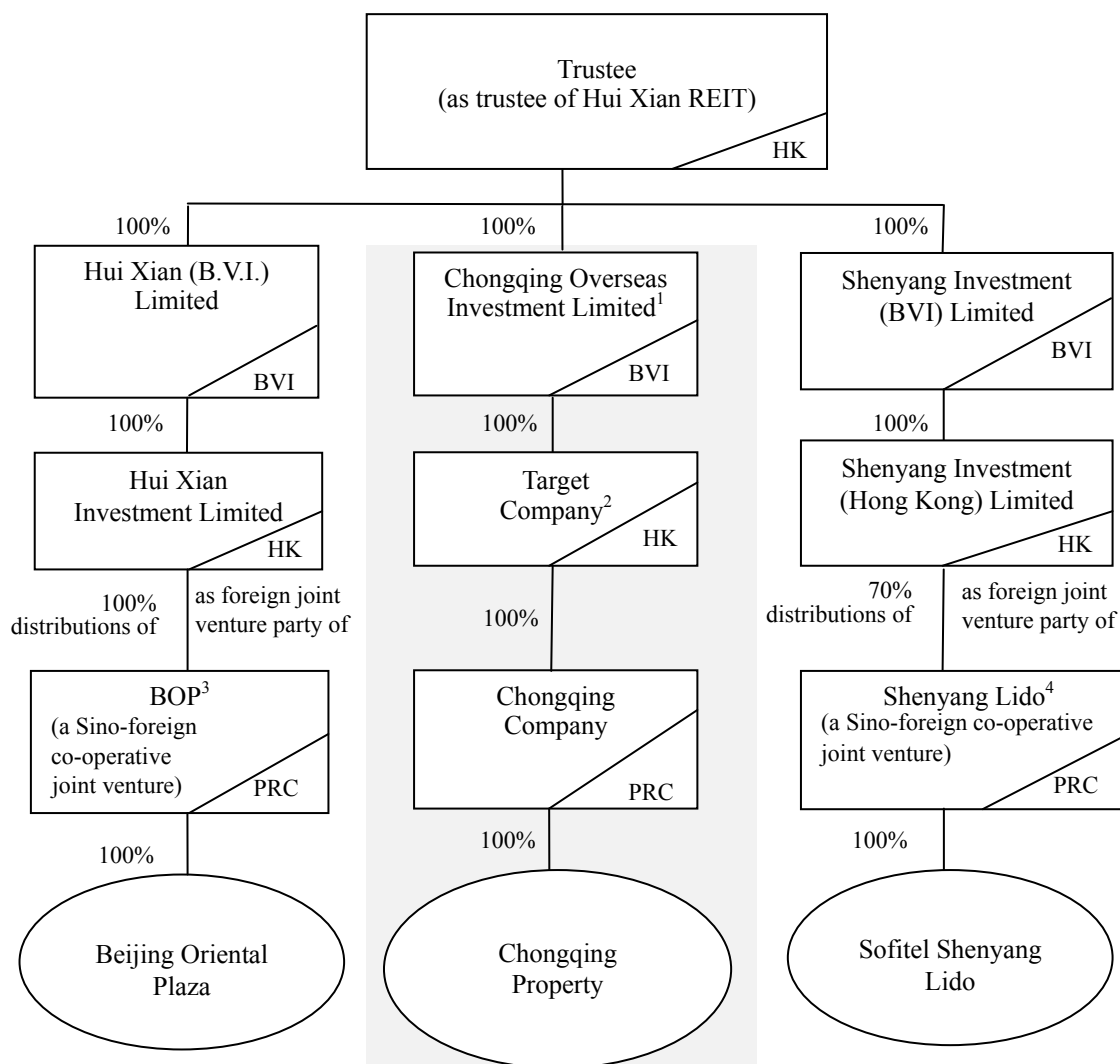
The REIT Manager has applied to the SFC for a waiver from strict compliance with 7.5(c) of the REIT Code in respect of the direct employment arrangements of the Chongqing Company after Completion. Please refer to the section headed “*Implications Under the REIT Code and the Trust Deed — 3. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion*” for more information of the waiver. The REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees.

### 3. Current and Expected Holding Structures

- (i) The holding structure of the Chongqing Property as at the Latest Practicable Date may be represented in a simplified manner as follows:



(ii) The expected holding structure of the Chongqing Property immediately after Completion may be represented in a simplified manner as follows:



*Notes:*

1. Pursuant to the Sale and Purchase Agreement, the Purchaser may procure a nominee to take up the Sale Shares and/or the Sale Loans and it is currently intended that Chongqing Overseas Investment Limited, a Special Purpose Vehicle, will be nominated to hold the Sale Shares and take up the Sale Loans.
2. The REIT Manager intends to change the name of the Target Company to “Chongqing Investment Limited 重慶投資有限公司” subject to approval of the same by the relevant regulatory authorities.
3. The PRC joint venture party of BOP is 北京東方鴻聯文化有限責任公司 (Beijing Dongfang Honglian Culture Co. Ltd.), a company incorporated in the PRC with limited liability.
4. The other foreign joint venture party of Shenyang Lido is Yick Ho Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Cheung Kong, which is entitled to 29% distributions of Shenyang Lido (subject to certain preferred distribution arrangement in favour of Shenyang Investment (Hong Kong) Limited). The PRC joint venture party of Shenyang Lido is 北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co. Ltd.), a company incorporated in the PRC with limited liability, which is entitled to 1% distribution of Shenyang Lido.

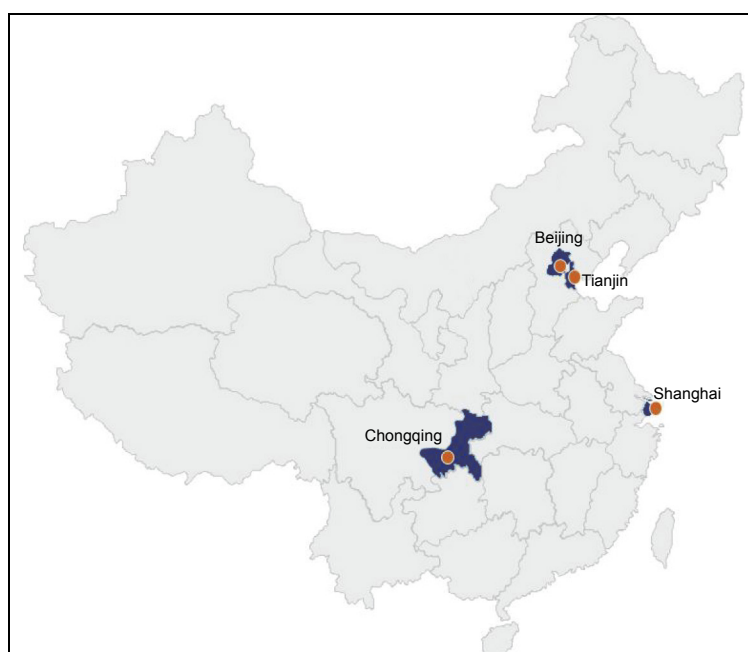
## C. Reasons for and Benefits of the Acquisition

The REIT Manager believes that the key benefits of the Acquisition to Hui Xian REIT are as follows:

### 1. *Iconic landmark property to be acquired at favourable terms*

- (a) *Unique property within the most established CBD of Chongqing, a direct-controlled municipality with strong policy support and compelling demographic fundamentals*

The Chongqing Property is located in Chongqing, one of the most significant and fastest growing cities in the PRC. As one of the four direct-controlled municipalities that report directly to the Central Government of the PRC (alongside with Beijing, Shanghai and Tianjin), and a critical transportation and industrial hub within interior China, Chongqing is well-positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country.



As the most populous and largest city by area in China, Chongqing is one of the country's fastest growing local economies. In 1H2014, Chongqing's GDP reached RMB644 billion, up 10.9% year-on-year, the highest growth rate amongst all key cities in China. Similarly, urban disposable income and retail sales grew at 9.6% and 13.1% year-on-year respectively in 1H2014. Foreign direct investment in the city in 1H2014 was US\$1.5 billion, compared to US\$0.4 billion in 2004.

The Chongqing Property is centrally-located at Jiefangbei, Yuzhong District, the city's most established CBD.

Further details about Chongqing and the location of the Chongqing Property may be found in the section headed "*The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 1. Information on the Chongqing Property — (b) Location*" of this announcement.

*(b) Attractive consideration at a 4.7% discount to appraised value*

The Attributable Value of RMB3,910 million, on the basis of which the Consideration for the Acquisition is determined, represents a discount of approximately 4.7% to the Appraised Value of the Chongqing Property of RMB4,104 million as at 31 August 2014.

*(c) Well-established asset with defensive competitive positioning*

The Shopping Mall is one of the most established and popular shopping malls in Chongqing, with wide recognition amongst local population, according to the Market Consultant. It has the largest GFA amongst all the shopping malls in the core Jiefangbei CBD. Due to the lack of large-scale land plots, most of the existing and upcoming retail properties in the Jiefangbei CBD are relatively small in size, with GFA ranging from 10,000 to 50,000 sq. m., compared to 88,919 sq. m. of the Shopping Mall (excluding car park spaces), with the GFA in one floor amounting to up to 15,141 sq. m.. This is a meaningful advantage and enables the Shopping Mall to create a one-stop shopping experience, in addition to providing flexibility to optimise the use of the retail space and amenity areas. The REIT Manager believes this will enable the Shopping Mall to continue to be the leading shopping mall in the area.

The Shopping Mall currently features a department store, a diverse range of international and domestic brands, a food court, a variety of restaurants and leisure amenities including a cinema and an ice-skating rink. With its competitive and comprehensive offering that caters to local population and visitor sensibilities, it is well-positioned to capture visitation and extend customer time spent within the Shopping Mall.

The Office Building is one of only two Grade A offices in the Jiefangbei CBD that has single asset title ownership (all other quality offices have strata title), according to the Market Consultant. The REIT Manager believes that single asset title ownership is a key competitive advantage as it allows for efficient and high-quality building management and maintenance. According to the Market Consultant, the Office Building is well-positioned to attract multinational corporate and financial institution tenants. In addition, the high number of consulate tenants further enhances the brand and prestige associated with the Office Building. Most importantly, these advantages allow the owner to be highly strategic by creating office tenant loyalty by accommodating the growth and increased space needs of long-standing tenants, and at the same time attracting prestigious new tenants who value landlord's brand name, building management quality and efficient floor plans.

The Chongqing Property is close to a number of international hotels, including Harbour Plaza Chongqing, Westin Chongqing Liberation Square and InterContinental Chongqing Hotel, and could benefit from the foot traffic and the purchasing power brought by these recognised hotels.

*(d) Attractive income level, with further certainty from Deed of Income Guarantee*

The Chongqing Company has a consistent track record of revenue from the Chongqing Property. For the three years ended 31 December 2013, the revenue and rental related income derived from the Chongqing Property amounted to approximately RMB261 million, RMB268 million and RMB282 million respectively. Based on the Attributable Value of RMB3,910 million, the revenue and rental related income of RMB282 million derived from the Chongqing Property for the year ended 31 December 2013 represents a gross rental yield of approximately 7.21%.

In order to further improve the mix of offerings and attractiveness of the Shopping Mall, the Vendors and the Chongqing Company have started an initiative to optimise the tenant mix in the middle-floors of the Shopping Mall, and the process is currently undergoing. The tenant optimisation, despite causing temporary disruption, is expected to improve the overall rental income and tenant mix of the Shopping Mall over the longer term.

In view of the above, and with a view to providing greater certainty to the Total Income of the Chongqing Company after Completion, the Vendors, the Guarantors, the REIT Manager and the Purchaser have agreed to enter into a Deed of Income Guarantee upon Completion as one of the terms under the Sale and Purchase Agreement. Pursuant to the Deed of Income Guarantee, the Vendors will provide to Hui Xian REIT a guarantee on the Total Income of the Chongqing Company for any Guarantee Year during a period of five years after (and including) the year in which Completion takes place. If the aggregate amount of the Total Income of Chongqing Company in respect of any Guaranteed Year is less than the Guaranteed Income Level of RMB299.28 million, the Vendors will pay to the Purchaser the Income Shortfall. The total amount of all payments to be made by the Vendors to meet the Income Shortfalls during the entire Relevant Period will be subject to the Income Guarantee Cap, being RMB100 million.

The Guaranteed Income Level of RMB299.28 million per annum, before full utilisation of the Income Guarantee Cap, if regarded as income derived from the Chongqing Property, represents a yield of approximately 7.65% based on the Attributable Value of RMB3,910 million.

**Unitholders should note that the Income Guarantee Cap effectively serves as a cap on the liability of the Vendors and the Guarantors under the Deed of Income Guarantee, and that, once the full amount of the Income Guarantee Cap has been met, the Vendors and the Guarantors will have no further liability under the Deed of Income Guarantee during the Relevant Period.**

The Guaranteed Income Level has been determined on the basis of commercial and arm's length negotiations between the parties, after taking into account the historical performance of the Chongqing Property and various factors.

The REIT Manager believes that the Deed of Income Guarantee would assist to provide certainty to the Total Income from the Chongqing Property at the guaranteed level during the first five-year period after Completion, allowing sufficient lead time for tenant optimisation process which might cause temporary disruption.

*(e) Strong and consistent operating and profitability track record with quality and well-diversified tenant base*

The Chongqing Property has strong occupancy rate, rental rate, and a solid tenant profile.

As of 31 August 2014, the occupancy rate of the Chongqing Property was approximately 92.5% for the Shopping Mall and approximately 97.3% for the Office Building.

The Shopping Mall's largest tenant in terms of lettable area is the Far Eastern Department Store, which occupies approximately 43% of the lettable area of the Shopping Mall. The other tenants include a variety of international luxury brands (e.g., Hugo Boss, Dunhill, OMEGA, G Givenchy, Cerruti 1881, MaxMara Weekend, Armani Collezioni, Armani Jeans and Calvin Klein).

The Office Building has a solid and well-diversified tenant profile, with tenants including a number of consulates (e.g., the British Consulate-General and the Canadian Consulate General) and a number of multinational corporations (e.g., PricewaterhouseCoopers, KPMG, Siemens, Deutsche Bank, HSBC, Dragonair, 3M and Johnson & Johnson Medical Companies) operating in industries including retail, insurance and financial services, electronics and healthcare.

*(f) Rare opportunity to acquire a Mainland China property in single ownership with offshore equity holding structure*

As mentioned by the Market Consultant, the Office Building is one of only two Grade A offices in the Jiefangbei CBD that has single asset title ownership (instead of being strata-owned). As mentioned above, the REIT Manager believes that single asset title ownership is a key competitive advantage in terms of efficiency, building management quality and maintenance quality. There is a strong preference amongst tenants, especially multinational corporations and government-related organisations, for Grade A offices which are of single asset title ownership.

Further, the holding structure of the Chongqing Property by the Chongqing Company owned, in turn, by the Target Company (which is a Hong Kong company) provides flexibility in structuring the Acquisition in terms of execution efficiency and, if required, financing flexibility. The REIT Manager believes that it is a rare opportunity for a target asset of a similar size and nature to be available for sale in a similar offshore equity holding structure. See further details in the section headed "*The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 3. Current and Expected Holding Structures*" of this announcement.

## 2. *Crucial and beneficial for Hui Xian REIT to pursue the acquisition*

### (a) *Brings significant contribution to Hui Xian REIT's amount available for distribution, and DPU accretive*

The amount available for distribution of Hui Xian REIT for the financial year ended 31 December 2013 was RMB1,262 million. If the Chongqing Property had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, it is estimated that the amount available for distribution of Hui Xian REIT for that financial year would have increased by 4.9% to RMB1,324 million.

Further, if the Chongqing Property had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, Hui Xian REIT's estimated DPU for that financial year would have increased by 4.15% from RMB0.2455 to RMB0.2557.

For details and assumptions on which the above estimates are based, please refer to the section headed "*The Proposed Acquisition — H. Financial Effects of the Acquisition*" of this announcement.

Please also refer to the pro forma financial effects of the Acquisition in Appendix II "*Pro Forma Financial Information of the Enlarged Group*" of the Circular.

The estimates and statements in this sub-section 2(a) are not intended as, and should not be interpreted as, a forecast of the profits of Hui Xian REIT in any current or future financial period.

### (b) *Mitigates Hui Xian REIT's risk of concentration in "single asset, single city", and risk of limited lifespan faced since listing in 2011*

The Acquisition is expected to improve the diversification of Hui Xian REIT's asset portfolio geographically and further reduce the extent of reliance of Hui Xian REIT's income stream from Beijing Oriental Plaza. In other words, the Acquisition would further mitigate the risk of "single asset, single city" and the related risk of limited lifespan of Hui Xian REIT faced at the time of initial listing in 2011.

Hui Xian REIT's interest in Beijing Oriental Plaza will expire in January 2049, when the joint venture period of BOP, through which such investment interest is held, ends and Beijing Oriental Plaza will belong to the PRC joint venture partner for no consideration in accordance with the terms of the current joint venture documents. As such, as mentioned in the Offering Circular, "unless Hui Xian REIT acquires and holds other real estate investment that generates recurrent rental income before the expiration of the joint venture period of BOP, the value of Hui Xian REIT's investment in Oriental Plaza will diminish over time and will have zero value in approximately 38 years when the joint venture period of BOP expires on 24 January 2049".

As such, it has been of paramount importance for the REIT Manager to identify other real estate for acquisition in order to mitigate Hui Xian REIT's risk of limited lifespan and risk of concentration in a single asset.



Hui Xian REIT's acquisition of Sofitel Shenyang Lido in 2011 was its first step towards extending the lifespan of Hui Xian REIT via acquisition. However, based on the valuation as at 31 December 2013 by the principal valuer of Hui Xian REIT, the value of Sofitel Shenyang Lido only represented approximately 2.62% of the total value of Hui Xian REIT's existing portfolio.

The Chongqing Company, as a wholly-foreign owned enterprise, does not have a limited joint venture period like BOP. The current business licence (營業執照) of the Chongqing Company provides for a term of operation from 18 November 1993 to 17 November 2043. The PRC legal adviser of the REIT Manager, Jincheng Tongda & Neal, has advised that there is no legal impediment for the renewal of the term of operation of the Chongqing Company as such renewal will primarily involve formality procedures.

As regards the land use rights, like other land use rights granted in 國有出讓土地 (transferred state-owned land) in the PRC, the land use rights of the Chongqing Property are subject to an expiration of term. The Chongqing Company can seek from the relevant PRC authorities an extension of the term of the current land use rights of the Chongqing Property which will expire in August 2044.

*(c) Meaningful growth in scale, with expanded contribution from mall and office sectors*

The Acquisition is expected to increase Hui Xian REIT's portfolio value and size meaningfully.

Based on the unaudited financial statements in the interim report of Hui Xian REIT for the six months ended 30 June 2014, the gross asset value of Hui Xian REIT as at 30 June 2014 was RMB42,054 million. If the Acquisition had been completed on 30 June 2014, the REIT Manager estimates that the gross asset value of Hui Xian REIT would have increased by approximately 7.6% to RMB45,242 million.

The total gross floor area of the property under Hui Xian REIT's management is also expected to increase by approximately 19% from 865,805 square metres to 1,030,165 square metres.

The Acquisition is also expected to increase the retail and office sectors in Hui Xian REIT's portfolio from 51% to 57% in terms of GFA.

The Appraised Value of the Chongqing Property as at 31 August 2014 was RMB4,104 million, which represents approximately 11% of Hui Xian REIT's existing portfolio's appraised value of RMB37,040 million as at 31 December 2013.

*(d) Expansion of footprint into a key city with a landmark asset at a strategic location*

The Acquisition will enable Hui Xian REIT to extend its portfolio footprint into one of the most significant and fastest growing cities in China.

As mentioned above, being one of the four direct-controlled municipalities (and the only one within inland China) that reports directly to the Central Government of the PRC, and a critical transportation and industrial hub in inland parts of China, Chongqing is well-positioned to benefit from China's strategies and policies targeted at boosting the economy of inland parts of the country.

The Chongqing Property is a well-established property centred at the Jiefangbei, Yuzhong District, within Chongqing's core CBDs. Officially designated by the Chongqing Municipal Government as the commercial and trade centre of Chongqing in 2003, the Jiefangbei CBD is the city's most important business centre. Jiefangbei features a pedestrian street around the Jiefangbei Monument which is the only monument in China that celebrates the victory in the Second Sino-Japanese War.

Established in 1997, the Jiefangbei Pedestrian Street was the first commercial pedestrian street project in China. Jiefangbei Pedestrian Street area is today home to some of interior China's most popular and established shopping malls, including the Shopping Mall. Additionally, it is a tourist landmark within Chongqing. It has approximately 300,000 visitations per day during weekdays and over 1 million visitations per day during holidays on average.

The Shopping Mall started commercial operation in 1997 and anchored the initial growth of the Jiefangbei area, which subsequently attracted a cluster of other notable commercial properties and drove the growth of the surrounding area. It has since emerged as the iconic landmark property within Jiefangbei CBD. From 2000 to 2013, Chongqing's GDP and total retail sales grew more than seven fold. The REIT Manager believes the relationship between the Chongqing Property, Jiefangbei CBD and Chongqing's growth is not anomalous to the one between Beijing Oriental Plaza, Wangfujing area and Beijing.

The Chongqing Property has high accessibility, including close proximity to three key CRT stations (Linjiangmen Station (臨江門站), Jiaochangkou Station (較場口站) and Xiaoshizi Station (小什字站)) to provide access to Line 1 and Line 2 of the CRT. In addition, the upcoming Line 6 and Line 10 of CRT will have stations in close proximity to the Chongqing Property and near the Jiefangbei CBD respectively. Line 6 and phase 1 of Line 10 are expected to be operational by 2016 and 2017 respectively, further increasing the Jiefangbei CBD's connectivity. An underground ring-road network connecting important properties in Jeifangbei CBD is also being built to alleviate traffic congestion, with the basic construction completed and expected opening in 2016.

According to the Market Consultant, the Jiefangbei area is designated by the Chongqing Government as the future "Wall Street" of Western China to boost development of commercial and retail activities. With the enhancement of the area's infrastructure and overall environment, the Jiefangbei CBD's premier status will be further strengthened. The REIT Manager believes that the Chongqing Property is well-positioned to benefit from the area's new development.

*(e) Optimise capital structure*

The proposed use of new bank borrowing to finance part of the Consideration for the Acquisition would mean a further utilisation of the available financial capacity of Hui Xian REIT, leveraging the current low interest rate environment.

Based on the unaudited condensed consolidated statement of financial position of Hui Xian REIT as disclosed in its 2014 interim report, the bank balances and cash of Hui Xian REIT as at 30 June 2014 amounted to approximately RMB4,596 million, while the total bank borrowings as at the same date amounted to approximately RMB3,883 million. The debts to gross asset value ratio was approximately 9.2% as at that date.

Although it is estimated that the Hui Xian REIT Group has sufficient cash to finance the entire sum of the Consideration for the Acquisition, the REIT Manager intends that the Consideration would be financed as to approximately 80% by new bank borrowing and approximately 20% by existing cash.

Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowing and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased to 15.4%, which is kept well below the limit of 45% required to be maintained under the REIT Code.

*(f) Consistent with key objectives and competencies of the REIT Manager, and synergy with Beijing Oriental Plaza*

As mentioned in the Offering Circular, the REIT Manager's key objective "is to provide stable DPU, which will, subject to compliance with legal and regulatory restrictions, be paid to Unitholders in RMB". It was also mentioned in the Offering Circular that "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 REIT Manager expects the Acquisition to be consistent with achieving these objectives.

The Chongqing Property also fits well within the core competencies of the REIT Manager, which include the management of high quality retail and office properties, as demonstrated by its success in managing The Malls and the Tower Offices of Beijing Oriental Plaza.

As mentioned in the Offering Circular, the REIT Manager intends to hold Beijing Oriental Plaza on a long-term basis while, if opportunity arises, complementing it with additional income-producing properties through acquisitions. It is intended that the Chongqing Property will be held by Hui Xian REIT on a long-term basis.

*(g) Rebranding and enhancing portfolio building*

It is the REIT Manager's long-term objective to establish a portfolio of strategically located large-scale integrated property developments across different cities in the PRC under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza. The Acquisition would be a first step of Hui Xian REIT in working towards this long-term objective.

The REIT Manager intends to rebrand the Chongqing Property from "Metropolitan Plaza" to "Metropolitan Chongqing Oriental Plaza 大都會重慶東方廣場", and position it as the second "Oriental Plaza" under Hui Xian REIT. The Shopping Mall will be rebranded as "The Malls at Metropolitan Chongqing Oriental Plaza 大都會重慶東方新天地" and the Office Building be rebranded as "The Tower Offices at Metropolitan Chongqing Oriental Plaza 大都會重慶東方經貿城" after Completion. This rebranding preserves the local identity of the Chongqing Property, widely known as "Metropolitan/大都會" while blending seamlessly with the brand "Oriental Plaza/東方廣場" currently owned by the Hui Xian REIT Group.

The REIT Manager believes that the Acquisition would allow strong synergistic benefits to be achieved between the Chongqing Property and Beijing Oriental Plaza. The REIT Manager would be able to leverage its experience and existing resources to further enhance the Chongqing Property. Currently, approximately 25% of existing brands at the Shopping Mall at the Chongqing Property overlap with those of The Malls at Beijing Oriental Plaza. This forms a good base for cross promotional opportunities between the two shopping malls.

The REIT Manager also believes that having a portfolio of two landmark retail properties in key cities in China would enhance the REIT Manager's appeal and negotiation power in recruiting retail tenants.

Over the longer term, the expansion of the Oriental Plaza brand beyond Beijing should be a thriving opportunity for Hui Xian REIT and is expected to bode well for Hui Xian REIT's future prospect.

The REIT Manager has been searching for and evaluating acquisition opportunities and considers the Acquisition as a valuable investment opportunity which provides attractive long-term cash flows and yields. It is expected that the Acquisition would help mitigate a number of risks faced by Hui Xian REIT. In the future, the REIT Manager will continue its efforts to identify and capture any suitable acquisition opportunities to enhance the return of the portfolio for the benefit of Unitholders.

#### D. Arm's Length Terms and Due Diligence Review

The REIT Manager considers that the Sale and Purchase Agreement was entered into by the parties thereto on normal commercial terms following arm's length negotiations.

The REIT Manager has conducted, and is satisfied with the results of, due diligence in respect of the Chongqing Property and the Target Group. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the REIT Manager's compliance manual.

The REIT Manager has engaged a property consultant to conduct survey and inspection in relation to the Chongqing Property. In the course of the due diligence review, it has come to the attention of the REIT Manager that there are certain non-conformities being deviations on site as compared with the as-built plans relating to the Chongqing Property in October 1997 (in respect of the Shopping Mall) and in February and March 1998 (in respect of the Office Building) which include (a) alteration of the main entrance of the Office Building by the addition of an opening with doors, canopy and steps to external area; (b) changes in the number of car parking spaces and some areas partitioned to form storage area; (c) changes in internal layout (being minor changes in shopping area layout and associate exit route and exit doors, and change of toilet location in the Office Building); (d) alteration of external features and addition of TV wall and associated audio/visual equipment room and addition of signage at external wall and external areas (including addition of TV wall's equipment on external wall, addition of free standing signage post and change in platform layout at external area); and (e) addition of linkage to the Chongqing Hotel on the first floor of the Shopping Mall by forming an opening in the dividing wall between the Chongqing Hotel and the Shopping Mall.

The REIT Manager was informed by the property consultant that no apparent structural defect due to addition or alteration of the above structures was found and that the property consultant believed that the Chongqing Property was in reasonable condition, consistent with buildings of a similar age, type and usage and that there were no material defects that would significantly affect the structural stability, operation and usage of the Chongqing Property and impede the transfer of the Chongqing Property. Despite the views of the property consultant mentioned above, the Vendors have agreed under the Sale and Purchase Agreement to rectify the matters set out in items (a) and (b) prior to Completion.

In addition, under the Sale and Purchase Agreement, each of the Vendors has also undertaken and agreed with the Purchaser to (1) rectify any Area Issue (as defined below) and any other matters in relation to the Chongqing Property found to be non-compliant and notified by the Purchaser to the Vendors in writing before Completion (the "**Other Issues**", and together with the Area Issues, the "**Relevant Matters**") in order to comply with the requirements under all the legal, regulatory, administrative, contractual and building rules, codes and guidelines applicable from time to time; and (2) bear 50% of any premium, penalty, administrative fees, professional fees and other payments payable or paid by the Chongqing Company, the Target Company and/or the Purchaser, and all reasonable costs and expenses of rectifying the Relevant Matters incurred by any of them. Under the Sale and Purchase Agreement, each of the Vendors has also agreed to indemnify each of the Purchaser, the Chongqing Company and the Target Company against 50% of all actions, proceedings, claims, demands, losses, liabilities, damages,

costs and expenses which may result or which any of them may incur in connection with or arising out of any of the Relevant Matters, or in defending any claims brought against any of them in respect of any of the Relevant Matters.

The obligations and liabilities of the Vendors mentioned above in respect of the Area Issues shall not be subject to any limitation in time or amount. An “**Area Issue**” means any issue relating to the total construction area (總建築面積) of the Chongqing Property which is legally permitted to be built pursuant to the Chongqing Property Grant Contract (with all required permits, certificates and approvals issued or granted by any relevant governmental or regulatory authority to the Chongqing Company, and without premium outstanding or penalty payable) being less than the total construction area of the Chongqing Property as stated in the Chongqing Property Building Certificates.

The obligations and liabilities of the Vendors mentioned above in respect of the Other Issues will cease at the expiry of 7 years after the date of Completion or upon the occurrence of certain specified events (including termination of tenancies of relevant parts of the Chongqing Property and abatement of use that may be considered as non-compliant).

As the aggregate liability of the Vendors and the Guarantors in respect of all claims under or in connection with the Transaction Documents (which includes claims other than claims relating to the Hotel Transfer and any Area Issue, in relation to which, there will be no limitation on the maximum liability of the Vendors and the Guarantors) is subject to a maximum amount equal to the amount of the Consideration, the obligations and liabilities of the Vendors mentioned above with respect to the Relevant Matters other than Area Issues is also subject to such limitation.

The REIT Manager expects that (i) the issues relating to area referred to in the section headed “*The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 1. Information on the Chongqing Property — (d) The Chongqing Property, the Chongqing Hotel and certain issues relating to areas*” above and (ii) the matters set out in items (a) to (e) above will also be notified to the Vendors as a Relevant Matter and covered by the above undertaking and indemnity.

## **E. PRC Taxation**

Circular 698 stipulates the PRC tax treatment and reporting obligations on “indirect” equity transfers undertaken by non-resident enterprises (“**offshore investors**”). Circular 698 also introduces anti-abuse and anti-avoidance rules where the dominant purpose of using the offshore entities is to avoid PRC tax obligations. In such a case, the PRC tax authorities can apply a 10% withholding tax (or any lower tax rates applicable pursuant to tax treaty entered into between the PRC and other countries) on capital gains derived by the offshore investor on the indirect transfer. However, Circular 698 does not provide for clear guidance on how such capital gains withholding tax is to be applied in practice.

Pursuant to Circular 698, reporting obligations, if any, with respect to the transfer effected as a result of the Sale and Purchase Agreement will fall on the Vendors. Although it is not aware of any express requirement for the Chongqing Company to report to any PRC tax authority under Circular 698 for the transfer in the context of the Sale and Purchase Agreement or generally, transfer of similar nature, there is still a degree of uncertainty with respect to the application

and interpretation of Circular 698. In any event, the HWL Indemnifiers and the Cheung Kong Indemnifiers have agreed to indemnify the Purchaser in relation to, among other things, tax liabilities of the Target Group Companies resulting from the transfer of any shares in the issued share capital of the Target Company including any liabilities arising out of Circular 698. Please see the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 10. Deed of Tax Covenant*” of this announcement.

The Vendors have undertaken in the Sale and Purchase Agreement to attend to all filing, notification and other obligations of the Vendors and the Target Group pursuant to or in connection with Circular 698 (a) as it was in force at the date of Completion or (b) as it is deemed to have been in force at the date of Completion by virtue of an amendment to or re-enactment of Circular 698 issued within 7 years of the date of Completion (the “**Circular 698 Obligations**”) in respect of the Hotel Transfer and the Acquisition.

Taking into account the present intention of the REIT Manager for the Hui Xian REIT Group to hold the Chongqing Property for long-term investment purpose, the REIT Manager expects that neither potential land appreciation tax (“**LAT**”) nor enterprise income tax relating to revaluation of the Chongqing Property and the depreciation allowance of the Chongqing Property (“**EIT**”) will arise in connection with the Acquisition. In the event that the Hui Xian REIT Group does dispose of the Chongqing Property through a direct onshore transfer of the property interests in the future, it is expected that LAT and EIT would be levied on the Hui Xian REIT Group based on the sales proceeds less deductible costs which are calculated by reference to the original land acquisition and development costs incurred by the Chongqing Company, not Hui Xian REIT’s cost of acquiring the Target Company. No account has been taken of such potential deferred taxation in agreeing the consideration for the Acquisition because the REIT Manager considers it very unlikely that any such liabilities will crystallise.

## **F. Fees and Charges**

### ***1. Fees and charges in relation to the Acquisition***

The total fees and charges payable or borne by Hui Xian REIT in relation to the Acquisition (excluding the Consideration) is estimated to be approximately RMB59 million.

### ***2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition***

Pursuant to clause 14.2.1(i) of the Trust Deed, the REIT Manager will be entitled to receive an acquisition fee not exceeding the rate of 1% of the acquisition price of any real estate in the form of land acquired directly or indirectly by Hui Xian REIT. Based on the current applicable rate of the REIT Manager’s acquisition fee which is 1% of the acquisition price of the Chongqing Property (being RMB3,910 million, which is the Attributable Value), the REIT Manager’s acquisition fee in relation to the Acquisition would amount to RMB39.1 million (the “**Manager’s Acquisition Fee**”). Such amount has been included in the total estimated amount of fees and charges in relation to the Acquisition, as referred to in subsection 1 headed “*Fees and charges in relation to the Acquisition*” above. The REIT Manager has elected that the Manager’s Acquisition Fee be paid entirely in the form of new Units to be issued, with such election to be subject to the prior approval of Independent

Unitholders by way of an Ordinary Resolution. When paid in the form of Units (“**Manager Acquisition Fee Units**”), the REIT Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee, at an issue price that is equal to the highest of the average closing price of Units in the 10 trading days of the Stock Exchange immediately prior to the earliest of the following events: (a) the entry into of the Sale and Purchase Agreement, (b) the announcement in respect of the Acquisition, and (c) Completion, in each case, rounded down to the nearest whole number of Units and with the remaining amount to be paid in the form of cash.

The Manager Acquisition Fee Units will rank pari passu in all respects among themselves and with all the Units in issue at the date of issuance of the Manager Acquisition Fee Units.

If the REIT Manager’s election to receive the Manager’s Acquisition Fee in the form of new Units is not approved by the Unitholders at the EGM and the Acquisition proceeds to Completion, the Manager’s Acquisition Fee will be paid to the REIT Manager in cash.

Pursuant to the Trust Deed, the Trustee is entitled to be reimbursed expenses incurred by it, including (among other things) any transactional fee of the Trustee as may be agreed from time to time between the REIT Manager and the Trustee in respect of the Acquisition should the Acquisition proceed to Completion. In this regard, it has been agreed that the Trustee shall receive an administrative fee of RMB100,000 (the “**Trustee’s Fee**”). Such amount will be paid in cash upon Completion and has been included in the total estimated amount of fees and charges in relation to the Acquisition, as referred to in sub-section 1 headed “*Fees and charges in relation to the Acquisition*” above.

### **3. *Ongoing fees payable to the REIT Manager and the Trustee in relation to the Chongqing Property following Completion***

Under the current Trust Deed, after Completion:

- (i) the REIT Manager will be entitled under the Trust Deed to receive, out of the Deposited Property, manager’s fees attributable to the Chongqing Property comprising:
  - (a) a base fee not exceeding 0.3% per annum of the value of the Chongqing Property;
  - and (b) a variable fee with an annual amount equal to 3% per annum of the NPI of the Chongqing Property (which, for the avoidance of doubt, will be before deduction of the variable fee); and
- (ii) the Trustee will receive, out of the Deposited Property, an annual fee of such amount as agreed between the REIT Manager and the Trustee from time to time not exceeding 0.02% per annum of the Property Values, which shall include the value of the Chongqing Property, as at the end of such financial year subject to a minimum amount of RMB56,000 per month.

The REIT Manager and the Trustee will be entitled to such fees attributable to the Chongqing Property in the future for so long as the Chongqing Property is directly held by the Trustee or indirectly held by the Trustee through a Special Purpose Vehicle, with appropriate pro rata adjustment in accordance with the provisions of the Trust Deed for a broken period.



Other than the Manager's Acquisition Fee and the future ongoing fees payable to the REIT Manager as mentioned above, no other fees will be payable by Hui Xian REIT to the REIT Manager in relation to the Acquisition. Other than the Trustee's Fee and the future ongoing fee payable to the Trustee as mentioned above, no other fees will be payable by Hui Xian REIT to the Trustee in relation to the Acquisition.

## **G. Funding of the Acquisition**

### **1. Funding**

The REIT Manager currently expects that the Consideration payable by Hui Xian REIT will be financed: (i) as to approximately 80%, by new bank borrowings expected to be obtained prior to Completion; and (ii) as to approximately 20%, by existing cash.

### **2. Expected Debts to Gross Assets Value Ratio**

Based on the financial position of Hui Xian REIT as disclosed in its 2014 interim report and assuming that the Consideration is equal to the Attributable Value and would be financed as to approximately 80% by new bank borrowings and approximately 20% by existing cash, it is estimated that the debts to gross asset value ratio of Hui Xian REIT as at 30 June 2014 would have increased to 15.4% from 9.2%.

## **H. Financial Effects of the Acquisition**

The financial effects of the Acquisition on DPU and NAV per Unit set out below are estimated based on:

- (a) the audited consolidated financial statements of Hui Xian REIT for the financial year ended 31 December 2013;
- (b) the unaudited interim consolidated financial statements of Hui Xian REIT for the six months ended 30 June 2014; and
- (c) the audited financial statements of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014,

and on the basis of the following assumptions:

- (i) the total Consideration being RMB3,890 million (calculated based on the Adjusted Asset Value as at 30 June 2014 and the Distribution as at 30 June 2014 after deducting the estimated withholding tax payable on such Distribution);
- (ii) the fees and charges payable by Hui Xian REIT in relation to the Acquisition (excluding the Consideration) in the total amount of RMB59 million;
- (iii) the Consideration and the fees and charges payable by Hui Xian REIT in relation to the Acquisition were funded partly by banking facilities bearing interest at a margin of 1.55% per annum over HIBOR (Hong Kong Interbank Offered Rate) and existing cash;

- (iv) the Manager's Acquisition Fee in the total amount of RMB39.1 million for the Acquisition, and the manager's fee and Trustee's Fee in the total amount of approximately RMB17 million for the financial year ended 31 December 2013 for the Chongqing Property;
- (v) the Acquisition is not accounted for as an acquisition of business but as an acquisition of assets; and
- (vi) the Deed of Income Guarantee to be entered into upon Completion.

### ***1. Estimated effects on DPU***

The DPU of Hui Xian REIT was RMB0.2455 for the financial year ended 31 December 2013. If the Acquisition had been completed on 1 January 2013 and Hui Xian REIT had held and operated the Chongqing Property through to 31 December 2013, the REIT Manager estimates that the DPU of Hui Xian REIT for the financial year ended 31 December 2013 would have been increased by 4.15% to RMB0.2557. This estimate is made on the basis of (i) the audited consolidated financial statements of Hui Xian REIT for the financial year ended 31 December 2013 and the audited financial statements of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, and (ii) the above assumptions.

The estimates and statements in this paragraph 1 are not intended as, and should not be interpreted as, a forecast of the profits of Hui Xian REIT in any current or future financial period.

### ***2. Estimated effect on NAV per Unit***

The NAV per Unit of Hui Xian REIT was RMB5.4487 as at 30 June 2014. If the Acquisition had been completed on 30 June 2014, the REIT Manager estimates that the NAV per Unit of Hui Xian REIT would have been RMB5.4366.

The REIT Manager considers the assumptions set out in this section for the financial effects of the Acquisition on DPU and NAV per Unit to be appropriate and reasonable as at the date of this announcement. However, Unitholders should consider the information outlined above in light of such assumptions and make their own assessment of the future performance of Hui Xian REIT. Further details of the financial effects of the Acquisition will be disclosed in the Circular and they are subject to change upon Completion.

Based on the financial effects of the Acquisition as stated in this section, the REIT Manager does not foresee any material adverse impact on the financial position of Hui Xian REIT as a result of the Acquisition.

## CONTINUING CONNECTED PARTY TRANSACTIONS

In light of the Acquisition, there will be, and it is likely that there will continue to occur from time to time, a number of transactions between Hui Xian REIT Group and the persons set out below who will fall within the category of “connected persons” of Hui Xian REIT under the REIT Code, and accordingly will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code. Such “connected persons” of Hui Xian REIT includes the Cheung Kong Connected Persons Group, the REIT Manager Group, the HK Bank Connected Persons Group and the DB Group.

### 1. Annual Caps Revisions

#### *(i) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group*

Pursuant to the New Chongqing Property Management Agreement to be entered into between the Chongqing Company and the New Chongqing Property Management Company, the New Chongqing Property Management Company will be engaged to provide cleaning, security, patrolling, maintenance and other building management services with respect to the Chongqing Property (the “**Property Management Transactions**”).

As the New Chongqing Property Management Company, through its connection with Cheung Kong, is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the Property Management Transactions will constitute continuing connected party transactions of Hui Xian REIT after Completion. The Property Management Transactions fall within the transactions relating to property management and club facilities transactions contemplated under the 2014 Extended Cheung Kong Waiver, of which annual cap amounts of such transactions for the three financial years ending 31 December 2015, 2016 and 2017 had been approved by the Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014. Information on the historical transaction amounts for such transactions

as well as the approved cap amounts for such transactions for the three financial years ending 31 December 2015, 2016 and 2017 which were disclosed in the March Circular are set out below.

1. *Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years*

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB12,613,000	RMB13,846,000	RMB14,126,000
Approved annual caps for the financial year	RMB47,500,000	RMB54,200,000	RMB63,700,000 (Note 1)
Approximate % of transaction amounts over the annual caps	27%	26%	30% (Note 2)

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014.

Note 2: The percentage is calculated based on the annualised transaction amounts.

2. *Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017*

	Financial year ending	
31 December 2015	31 December 2016	31 December 2017
RMB32,500,000	RMB35,000,000	RMB37,500,000

As disclosed in the May Poll Results Announcement, one of the conditions of the 2014 Extended Cheung Kong Waiver was that where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, the REIT Manager may from time to time seek to increase one or more of the annual cap amounts if necessary, provided, among other things, that such increase is approved by the Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders and disclosed by way of announcement, and a circular and notice are issued to Unitholders in accordance with the REIT Code.

In light of the Property Management Transactions, the REIT Manager had applied to the SFC for a modification of the 2014 Extended Cheung Kong Waiver such that the annual cap amounts relating to the property management and club facilities transactions between the Hui Xian REIT Group and the Cheung Kong Connected Persons Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the “**Cheung Kong Annual Cap Revision**”):

	<u>Financial year ending</u>		
	31 December 2015	31 December 2016	31 December 2017
Approved annual caps	RMB32,500,000	RMB35,000,000	RMB37,500,000
Attributable to the New Chongqing Property Management Agreement	RMB34,007,000	RMB37,407,000	RMB41,148,000
Revised annual caps	RMB66,507,000	RMB72,407,000	RMB78,648,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the New Chongqing Property Management Agreement for the three years ending 31 December 2017, which were in turn determined by reference to (i) the projected transaction amount for the property management services provided to the Chongqing Property for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 20% for contingencies such as changes in market conditions. The REIT Manager considers the 20% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; (iv) after taking into account the percentage of transaction amounts over the annual caps; and (v) depending on the future operation needs of the Chongqing Property, extra manpower may be involved leading increase in staff costs to be reimbursed to the Chongqing Property Management Company.

An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Cheung Kong Annual Cap Revision.

Subject to approval of the Cheung Kong Annual Cap Revision, the conditions of the 2014 Extended Cheung Kong Waiver as modified will be as follows:

*(1) Due approval by Unitholders*

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Cheung Kong Annual Cap Revision set out in the notice of EGM dated 10 November 2014 without any material amendment thereto.

(2) *Extensions or modifications*

The 2014 Extended Cheung Kong Waiver has been granted for a period of three financial years ending 31 December 2017. The 2014 Extended Cheung Kong Waiver may be extended beyond 31 December 2017, and/or the terms and conditions of the 2014 Extended Cheung Kong Waiver may be modified from time to time, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT 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 2014 Extended Cheung Kong 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.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Cheung Kong Waiver (including without limitation the scope or nature of the transactions) provided by the REIT Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(3) *Annual Caps*

The annual value of the connected party transactions shall not exceed the respective annual cap amounts set out in the following table:

<b>Categories of connected party transactions</b>	<b>For the year ending 31 December 2015 RMB'000</b>	<b>For the year ending 31 December 2016 RMB'000</b>	<b>For the year ending 31 December 2017 RMB'000</b>
Leasing and licensing transactions	113,300	113,300	113,300
Property management and club facilities transactions	66,507	72,407	78,648
Usage of internet and telecommunication services	7,500	7,500	7,500

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2014 Extended Cheung Kong Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

*(4) Disclosure in semi-annual and annual reports*

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

*(5) Auditors' review procedures*

In respect of each relevant financial period, the REIT Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the independent non-executive Directors);
- (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).

*(6) Review by the independent non-executive Directors*

The independent non-executive Directors shall 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 agreements and the REIT 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.

*(7) Auditors' access to books and records*

The REIT Manager shall allow, and shall procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

*(8) Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

*(9) Subsequent increases 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 REIT 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 the 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 are issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) the requirements referred to in paragraphs 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

*(10) 8.14 of the REIT Code*

The REIT 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 shall 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.



***(ii) Property manager services in respect of the Chongqing Property with the REIT Manager Group and leasing arrangements in respect of the Chongqing Property with the REIT Manager Group***

Pursuant to the Chongqing Property Manager Agreement to be entered into between Chongqing Company and the Chongqing Property Manager which will take effect at Completion, the Chongqing Property Manager will be engaged to provide business advisory and management services, marketing and lease management services and property management co-ordination services of the Chongqing Property (the “**Property Manager Transactions**”). It is also envisaged that to facilitate the performance of its duties under the Chongqing Property Manager Agreement, the Chongqing Property Manager will lease an office premises at the Chongqing Property (the “**Manager Leasing Transaction**”). Please see the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement*” for further details of the Chongqing Property Manager Agreement and the New Chongqing Property Management Agreement.

As the Chongqing Property Manager is a subsidiary of the REIT Manager, it is a connected person of Hui Xian REIT under the REIT Code, and the Property Manager Transactions as well as the Manager Leasing Transaction will constitute continuing connected party transactions of the Hui Xian REIT after Completion. The Property Manager Transactions and the Manager Leasing Transaction fall within the property management and club facilities transactions and the leasing and licensing transactions contemplated under the 2014 Extended Manager Waiver, of which annual cap amounts of such transactions for the three financial years ending 31 December 2015, 2016 and 2017 had been approved by the Unitholders at the extraordinary general meeting of Hui Xian REIT held on 5 May 2014. Information on the historical transaction amounts for such transactions as well as the approved cap amounts for such transactions for the three financial years ending 31 December 2015, 2016 and 2017 which were disclosed in the March Circular are set out below.

### *Property management and club facilities transactions*

1. Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB32,708,000	RMB30,297,000	RMB27,623,000
Approved annual caps for the financial year	RMB49,000,000	RMB55,000,000	RMB60,000,000 (Note 1)
Approximate % of transaction amounts over the annual caps	67%	55%	61% (Note 2)

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014.

Note 2: The percentage is calculated based on the annualised transaction amounts.

2. Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017

	<u>Financial year ending</u> 31 December 2015	31 December 2016	31 December 2017
	RMB51,000,000	RMB56,000,000	RMB61,000,000

### *Leasing and licensing transactions*

1. Historical transaction amounts for the financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014 and the annual caps for those financial years

	Financial year ended 31 December 2012	Financial year ended 31 December 2013	Nine months ended 30 September 2014
Transaction amounts	RMB261,000	RMB323,000	RMB255,000
Approved annual caps for the financial year	RMB350,000	RMB350,000	RMB400,000 (Note 1)
Approximate % of transaction amounts over the annual caps	75%	92%	85% (Note 2)

Note 1: The annual cap is in respect of the full financial year ending 31 December 2014.

Note 2: The percentage is calculated based on the annualised transaction amounts.

2. Approved annual cap amounts for the financial years ending 31 December 2015, 2016 and 2017

	<u>Financial year ending</u>	
31 December 2015	31 December 2016	31 December 2017
RMB500,000	RMB550,000	RMB600,000

As disclosed in the May Poll Results Announcement, one of the conditions of the 2014 Extended Manager Waiver was that where there are further asset acquisitions by Hui Xian REIT thereby increasing the scale of its operations generally, the REIT Manager may from time to time seek to increase one or more of the annual cap amounts if necessary, provided, among other things, that such increase is approved by the Independent Unitholders by way of an Ordinary Resolution passed in a general meeting of Unitholders and disclosed by way of announcement, and a circular and notice are issued to Unitholders in accordance with the REIT Code.

In light of the Property Manager Transactions arising as a result of the Acquisition, the REIT Manager had applied to the SFC for a modification of the 2014 Extended Manager Waiver such that the annual cap amounts relating to the property management and club facilities transactions between the Hui Xian REIT Group and the REIT Manager Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the “**Manager Annual Cap Revision**”):

	<u>Financial year ending</u>		
	31 December 2015	31 December 2016	31 December 2017
Approved annual caps	RMB51,000,000	RMB56,000,000	RMB61,000,000
Attributable to the Chongqing Property Manager Agreement	RMB25,813,000	RMB28,394,000	RMB31,234,000
Revised annual caps	RMB76,813,000	RMB84,394,000	RMB92,234,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the Chongqing Property Manager Agreement for the three years ending 31 December 2017, which were in turn determined based on (i) the projected transaction amount for the year ending 31 December 2015; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions. The REIT Manager considers the 30% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; and (iv) after taking into account the percentage of transaction amounts over the annual caps.

Further, in light of the Manager Leasing Transaction arising as a result of the Acquisition, the REIT Manager had also applied to the SFC for a modification of the 2014 Extended Manager Waiver such that the annual cap amounts relating to the leasing and licensing transactions between the Hui Xian REIT Group and the REIT Manager Group for the three financial years ending 31 December 2015, 2016 and 2017 be revised as follows (the “**Manager Leasing Annual Cap Revision**”):

	<u>Financial year ending</u>		
	31 December 2015	31 December 2016	31 December 2017
Approved annual caps	RMB500,000	RMB550,000	RMB600,000
Leasing arrangement with the Chongqing Property Manager in respect of the Chongqing Property	RMB167,000	RMB184,000	RMB202,000
Revised annual caps	RMB667,000	RMB734,000	RMB802,000

The above revised annual cap amounts were arrived at after taking into account the estimated transaction amounts attributable to the leasing arrangement with the Chongqing Property Manager for the three years ending 31 December 2017, which were in turn determined based on (i) the rental and service charge in 2015 as provided under the tenancy agreement with the Chongqing Property Manager; (ii) an annual growth rate of 10% in the following two financial years; and (iii) a buffer of 30% for contingencies such as changes in market conditions. The REIT Manager considers the 30% buffer is justified given that (i) it provides an appropriate contingency to accommodate possible fluctuations resulting from any changes in market conditions; (ii) it is within the range of buffers normally adopted by the listed REITs on the Stock Exchange for annual caps; (iii) it provides flexibility for Hui Xian REIT to accommodate future business growth; and (iv) after taking into account the percentage of transaction amounts over the annual caps.

An Ordinary Resolution will be proposed at the EGM to approve, among other things, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision.

Subject to approval of the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision, the conditions of the 2014 Extended Manager Waiver as modified will be as follows:

*(1) Due approval by Unitholders*

Due approval by the Independent Unitholders and adoption of the Ordinary Resolution to approve the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision set out in the notice of EGM dated 10 November 2014 without any material amendment thereto.

(2) *Extensions or modifications*

The 2014 Extended Manager Waiver has been granted for a period of three financial years ending 31 December 2017. The 2014 Extended Manager Waiver may be extended beyond 31 December 2017, and/or the terms and conditions of the 2014 Extended Manager Waiver may be modified from time to time, provided that:

- (a) the approval of the Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT 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 2014 Extended Manager 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.

For the avoidance of doubt, any material change to the transactions covered by the 2014 Extended Manager Waiver (including without limitation the scope or nature of the transactions) provided by the REIT Manager in the waiver application dated 28 March 2014 based on which the waiver is sought and granted must be approved by Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(3) *Annual Caps*

The annual value of the connected party transactions shall not exceed the respective annual cap amounts set out in the following table:

<b>Categories of connected party transactions</b>	<b>For the year ending 31 December 2015</b>	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasing and licensing transactions	667	734	802
Property management and club facilities transactions	76,813 (Note)	84,394 (Note)	92,234 (Note)

*Note:* including 1% per annum of the net property income in respect of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee (as defined in the Trust Deed) and the Property Manager's fee)

In respect of the above leasing and licensing transactions first entered into or renewed on or after the date that the 2014 Extended Manager Waiver becomes effective, an independent valuation shall be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

*(4) Disclosure in semi-annual and annual reports*

Details of the connected party transactions shall be disclosed in the semi-annual and annual reports of Hui Xian REIT as required under 8.14 of the REIT Code.

*(5) Auditors' review procedures*

In respect of each relevant financial period, the REIT Manager shall engage and agree with the auditors of Hui Xian REIT to perform certain review procedures on connected party transactions. The auditors shall then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming whether all such connected party transactions:

- (a) have received the approval of the Board (including the independent non-executive Directors);
- (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).

*(6) Review by the independent non-executive Directors*

The independent non-executive Directors shall 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 agreements and the REIT 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.

*(7) Auditors' access to books and records*

The REIT Manager shall allow, and shall procure the counterparty to the relevant connected party transactions to allow, the auditors of Hui Xian REIT sufficient access to their records for the purpose of reporting on the transactions.

*(8) Notification to the SFC*

The REIT Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in the above.

*(9) Subsequent increases in annual caps with the 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 REIT 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 the 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 REIT 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 3 to 8 above shall continue to apply to the relevant transactions, save that the increased annual cap amounts shall apply.

*(10) 8.14 of the REIT Code*

The REIT 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 shall 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.

## 2. New waiver in respect of connected party transactions with the HK Bank Connected Persons Group

According to the REIT Code, Hui Xian REIT's "connected persons" will include, among other, the directors, senior executives and officers of a significant holder, and their respective "associates" within the meaning of the REIT Code. The associates of such persons include, among others, other companies of which they are directors. In this connection, HK Bank is a connected person of Hui Xian REIT because Mr Li Tzar Kuoi, Victor ("**Mr. Li**"), a director of Noblecrown Investment Limited which is a significant holder of Units, is also a director of HK Bank. As such, the HK Bank Leasing and Licensing Transactions, the HK Bank Banking and Financial Services Transactions and the HK Bank Corporate Finance Transactions as described below ("**HK Bank CPTs**"), if entered into between Hui Xian REIT Group and HK Bank, will constitute continuing connected party transactions of Hui Xian REIT under the REIT Code. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank CPTs which are connected transactions of Hui Xian REIT solely as a result of and for so long as Mr. Li is a director of Noblecrown Investment Limited.

### A. *Excluded Transactions*

The following transactions will not be deemed connected party transactions of Hui Xian REIT for the purposes of Chapter 8 of the REIT Code:

- (a) where the HK Bank Connected Persons Group acts for a third party as nominee, custodian, agent or trustee and conducts agency transactions with Hui Xian REIT Group;
- (b) where a collective investment scheme (including another REIT) transacts with Hui Xian REIT Group, and a company within the HK Bank Connected Persons Group acts as the trustee of such collective investment scheme but the transaction is not a proprietary transaction of the HK Bank Connected Persons Group; and
- (c) where a member of the HK Bank Connected Persons Group (including HK Bank and its proprietary subsidiaries where HK Bank 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 HK Bank Connected Persons Group in Units on the Hong Kong Stock Exchange will not be a connected party transaction.



## **B. Waiver General Conditions and Undertakings**

In support of the application for waivers request in respect of the HK Bank CPTs, the REIT 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 REIT 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. Li is a director of Noblecrown Investment Limited. If other connected party transactions arise as a result of their circumstances, these will be governed by Chapter 8 of the REIT Code in the normal way; and
- (d) the waivers do not need to be renewed on a regular basis, provided that: (i) the SFC reserves its right to review or revise the terms of the waivers or impose any conditions as it deems appropriate from time to time; and (ii) the full Board (including the independent non-executive Directors) considers that it is fair and reasonable and in the best interests of the Unitholders to continue with the waivers granted without Unitholders' approval and disclose such confirmation in the annual report of Hui Xian REIT. In addition, the audit committee of the REIT Manager ("**Audit Committee**") will make a statement in the annual report of Hui Xian REIT that it has reviewed the terms of the connected party transaction waivers and is satisfied that (on the basis of the terms of the waivers and the internal controls and procedures in place) it is fair and reasonable that the waivers be continued without Unitholders' approval.

The various categories of transactions which are the subject of the waivers set out in sections C, D and E below are supplementary to any and all applicable exemptions and permissions under the REIT Code and are independent of each other so that: (a) none is in any way limited by or by reference to any of the others; and (b) if more than one category is relevant in any particular circumstance or situation, any relevant category may apply.

Notwithstanding the foregoing, the SFC has the right to review, revise or impose any of the conditions relating to the waivers as it deems appropriate from time to time.

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 REIT Manager will take immediate steps to ensure compliance with such requirements within a reasonable period of time.

### **C. Waiver for the HK Bank Leasing and Licensing Transactions**

#### *(i) Background*

As at the date hereof, none of the tenants of the Chongqing Property is a member of the HK Bank Connected Persons Group. However, as part of the ordinary course of business of Hui Xian REIT Group, members of the Hui Xian REIT Group may from time to time enter into leases or licences in respect of the REIT Properties with members of the HK Bank Connected Persons Group (the “**HK Bank Leasing and Licensing Transactions**”). The HK Bank Leasing and Licensing Transactions will constitute connected party transactions of Hui Xian REIT.

#### *(ii) Waiver Sought and Conditions*

Since the HK Bank Leasing and Licensing Transactions are activities in the usual and ordinary course of business of the Hui Xian REIT Group and are of a continuing and recurring nature, and given the number and frequency of HK Bank Leasing and Licensing Transactions which may be entered into between members of the Hui Xian REIT Group and members of the HK Bank Connected Persons Group, and bearing in mind (in some cases) their relatively small individual transaction value and the cost of full compliance, it would not be practical and would be unduly onerous to require strict compliance with the requirements set out in Rule 8.10, 8.11, 8.14 and 8.15 of the REIT Code on each occasion that such a transaction arises. Further, strict compliance with the relevant requirements would not benefit Unitholders greatly as the transactions will be conducted in the ordinary and usual course of business of the Hui Xian REIT Group on normal commercial terms, and in many cases will be simply continuation of existing arrangements. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Leasing and Licensing Transactions on the following conditions:

- (a) the transactions are carried out at arm’s length on normal commercial terms;
- (b) a statement will be made by the Audit Committee in the annual report of Hui Xian REIT that it has reviewed the terms of the transactions and is satisfied that these transactions have been entered into in the ordinary and usual course of business at arm’s length on normal commercial terms, are fair and reasonable and are in the interests of the Unitholders of Hui Xian REIT;
- (c) an independent valuation is 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 HK Bank 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 HK Bank 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) the auditor of Hui Xian REIT to report to the REIT Manager confirming that the transactions:
  - (i) have been duly approved by the Board in accordance with the internal procedures of the REIT Manager; and
  - (ii) have been entered into in accordance with the terms of the agreements governing the transactions.

#### ***D. Waiver for the HK Bank Banking and Financial Services Transactions***

##### *(i) Background*

One of the Conditions Precedent is that new banking facilities being in place and available for drawdown by the Hui Xian REIT Group at or before Completion and such financing transaction will constitute a connected party transaction if and to the extent that providers of such new banking facilities would include members of the HK Bank Connected Persons Group.

It is also envisaged that the REIT Manager may from time to time engage the HK Bank Connected Persons Group to provide ordinary banking and financial services to Hui Xian REIT Group, being:

- (1) deposits and other “banking business” (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) with a HK Bank Connected Persons Group member which is a “licensed corporation” or “registered institution” (as defined in the SFO) or overseas equivalent (together “**HK Bank Connected Persons Group intermediaries**”) and conducted on arm’s length commercial terms;
- (2) loans extended by a HK Bank 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
- (3) 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), mandatory provident fund schemes, credit cards, asset management and other such services) (items (1), (2) and (3) collectively referred to as the “**HK Bank Banking and Financial Services Transactions**”).

For the avoidance of doubt, the HK Bank Banking and Financial Services Transactions do not include the HK Bank Corporate Finance Transactions (as defined below).

*(ii) Waiver Sought and Conditions*

Given the number and frequency of the HK Bank Banking and Financial Services Transactions which may be entered into between members of the Hui Xian REIT Group and members of the HK Bank Connected Persons Group, and bearing in mind (in some cases) their relatively small individual transaction value and the cost of full compliance, it would not be practical and would be unduly onerous to require strict compliance with the requirements under Chapter 8 of the REIT Code on each occasion that such a transaction arises. The REIT Manager has applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Banking and Financial Services Transactions. In addition, the disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HK Bank Banking and Financial Services Transactions shall be modified as described in the section headed "*D. Waiver for the HK Bank Banking and Financial Services Transactions — (iii) Disclosure requirements*" below.

*(iii) Disclosure Requirements*

Notwithstanding the above, a summary disclosure of the HK Bank Banking and Financial Services Transactions provided by the HK Bank 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 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 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 and the REIT Manager's internal procedures governing them on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

In addition, the auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the REIT Manager (and a copy of such report shall be provided to the SFC) confirming that all such transactions (a) have followed the REIT 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 independent non-executive Directors); (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).

#### ***E. Waiver for the HK Bank Corporate Finance Transactions***

##### *(i) Background*

The REIT Manager may from time to time engage the HK Bank Connected Persons Group to provide corporate finance services to the Hui Xian REIT Group, being:

- (1) underwriting, securitisation, issue of debt instruments or other securities, or other related arrangements where the HK Bank 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 HK Bank Connected Persons Group;
- (2) 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;
- (3) "financial advisory transactions", namely the provision of financial advisory services to the Hui Xian REIT Group relating to investment or proposed investment of the Hui Xian REIT Group from time to time, including without limitation, any direct or indirect acquisition or disposal or proposed direct or indirect acquisition or disposal of real estate and excludes transactions set out in (1) and (2) above, provided that the aggregate fees that the HK Bank Connected Persons Group derived from all "financial advisory transactions" and "corporate advisory transactions" (as described in (4) below) conducted for the Hui Xian REIT Group during a financial year shall be capped at 0.2% of the latest published net asset value of Hui Xian REIT; and
- (4) "corporate advisory transactions", namely the provision of "corporate finance advice" to the Hui Xian REIT Group and excludes transactions set out in (1) and (2) above, provided that the aggregate fees that the HK Bank Connected Persons Group derived from all "corporate advisory transactions" and "financial advisory transactions" (as described in (3) above) conducted for the Hui Xian REIT Group during a financial year shall be capped at 0.2% of the latest published net asset value of Hui Xian REIT.

(items (1), (2), (3) and (4) collectively referred to as the “**HK Bank Corporate Finance Transactions**”)

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 Code on Share Buy-backs 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).

*(ii) Waiver Sought and Conditions*

Given the nature of and time constraint for the HK Bank Corporate Finance Transactions, strict compliance with the relevant announcement and/or Unitholders’ approval requirements under Chapter 8 of the REIT Code in relation to such transactions will (in most cases) likely involve the disclosure of price sensitive information in relation to Hui Xian REIT, and therefore it is impracticable (if not impossible) for Hui Xian REIT to comply with the relevant announcement or Unitholders’ approval requirements. The REIT Manager has therefore applied to the SFC for a waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of the HK Bank Corporate Finance Transactions. In addition, the announcement, disclosure and reporting requirements under Chapter 8 of the REIT Code with respect to the HK Bank Corporate Finance Transactions shall be modified as described in conditions (a) to (f) below.

- (a) each transaction is carried out on normal commercial terms;
- (b) the Circular and any circular for Hui Xian REIT includes clear disclosure of this waiver and, with respect to the HK Bank Corporate Finance Transactions under categories (1) and (2) in the section headed “*E. Waiver for the HK Bank Corporate Finance Transactions — (i) Background*” above, full disclosure of the material terms of the relevant agreements;
- (c) the annual report includes disclosure of the aggregate fees paid to the HK Bank Connected Persons Group in respect of the HK Bank Corporate Finance Transactions conducted for Hui Xian REIT Group in the financial year;

- (d) the annual report includes disclosure in respect of any HK Bank Corporate Finance Transactions whose fees exceed 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 REIT Manager will confirm in the annual report that item (a) above and the general conditions as set out in the section headed “*B. Waiver General Conditions and Undertakings*” above have been complied with in respect of the HK Bank Corporate Finance Transactions;
- (f) the annual report includes a statement by the Audit Committee that it has reviewed the terms of such transactions and is 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 and the REIT 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 HK Bank Connected Persons Group;
- (h) the aggregate fees that the HK Bank Connected Persons Group generates from all “financial advisory transactions” and “corporate advisory transactions” conducted for Hui Xian REIT Group during the financial year shall be capped at 0.2% of the latest net asset value (which is calculated as total assets minus total liabilities) of Hui Xian REIT as disclosed in the latest published audited accounts of Hui Xian REIT. If the aggregate fees that the HK Bank Connected Persons Group generates from the financial advisory transactions and 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 HK Bank Connected Persons 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 HK Bank 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 auditors of Hui Xian REIT shall be engaged to perform certain agreed review procedures and report in the Auditors' Report to the REIT Manager (and a copy of such report shall be provided to the SFC) confirming that:
  - (i) the transactions have received the approval of the Board (including the independent non-executive Directors) and have followed the REIT Manager's internal procedures for such transactions;
  - (ii) the transactions have been entered into and carried out in accordance with the terms of the agreements governing the transactions; and
  - (iii) the aggregate fees that the HK Bank Connected Persons Group generates from all corporate advisory transactions and financial 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 HK Bank Connected Persons Group in its capacity as described above under the HK Bank 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 HK Bank Connected Persons Group and the relevant terms of engagement in accordance with the relevant provisions of the REIT Code.

## **IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED**

### **1. Connected Party Transactions**

#### ***(a) Transactions with the Cheung Kong Connected Persons Group***

##### ***(i) The Acquisition***

Clause 15.1 of the Trust Deed requires any connected party transactions of Hui Xian REIT to be carried out in accordance with the provisions of the REIT Code and any conditions (including any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time) imposed by the SFC from time to time. Under 8.1 of the REIT Code, connected persons of a REIT include, among others, any "associated company" of a "significant holder" (each within the meaning ascribed to it under the REIT Code). The Vendors (namely Joinpower Holdings Ltd. and Cheerjoy Limited), the Guarantors (namely Hutchison Properties Limited and Cheung Kong Holdings (China) Limited), the Administrative Service Provider (namely 和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch)) and Hutchison Whampoa Enterprises Limited are associated companies of Hui Xian Cayman which is a significant holder of Hui Xian REIT. Accordingly, all of them are connected persons of Hui Xian REIT under the REIT Code. The Sale and Purchase Agreement and the transactions contemplated (including the entering into of the Deeds of Loan Assignment and the Deed of Tax Covenant) thereunder thus constitute connected party transactions of Hui Xian REIT under the REIT Code.



Since the maximum amount payable by the Purchaser to the Vendors under the Sale and Purchase Agreement, i.e. the Overall RMB Cap, being RMB4,100 million, exceeds 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, as adjusted for any relevant subsequent transaction since its publication, pursuant to 8.11 of the REIT Code and the Trust Deed, the Sale and Purchase Agreement and the transactions contemplated thereunder will require Independent Unitholders' approval by way of an Ordinary Resolution. Accordingly, an Ordinary Resolution will be proposed at the EGM to approve, among other things, the Sale and Purchase Agreement and the other Transaction Documents and the transactions contemplated thereunder.

The Overall RMB Cap of the Consideration represents approximately 23.4% of the total market capitalisation of Hui Xian REIT based on the average closing price of the Units on the Stock Exchange for the five business days immediately preceding the date of the Sale and Purchase Agreement. As the highest applicable percentage for the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for Hui Xian REIT pursuant to Chapter 14 of the Listing Rules if it is applicable to Hui Xian REIT.

(ii) *Transitional Administrative Service Agreement*

As the Administrative Service Provider through its connection with Cheung Kong is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the transaction contemplated under the Transitional Administrative Service Agreement is connected party transaction of Hui Xian REIT after Completion. As the consideration under the Transitional Administrative Service Agreement of RMB1,296,000 is less than 5% of the latest audited NAV of Hui Xian REIT as disclosed in the annual report of Hui Xian REIT for the financial year ended 31 December 2013, in accordance with 8.9 of the REIT Code no Unitholders' approval is required. Summary disclosure of the transactions under the Transitional Administrative Service Agreement will be made in the annual report of Hui Xian REIT in accordance with 8.15 of the REIT Code.

Please refer to the section headed "*The Proposed Acquisition — A. Sale and Purchase Agreement — 12. Transitional Administrative Service Agreement*" of this announcement for further information of the Transitional Administrative Service Agreement.

### *(iii) Trademark Licence Agreements*

As HWEL, through its connection with Cheung Kong, is an associated company of Hui Xian Cayman which is a significant holder of Hui Xian REIT, it is a connected person of Hui Xian REIT under the REIT Code and the transactions contemplated under the Trademark Licence Agreements are connected party transactions of Hui Xian REIT after Completion. As no consideration is involved in respect of such transactions, in accordance with 8.9 and the note to 8.14 of the REIT Code neither Unitholders' approval nor announcement is required. Summary disclosure of the transactions under the Trademark Licence Agreements will be made in the annual report of Hui Xian REIT in accordance with 8.15 of the REIT Code.

Please refer to the section headed "*The Proposed Acquisition — A. Sale and Purchase Agreement — 13. Trademark Licence Agreements*" of this announcement for further information of the Trademark Licence Agreements.

## **2. Continuing Connected Party Transactions**

Please refer to the section headed "*Continuing Connected Party Transactions*" of this announcement for further information of the continuing connected party transactions of Hui Xian REIT under the REIT Code which will or may arise in light of the Acquisition.

## **3. Waiver in respect of direct employment arrangements of the Chongqing Company after Completion**

Based on the Vendors' representations, as at 30 September 2014, the Chongqing Company employed approximately 315 employees in the PRC ("**Existing Employees**") handling various administrative and property management functions and services in connection with the Chongqing Property. It is intended that, prior to and/or after Completion, the Chongqing Company will separately directly employ a number of employees (currently expected to be not more than 50) to perform the Core Functions (as defined below) ("**Core Function Employees**") and no later than Completion will (as far as practicable) terminate the employment of all the Existing Employees. It is intended that the Chongqing Company will enter into the Chongqing Property Manager Agreement with the Chongqing Property Manager to take effect upon Completion pursuant to which the Chongqing Property Manager will be appointed as the property manager in respect of the Chongqing Property and will provide business advisory and management services, marketing and lease management services and property management co-ordination services in respect of the Chongqing Property.

Although the Vendors will under the Sale and Purchase Agreement procure that all labour contracts and employment relationship between the Chongqing Company and all its Employees shall have been effectively terminated on or before the date of Completion, it is recognised that the implementation of such employment termination arrangement may take time and may not be fully in place on the date of Completion. In such case, the Chongqing Company may have to continue with the employment of the Remaining Employees during the Remaining Period.

(a) With respect to the Core Function Employees:

- (1) Certain obligations and functions of the Chongqing Company are required by the relevant PRC laws and regulations to be performed by the Chongqing Company. Those obligations and functions include legal and regulatory functions (for example, obtaining government approvals, handling and responding to government enquiries, regulatory compliance, executing legal documents and bringing or defending legal proceedings or other proceedings) as well as certain commercial functions (for example handling the Chongqing Company's bank accounts, remitting dividends to Target Company (which is a Hong Kong company) and selecting and appointing service providers) (collectively the “**Core Functions**”). The fact that the Chongqing Property Manager will be engaged to provide services to Chongqing Company pursuant to the Chongqing Property Manager Agreement will not relieve Chongqing Company from obligations to discharge the relevant obligations nor will it pass such obligations onto the Chongqing Property Manager.
- (2) If the Chongqing Company directly employs at least a reasonable number of employees (currently expected to be not more than 50) to perform the Core Functions instead of arranging the Chongqing Property Manager or appointing another service provider company as their employer, in the event that the appointment of the Chongqing Property Manager or other service provider is discontinued for whatever reason, the Chongqing Company will still have staff performing Core Functions thereby reducing the disruption to the day to day management of Chongqing Company.

In light of the above, it will be in the interests of the Chongqing Company to directly employ the Core Function Employees.

(b) With respect to the Remaining Employees:

As mentioned above, the implementation of the employment termination arrangements with the Existing Employees may take time and may not be fully in place on the date of Completion. In such case, there may be a necessity for the Chongqing Company to continue to directly employ those employees whose labour contracts or employment relationship with the Chongqing Company have not been effectively terminated on or before the date of Completion.

- (c) Further, the above direct employment arrangement of Hui Xian REIT will not be materially prejudicial to Hui Xian REIT for the following reasons:
- (1) The REIT Manager does not expect that there will be any risks that the direct employees will cause significant liabilities or losses to the Hui Xian REIT. As mentioned above, the number of Core Employees is expected to be not more than 50. In addition, the Vendors will undertake in the Sale and Purchase Agreement procure that all labour contracts and employment relationship between the Chongqing Company and its employees be effectively terminated prior to the date of Completion. Accordingly, as at Completion, it is expected that the number of employees under direct employment of the Chongqing Company will be less than the current number of employees. Further, the REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees. It is therefore expected that the number of Remaining Employees under the direct employment of Chongqing Company will decrease with the passage of time after Completion.
  - (2) Even if an employer outside the Hui Xian REIT Group or the Chongqing Property Manager is engaged to employ the Core Function Employees and the Remaining Employees, the costs and liabilities in relation to their employment are expected to be passed to Hui Xian REIT. Additional costs and other potential liability may also arise as a result of the involvement of an outside employer. Thus, the proposed direct employment arrangement of Hui Xian REIT mentioned above would not result in any material adverse financial liability to Hui Xian REIT as compared with other arrangements involving (or relying more heavily on) outside employer companies.
  - (3) The staff costs in respect of the Core Function Employees and the Remaining Employees should not have any material impact on the revenue of the Chongqing Company. As mentioned in (1) above, it is expected that the arrangements between Chongqing Company and the Chongqing Property Manager or the alternative employment Company will provide to the effect that the Chongqing Company will reimburse the Chongqing Property Manager or the alternative employer company (as the case may be) of the salaries and employment expenses relating to such employees. Accordingly, the staff costs will continue to be borne by the Chongqing Company irrespective of the arrangement.

In light of the above, the REIT Manager has applied to the SFC for a waiver from strict compliance with the requirements of 7.5(c)(i) of the REIT Code to allow the Chongqing Company to directly employ (i) the Core Function Employees after Completion; and (ii) the Remaining Employees during the Remaining Period subject to the condition that there shall not be any material change in the circumstances as set out or represented to the SFC as contained herein, based on which such waiver is sought. The REIT Manager will, after Completion, procure that the Chongqing Company uses its best efforts to terminate the labour contracts or the employer-employee relationship with the Remaining Employees.

#### **4. Submission in relation to the number of layers of Special Purpose Vehicles**

Pursuant to the Sale and Purchase Agreement, the Purchaser may procure a nominee to take up the Sale Shares and/or the Sale Loans and it is currently intended that a Special Purpose Vehicle will be nominated to hold the Sale Shares and take up the Sale Loans.

The REIT Manager has made a submission to the SFC regarding 7.5(d) of the REIT Code for the SFC's permission of Hui Xian REIT's holding of the Chongqing Property through more than two layers of Special Purpose Vehicles upon Completion subject to the condition that there will be no change to the maximum number of layers of special purpose vehicles used by Hui Xian REIT for holding the Chongqing Property without further approval of the SFC.

#### **5. Ordinary Resolutions**

The REIT Manager takes the view that the Transactions and the Annual Caps Revisions are linked to each other and are part and parcel of a significant proposal. Each of the Annual Caps Revisions only arises from the consummation of the Acquisition and will not be required but for the entering into of the agreements underlying the Acquisition. Accordingly, one single Ordinary Resolution will be proposed at the EGM for approving all the Transactions and the Annual Caps Revisions.

A separate Ordinary Resolution will be proposed at the EGM for approving the REIT Manager's election to receive the Manager's Acquisition Fee in the form of Units.

### **RESTRICTION ON VOTING**

Note to 8.11 of the REIT Code and 9.9(f) of the REIT Code provide that where a Unitholder has a material interest in the resolution tabled for approval and that interest is different from that of all other Unitholders, such Unitholders shall abstain from voting and shall be prohibited from voting. Also, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the business conducted at a meeting of Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting his Units at, or being counted in the quorum for, such meeting.

Certain subsidiaries of Cheung Kong and HWL are parties to the Sale and Purchase Agreement and the transactions contemplated thereunder. Further, HWEL, the New Chongqing Property Management Company and the Administrative Service Provider, all of which are subsidiaries of HWL, will be a party to the Trademark Licence Agreements, the New Chongqing Property Management Agreement and the Transitional Administrative Service Agreement respectively. Also, obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed "*Continuing Connected Party Transactions*" and "*Implications Under the REIT Code and the Trust Deed — 1. Connected Party Transactions*" of this announcement is a Condition Precedent. As such, Cheung Kong, HWL and their respective subsidiaries are regarded as having a material interest in the Transactions and the Annual Caps Revisions. Pursuant to the REIT Code and the Trust Deed, Cheung Kong and HWL will, and will procure their respective associates to, abstain from voting on the Ordinary Resolutions to be proposed at the EGM to approve the Transactions and the Annual Caps Revisions.

The Chongqing Property Manager, which will be a subsidiary of the REIT Manager, will be a party to the Chongqing Property Manager Agreement, and obtaining the relevant waivers from the SFC and approvals of the Independent Unitholders in respect of the various connected party transactions of Hui Xian REIT as more particularly described in the sections headed “*Continuing Connected Party Transactions*” and “*Implications Under the REIT Code and the Trust Deed — 1. Connected Party Transactions*” of this announcement is a Condition Precedent. As such, the REIT Manager is regarded as having a material interest in the Transactions and the Annual Caps Revisions.

Further, the REIT Manager, being the receiver of the Manager’s Acquisition Fee, is regarded as having a material interest in its election to receive the Manager’s Acquisition Fee in the form of Units.

Pursuant to the REIT Code and the Trust Deed, the REIT Manager will, and will procure its associates to, abstain from voting on the Ordinary Resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval. Cheung Kong, ARA Asset Management Limited and CITIC Securities International Company Limited, which have interest in shares of the REIT Manager, will and will procure their respective subsidiaries to abstain from voting on the Ordinary Resolution to be proposed at the EGM to approve the REIT Manager’s election to receive the Manager’s Acquisition Fee in the form of new Units.

As at the Latest Practicable Date, to the best of the REIT Manager’s knowledge, information and belief, save as disclosed above, the REIT Manager is not aware of any Unitholders who are required to abstain from voting at the EGM in respect of the resolutions to be proposed at the EGM to approve the Transaction Matters Requiring Approval.

## **RECOMMENDATION**

Having regard to the reasons for, the terms of, and factors and other information in relation to the Acquisition and the REIT Manager’s election to receive Manager’s Acquisition Fee in the form of Units as well as the reasons for, and the basis for determining, the Annual Caps Revisions, the Board (including the independent non-executive Directors, who have taken into account the opinion of and the principal factors and reasons considered by the Independent Financial Adviser as set out in the “*Letter from the Independent Financial Adviser*” in the Circular) considers that:

- (1) the Acquisition, which consists of the terms of the Transaction Documents including the Consideration, is consistent with the investment objectives and strategy of Hui Xian REIT and is being entered into in the ordinary and usual course of business and is at arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;
- (2) the issuance of Units to the REIT Manager for the Manager’s Acquisition Fee as a result of the Acquisition, is consistent with the investment objectives and strategy of Hui Xian REIT and is at arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole;

- (3) the additional continuing connected party transactions as mentioned under the section headed “*Continuing Connected Party Transactions — 1. Annual Caps Revisions*” of this announcement arising from the Acquisition are consistent with the investment objectives and strategy of Hui Xian REIT and are being entered into in the ordinary and usual course of business of Hui Xian REIT and are at arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole; and
- (4) the revised annual caps under the Cheung Kong Annual Cap Revision, the Manager Annual Cap Revision and the Manager Leasing Annual Cap Revision are fair and reasonable and in the interests of the Unitholders (including the Independent Unitholders) and Hui Xian REIT as a whole,

and accordingly recommends the Independent Unitholders to vote at the EGM in favour of the Ordinary Resolutions approving the Transaction Matters Requiring Approval.

## **GENERAL**

The Independent Board Committee, comprising two independent non-executive Directors, namely, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan, has been established to advise the Independent Unitholders on the Transaction Matters Requiring Approval.

Details of the Independent Board Committee’s opinion will be set out in the Circular.

The Independent Financial Adviser has been appointed by/with the approval of the Independent Board Committee to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Transaction Matters Requiring Approval.

Details of the Independent Financial Adviser’s opinion will be set out in the Circular.

The Circular containing, among other things: (i) a letter from the Board to the Unitholders containing, among other things, details of the Transaction Matters Requiring Approval and the Trustee’s view in relation thereto; (ii) a letter from the Independent Board Committee to the Independent Unitholders in relation to the Transaction Matters Requiring Approval; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Transaction Matters Requiring Approval; (iv) the valuation report in respect of the Chongqing Property; and (v) the notice of the EGM, will be sent to the Unitholders in accordance with the REIT Code.

**Unitholders and potential investors of Hui Xian REIT are reminded that Completion is conditional upon all the Conditions Precedent as referred to in the section headed “*The Proposed Acquisition — A. Sale and Purchase Agreement — 6. Conditions Precedent and Termination Rights*” of this announcement being fulfilled (or, where applicable, waived), and the Acquisition may or may not proceed. Unitholders and potential investors of Hui Xian REIT are advised to exercise caution when dealing in the Units.**

## DEFINITIONS

In this announcement, unless otherwise stated, the following terms shall have the following meanings. Terms which are defined and used in only one section of this announcement may not be included in the table below:

“1H”	the six months ended 30 June
“2014 Extended Cheung Kong Waiver”	has the meaning ascribed to it in the March Circular
“2014 Extended Manager Waiver”	has the meaning ascribed to it in the March Circular
“Acquisition”	the proposed acquisition by the Purchaser from the Vendors of the Sale Shares and the Sale Loans pursuant to the Sale and Purchase Agreement
“Adjusted Asset Value”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration</i> ” of this announcement
“Administrative Service Provider”	和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch), a company established in the PRC
“Annual Caps Revisions”	(1) the Cheung Kong Annual Cap Revision, (2) the Manager Annual Cap Revision, and (3) the Manager Leasing Annual Cap Revision
“Appraised Value”	the value of the Chongqing Property as at 31 August 2014 as appraised by the Independent Property Valuer
“Area Issue”	has the meaning ascribed to it in the section headed “ <i>D. Arm’s Length Terms and Due Diligence Review</i> ”
“associate”	has the meaning ascribed to it under the REIT Code
“Attributable Value”	RMB3,910 million, which is the value attributable to the Chongqing Property as agreed between the Vendors and the Purchaser for the purpose of the Sale and Purchase Agreement
“Beijing Oriental Plaza”	the composite development known as Oriental Plaza (東方廣場) situated at No. 1 East Chang An Ave., Dong Cheng District, Beijing, the PRC



“Board”	the board of Directors
“BOP”	北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd.), a Sino-foreign co-operative joint venture established in the PRC, which holds the land use rights and building ownership rights of Beijing Oriental Plaza
“Business Day”	a day (excluding Saturdays, Sundays, public holidays and a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or is in effect in Hong Kong at any time between the hours 9:00 a.m. and 5:00 p.m. on weekdays) on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Certifying Accountants”	PricewaterhouseCoopers, or such other firm of certified public accountants as the Vendors and the Purchaser/REIT Manager may agree and jointly appoint
“Cheerjoy”	Cheerjoy Limited, a limited liability company incorporated in the BVI which is an indirect wholly-owned subsidiary of Cheung Kong
“Cheerjoy Loan”	the aggregate amount outstanding and owing by the Target Company to Cheerjoy as at the date of the Sale and Purchase Agreement and as at Completion, being a principal amount of HK\$116,912,941.20
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1)
“Cheung Kong Annual Cap Revision”	has the meaning ascribed to it in the section headed “ <i>Continuing Connected Party Transactions — 1. Annual Caps Revisions — (i) Property management arrangements in respect of the Chongqing Property with the Cheung Kong Connected Persons Group</i> ” of this announcement
“Cheung Kong Connected Persons Group”	Cheung Kong and entities and persons which are from time to time connected persons of Hui Xian REIT as a result of their connection with Cheung Kong, including certain members of the Cheung Kong Group, HWL and certain subsidiaries of HWL
“Cheung Kong Group”	Cheung Kong and its subsidiaries

“Cheung Kong Indemnifiers”	CKH Guarantor and Cheerjoy
“Chongqing Company”	和記實業(重慶)有限公司 (Hutchison Enterprises (Chongqing) Limited), a PRC-incorporated enterprise and a wholly-owned subsidiary of the Target Company
“Chongqing Hotel”	a hotel currently called “Harbour Plaza Chongqing 重慶海逸酒店”
“Chongqing Property”	an integrated commercial property development comprising the Shopping Mall and the Office Building, which is located at No.68 Zou Rong Road, Yuzhong, Chongqing, the PRC
“Chongqing Property Manager”	the Chongqing branch of 北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited), a wholly-owned subsidiary of the REIT Manager and the current property manager of Beijing Oriental Plaza, to be set up and to be appointed as the property manager in respect of the Chongqing Property pursuant to the Chongqing Property Manager Agreement
“Chongqing Property Manager Agreement”	the agreement to be entered into between the Chongqing Company and the Chongqing Property Manager, as further described in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement</i> ” of this announcement
“Circular”	the circular to be issued to the Unitholders, containing, among other things: (i) a letter from the Board to the Unitholders containing, among other things, details of the Transaction Matters Requiring Approval and the Trustee’s view in relation thereto; (ii) a letter from the Independent Board Committee to the Independent Unitholders in relation to the Transaction Matters Requiring Approval; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the Transaction Matters Requiring Approval; (iv) the valuation report in respect of the Chongqing Property; and (v) the notice of the EGM

“Circular 698”	國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知（國稅函[2009]698號）(Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income Derived from Equity Transfer Made by Non-Resident Enterprise) (Guo Shui Han [2009] No. 698), effective as from 1 January 2008
“Circular 698 Obligations”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — E. PRC Taxation</i> ” of this announcement
“CKH Guarantor”	Cheung Kong Holdings (China) Limited, a limited liability company incorporated in Hong Kong
“Completion”	completion of the Acquisition pursuant to the terms of the Sale and Purchase Agreement
“Completion Balance Sheet”	the unaudited consolidated balance sheet of the Target Group as at the date of Completion to be prepared in accordance with the agreed terms set out in the Sale and Purchase Agreement
“Conditions Precedent”	the conditions precedent to which the Acquisition is subject, as set out in the Sale and Purchase Agreement and which are summarised in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 6. Conditions Precedent and Termination Rights</i> ” of this announcement
“connected person(s)”	has the meaning ascribed to it under the REIT Code
“Consideration”	the aggregate of (i) the Share Consideration, (ii) the Total Loan Consideration, and (iii) the Final Net Distribution
“DB Group”	Deutsche Bank AG and its subsidiaries and excludes the Trustee and its proprietary subsidiaries (being subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Hui Xian REIT)
“Deed of Income Guarantee”	the deed of income guarantee to be entered into between the Vendors, the Guarantors, the Purchaser and the REIT Manager at Completion, as further described in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 9. Deed of Income Guarantee</i> ” of this announcement

“Deed of Tax Covenant”	the deed of tax covenant to be entered into between the Vendors, the Guarantors and the Purchaser at Completion, as further described in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 10. Deed of Tax Covenant</i> ” of this announcement
“Deeds of Loan Assignment”	the deeds of loan assignment to be entered into at Completion by the Purchaser (or its nominee), the Target Company, and each of the Vendors respectively in respect of the relevant Sale Loan owned by such Vendor
“Deposited Property”	all the assets of Hui Xian REIT, including all its Authorised Investments (as defined in the Trust Deed), for the time being held or deemed to be held (including but not limited to through Special Purpose Vehicles) upon the trusts of the Trust Deed and any interest arising on subscription monies from, or application monies for, the issuance of Units and the proceeds from the divestment of any investment
“Director(s)”	the director(s) of the REIT Manager
“Distribution”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration</i> ” of this announcement
“DPU”	distribution per Unit
“EGM”	an extraordinary general meeting of the Unitholders to be convened and held for considering and, if thought fit, passing on a poll, among other things, the Ordinary Resolutions approving the Transaction Matters Requiring Approval
“Employees”	all the employees of the Chongqing Company within the meaning of the relevant PRC laws as at the date of the Sale and Purchase Agreement and those employed by the Chongqing Company subsequent to the Sale and Purchase Agreement
“Employment Liabilities”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 2. Information on the Target Group</i> ” of this announcement

“Employment Provision”	as defined in the section headed “ <i>The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 2. Information on the Target Group</i> ” of this announcement
“Entrusted Loan Agreements”	all the entrusted loan agreements entered into by the Chongqing Company (as informed by the Vendors and listed out in the Sale and Purchase Agreement)
“Entrusted Loan Borrowers”	the persons or companies to which Entrusted Loans have been advanced
“Entrusted Loans”	all amounts outstanding and owing by the Entrusted Loan Borrowers under the Entrusted Loan Agreements (which amounts are, as a Condition Precedent, to be repaid and settled in full before Completion, and for reference only, the aggregate principal amount of the Entrusted Loans as at 30 June 2014 was RMB1,305,000,000)
“Exchange Rate”	the middle exchange rate for exchange between HK\$ and RMB posted in the “人民幣匯率中間價公告” (Notice on the Middle Exchange Rate for RMB) on the website of the People’s Bank of China at or about 9:15 a.m. (Beijing time) on the relevant date and, if no such rate is announced on the relevant date, a business day immediately preceding such date
“Existing Bank Loan Documents”	all the subsisting loan agreements, guarantees, securities and other agreements, instruments and documents (including but not limited to the mortgage contracts) entered into by the Chongqing Company with the relevant lenders on or before the date of the Sale and Purchase Agreement as listed in the Sale and Purchase Agreement
“Existing Bank Loans”	all amounts outstanding and owing by the Chongqing Company to the lenders under the Existing Bank Loan Documents (which amounts are, as a Condition Precedent, to be repaid and settled in full before Completion, and for reference only, the aggregate principal amount of the Existing Bank Loans as at 30 June 2014 was RMB1,520,000,000)
“Existing Chongqing Property Management Agreement”	the property management agreement entitled 《大都會廣場物業管理服務合同》 (Metropolitan Plaza Property Management Service Agreement) entered into between the Chongqing Company and the Existing Chongqing Property Management Company

“Existing Chongqing Property Management Company”	家利物業管理(重慶)有限公司 (Cayley Property Management (Chongqing) Limited), a company established in the PRC and the existing property management company of the Chongqing Property
“Final Distribution”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration — (ii) Final Distribution and Final Net Distribution</i> ” of this announcement
“Final Net Distribution”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration — (ii) Final Distribution and Final Net Distribution</i> ” of this announcement
“Financial Adviser”	Citigroup Global Markets Asia Limited, a company incorporated in Hong Kong with limited liability, and licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
“GDP”	gross domestic product
“GFA”	gross floor area
“Guaranteed Year”	each of the five financial years ending 31 December 2014, 2015, 2016, 2017 and 2018 (if Completion takes place in 2014), or each of the five financial years ending 31 December 2015, 2016, 2017, 2018 and 2019 (if Completion takes place in 2015)
“Guarantors”	CKH Guarantor and HWL Guarantor
“Highsmith Limited”	a former wholly-owned subsidiary of the Target Company which was transferred to the Vendors prior to the signing of the Sale and Purchase Agreement pursuant to the Hotel Transfer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK\$ Equivalent”	in respect of a sum in RMB, means the amount in HK\$ into which such sum in RMB is converted at the Exchange Rate
“HK Bank”	The Hongkong and Shanghai Banking Corporation Limited

“HK Bank Connected Persons Group”	The Hongkong and Shanghai Banking Corporation Limited and certain of its subsidiaries which are connected persons of Hui Xian REIT because a director of Noblecrown Investment Limited which is a significant holder of Units, is also a director of The Hongkong and Shanghai Banking Corporation Limited and/or certain of its subsidiaries
“Hotel Transfer”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 2. Information on the Target Group</i> ” of this announcement
“Hui Xian Cayman”	Hui Xian (Cayman Islands) Limited, a company incorporated in the Cayman Islands with limited liability and a significant holder of Hui Xian REIT
“Hui Xian REIT”	Hui Xian Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“Hui Xian REIT Group”	Hui Xian REIT and other companies or entities held or controlled by Hui Xian REIT
“HWEL”	Hutchison Whampoa Enterprises Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of HWL, which is a connected person of Hui Xian REIT
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 13)
“HWL Guarantor”	Hutchison Properties Limited, a limited liability company incorporated in Hong Kong
“HWL Indemnifiers”	HWL Guarantor and Joinpower
“Independent Board Committee”	the independent committee of the Board established to advise the Independent Unitholders on the Transaction Matters Requiring Approval, comprising two independent non-executive Directors, namely, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

“Independent Property Valuer”	Knight Frank Petty Limited
“Independent Unitholders”	Unitholders other than those who are required to abstain or prohibited from voting pursuant to 8.11 and 9.9(f) of the REIT Code
“Joinpower”	Joinpower Holdings Ltd., a limited liability company incorporated in the BVI, which is an indirect wholly-owned subsidiary of HWL
“Joinpower Loan”	the aggregate amount outstanding and owing by the Target Company to Joinpower as at the date of the Sale and Purchase Agreement and as at Completion, being a principal amount of HK\$116,912,941.20
“Latest Practicable Date”	5 November 2014, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained in the Circular
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2015, or such other date as the Vendors and the Purchaser may agree in writing
“Manager’s Acquisition Fee”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — F. Fees and Charges — 2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition</i> ” of this announcement
“Manager Acquisition Fee Units”	the new Units to be issued to the REIT Manager in payment of the Manager’s Acquisition Fee, if the REIT Manager’s election for such fee to be received in the form of new Units is approved by Unitholders by way of an Ordinary Resolution
“Manager Annual Cap Revision”	has the meaning ascribed to it in the section headed “ <i>Continuing Connected Party Transactions — 1. Annual Caps Revisions — (ii) Property manager services in respect of the Chongqing Property with the REIT Manager Group</i> ” of this announcement
“Manager Leasing Annual Cap Revision”	has the meaning ascribed to it in the section headed “ <i>Continuing Connected Party Transactions — 1. Annual Caps Revisions (iii) Leasing arrangements in respect of the Chongqing Property with the REIT Manager Group</i> ” of this announcement



“March Circular”	the circular dated 31 March 2014 of Hui Xian REIT to the Unitholders
“Market Consultant”	Savills Property Services (Chengdu) Limited Chongqing Branch, the market consultant appointed by the REIT Manager
“May Poll Results Announcement”	the poll results announcement of Hui Xian REIT dated 5 May 2014 in relation to the annual general meeting and the extraordinary general meeting of Hui Xian REIT held on that day
“NAV”	net asset value
“New Chongqing Property Management Agreement”	the property management agreement to be entered into between the Chongqing Company and the New Chongqing Property Management Company, as further described in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 11. Chongqing Property Manager Agreement and New Chongqing Property Management Agreement</i> ” of this announcement
“New Chongqing Property Management Company”	家利物業管理 (深圳) 有限公司 (Cayley Property Management (Shenzhen) Limited), a company established in the PRC
“NPI”	net property income of a real estate in relation to a financial year or part thereof, being Gross Revenue less Property Operating Expenses (each as defined in the Trust Deed) of such real estate for that financial year or part thereof
“Offering Circular”	the offering circular of Hui Xian REIT dated 11 April 2011 issued in connection with the initial public offering of the Units
“Office Building”	a 37-storey (not counting mezzanine floor and roof top floor) office building currently called “Metropolitan Tower 大都會商廈”, being part of the Chongqing Property
“Ordinary Resolution”	a resolution proposed and passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Property Values”	the values of all real estate, whether directly held by the trustee of Hui Xian REIT or indirectly held by the trustee of Hui Xian REIT through a Special Purpose Vehicle

“Purchaser” or “Trustee”	DB Trustee (Hong Kong) Limited, as the trustee of Hui Xian REIT, in its capacity as the trustee of Hui Xian REIT; and all references to the Trustee in this announcement are, as the context may require, to the Trustee acting on behalf of Hui Xian REIT and on the instructions of the REIT Manager
“REIT”	real estate investment trust
“REIT Code”	Code on Real Estate Investment Trusts issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“REIT Manager”	Hui Xian Asset Management Limited ( 滙賢房託管理有限公司 ), as manager of Hui Xian REIT
“REIT Manager Group”	the REIT Manager and persons which are connected persons of Hui Xian REIT as a result of their connection with the REIT Manager, including 北京滙賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited) and the Chongqing Property Manager, but excluding the Cheung Kong Connected Persons Group
“REIT Properties”	collectively the Beijing Oriental Plaza, Sofitel Shenyang Lido and, after Completion, the Chongqing Property
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Equivalent”	in respect of a sum in HK\$, means the amount in RMB into which such sum in HK\$ is converted at the Exchange Rate
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 November 2014 and entered into between the Vendors, the Guarantors and the Purchaser in respect of the Acquisition, further details of which are set out in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement</i> ” of this announcement
“Sale Loans”	the Cheerjoy Loan and the Joinpower Loan
“Sale Shares”	210,000,000 shares of the Target Company, representing all the issued shares of the Target Company, of which 105,000,000 shares are held by Joinpower and 105,000,000 shares are held by Cheerjoy
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being

“Share Consideration”	the total amount of consideration payable by the Purchaser to the Vendors (or as the Vendors may direct) for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement as determined in the manner set out in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 4. Consideration</i> ” in this announcement
“Shenyang Lido”	瀋陽麗都商務有限公司 (Shenyang Lido Business Co., Ltd.), a Sino-foreign co-operative joint venture established in the PRC, which holds the land use rights and building ownership rights of Sofitel Shenyang Lido located in Shenyang, the PRC
“Shopping Mall”	a 12-storey shopping mall (inclusive of 353 car park spaces) currently called “Metropolitan Plaza 大都會廣場”, being part of the Chongqing Property
“significant holder”	has the meaning ascribed to it under the REIT Code
“Special Purpose Vehicles” or “SPVs”	special purpose vehicles owned and controlled by Hui Xian REIT in accordance with the REIT Code, and “Special Purpose Vehicle” or “SPV” means one of them
“sq. m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — B. Information in relation to the Chongqing Property and the Target Group — 2. Information on the Target Group</i> ” of this announcement
“Target Company”	Chesgold Limited 志鉅有限公司, a company incorporated in Hong Kong with limited liability, the issued shares of which are owned as to 50% by each of the Vendors
“Target Group”	collectively (1) the Target Company; and (2) the Chongqing Company, and each of them, a “Target Group Company”

“Total Income”	in respect of any Guaranteed Year, the 主營業務收入 (English for reference only: revenue generated from the principal business) of the Chongqing Company as stated in the audited accounts of the Chongqing Company for that Guaranteed Year plus all the 承包費 (English for reference only: contractor’s fee) from certain specified shop in the Shopping Mall for that Guaranteed Year less the revenue from sales of goods relating to such shop for that Guaranteed Year (and, for this purpose, 主營業務收入 shall include any value added tax imposed thereto, after the business tax to value added tax reform is applied to the Chongqing Company)
“Total Loan Consideration”	means the aggregate of the consideration payable by the Purchaser to each of the Vendors for the assignment of the benefit of and interest in the relevant Sale Loan under the Sale and Purchase Agreement
“Trade Marks”	<p>the following trade marks registered by HWEL with the Trademark Office of the State Administration for Industry &amp; Commerce of the PRC:</p> <p>(a) 大都會廣場 metropolitan plaza and device  (b) METROPOLITAN PLAZA  (c) METROPOLITAN TOWER</p> <p>and “Trade Mark” means any one of them</p>
“Trademark Licence Agreements”	the licence agreement with respect to the Trade Mark under the registration number 3532450, the licence agreement with respect to the Trade Mark under the registration number 3532460, the licence agreement with respect to the Trade Mark under the registration number 7381145, and the licence agreement with respect to the Trade Mark under the registration number 8332793, all to be entered into between HWEL and the Chongqing Company
“Transaction Documents”	collectively (1) the Sale and Purchase Agreement, (2) the Deed of Income Guarantee, (3) the Deeds of Loan Assignment, and (4) the Deed of Tax Covenant, details of which are set out in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement</i> ” of this announcement
“Transaction Matters Requiring Approval”	collectively (1) the Transactions; (2) the Annual Caps Revisions; and (3) the REIT Manager’s election to receive the Manager’s Acquisition Fee in the form of new Units
“Transactions”	the Sale and Purchase Agreement and the other Transaction Documents and the transactions contemplated thereunder

“Transitional Administrative Service Agreement”	the agreement to be entered into between the Chongqing Company and the Administrative Service Provider, as further described in the section headed “ <i>The Proposed Acquisition — A. Sale and Purchase Agreement — 12. Transitional Administrative Service Agreement</i> ” of this announcement
“Trust Deed”	the trust deed dated 1 April 2011 constituting Hui Xian REIT, as amended by two supplemental deeds dated 24 May 2013 and 16 May 2014 respectively, and as may be modified or supplemented from time to time
“Trustee’s Fee”	has the meaning ascribed to it in the section headed “ <i>The Proposed Acquisition — F. Fees and Charges — 2. Fees payable by Hui Xian REIT to the REIT Manager and the Trustee in relation to the Acquisition</i> ” of this announcement
“Unit”	one unit in Hui Xian REIT
“Unitholder”	any person registered as holding a Unit
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	Cheerjoy and Joinpower

**By order of the Board**  
**Hui Xian Asset Management Limited**  
 滙賢房託管理有限公司  
**as Manager of Hui Xian Real Estate Investment Trust**  
**Kam Hing Lam**  
*Chairman of the Manager*

Hong Kong, 10 November 2014

*As at the date of this announcement, the Directors of the REIT Manager are Mr. Kam Hing Lam (Chairman and non-executive Director); Mr. Cheung Ling Fung, Tom and Mr. Lee Chi Kin, Casey (executive Directors); Mr. Ip Tak Chuen, Edmond, Mr. Lim Hwee Chiang and Mr. Yin Ke (with Mr. Pang Shuen Wai, Nichols being his alternate director)(non-executive Directors); and Mr. Cheng Hoi Chuen, Vincent, Professor Lee Chack Fan and Dr. Choi Koon Shum, Jonathan (independent non-executive Directors).*

*English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.*