



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

Annual Report **2019**



HUI XIAN REIT

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) (Stock Code: 87001) is a real estate investment trust constituted by a deed of trust entered into on 1 April 2011 between Hui Xian (Cayman Islands) Limited, as settlor of Hui Xian REIT, Hui Xian Asset Management Limited (as manager of Hui Xian REIT), and DB Trustees (Hong Kong) Limited (“Trustee”) (as amended, modified or supplemented from time to time) (“Trust Deed”). Units of Hui Xian REIT were first listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 29 April 2011.



REIT MANAGER

Hui Xian REIT is managed by Hui Xian Asset Management Limited (the “Manager”), a company incorporated in Hong Kong for the sole purpose of managing Hui Xian REIT. The Manager is a direct wholly-owned subsidiary of World Deluxe Enterprises Limited, which in turn is indirectly owned as to 70% by CK Asset Holdings Limited and 30% by ARA Asset Management Limited.



CONTENTS

2	Financial Highlights
3	Chairman's Statement
10	Management Discussion and Analysis
31	Environmental, Social and Governance Report
43	Corporate Governance
53	Internal Control and Risk Management
55	Connected Party Transactions
63	Disclosure of Interests
65	Directors' Biographical Information
69	Key Personnel's Biographical Information
70	Valuation Report
134	Trustee's Report
135	Independent Auditor's Report
141	Consolidated Statement of Comprehensive Income
142	Distribution Statement
144	Consolidated Statement of Financial Position
146	Consolidated Statement of Changes in Net Assets Attributable to Unitholders and Non-Controlling Interests
147	Consolidated Statement of Cash Flows
149	Notes to the Consolidated Financial Statements
213	Summary Financial Information
215	Performance Table
216	Investor Calendar
217	Corporate Information
219	Glossary

FINANCIAL HIGHLIGHTS

For the financial year from 1 January 2019 to 31 December 2019
("Reporting Period")

	1 Jan – 31 Dec 2019	1 Jan – 31 Dec 2018	Percentage Change
Total Revenue (<i>RMB million</i>)	3,169	3,201	-1.0%
Net Property Income (<i>RMB million</i>)	2,012	2,060	-2.3%
Amount Available for Distribution (<i>RMB million</i>)	1,334	1,517	-12.1%
Distributions to Unitholders (<i>RMB million</i>)	1,273	1,517	-16.1%
Distribution per Unit (<i>RMB</i>)	0.2177	0.2653	-17.9%

CHAIRMAN'S STATEMENT

“As we navigate a challenging business environment, we will continue to focus on our assets’ operational performance and treasury management. We remain confident in the fundamentals of China and our assets, and we look forward to the long-term development of Hui Xian REIT with cautious optimism.”

H L KAM Chairman



CHAIRMAN'S STATEMENT

2019 has been an undeniably challenging year, marked by economic uncertainty and geopolitical concerns over trade tensions, Britain's exit from the European Union, national elections and widespread social unrest. The trade war between China and the United States weighed not just on the two respective countries, but also hampered the global economy.

According to the World Bank's latest Global Economic Prospects report issued in January 2020, global growth weakened to an estimated 2.4% in 2019, "the lowest rate of expansion since the global financial crisis".

In 2019, China's gross domestic product ("GDP") growth rate further slowed to 6.1% according to the National Bureau of Statistics of China. It is the lowest annual growth rate for almost three decades. The RMB exchange rate experienced volatility over the course of the year. Against the Hong Kong Dollar, the RMB exchange rate as at 31 December 2019 dropped by approximately 2.2%* compared to a year earlier.

The outbreak of COVID-19 is posing new threats to the Chinese as well as global economy. Businesses of many domestic and multinational corporations across a broad range of sectors have been impacted.

* Based on the People's Bank of China RMB rate against Hong Kong Dollar

RESULTS AND DISTRIBUTION

Against a challenging background, Hui Xian REIT's total revenue was down by 1.0% year-on-year to RMB3,169 million and net property income ("NPI") decreased 2.3% year-on-year to RMB2,012 million during 2019.

Amount available for distribution for the Reporting Period amounted to RMB1,334 million (2018: RMB1,517 million). The decrease was mainly caused by several factors: (1) a drop in NPI, (2) a decline in interest income due to lower RMB deposit rates, (3) an increase in interest expenses based on the higher average Hong Kong Interbank Offered Rate ("HIBOR"), and (4) a one-off exchange gain realised from early repayment of bank loans in 2018.

Under the PRC foreign investment law which became effective on 1 January 2020, there is no provision for the repatriation of capital in the form of depreciation. Prior to the introduction of this new foreign investment law, the depreciation amount had been adjusted and distributed to Unitholders as part of the distribution amount. As a result, it is expected that the distribution amount for 2020 and beyond will be impacted.

The COVID-19 outbreak casts a shadow over the near-term outlook for China's economy. The business environment for Hui Xian REIT is expected to be difficult in 2020. The weakening of the RMB, the fluctuation in interest rate, and the revision of PRC law on depreciation will further complicate an already complex situation.

In anticipation of the challenges ahead in 2020, the Board has decided to increase cash reserves and change the payout ratio in the second half of 2019 from 100% to 90%. During the period July to December 2019, distributions to Unitholders amounted to RMB548 million and final distribution per unit ("DPU") was RMB0.0932.

Together with the interim DPU of RMB0.1245, Hui Xian REIT's total DPU for the financial year was RMB0.2177 (2018: RMB0.2653), and full year payout ratio was 95.5%. Based on the closing unit price of RMB3.28 on 31 December 2019, the distribution yield was 6.6%.

Business Review

Hui Xian REIT's portfolio spans across the retail, office, serviced apartment and hotel sectors in China's four key cities, covering an aggregate area of over 1.1 million square metres.

Against a challenging backdrop, Hui Xian REIT's retail and serviced apartment sectors delivered stable results. The office sector's performance dropped slightly, and the hotel performance recorded a decline, primarily due to the challenging macro environment and the renovation of two of the hotels.

(1) Retail Portfolio

Amid slower economic growth and trade war pressures, performance across China's retail sector was mixed during 2019. According to official data, the country's retail sales growth slowed to 8.0%. Online shopping continued to pose a threat to traditional brick and mortar shops, though the growth rate has also slowed to 16.5% compared to 23.9% a year ago.

During 2019, the Chinese government rolled out a raft of measures to boost domestic consumption which included carrying out individual income tax reforms to unlock consumption potential, lowering import tariffs for a range of imported goods, improving pedestrian shopping streets, and promoting "night economy" with shops extending their operating hours.

Hui Xian REIT's retail portfolio consists of two shopping centres: one in Beijing Oriental Plaza and another in Chongqing Metropolitan Oriental Plaza. During the Reporting Period, NPI was RMB893 million (2018: RMB892 million).

Despite the uncertain macroeconomic environment, The Malls at Beijing Oriental Plaza continued to deliver stable performance during 2019. A high level of occupancy rate of 98.4% (2018: 97.6%) was maintained. Average monthly passing rent was RMB1,151 (2018: RMB1,126) per square metre. Leveraging on its excellent location in Wangfujing and high footfall, The Malls continued to be highly popular among retailers and shoppers, making it resilient during challenging times.

In terms of tenant mix, The Malls added a variety of sportswear and lifestyle stores, as well as food and beverage outlets to cater to evolving consumer tastes.

At the Chongqing Metropolitan Oriental Plaza mall, the comprehensive asset enhancement and tenant revamp programme continued throughout 2019. The majority of the renovation works have been completed. During the renovation period, average occupancy rate was 87.6% (2018: 84.4%) and average monthly passing rent was RMB155 (2018: RMB165) per square metre.

CHAIRMAN'S STATEMENT

(2) Office Portfolio

For much of 2019, China's office market was buffeted by multiple challenges, particularly the ongoing China-US trade conflict and China's slower economic growth. Market sentiment has deteriorated sharply since mid-2019, and this has had a knock-on effect on the leasing demand for office space. Many multinational and domestic companies have become very cost-conscious and have held off their expansion plans. There were also many cases of office tenants scaling back or even renegeing on leases. Together with the new supply, most Chinese cities saw rising vacancy rates in 2019 with the average vacancy rate of 16 key cities increasing to 24.5%¹.

Hui Xian REIT's office portfolio consists of two projects: The Tower Offices at Beijing Oriental Plaza, and The Tower at Chongqing Metropolitan Oriental Plaza. The office portfolio's NPI was RMB935 million (2018: RMB955 million).

Unfavourable economic conditions continued to dampen leasing demand for Beijing offices during 2019. The capital city's Grade A office vacancy rate was over 12%, its highest point in nearly a decade according to Savills research².

The performance of The Tower Offices at Beijing Oriental Plaza was also affected, resulting in lower occupancy and negative rental reversion. Occupancy rate was 90.5% (2018: 95.9%). Average monthly spot rent was RMB303 (2018: RMB334) per square metre, while average monthly passing rent was RMB298 (2018: RMB294) per square metre.

Chongqing's office market continued to be competitive due to escalating new supply as well as subdued leasing demand from tenants amid slower economic growth, pushing the city's overall vacancy rate to 31.1%³. Average monthly passing rent of The Tower at Chongqing Metropolitan Oriental Plaza was RMB113 (2018: RMB117) per square metre, while the occupancy rate was 89.7% (2018: 91.8%).

*Sources:

- 1) Savills, "Reimagining 2020 – Savills Publishes China Annual Real Estate Market Overview and Outlook", January 2020
- 2) Savills, "Market in Minutes", Office – Beijing, January 2020
- 3) Savills, "Market in Minutes", Office – Chongqing, February 2020

(3) Serviced Apartment Portfolio

Hui Xian REIT's serviced apartment portfolio comprises (i) The Tower Apartments at Beijing Oriental Plaza, one of Beijing's largest serviced apartment developments, and (ii) The Residences at Sofitel Shenyang Lido. NPI was RMB95 million (2018: RMB94 million) during the Reporting Period.

To capture the growing demand for serviced apartments, a number of Grand Hyatt Beijing hotel rooms have been converted into fully-furnished units for lease and they have been incorporated into The Towers Apartment at Beijing Oriental Plaza portfolio. Total inventory has increased to 809 units compared to 720 units a year ago. Occupancy rate was 87.0% based on the enlarged inventory base.

A number of hotel rooms at Sofitel Shenyang Lido have also been refurbished and converted into serviced apartments for lease during 2019. These 134 units have been launched under the brand of "The Residences at Sofitel Shenyang Lido" and they have been well received by the market.

(4) Hotel Portfolio

During 2019, China's hotel market continued to be challenging as many corporations have scaled down their spending on business travel and "MICE" (Meetings, Incentives, Conventions and Exhibitions) against an uncertain economic backdrop.

Domestic travel has become increasingly popular in China on the back of rising income and an improved transportation network. Domestic customers now account for an important share of occupancy and food and beverage spending in the hotels in China. The clientele mix of China's hotel industry is now geared more towards domestic customers than international travellers. Such change creates challenges as well as opportunities for the industry. Domestic customers have become an important revenue source to the hotels, but they are usually more price-sensitive than international travellers.

Hui Xian REIT's hotel portfolio comprises four international hotels in four cities in China: Grand Hyatt Beijing, Sheraton Chengdu Lido Hotel, Sofitel Shenyang Lido and Hyatt Regency Liberation Square Chongqing. The aggregate NPI was RMB89 million (2018: RMB119 million). The decline was mainly attributed to: (i) keen competition among hotels, exerting downward pressure on room rate, and (ii) ongoing asset enhancement programme at the two hotels in Shenyang and Chongqing respectively.

Amid a challenging operating environment, Grand Hyatt Beijing's average room rate was RMB1,271 (2018: RMB1,273) and occupancy rate was 80.8% (2018: 75.6%). Revenue per available room ("RevPAR") was RMB1,027 (2018: RMB962). At Sheraton Chengdu Lido Hotel, average room rate per night was RMB507 (2018: RMB544) and occupancy rate was 74.3% (2018: 71.6%). RevPAR was RMB377 (2018: RMB390).

Sofitel Shenyang Lido and Hyatt Regency Liberation Square Chongqing were under extensive asset enhancement programmes throughout the Reporting Period. Their businesses were affected as a portion of the room inventory was unavailable for sale.

Sofitel Shenyang Lido's renovation programme, including the upgrade of all guest rooms and ballroom facilities, is almost complete. At Chongqing, our hotel was operated as "Harbour Plaza Chongqing" from January to April 2019. It has been rebranded as "Hyatt Regency Liberation Square Chongqing" since May 2019. The asset enhancement initiatives will continue in 2020.

Financial Position

Hui Xian REIT continues to adopt a prudent financial strategy. As at 31 December 2019, bank balances and cash on hand amounted to RMB6,807 million and total debts amounted to RMB10,871 million. Debts to gross asset value ratio was 23.4%.

The average one-month HIBOR for 2019 was higher than that of 2018 by 55 basis points, leading to an increase in interest expenses. The average RMB deposit rate in Hong Kong has fallen compared to a year ago, causing a decline in interest income. The fluctuation in deposit and borrowing interest rate affected the distributions to Unitholders.

CHAIRMAN'S STATEMENT

Outlook

The COVID-19 outbreak has created strong headwinds for China's economy. Economists and analysts have substantially downgraded its GDP growth forecast for the first quarter of 2020. A wide array of industries, particularly tourism, airline, retail, food and beverage and manufacturing sectors, has been negatively impacted by the COVID-19. Widespread travel restrictions and flight cancellations have led to a sharp decline in the number of foreign and domestic tourists and cancellation of large-scale events in China. Manufacturers reported reduced productivity due to the extended shutdown of factories. Major retailers, restaurants, cinemas and shopping centres were temporarily closed.

The COVID-19 outbreak's long-term effect on the Chinese economy remains to be seen. Hui Xian REIT's hotel and retail sectors, however, have felt the pain immediately. The significant drop in tourist arrivals coupled with the cancellation of corporate events has affected both accommodation and food and beverage business of our hotels. The outbreak has also dampened retail sentiment as consumers cut back on discretionary spending. As a result, foot traffic and retail sales of shopping centres have decreased substantially. Also, there will likely be repercussions on the leasing business of our office and serviced apartment sectors.

While the COVID-19 outbreak clouds the short-term economic outlook of China and affects substantially Hui Xian REIT's business, particularly in the first half of 2020, it is anticipated that a series of government measures would be introduced to mitigate the economic impact of the COVID-19 and support the gradual recovery of business and consumer activities in China.

As we navigate a challenging business environment, we will continue to focus on our assets' operational performance and treasury management. We remain confident in the fundamentals of China and our assets, and we look forward to the long-term development of Hui Xian REIT with cautious optimism.

On behalf of the Manager, I would like to thank all the Unitholders and the Trustee for their continued support of and commitment to Hui Xian REIT.

H L KAM

Chairman

Hui Xian Asset Management Limited

(as manager of Hui Xian Real Estate Investment Trust)

Hong Kong, 16 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO HIGHLIGHTS

As at 31 December 2019, Hui Xian REIT's portfolio included:

- (1) its investment in Hui Xian (B.V.I.) Limited, which in turn holds Hui Xian Investment Limited ("Hui Xian Investment"), the foreign joint venture partner of 北京東方廣場有限公司 (Beijing Oriental Plaza Co., Ltd.#) ("BOP"), which is a Sino-foreign cooperative joint venture established in the People's Republic of China ("PRC"). BOP holds the land use rights and building ownership rights of Beijing Oriental Plaza;
- (2) its investment in Chongqing Overseas Investment Limited, which in turn holds Chongqing Investment Limited. Chongqing Investment Limited owns the entire interest in 重慶大都會東方廣場有限公司 (Chongqing Metropolitan Oriental Plaza Co., Ltd.#), which holds the land use rights and building ownership rights of Chongqing Metropolitan Oriental Plaza;
- (3) its investment in Shenyang Investment (BVI) Limited, which in turn holds Shenyang Investment (Hong Kong) Limited ("Shenyang Investment HK"), the foreign joint venture partner of 瀋陽麗都商務有限公司 (Shenyang Lido Business Co. Ltd.#) ("Shenyang Lido"). Shenyang Investment HK is entitled to 70% of the distributions of Shenyang Lido, which is a Sino-foreign cooperative joint venture established in the PRC. Shenyang Lido holds the land use rights and building ownership rights of Sofitel Shenyang Lido;
- (4) its investment in Chongqing Hotel Investment Limited, which in turn holds Highsmith (HK) Limited. Highsmith (HK) Limited owns the entire interest in 重慶東廣飯店有限公司 (Chongqing Oriental Plaza Hotel Co., Ltd.#), which holds the land use rights and building ownership rights of Hyatt Regency Liberation Square Chongqing (formerly known as Harbour Plaza Chongqing); and
- (5) its investment in New Sense Resources Limited, which in turn holds Chengdu Investment Limited, the foreign joint venture partner of 成都長天有限公司 (Chengdu Changtian Co., Ltd.#) ("Chengdu Changtian"). Chengdu Investment Limited is entitled to 69% interest in Chengdu Changtian, which is a Sino-foreign cooperative joint venture established in the PRC. Chengdu Changtian holds the land use rights and building ownership rights in Sheraton Chengdu Lido Hotel.

The English name is shown for identification purpose only

RETAIL PORTFOLIO

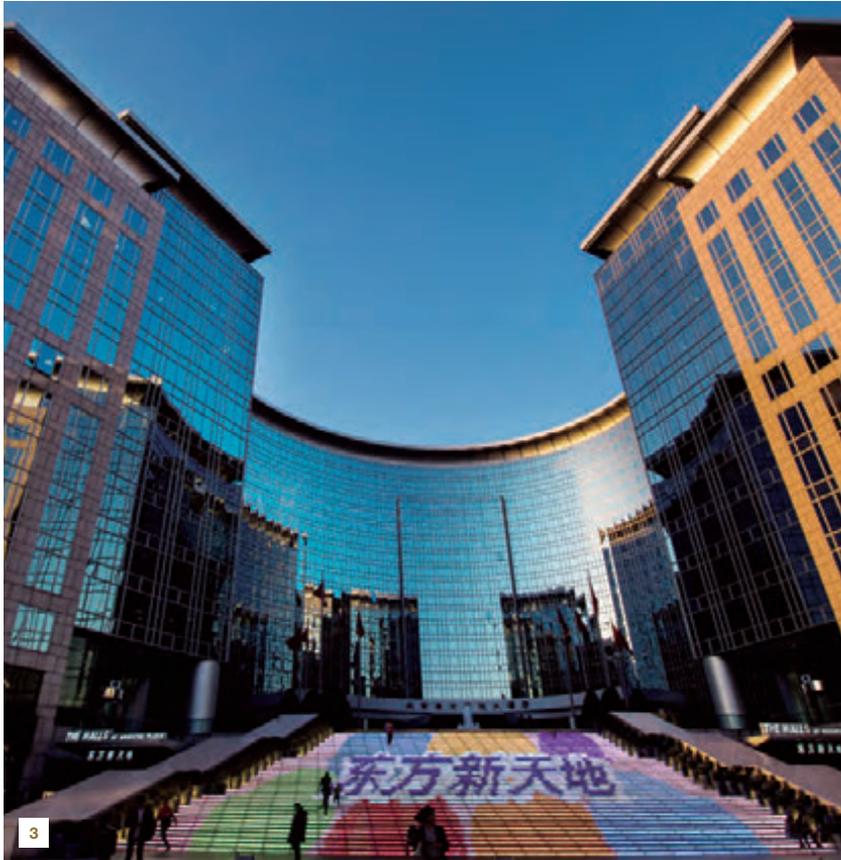
The Malls at **Beijing Oriental Plaza**

The Mall at **Chongqing Metropolitan Oriental Plaza**





Hui Xian REIT's retail portfolio consists of two large-scale shopping centres: The Malls at Beijing Oriental Plaza and The Mall at Chongqing Metropolitan Oriental Plaza, collectively offering about 222,000 square metres of retail space. The Malls at Beijing Oriental Plaza is home to a variety of top international and domestic fashion, accessory and lifestyle brands. It also boasts a cinema and over 50 food and beverage outlets, making it Beijing's leading one stop shopping, dining and leisure destination for locals and tourists alike.



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THE MALLS AT
BEIJING
ORIENTAL PLAZA
1 2 3 4

OPERATIONS REVIEW

(1) Retail Portfolio

Hui Xian REIT's retail portfolio comprises two large-scale shopping centres: The Malls at Beijing Oriental Plaza and The Mall at Chongqing Metropolitan Oriental Plaza, providing about 222,000 square metres of retail space. Amid a challenging business environment, revenue was RMB1,223 million (2018: RMB1,212 million) and NPI was RMB893 million (2018: RMB892 million).

(i) *The Malls at Beijing Oriental Plaza*

According to the Beijing Municipal Bureau of Statistics, Beijing's GDP during 2019 grew 6.1% year-on-year to RMB3.5 trillion. Retail sales of consumer goods increased 4.4% to RMB1.2 trillion. Disposable income per capita of Beijing's residents was RMB67,756, up by 6.3% in real terms.



THE MALL AT
CHONGQING METROPOLITAN
ORIENTAL PLAZA

5 6

Despite the challenging retail environment, revenue of The Malls at Beijing Oriental Plaza increased to RMB1,127 million (2018: RMB1,119 million). NPI grew to RMB854 million (2018: RMB848 million). Average monthly passing rent rose to RMB1,151 (2018: RMB1,126) per square metre. Occupancy rate stood at 98.4% (2018: 97.6%).

During the Reporting Period, The Malls welcomed a number of new tenants, including Aquascutum, Zenith, Emphasis, Jordan, Honma, Lafuma, Spyder, Xiaomi, Li-Ning, Joy & Peace and Staccato.

(ii) **The Mall at Chongqing Metropolitan Oriental Plaza**

In 2019, Chongqing's GDP grew 6.3% year-on-year to RMB2.36 trillion. Retail sales of consumer goods and disposable income per capita of its urban residents increased 8.7% and 8.7% year-on-year respectively.

The Mall at Chongqing Metropolitan Oriental Plaza has been undergoing an extensive asset enhancement and tenant mix refinement programme during 2019, and its revenue and rental rates were being affected as expected. Average monthly passing rent was RMB155 (2018: RMB165) per square metre and average occupancy rate was 87.6% (2018: 84.4%). Experiential retail has become increasingly popular and The Mall has introduced a range of experience-focused shops and food and beverage outlets.

OFFICE PORTFOLIO

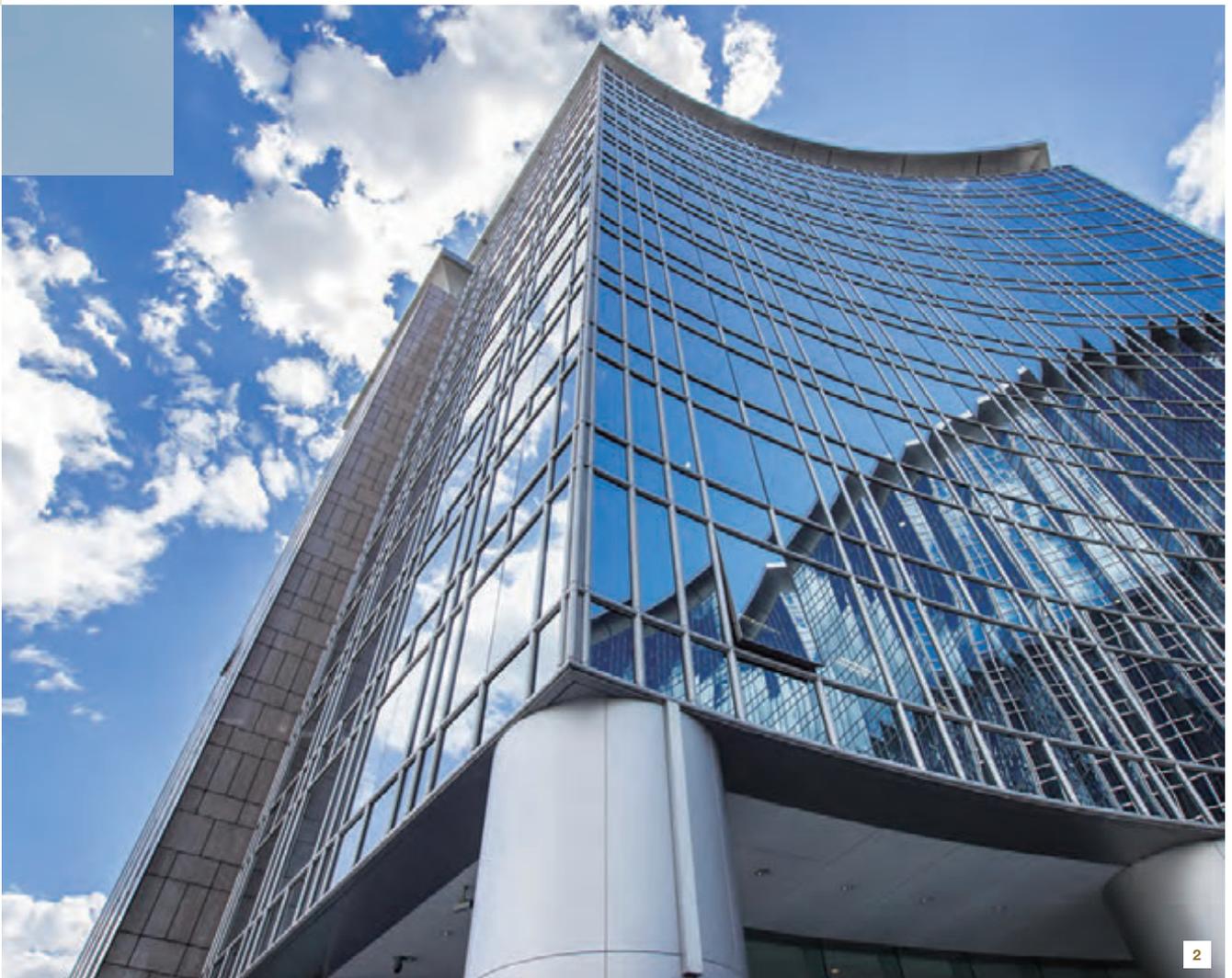
The Tower Offices at **Beijing Oriental Plaza**
The Tower at **Chongqing Metropolitan Oriental Plaza**



MANAGEMENT DISCUSSION AND ANALYSIS

The Tower Offices at Beijing Oriental Plaza consists of eight towers, offering over 300,000 square metres of Grade A office space. It has a strong and diversified tenant base, which includes some of the leading multinational and domestic corporations, as well as government related bodies.

Located in the heart of Jiefangbei Central Business District, The Tower at Chongqing Metropolitan Oriental Plaza is home to a number of consulates and multinational corporations from a wide range of sectors.



MANAGEMENT DISCUSSION AND ANALYSIS



THE TOWER OFFICES AT
BEIJING ORIENTAL PLAZA

1 2 3 4



(2) Office Portfolio

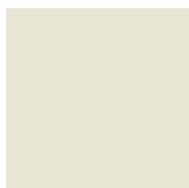
Amid sustained uncertainties surrounding the China-US trade conflict and a slowing Chinese economy, leasing demand for office in China was weak in 2019. Companies have become more cost-conscious and conservative in their expansion plans, and some have even scaled back or early surrendered their leases. Together with a high level of supply, vacancy rates in 16 key Chinese cities have risen to over 24.5%*.

Hui Xian REIT's office portfolio comprises The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue was down by 1.6% year-on-year to RMB1,264 million. NPI decreased 2.0% year-on-year to RMB935 million.

(i) *The Tower Offices at Beijing Oriental Plaza*

The Tower Offices at Beijing Oriental Plaza consists of eight towers, offering over 300,000 square metres of Grade A office space. It generates a stable revenue stream from a diversified tenant base across different industries, ranging from finance and banking, accounting, technology, legal, pharmaceutical, media and advertising to consumer products; there are also education and professional institutions, and government-related organisations.

Revenue of The Tower Offices was RMB1,199 million, down by 1.5% year-on-year. NPI amounted to RMB895 million, a decrease of 2.0% year-on-year. Average monthly passing rent increased to RMB298 (2018: RMB294) per square metre. Average monthly spot rent was RMB303 (2018: RMB334) per square metre. Occupancy rate was 90.5% (2018: 95.9%).



(ii) The Tower at Chongqing Metropolitan Oriental Plaza

Located in the heart of Jiefangbei Central Business District, The Tower at Chongqing Metropolitan Oriental Plaza is home to a number of consulates and multinational corporations from a broad range of sectors, including insurance and financial services, electronics, logistics and healthcare. Revenue was RMB65 million (2018: RMB67 million) and NPI was RMB40 million (2018: RMB40 million). Average occupancy rate was 89.7% (2018: 91.8%). Average monthly passing rent was RMB113 (2018: RMB117) per square metre and average monthly spot rent was RMB107 (2018: RMB120) per square metre.

THE TOWER AT
CHONGQING METROPOLITAN
ORIENTAL PLAZA

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* Sources: Savills, "Reimagining 2020 – Savills Publishes China Annual Real Estate Market Overview and Outlook", January 2020

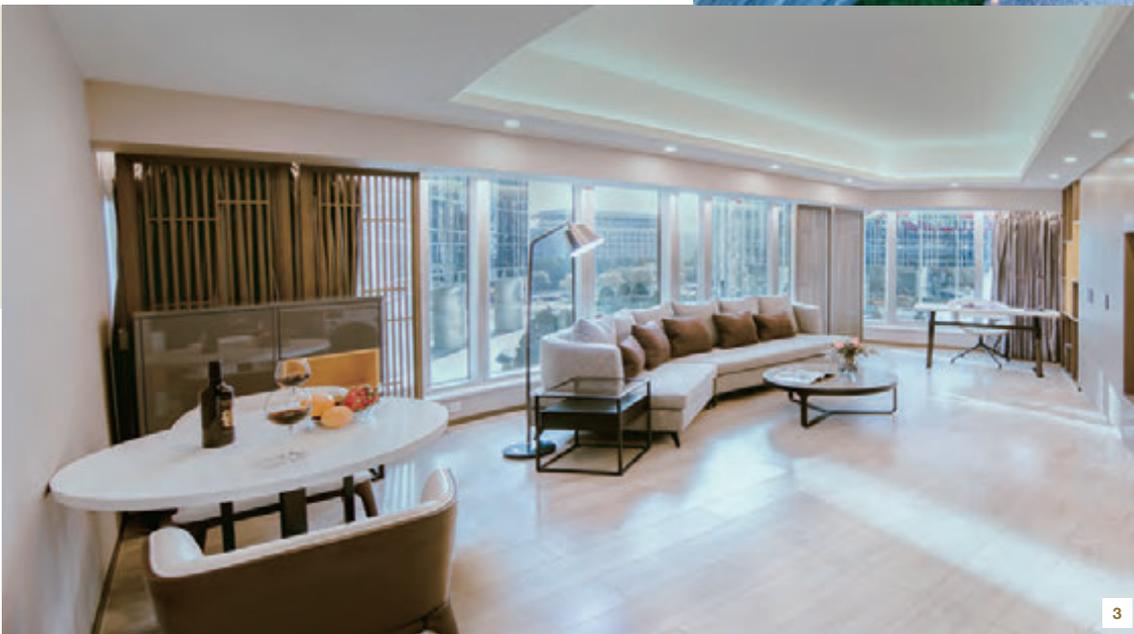
SERVICED APARTMENT PORTFOLIO

The Tower Apartments at **Beijing Oriental Plaza**
The Residences at **Sofitel Shenyang Lido**



The Tower Apartments at Beijing Oriental Plaza features 809 units of varying sizes, all fully furnished and elegantly appointed to offer luxury living in the city. Tenants can enjoy a wide array of amenities, such as housekeeping and concierge services, as well as access to nearby Grand Hyatt Beijing's Club Oasis, which boasts an indoor swimming pool and gym.

The newly-launched The Residences at Sofitel Shenyang Lido offers 134 serviced apartment units. With a dedicated entrance, lobby and exclusive guest lifts, tenants can enjoy a new level of privacy, comfort and convenience.



SERVICED APARTMENT PORTFOLIO
MANAGEMENT DISCUSSION AND ANALYSIS



4

**THE TOWER APARTMENTS AT
BEIJING ORIENTAL PLAZA**

1 2 3 4

CLUB OASIS

5 INDOOR SWIMMING POOL

6 GYM

**THE RESIDENCES AT
SOFITEL SHENYANG LIDO**

7 8



5



6



7

(3) Serviced Apartment Portfolio

Hui Xian REIT's serviced apartment portfolio encompasses The Tower Apartments at Beijing Oriental Plaza and The Residences at Sofitel Shenyang Lido. Revenue was up by 12.9% year-on-year to RMB192 million due to the expansion of the portfolio by converting some hotel rooms into apartment units. NPI increased 1.0% year-on-year to RMB95 million.

After converting a number of Grand Hyatt Beijing hotel rooms into serviced apartments, the total inventory of The Tower Apartments at Beijing Oriental Plaza was 809 as at 31 December 2019. Occupancy rate was 87.0% based on an enlarged inventory base.

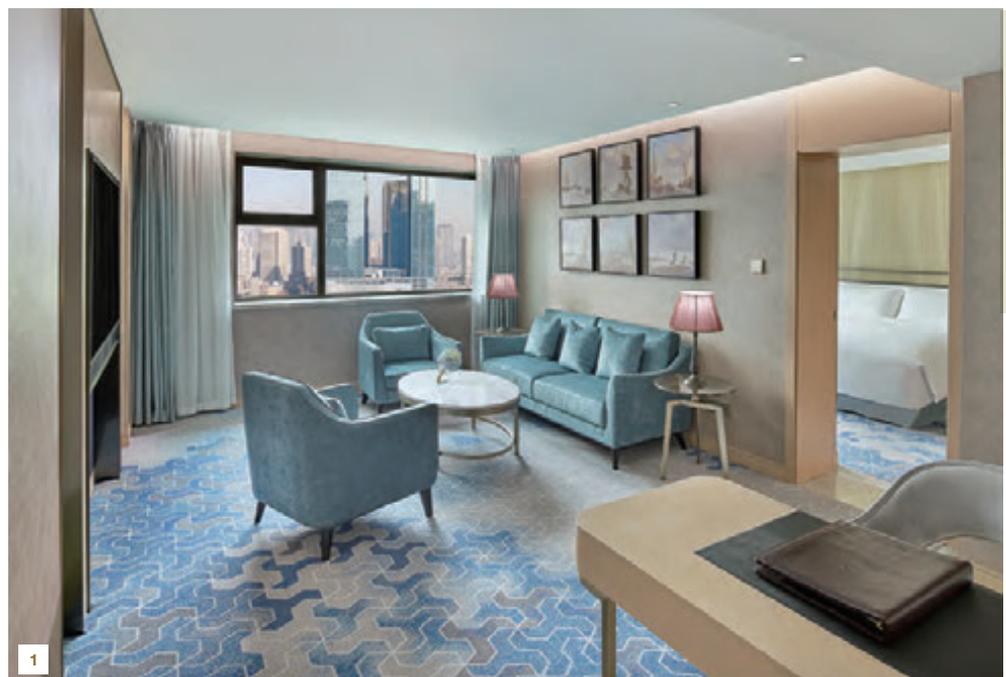
The Residences at Sofitel Shenyang Lido was launched during the Reporting Period, offering 134 fully-furnished units. With a dedicated entrance, lobby and exclusive guest lifts, serviced apartment guests can enjoy a new level of privacy, comfort and convenience.



8

HOTEL PORTFOLIO

Grand Hyatt Beijing at Beijing Oriental Plaza, Beijing
Sheraton Chengdu Lido Hotel, Chengdu
Sofitel Shenyang Lido, Shenyang
Hyatt Regency Liberation Square Chongqing, Chongqing



Hui Xian REIT's hotel portfolio consists of four international hotels across four cities in China.



2

MANAGEMENT DISCUSSION AND ANALYSIS



3

(4) Hotel Portfolio

Hui Xian REIT's hotel portfolio consists of four international hotels: Grand Hyatt Beijing at Beijing Oriental Plaza, Sheraton Chengdu Lido Hotel (69% interest), Sofitel Shenyang Lido (70% interest) and Hyatt Regency Liberation Square Chongqing. The aggregate revenue was RMB490 million (2018: RMB535 million). NPI was RMB89 million (2018: RMB119 million). The decline was primarily due to the asset enhancement programmes at two of the hotels and the challenging operating environment.

(i) Grand Hyatt Beijing, Beijing

Grand Hyatt Beijing's average occupancy was 80.8% (2018: 75.6%). Average room rate was RMB1,271 (2018: RMB1,273) and RevPAR was up by 6.7% year-on-year to RMB1,027. Its signature restaurant "Made in China" was the only Mainland Chinese restaurant voted as one of the 2019 "Top 100 Restaurants in the World" by *Elite Traveler* readers.

(ii) Sheraton Chengdu Lido Hotel (69% interest)

Sheraton Chengdu Lido's average room rate per night was RMB507 (2018: RMB544) and occupancy rate was 74.3% (2018: 71.6%). RevPAR was RMB377 (2018: RMB390).



4



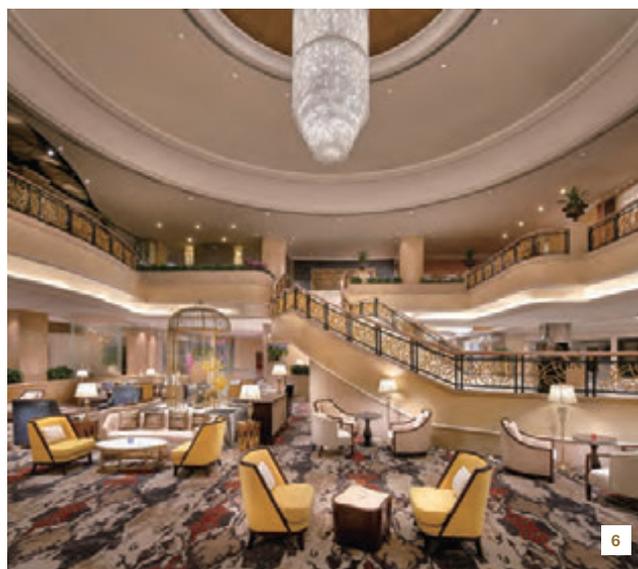
GRAND HYATT BEIJING	2	3
SHERATON CHENGDU LIDO HOTEL	4	
SOFITEL SHENYANG LIDO	1	6
HYATT REGENCY LIBERATION SQUARE CHONGQING	5	

(iii) Sofitel Shenyang Lido, Shenyang (70% interest)

Sofitel Shenyang Lido's asset enhancement programme continued throughout the Reporting Period and is approaching its completion. Average occupancy rate and average room rate per night were 36.6% (2018: 28.7%) and RMB467 (2018: RMB455) respectively.

(iv) Harbour Plaza Chongqing/Hyatt Regency Liberation Square Chongqing

Hui Xian REIT's hotel in Chongqing had been undergoing renovation throughout the Reporting Period. It was operated as Harbour Plaza Chongqing from January to April 2019, and has been rebranded as Hyatt Regency Liberation Square Chongqing since May 2019. The renovation programme will continue in 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Net Property Income

The net property income was RMB2,012 million for the year ended 31 December 2019.

Distributions

Hui Xian REIT will distribute a total of RMB548 million (“2019 Final Distribution”) to Unitholders for the period from 1 July 2019 to 31 December 2019. The 2019 Final Distribution represents 90% of Hui Xian REIT’s total amount available for distribution during the period from 1 July 2019 to 31 December 2019 and will be paid in RMB. A total of RMB725 million has been distributed to Unitholders of Hui Xian REIT on 26 September 2019 for the period from 1 January 2019 to 30 June 2019. In total, Hui Xian REIT will distribute a total of RMB1,273 million to Unitholders for the year ended 31 December 2019. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB583 million (2018: RMB915 million).

The final DPU for the period from 1 July 2019 to 31 December 2019 is RMB0.0932 based on the number of outstanding Units on 31 December 2019. Together with the interim DPU of RMB0.1245, Hui Xian REIT provides a total DPU for the year ended 31 December 2019 of RMB0.2177. This represents a distribution yield of 6.6% based on the closing unit price of RMB3.28 on 31 December 2019.

The depreciation of hotels and serviced apartments has been adjusted in the Distribution Statement and distributed to Unitholders as part of the distribution amount. In 2019, this amount was approximately RMB264 million. As there is no provision for the repatriation of capital in the form of depreciation under PRC foreign investment law which became effective on 1 January 2020, the depreciation amount will not be repatriated to Hong Kong and distributed to Unitholders as part of the distribution amount commencing from the financial year ending 2020. Thus, it is expected that the distribution amount for 2020 and beyond will be impacted. The amount will be retained in the asset companies in the PRC.

Closure of Register of Unitholders

The record date for the 2019 Final Distribution will be 2 April 2020, Thursday (“Record Date”). The Register of Unitholders will be closed from 31 March 2020, Tuesday to 2 April 2020, Thursday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 15 May 2020, Friday to Unitholders whose names appear on the Register of Unitholders on the Record Date.

Subject to obtaining authorisation from the Securities and Futures Commission of Hong Kong (“SFC”), a distribution reinvestment arrangement will be made available to Unitholders under which eligible Unitholders will be entitled to have a scrip distribution in lieu of a cash distribution. Eligible Unitholders can elect to receive their distribution in the form of cash, in the form of new Units of Hui Xian REIT (subject to any fractional entitlement being disregarded), or a combination of both.

In order to qualify for the 2019 Final Distribution, all properly completed transfer forms (accompanied by the relevant Unit certificates) must be lodged for registration with Hui Xian REIT’s Unit Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 March 2020, Monday.

Debt Positions

In March 2019, Hui Xian Investment drew down an unsecured 3-year term loan of HK\$800 million offered by DBS Bank Ltd, Hong Kong Branch. The purpose of the facility was to finance the general corporate funding needs of the Hui Xian REIT group.

In April 2019, Hui Xian Investment drew down an unsecured 3-year term loan of HK\$1,200 million offered by Hang Seng Bank Limited, Bank of China (Hong Kong) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited. The purpose of the facility was to refinance the existing credit facility granted in April 2016.

In August 2019, Hui Xian Investment drew down an unsecured 3-year term loan of HK\$525 million offered by Hang Seng Bank Limited. The purpose of the facility was to refinance the existing credit facility granted in August 2016.

In December 2019, Hui Xian Investment extended the maturity date of an unsecured term loan of HK\$200 million offered by Bank of East Asia Limited for one year. The purpose of the facility was to finance the general working capital requirement of the Hui Xian REIT group.

All facilities under Hui Xian REIT are unsecured and unsubordinated and rank pari passu with all other unsecured and unsubordinated obligations of Hui Xian Investment.

As at 31 December 2019, Hui Xian REIT's total debts amounted to RMB10,871 million (31 December 2018: RMB9,921 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB25,983 million as at 31 December 2019 (31 December 2018: RMB26,373 million), Hui Xian REIT's debts to net asset value ratio increased to 41.8% (31 December 2018: 37.6%). Meanwhile, the debts to gross asset value ratio was 23.4% as at 31 December 2019 (31 December 2018: 21.5%).

Bank Balances and Asset Positions

As at 31 December 2019, Hui Xian REIT's bank balances and cash amounted to RMB6,807 million (31 December 2018: RMB6,107 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Hui Xian REIT is indirectly interested in a 132,584 square metre shopping centre, eight blocks of Grade A office, four serviced apartment towers and a five-star hotel in a 787,059 square metre building complex at 1 East Chang'an Avenue, Beijing, PRC which are collectively named as Beijing Oriental Plaza. Hui Xian REIT's interests in Beijing Oriental Plaza are held through its special purpose vehicle, Hui Xian Investment, which is the foreign joint venture partner of BOP. BOP holds the land use rights and building ownership rights of Beijing Oriental Plaza.

D&P China (HK) Limited ("D&P China") valued the eight blocks of office towers, the shopping centre and car parking spaces at RMB29,442 million as at 31 December 2019 (31 December 2018: RMB29,618 million), translating into a decrease of 0.6% over the valuation as of 31 December 2018. The hotel and serviced apartment premises were valued at RMB5,610 million as at 31 December 2019 (31 December 2018: RMB5,730 million). The total valuation of Beijing Oriental Plaza was RMB35,052 million (31 December 2018: RMB35,348 million), while the total gross property value of the properties was RMB34,075 million as at 31 December 2019, as compared to RMB34,443 million as at 31 December 2018.

Hui Xian REIT indirectly owns 70% of the entitlement in the distributions of Shenyang Lido, owner of Sofitel Shenyang Lido. Standing on Qingnian Street, 78,451 square metre, 30-storey Sofitel Shenyang Lido is located in the heart of the newly established central business district in southern Shenyang.

MANAGEMENT DISCUSSION AND ANALYSIS

A number of hotel rooms at Sofitel Shenyang Lido have been converted into serviced apartments for lease during 2019. D&P China valued the hotel and serviced apartment premises of Shenyang Lido at RMB824 million as at 31 December 2019 (31 December 2018: RMB820 million). Gross property value of the hotel and serviced apartment premises as at 31 December 2019 was RMB662 million (31 December 2018: RMB702 million).

Hui Xian REIT indirectly owns the entire interest of Chongqing Metropolitan Oriental Plaza, a 164,360 square metre integrated commercial property development comprising a shopping centre and a Grade A office building. Chongqing Metropolitan Oriental Plaza is located at the Jiefangbei Central Business District, Yuzhong District, Chongqing.

As at 31 December 2019, the shopping centre, office building and car parking spaces were valued by D&P China at RMB3,675 million (31 December 2018: RMB3,678 million). Gross property value of the properties as at 31 December 2019 was RMB3,627 million (31 December 2018: RMB3,637 million).

Hui Xian REIT indirectly owns the entire interest of Highsmith (HK) Limited, which in turn indirectly owns the entire interest of Hyatt Regency Liberation Square Chongqing (formerly known as Harbour Plaza Chongqing), a 38-storey hotel tower of 52,238 square metres. It is adjacent to Chongqing Metropolitan Oriental Plaza.

D&P China valued the hotel premises of Hyatt Regency Liberation Square Chongqing at RMB427 million as at 31 December 2019 (31 December 2018: RMB406 million). Gross property value of hotel premises as at 31 December 2019 was RMB399 million (31 December 2018: RMB385 million).

Hui Xian REIT also indirectly owns 69% interest of Sheraton Chengdu Lido Hotel through Chengdu Investment Limited. It is a 37-storey hotel tower of 56,350 square metres located to the north of the landmark Tianfu Plaza, Chengdu city centre.

D&P China valued the hotel premises of Sheraton Chengdu Lido Hotel at RMB713 million as at 31 December 2019 (31 December 2018: RMB727 million). Gross property value of hotel premises as at 31 December 2019 was RMB640 million (31 December 2018: RMB664 million).

Net Assets Attributable to Unitholders

As at 31 December 2019, net assets attributable to Unitholders amounted to RMB25,983 million (31 December 2018: RMB26,373 million) or RMB4.4187 per Unit, representing a 34.7% premium to the closing unit price of RMB3.28 on 31 December 2019 (31 December 2018: RMB4.5807 per Unit, representing a 43.6% premium to the closing unit price of RMB3.19 on 31 December 2018).

Pledge of Assets

Hui Xian REIT does not pledge its properties to any financial institutions or banks. The Trustee (as trustee of Hui Xian REIT) and certain special purpose vehicles of Hui Xian REIT provide guarantees for the credit facilities of the Group.

Commitments

As at 31 December 2019, except for capital commitment in respect of the asset enhancement programmes for Sofitel Shenyang Lido, Sheraton Chengdu Lido Hotel, Chongqing Metropolitan Oriental Plaza and Hyatt Regency Liberation Square Chongqing, Hui Xian REIT did not have any significant commitments.

Employees

As at 31 December 2019, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,105 employees in Hong Kong and the PRC, of which 1,074 employees performed hotel operation functions and services, and 31 employees handled legal, regulatory and other administrative matters and carried out and provided commercial functions and services, including leasing and some other property management functions and services, other than the hotel operation functions and services.

Save as disclosed above, Hui Xian REIT is managed by the Manager and did not directly employ any staff as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

TOP 5 CONTRACTORS

Contractors	Nature of services	Value of contract (RMB'000)	Percentage
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Property management	86,304	13.1%
廣州市第三建築裝修有限公司	Renovation and maintenance	63,180	9.6%
北京中標怡高裝飾工程有限公司	Renovation and maintenance	28,743	4.4%
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Property management	23,444	3.6%
北京雙富麗建築工程有限公司	Renovation and maintenance	21,046	3.2%
		222,717	33.9%

TOP 5 REAL ESTATE AGENTS

Real estate agents	Nature of services	Commission paid (RMB'000)	Percentage
北京遠行房地產經紀有限公司	Leasing	3,117	8.2%
北京世邦魏理仕物業管理服務有限公司	Leasing	1,833	4.8%
北京亞中聯合房地產經紀有限公司	Leasing	1,568	4.1%
北京天業聯行房地產經紀有限公司	Leasing	1,269	3.3%
北京首信聯行房地產經紀有限公司	Leasing	1,034	2.7%
		8,821	23.1%

* The English name is shown for identification purpose only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This report was prepared in accordance with the Stock Exchange of Hong Kong Limited's Environmental, Social and Governance Reporting Guide ("HKEx ESG Guide")¹, and specifies the work and achievements of Hui Xian REIT and the investment portfolio in contributing to sustainable development for the financial year ended 31 December 2019 ("Reporting Period"), unless specifically stated.

During the Reporting Period, Hui Xian REIT owned five assets spanning malls, offices, serviced apartments and hotels. Day-to-day operation and management of these assets are delegated to property and hotel management companies.

This report covers the performance of all assets, namely:

- Beijing Oriental Plaza and Grand Hyatt Beijing
- Chongqing Metropolitan Oriental Plaza
- Sofitel Shenyang Lido ("Shenyang Lido")
- Hyatt Regency Liberation Square Chongqing
- Sheraton Chengdu Lido Hotel ("Sheraton Chengdu")

Throughout the Reporting Period, Hui Xian REIT materially complied with the relevant provisions of the HKEx ESG Guide and the Listing Rules.

SUSTAINABILITY STRATEGY

We are devoted to providing long-term value to our stakeholders and community. Sustainable development principles are therefore embedded in all aspects of our asset management.

Hui Xian REIT's four-pillar sustainability strategy:

Business ethics and integrity

- Anti-bribery and anti-corruption
- Service quality
- Customer data privacy and security
- Sustainable procurement

Environmental impact

- Energy efficiency and greenhouse gas emissions reduction
- Water efficiency
- Waste reduction
- Environmental impact mitigation

Community support

- Care for the underprivileged
- Contribution to the community

A safe and inclusive workplace

- Employees' rights and their working environments
 - Occupational health and safety
 - Ongoing training and development
-

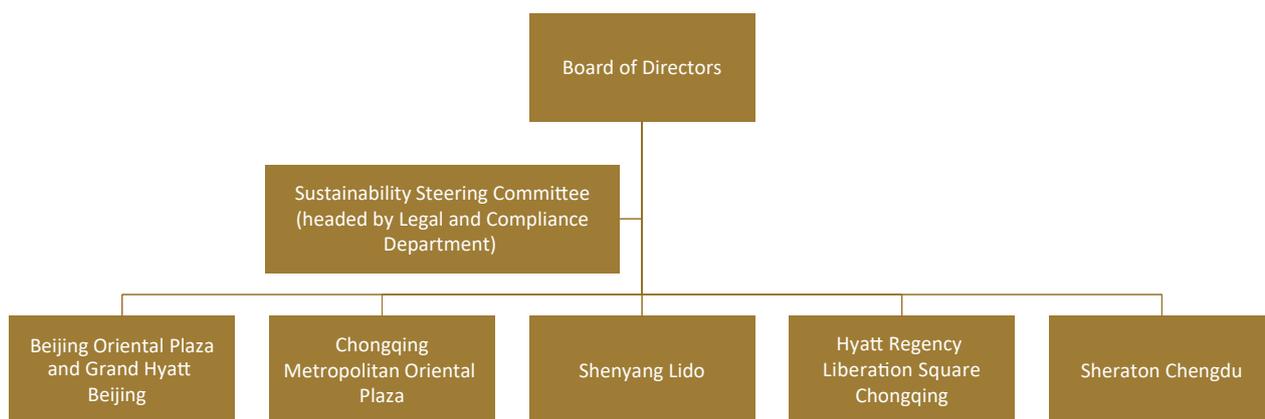
1 Appendix 27 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sustainability Structure

Our Board is responsible for environmental, social and governance (ESG) strategy and reporting, including but not limited to setting materiality threshold and taking into account of recent ESG amendments by HKEx.

Our Sustainability Steering Committee (“SSC”) is established and led by Legal and Compliance Department to oversee the sustainability performance of Hui Xian REIT and its asset companies. It regularly updates the Board and makes proposals for sustainability strategy.



Stakeholders Engagement

Stakeholders engagement is regularly conducted to meet stakeholders’ expectations and address their concerns for ongoing improvement in Hui Xian REIT’s business and sustainability performance.

Key stakeholder	Major engagement methods
Unitholders	<ul style="list-style-type: none"> • Investor meetings • Annual general meeting and/or other general meetings • Annual and interim reports • Investor relations website page and hotline
Employees	<ul style="list-style-type: none"> • Online surveys • Meetings/trainings • Employee activities • Interviews
Tenants	<ul style="list-style-type: none"> • Meetings • Interviews • Helpdesk • Online surveys
Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys • Customer hotline • Website and social media
Suppliers	<ul style="list-style-type: none"> • Assessments and audits • Supplier selection
Charity partners	<ul style="list-style-type: none"> • Philanthropic activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Applying the same materiality analysis (i.e. the process to identify ESG issues that have relative significance to our business and stakeholders), we are able to prioritise and guide our sustainability work for the Reporting Period. The ten high-priority issues are in bold below and are addressed in detail in this report.

Sustainability aspects	Priorities (higher importance in bold)
Environmental	Energy conservation Water conservation Use of resources on environmental impact Waste management Sewage treatment Greenhouse gas emissions Environmental protection initiatives Biodiversity Land degradation, pollution and restoration
Employment and labour practices	Employee career development Occupational health and safety Workforce diversity Employee remuneration and welfare Employee training and education Child and forced labour prohibition
Operating practices	Anti-corruption Service quality Intellectual property rights Customer privacy Supplier management
Community	Integration of community development and business Contribution to community

BUSINESS ETHICS AND INTEGRITY

Taking a responsible and ethical approach is of fundamental importance to Hui Xian REIT. High professional and ethical standards are integrated throughout our business practices and partnerships.

Anti-bribery and Anti-corruption

Throughout the business in the People's Republic of China, Hui Xian REIT observes the Prevention of Bribery Ordinance, Provisional Regulations on Prohibition of Bribery, the Law of the People's Republic of China on Anti-money Laundering and Laws of the People's Republic of China on Tenders and Bids.

We build and maintain trusted relationships based on integrity. No corrupt practices are tolerated. There were no legal disputes regarding corruptions that were brought against Hui Xian REIT during the Reporting Period (2018: no legal case). The Code of Conduct in our Employee Handbook clearly spells out that the ethical behaviour and regular anti-corruption and anti-bribery trainings were conducted.

Whistle-blowing mechanism is in place to identify possible threats. A "24-hour Ethic Point" is available in Sheraton Chengdu, which encourages reporting of any suspicious activities of our staff online or via a toll-free number on an anonymous and confidential basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Service Quality

We offer high-quality service that caters our customers' needs and abide by applicable regulations such as Protecting Consumers' Rights and Interests and Advertising Law of the People's Republic of China.

Communication with customers

Regular dialogue with customers improves the service quality provided by our asset companies. Guests are invited to share their experience, feedback and suggestions in our hotels. Our hotel staff are well trained to communicate with customers and handle enquiries efficiently.

Complaint handling

A standard feedback mechanism is in place for complaints arising from any aspect of our service. Hyatt Regency Liberation Square Chongqing is particularly proactive: the Sales and Marketing Department regularly collects comments from travel websites, and to share and take action by the relevant departments. Across our portfolio, negative comments will be handled within 48 hours and regular customer relations training also enables our hotel staff to address customer's issues effectively.

During the Reporting Period, a total of 1,448 complaints (2018: 1,708) from all asset companies were received. That number decreased comparing with the number of complaints in 2018.

Customer health and safety

We emphasize the importance of the health and safety of customers at our assets. For example, indoor air quality at Beijing Oriental Plaza is monitored and tested according to national standards. Every morning, each catering staff would be checked to maintain good personal hygiene and health. Suppliers are required to produce food circulation permits on their deliveries. Third-party food safety audits were commissioned at our hotels when it is necessary.

Customer Data Privacy and Security

Protecting our customers' privacy and data is of our utmost importance. Guidelines and standard industry procedures ensure data is properly handled by authorised personnel. Confidential data, such as credit card numbers, is partially concealed in hotel records. Staff are also trained to detect illegally installed cameras in guest rooms.

Staff are trained and told not to engage in activities against the Tort Law of the People's Republic of China. For example, Chongqing Metropolitan Oriental Plaza provided staff training on trademarks application and registration and how to use authorized promotional images to prevent infringement. Our hotels respect intellectual property rights by using only photos with usage rights from photo libraries.

Sustainable Procurement

We keep track of all suppliers and contractors' compliance against our Supplier Code of Conduct and the relevant contracts. These govern business conduct, employment practice, anti-corruption, workplace health and safety and environmental performance.

Our sustainable procurement strategies reinforce our commitment to the environment across the supply chain. Suppliers who hold ISO 14001 Environmental Management System and ISO 9001 Quality Management System certification are prioritised in the annual selection and assessment process, owing to their ability to demonstrate environmentally-friendly operations. Hyatt Regency Liberation Square Chongqing and Shenyang Lido conduct supplier sustainability audits annually.

During the Reporting Period, our asset companies procured products and services from a total of 2,443 suppliers (2018: 2,779). Almost all of them are local suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Number of suppliers by region	2019	2018
Mainland China	2,440	2,724
Hong Kong	0	12
Overseas	3	43

ENVIRONMENTAL IMPACT

In addition to our environmental policy, a task force at each asset meets regularly to plan, execute, monitor and assess energy and resources conservation such as pollution control and waste management. We are in all material aspects in compliance with the Environmental Protection Law of the People's Republic of China.

Energy Efficiency and Greenhouse Gas Emissions Reduction

We are committed to reducing energy consumption and greenhouse gas (GHG) emissions by implementing energy efficient measures and uplifting our environmental awareness. For example:

- Abnormal energy consumption were identified by regular monitoring.
- Hyatt Regency Liberation Square Chongqing and Chongqing Metropolitan Oriental Plaza replaced lighting with energy-saving lighting technology, such as LED luminaires and motion sensors.
- Sheraton Chengdu commissioned third-party carbon audit annually, to maximize future reduction.
- Sheraton Chengdu participated in an annual event "Earth Hour" to raise environmental awareness of its staff.

		2019	2018
Total energy consumption by all assets			
Total energy consumption	Gigajoules (GJ)	508,849	557,430
Electricity	Kilowatt hour (kWh)	72,388,772	81,664,270
Heat	GJ	100,736	107,862
Natural gas	Cubic metre (m ³)	3,761,296	3,956,297
Diesel	Litre (L)	11,526	15,147
Petrol	L	19,958	30,160
Energy intensity			
Malls and offices	GJ/square metre (m ²)	0.27	0.30
Hotels and serviced apartments	GJ/room night	0.69	0.77

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

		2019	2018 ²
Total GHG emissions by all assets³			
Total emissions	Tonnes of carbon dioxide equivalent (tCO ₂ e)	84,362	90,207
GHG emissions by scope			
Scope 1 ⁴	tCO ₂ e	14,055	11,290
Scope 2 ⁵	tCO ₂ e	70,307	78,917
GHG intensity			
Malls and offices	tCO ₂ e/m ²	0.06	0.06
Hotels and serviced apartments	tCO ₂ e/room night	0.09	0.10

We endorsed the Plan for Greenhouse Gas Control under the 13th Five-year Plan and comply with the Law of the People's Republic of China on Conserving Energy.

Water Efficiency

Water consumption were monitored through sub-meters and various facility upgrades as well as tenants/guests engagement.

Beijing Oriental Plaza uses waterless urinals to collect grey water for flushing, irrigation and landscaping. Hyatt Regency Liberation Square Chongqing encourages guests to indicate if daily fresh bedding is needed. These measures control water consumption.

		2019	2018
Total water consumption by all assets			
Total water consumption	m ³	1,279,890	1,545,855
Water intensity			
Malls and offices	m ³ /m ²	0.99	1.23
Hotels and serviced apartments	m ³ /room night	1.11	1.33

Wastewater generated by our assets is discharged to the municipal sewage system which meet the requirements in the Law of the People's Republic of China on Water Pollution Prevention and Control.

2 Restated to align the calculation methodology.

3 This report adopts the definitions in the Greenhouse Gas Protocol regarding direct and indirect emissions. These state:

- Direct GHG emissions are emissions from sources owned or controlled by the reporting entity (Scope 1), including use of fuel for stationary and mobile combustion, and refrigerants.
- Indirect GHG emissions are emissions that are a consequence of the activities of the reporting entity, but occur at sources owned or controlled by another entity (Scope 2), including purchased electricity, steam and heat consumption.

4 GHG emissions from the use of fuel for stationary and mobile combustion, and refrigerants were calculated based on the emission factors in the World Resources Institute's Greenhouse Gas Accounting Tool for Chinese Cities (Pilot Version 1.0).

5 GHG emissions from purchased electricity and heat in China in this report were calculated based on the emission factors in China's Regional Grid Average CO₂ Emission Factors in 2012 published by National Center for Climate Change Strategy and International Cooperation (<http://www.cec.org.cn/d/file/huanbao/xingyexinxi/qihoubianhua/2014-10-10/5fbc57bcd163a1059cf224b03b751d8.pdf>) and the World Resources Institute's Greenhouse Gas Accounting Tool for Chinese Cities (Pilot Version 1.0), respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Reduction

In addition to observing the laws and regulations of the People's Republic of China, we have long sought to reduce waste at all of our assets.

Waste reduction, recycling and reuse are prioritised over disposal. We practise waste separation at source and coordinate with their waste management providers to properly handle wastes at all assets level. For instance, at Sheraton Chengdu, catering services waste is collected and separated into dry and wet. Dry wastes such as paper, glass and plastic are regularly recycled. Wet waste is put in freezers and handled by third parties.

At Hyatt Regency Liberation Square Chongqing, solid waste, cooking oil, e-waste and hazardous waste are collected and handled by third parties.

On the other hand, our assets actively explore alternatives to promote environmental friendliness. Instead of printing materials, Hyatt Regency Liberation Square Chongqing uses social media apps and other electronic means as alternative promotional tools. Plastic is replaced by paper bags for takeaways in the restaurants. Grand Hyatt Beijing also uses sustainable products such as straws and laundry bags in lieu of plastic bags.

		2019	2018
Total waste recycled by all assets			
Paper	tonnes	99	114
Plastic	tonnes	19	26
Fluorescent light tubes	tonnes	2	1
Food	tonnes	344	758
Grease	L	14,154	13,493
Total waste disposed of by all assets			
Non-hazardous waste ⁶	tonnes	20,139	17,643 ⁷
Hazardous waste ⁸	tonnes	574	611

Environmental Impact Mitigation

Our assets propose initiatives to mitigate environmental impacts in the value chain. We prioritise suppliers with good sustainability records and guidelines for sustainable sourcing. For example, Hyatt Regency Liberation Square Chongqing and Sheraton Chengdu ban shark fin procurement whereas Sheraton Chengdu favours local ingredients over imports to reduce carbon footprint.

6 Non-hazardous waste disposed includes office and general waste, paper, plastic and food waste.

7 Restated to reflect the actual situation.

8 Hazardous waste disposed includes fluorescent light tubes and other hazardous waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A SAFE AND INCLUSIVE WORKPLACE

We offer attractive remuneration packages, career development opportunities and employee engagement activities. During the Reporting Period, Hui Xian REIT had a total of 1,494 employees (2018: 1,306).

Inclusive and Productive Workplace

We treat our staff with trust and respect. Our assets' employment policy and Employee Handbook safeguard employees' equal opportunities, rights and benefits.

We protect our employees against workplace discrimination, including but not limited to age, race, gender, religion, sexual orientation, family status and disability. Communication channels are available for voicing their concerns. We prohibit the use of child and forced labour in all aspects of our business. Individual asset has its own procedures to address issues such as human trafficking and information security.

Our policies are regularly reviewed in compliance with the Employment Law, Contract Law, Employment Promotion Law and Social Insurance Law of the People's Republic of China, Regulations on Minimum Wages, the Law on the Protection of Women's Rights, Regulations on Prohibition of Child Labour and the Law of the People's Republic of China on Minor Protection. We have materially complied with the relevant laws and regulations during the Reporting Period.

We promote a positive working environment for our staff. Facilities for staff including gym rooms, lactation rooms with refrigerators, and audio-visual rooms for after-work cultural programmes are provided. We also organize annual corporate picnics and quarterly birthday parties to foster relationships among employees.

Occupational Health and Safety

Policies and operating procedures are in place to ensure the occupational health and safety of our employees. We are committed to complying with health and safety legislation and industry standards in the People's Republic of China. Our businesses are subject to the Law of Occupational Disease Prevention, the Fire Law of the People's Republic of China and the Law of the People's Republic of China on Emergency Response. We have also enhanced our incident-reporting mechanisms to improve workplace safety.

We arrange staff health checks, health seminars/talks from time to time to raise our employees' awareness of a healthy body as well as a healthy mind.

During the Reporting Period, we had no case of work-related fatality (2018 and 2017: 0) and recorded 612 lost days (2018: 385) resulted from 19 injury cases (2018: 35) from all assets.

Ongoing Training and Development

Employees benefit from our continuing training and development programs which also help to build a resilient and future-ready workforce. This in turn enhances Hui Xian REIT's growth, success and competitiveness in the market.

Our employees are recognised with annual salary adjustments. Staff will comment and make suggestions regarding their working environment and professional development during the appraisal sessions with their supervisors.

We offer various programmes and classes to employees including orientation programmes for newcomers, classes on (i) customer services, (ii) contract and dispute handling, (iii) trademarks, (iv) effective communication, and (v) collaboration skills, etc. Online learning platforms are available at some of our assets. These training initiatives are welcomed by our employees. During the Reporting Period, 35,544 hours of training (2018: 36,095) were offered to our staff across our assets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	2019	2018
Average training hours completed per employee		
Gender		
Male	22.7	8.0
Female	24.9	8.8
Employee category		
Senior management	12.8	7.7
Mid-level management	16.4	7.7
General staff	27.7	8.7

Our assets support potential employees with tailor-made programmes. Individuals are seconded to different hotels to broaden their experience. Should an employee be interested in internal transfer, we prioritise his/her application to assist his/her career aspiration.

COMMUNITY SUPPORT

Hui Xian REIT values our community, our brand and business. We aim to make positive impacts on a wider community and environment. We support community programmes through donations and volunteer works. During the Reporting Period, a total of RMB20,584 and 607.5 hours were contributed (2018: RMB275,397.5; 648.5 hours) to the community.

During the Reporting Period, various social and local communities benefited from our active participation in community development:

- Grand Hyatt Beijing visited disabled children via Children Hope Foundation and donated books to children in need via the Library Project.
- Beijing Oriental Plaza donated Christmas tree to Beijing Wildlife Park.
- Chongqing Metropolitan Oriental Plaza and Hyatt Regency Liberation Square Chongqing visited children in oncology department of Chongqing Children's Hospital, and participated in blood donation at Chongqing City Blood Center.
- Sheraton Chengdu participated in volunteers' service which is known as "Operation Smile" in Guizhou and winter emergency blood donation and spent time with disabled patients at Hope Clubhouse in Qing Yang District, Chengdu.
- Shenyang Lido donated RMB4,950 to China Zigen Rural Education and Development Association for tree-planting programme.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX — HKEX ESG GUIDE CONTENT INDEX

The following table explains how this report tallies with the HKEx ESG Guide:

Indicators	Section
A. Environmental	
Aspect A1: Emissions	
General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Impact
KPI A1.1 The types of emissions and respective emissions data.	Environmental Impact
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per ^o facility).	Environmental Impact
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per ^o facility).	Environmental Impact
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per ^o facility).	Environmental Impact
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Environmental Impact
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Impact

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators		Section
A. Environmental		
Aspect A2: Use of resources	General disclosure	Environmental Impact
	Policies on the efficient use of resources, including energy, water and other raw materials.	
	KPI A2.1	Environmental Impact
	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.2	Environmental Impact
Aspect A3: The environment and natural resources	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3	Environmental Impact
	Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4	Environmental Impact
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
Aspect B1: Employment	KPI A2.5	Not applicable to the core business of Hui Xian REIT
	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
B. Social		
Employment and labour practices		
Aspect B1: Employment	General disclosure	A Safe and Inclusive Workplace
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicators		Section
B. Social		
Employment and labour practices		
Aspect B2: Health and safety	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	A Safe and Inclusive Workplace
Aspect B3: Development and training	<p>General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p>	A Safe and Inclusive Workplace
Aspect B4: Labour standards	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. 	A Safe and Inclusive Workplace
Operating practices		
Aspect B5: Supply chain management	<p>General disclosure Policies on managing environmental and social risks of the supply chain.</p>	Business Ethics and Integrity
Aspect B6: Product responsibility	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. 	Business Ethics and Integrity
Aspect B7: Anti-corruption	<p>General disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	Business Ethics and Integrity
Community		
Aspect B8: Community investment	<p>General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p>	Support Community

The Manager was established for the purpose of managing Hui Xian REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasise a quality board of directors, sound internal control, transparency and accountability to all Unitholders. The Manager has adopted and revised from time to time a compliance manual which sets out the key processes, systems and measures applied by the Manager in order to comply with the Trust Deed, the REIT Code and other applicable legislation, rules and regulations. The compliance manual also contains a corporate governance policy, which regulates, among others, the activities of the board of directors of the Manager.

Throughout the year ended 31 December 2019, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual, the corporate governance policy, the Trust Deed, the REIT Code and applicable provisions of the SFO and the Listing Rules.

AUTHORISATION STRUCTURE

Hui Xian REIT is a collective investment scheme authorised by the SFC under section 104 of the SFO and regulated by the provisions of the REIT Code. The Manager is licensed by the SFC under Section 116 of the SFO to conduct the regulated activity of asset management. As at the date of this report, Mr. CHEUNG Ling Fung, Tom (chief executive officer and executive director of the Manager), Mr. LEE Chi Kin, Casey (chief operating officer and executive director of the Manager), Ms. LAI Wai Yin, Agnes (chief financial officer and executive director of the Manager), Mr. CHING Sung, Eric (deputy chief investment officer of the Manager) and Ms. TANG Hiu Tung, Daisy (senior corporate finance and corporate development manager of the Manager) are the responsible officers of the Manager as required by section 125 of the SFO and 5.4 of the REIT Code.

The Trustee, DB Trustees (Hong Kong) Limited, is registered as a trust company under Section 77 of the Trustee Ordinance (Cap. 29 of the Laws of Hong Kong). It is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

ROLES OF THE TRUSTEE AND THE MANAGER

The Trustee and the Manager are independent of each other. The Trustee is primarily responsible under the Trust Deed for the safe custody of the assets of Hui Xian REIT and holds the assets in trust for the benefit of the Unitholders.

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

BOARD OF DIRECTORS OF THE MANAGER

The Board is responsible for corporate governance and the overall management of the Manager. It establishes goals for the management and monitors the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of Hui Xian REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Hui Xian REIT, including a system of internal control and a business risk management process.

The Directors of the Manager in the year ended 31 December 2019 were Mr. KAM Hing Lam (chairman and non-executive director); Mr. CHEUNG Ling Fung, Tom (chief executive officer and executive director), Mr. LEE Chi Kin, Casey (chief operating officer and executive director) and Ms. LAI Wai Yin, Agnes (chief financial officer and executive director); Mr. IP Tak Chuen, Edmond and Mr. LIM Hwee Chiang (non-executive directors); and Mr. CHENG Hoi Chuen, Vincent, Professor LEE Chack Fan and Dr. CHOI Koon Shum, Jonathan (independent non-executive directors).

CORPORATE GOVERNANCE

BOARD COMPOSITION

The Board currently comprises nine members and three of whom are independent non-executive directors (“INEDs”).

There were no changes to the composition of the Board or any of its committees during the year ended 31 December 2019. The composition of the Board is determined using the following principles:

- (1) the chairman of the Board should be a non-executive director;
- (2) the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property industry;
- (3) at least one-third of the Board should comprise INEDs (which, based on the current composition of the Board, will require the Manager to have at least three INEDs); and
- (4) the Board will take into account of the Board diversity policy adopted, as amended from time to time.

INEDs must be individuals who fulfil the independence criteria set out in the compliance manual. The Manager has received written confirmation from each of its INEDs confirming his independence.

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

Four Board meetings of the Manager were held in 2019. The attendance of each Director at these Board meetings was as follows:

Members of the Board	Attendance
Chairman and Non-executive Director	
Mr. KAM Hing Lam	4/4
Executive Directors	
Mr. CHEUNG Ling Fung, Tom (chief executive officer)	4/4
Mr. LEE Chi Kin, Casey (chief operating officer)	4/4
Ms. LAI Wai Yin, Agnes (chief financial officer)	4/4
Non-executive Directors	
Mr. IP Tak Chuen, Edmond	4/4
Mr. LIM Hwee Chiang	3/4
Independent Non-executive Directors	
Mr. CHENG Hoi Chuen, Vincent	4/4
Professor LEE Chack Fan	3/4
Dr. CHOI Koon Shum, Jonathan	1/4

APPOINTMENTS AND REMOVALS OF DIRECTORS

The appointments and removals of Directors (including responsible officers appointed under the SFO) are matters for the Board and the shareholders of the Manager in accordance with the compliance manual, the articles of association of the Manager and applicable laws. As the Manager is licensed by the SFC under Part V of the SFO, the appointments and removals of any of its directors and responsible officers must be notified to the SFC and the appointment of a responsible officer requires the prior approval of the SFC.

The Manager recognizes the benefits of having diversity in the composition of the Board. All Board appointments will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service. The ultimate decision will be based on merit and the contribution that the Director will bring to the Board, taking into account the business model and specific needs of the Hui Xian REIT.

BOARD COMMITTEES

Subject to the provisions contained in the corporate governance policy, the Board has the power to delegate certain of its responsibilities to board committees. Three board committees have been established, each with clear terms of reference, to assist the Board in discharging its responsibilities. Unless the decision making power has been vested in the relevant board committee, the ultimate responsibility of making final decisions rests with the full Board and not the board committee. Where appropriate, each board committee reports back to the Board on key decisions or submits its findings and recommendations to the full Board for consideration and endorsement.

The three board committees are:

AUDIT COMMITTEE

The Audit Committee of the Manager is appointed by the Board among its members and comprises non-executive directors only. Majority of the members of the Audit Committee are INEDs and at least one INED has appropriate professional qualifications or accounting or related financial management expertise. The Audit Committee is chaired by an INED, namely Mr. CHENG Hoi Chuen, Vincent. During the year ended 31 December 2019, the other members of the Audit Committee were Professor LEE Chack Fan, Dr. CHOI Koon Shum, Jonathan (both INEDs) and Mr. IP Tak Chuen, Edmond (non-executive director).

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

The Audit Committee's responsibilities also include:

- (1) reviewing dealings of the Manager and the Directors on a half-yearly basis;
- (2) making recommendations for Director's appointment and reappointment to, and, where appropriate, proposing Directors for removal from, the full Board;
- (3) reviewing all financial statements and all external audit reports and developing and implementing a policy on the engagement of external auditors to provide non-audit services;

CORPORATE GOVERNANCE

- (4) ensuring the internal audit function is adequately resourced and guiding the management to take appropriate actions to remedy any faults or deficiencies in internal controls which may be identified;
- (5) assisting the Board in its monitoring of the Manager's overall risk management profile and setting guidelines and policies to govern risk assessment and risk management;
- (6) periodically reviewing and monitoring all connected party transactions and related party transactions; and
- (7) reviewing the Manager and Hui Xian REIT's compliance with legal and regulatory requirements on a regular basis.

The Audit Committee held two meetings during the year ended 31 December 2019 to, among others, consider and review the annual results for the year ended 31 December 2018, the interim results for the six months ended 30 June 2019, connected party transactions and reports from the external and internal auditors. Attendance at these two meetings of the Audit Committee was as follows:

Members of the Audit Committee	Attendance
Mr. CHENG Hoi Chuen, Vincent (Chairman)	2/2
Professor LEE Chack Fan	2/2
Dr. CHOI Koon Shum, Jonathan	0/2
Mr. IP Tak Chuen, Edmond	2/2

DISCLOSURES COMMITTEE

The Disclosures Committee comprises the chief executive officer and two non-executive directors of the Manager, one of whom is an INED. Its role is to review matters relating to the disclosure of information to Unitholders and public announcements. The Disclosures Committee also works with the management of the Manager, who bears the responsibility in ensuring that such disclosure is accurate, complete and not misleading. During the year ended 31 December 2019, the members of the Disclosures Committee were Mr. CHEUNG Ling Fung, Tom, Mr. IP Tak Chuen, Edmond and Professor LEE Chack Fan. Mr. CHEUNG Ling Fung, Tom was the chairman of the Disclosures Committee.

The Disclosures Committee's responsibilities include:

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

- (5) reviewing press releases containing financial information, information about material acquisitions or dispositions or other information material to Unitholders; and
- (6) reviewing correspondence containing financial information disseminated to Unitholders.

The Disclosures Committee held two meetings during the year ended 31 December 2019 to consider, among others, the disclosures in the interim and annual results announcements, and the disclosures in the interim and annual reports. Attendance at these two meetings of the Disclosures Committee was as follows:

Members of the Disclosures Committee	Attendance
Mr. CHEUNG Ling Fung, Tom (Chairman)	2/2
Mr. IP Tak Chuen, Edmond	2/2
Professor LEE Chack Fan	1/2

DESIGNATED (FINANCE) COMMITTEE

The Designated (Finance) Committee comprises the chief executive officer and two non-executive directors, one of whom is an INED. During the year ended 31 December 2019, the members of the Designated (Finance) Committee were Mr. IP Tak Chuen, Edmond, Mr. CHEUNG Ling Fung, Tom and Dr. CHOI Koon Shum, Jonathan. Mr. IP Tak Chuen, Edmond was the chairman of the Designated (Finance) Committee.

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

The Designated (Finance) Committee did not hold any physical meeting in 2019.

MANAGEMENT OF BUSINESS RISK

As part of the risk management process, the Board meets quarterly or more often if necessary to review (among other information) the financial performance of Hui Xian REIT against the approved budget for the corresponding period. The Board also reviews risks to the assets of Hui Xian REIT from time to time and acts upon any comments from the independent external auditor where appropriate. In assessing any business risk, the Board will consider the economic environment and risks relevant to the real estate sector. In order to mitigate against risks, the Manager will hedge against interest rate exposure if necessary, prudently select tenants and review their financial position if necessary and always maintain sufficient liquidity for Hui Xian REIT.

CONFLICTS OF INTERESTS

During the year ended 31 December 2019, the Manager is indirectly owned as to 70% by CKAH and 30% by ARA Asset Management Limited ("ARA"). To the best of the Manager's knowledge, CKAH had an indirect interest of approximately 8% in the shares of ARA as at 31 December 2019 and indirectly held units in both Fortune Real Estate Investment Trust ("Fortune REIT") and Prosperity Real Estate Investment Trust ("Prosperity REIT") which are managed by wholly-owned subsidiaries of ARA.

CORPORATE GOVERNANCE

As the Manager understands:

- (a) the principal activities of CKAH, its subsidiaries and associated companies (“CKAH Group”) encompass property development and investment, hotel and serviced suite operation, property and project management, investment in infrastructure and utility asset operation, brewery and pub operation and aircraft leasing; and
- (b) ARA, its subsidiaries and associated companies (“ARA Group”) are engaged in the management of publicly listed real estate investment trusts (“REITs”) (which includes Prosperity REIT and Fortune REIT), private real estate funds, country desks, and infrastructure and real estate management services.

There may be circumstances where Hui Xian REIT (on the one hand) and the CKAH Group, Prosperity REIT, Fortune REIT, and other publicly listed REITs and private real estate funds managed by ARA Group (on the other hand) may compete with each other for property acquisition and leasing opportunities. Hui Xian REIT (on the one hand), the CKAH Group, Fortune REIT, Prosperity REIT and other publicly listed REITs and private real estate funds managed by ARA (on the other hand) may also acquire properties or other assets from each other or may enter into other transactions with each other in the future. Conflicts of interests may therefore arise in connection with the potential acquisitions, leasing opportunities and transactions mentioned above.

The Manager may also experience conflicts of interests as a result of other roles of its Board members. Mr. KAM Hing Lam and Mr. IP Tak Chuen, Edmond and some of the senior executives of the Manager are also directors and/or senior executives of the CKAH Group and/or its affiliated companies. Mr. IP Tak Chuen, Edmond is also a director of the ultimate holding company of ARA. Mr. LIM Hwee Chiang is a director of ARA and a non-executive director of the respective managers of Prosperity REIT and Fortune REIT. As such, each of Mr. KAM, Mr. IP and Mr. LIM may have conflicting duties between his directorship in Hui Xian REIT and his other directorships.

The Manager has developed the following measures in order to address and manage the potential conflicts of interests described above:

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

The Manager confirms that it is capable of performing and shall continue to perform its duties for Hui Xian REIT independent of the related business of the CKAH Group, ARA Group, Fortune REIT, Prosperity REIT and other REITs and private real estate funds managed by the ARA Group and in the best interests of Hui Xian REIT and the Unitholders.

COMMUNICATION WITH UNITHOLDERS

The Manager considers that effective communication with Unitholders is essential for enhancing investor relations and investors' understanding of Hui Xian REIT's business performance and strategies. The Manager also recognises the importance of transparency and timely disclosure of corporate information, which will enable Unitholders and investors to make informed decisions.

General meetings of Unitholders provide a forum for communication between the Board and the Unitholders. An annual general meeting was held in the year ended 31 December 2019 with attendance as follows:

Members of the Board	Attendance
Chairman and Non-executive Director	
Mr. KAM Hing Lam	1/1
Executive Directors	
Mr. CHEUNG Ling Fung, Tom (chief executive officer)	1/1
Mr. LEE Chi Kin, Casey (chief operating officer)	1/1
Ms. LAI Wai Yin, Agnes (chief financial officer)	1/1
Non-executive Directors	
Mr. IP Tak Chuen, Edmond	1/1
Mr. LIM Hwee Chiang	1/1
Independent Non-executive Directors	
Mr. CHENG Hoi Chuen, Vincent	1/1
Professor LEE Chack Fan	1/1
Dr. CHOI Koon Shum, Jonathan	0/1

Hui Xian REIT also maintains a website at www.huixianreit.com where updated information on Hui Xian REIT's business operations and developments, financial information and other corporate communication are posted. The Manager has been actively participating in regular press conferences and meetings with investors and analysts in order to update interested parties on the performance of Hui Xian REIT.

REPORTING AND TRANSPARENCY

Hui Xian REIT prepares its accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants with a financial year-end of 31 December. In accordance with the REIT Code, the annual reports and interim reports for Hui Xian REIT are published and sent to Unitholders within four months from the end of the financial year and within two months from end of the half-yearly period.

As required by the REIT Code, the Manager ensures that public announcements of material information and developments with respect to Hui Xian REIT are made on a timely basis in order to keep Unitholders apprised of the position of Hui Xian REIT. Announcements are made by publishing on the website of Hong Kong Exchanges and Clearing Limited and the website of Hui Xian REIT.

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

CORPORATE GOVERNANCE

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards, the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the REIT Code.

The consolidated financial statements of Hui Xian REIT for the year ended 31 December 2019 were audited by Deloitte Touche Tohmatsu and a statement on their responsibility with respect to the financial statements is set out in the Independent Auditor's Report on pages 135 to 140 of this Annual Report.

ISSUES OF FURTHER UNITS POST-LISTING

To minimise the possible material dilution of holdings of Unitholders, any further issue of Units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of Units be first offered on a pro rata pre-emptive basis to existing Unitholders except that Units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of Units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of Unitholders by way of an ordinary resolution is obtained. Subject to the above, Units may be issued as consideration for the acquisition of additional real estate.

CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS OR MANAGER AND DISCLOSURE OF INTEREST IN UNITS

The Manager has adopted rules governing dealings in Units by the Directors, Manager and certain senior executives of the Manager, or the special purpose vehicles of Hui Xian REIT who, because of his/her office in the Manager, or the relevant special purpose vehicles of Hui Xian REIT, is likely to be in possession of unpublished inside information in relation to the securities of Hui Xian REIT (collectively the "Management Persons"). These rules are set out in the Code Governing Dealings in Units by Directors or the REIT Manager (the "Units Dealing Code") contained in the compliance manual. It sets out the required standard against which Management Persons must measure their conduct regarding transactions in securities of Hui Xian REIT and are on terms no less exacting than those of the Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules.

Management Persons wishing to deal in any securities of Hui Xian REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if those provisions apply to the securities of Hui Xian REIT.

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

A Management Person must not deal in any securities of Hui Xian REIT at any time when he is in possession of unpublished inside information in relation to those securities, or where clearance to deal is not otherwise conferred upon him in the manner as provided in Units Dealing Code. Further, Management Persons must not deal in the securities of Hui Xian REIT on any day on which Hui Xian REIT's financial results are published and: (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the annual results; and (b) during the period of 30 days immediately preceding the publication

date of the half-yearly results or, if shorter, the period from the end of the half-year period up to the publication date of the relevant results, unless the circumstances are exceptional. In any event, in the case of dealings by a Management Person, the Management Person must comply with the procedures set out in the Units Dealing Code.

The Manager is a Management Person and is subject to the same dealing requirements as the Directors.

Specific enquiry having been made with each of the Management Persons, all of them confirmed that they have complied with the required standard set out in the Units Dealing Code during the year ended 31 December 2019.

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

Under the Trust Deed, Unitholders with a holding of 5% or more of the Units in issue, and the Directors and chief executive of the Manager with an interest in the Units, will have a notifiable interest and will be required to notify the Stock Exchange and the Manager of their holdings in Hui Xian REIT. The Manager keeps a register for these purposes and it records in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any Unitholder at any time during business hours upon reasonable notice to the Manager.

MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of special resolution. Such matters include, without limitation: (a) change in the Manager's investment policies or strategies for Hui Xian REIT; (b) disposal of any land or an interest, option or right over any of the land forming part of the assets of Hui Xian REIT or shares in any company holding such land, option or right over any of the land for Hui Xian REIT within two years of the acquisition of such land; (c) any increase in the rate of the base fee above the permitted limit or any change in the structure of the base fee; (d) any increase in the variable fee payable to the Manager above the rate stated in the Trust Deed or any change in the structure of the variable fee; (e) any increase in the acquisition fee above the permitted limit or any change in the structure of the acquisition fee; (f) any increase in the divestment fee above the permitted limit or any change in the structure of the divestment fee; (g) any increase in the rate of the remuneration of the Trustee above the permitted limit or any change in the structure of the remuneration of the Trustee; (h) amendment, variation, modification, alteration or addition to the provisions of the Trust Deed; (i) termination of Hui Xian REIT; and (j) merger of Hui Xian REIT. Unitholders may also, by way of special resolution, (i) remove Hui Xian REIT's auditors and appoint other auditors or (ii) remove the Trustee.

Any decisions to be made by resolution of Unitholders other than the above shall be made by ordinary resolution, unless a special resolution is required by the REIT Code. Such matters requiring approval by way of ordinary resolution include, without limitation, (a) subdivision or consolidation of the Units; (b) any issue of the Units after the listing date which would increase the market capitalisation of Hui Xian REIT by more than 50%; (c) any issue of the Units during any financial year that would increase the total number of Units from the number of Units that were outstanding at the end of the previous financial year by more than 20% (or such other percentage of the outstanding Units as may, from time to time, be prescribed by the SFC); (d) an issue of new Units to a connected person (other than as part of an offer made to all Unitholders on a pro rata basis) except pursuant to an initial public offering, an issue of Units in lieu of the payment of fees to the Manager pursuant to the Trust Deed, an issue of Units in respect of reinvestment of distribution to Unitholders, or a rights issue; and (e) the election by the Manager for the acquisition fee or the divestment fee, which is to be paid to the Manager in the form of cash, Units or partly in cash and partly in the form of the Units. The appointment of a new manager of Hui Xian REIT by the Trustee upon the dismissal or retirement of the Manager is (to the extent required by the REIT Code (as may be modified by any waivers or exemptions)) subject to the passing of an ordinary resolution by the Unitholders and the prior approval of the SFC. Unitholders may also, by way of ordinary resolution, dismiss the Manager and any principal valuer appointed by the Trustee on behalf of Hui Xian REIT in accordance with the Trust Deed.

CORPORATE GOVERNANCE

CHANGE OF DIRECTOR'S INFORMATION

Updated information on the Manager's directors is set out in the section on Directors' Biographical Information on pages 65 to 68 of this annual report. There was no change in the information of the Directors since the last published interim report save as the following:

- (i) Mr. CHENG Hoi Chuen, Vincent was appointed as independent non-executive director of Airstar Bank Limited with effect from 9 May 2019.

COMPLIANCE WITH THE COMPLIANCE MANUAL

During the year ended 31 December 2019, both the Manager and Hui Xian REIT have in material terms complied with the provisions of the compliance manual.

REVIEW OF ANNUAL REPORT

The annual report of Hui Xian REIT for the year ended 31 December 2019 has been reviewed by the Audit Committee and the Disclosures Committee.

NEW UNITS ISSUED

In the year ended 31 December 2019, (i) an aggregate of 30,992,992 new Units were issued to the Manager as payment of part of the manager's fees; and (ii) an aggregate of 91,932,395 new Units were issued to Unitholders who elected scrip distribution pursuant to the distribution reinvestment arrangement in respect of the final distribution for the period from 1 July 2018 to 31 December 2018 and the interim distribution for the period from 1 January 2019 to 30 June 2019.

BUY-BACK, SALE OR REDEMPTION OF UNITS

There was no buy-back, sale or redemption of the Units of Hui Xian REIT by the Manager on behalf of Hui Xian REIT or any of the special purpose vehicles that were owned and controlled by Hui Xian REIT in the year ended 31 December 2019.

PUBLIC FLOAT OF THE UNITS

As far as the Manager is aware, more than 25% of the issued and outstanding Units of Hui Xian REIT were held in public hands as at 31 December 2019.

INTERNAL CONTROL AND RISK MANAGEMENT

BACKGROUND

To maintain good corporate governance, Hui Xian REIT implements a structured risk management framework to identify, assess and manage operational risks at an earlier stage. Throughout the Reporting Period, Hui Xian REIT has complied with the relevant Provisions of the Corporate Governance Code and the Listing Rules.

Application of the risk management framework ranges from day-to-day business activities to strategic planning processes at management level, which enables a consistent and holistic view of risk. A “Top-Down” approach is adopted for Hui Xian REIT’s risk management system which is monitored and controlled by the Board, the Audit Committee, and the Risk Management Taskforce to identify any high risks that may affect the fulfillment of Hui Xian REIT’s business objectives and financial performance.

RISK GOVERNANCE STRUCTURE

The risk governance structure is depicted through the accountability framework for managing risks across Hui Xian REIT. It adopts the “Three Lines of Defence” model, which provides a simple and effective way to enhance communications on risk management and control:

- 1st Line of Defence : Management Control by Operation Department
- 2nd Line of Defence : Risk Control and Compliance by Legal and Compliance Department
- 3rd Line of Defence : Independent Assurance by Internal Audit Department



INTERNAL CONTROL AND RISK MANAGEMENT

ROLES AND RESPONSIBILITIES

Board of Directors

Ultimate responsibility for the risk management is assumed by the Board whose role is to ensure that management puts in place appropriate and rigorous systems to manage risk.

Audit Committee

Audit Committee, delegated by the Board, performs risk governance role on risk management. Internal Audit Department appraises Hui Xian REIT's risk management system and reports the result annually to the Audit Committee.

Risk Management Taskforce

Risk Management Taskforce comprises (i) the Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer and the Legal Manager as standing members and (ii) relevant Department Heads on a rotational/as needed basis. Risk Management Taskforce's responsibilities are overseeing the Enterprise Risk Management system and its implementation, reviewing the results of annual risk assessment and proposing enhancements to the Enterprise Risk Management system.

ANNUAL REVIEW OF THE ENTERPRISE RISK MANAGEMENT SYSTEM

Enterprise Risk Assessment Methodology

Hui Xian REIT adopts the Committee of Sponsoring Organizations of Treadway Commission (COSO) Enterprise Risk Management ("ERM") Framework in establishing its ERM system which illustrates the key components of any ERM system. Hui Xian REIT's methodology for its risk assessment comprises four core stages as below. The process is performed as necessary to address changes in Hui Xian REIT's business environment.



INTERNAL CONTROL

The Board, through the Audit Committee, conducts reviews on the effectiveness of the internal control system of Hui Xian REIT, which covers all material areas, including financial, operational and compliance controls and risk management functions. The Board has appointed an internal audit manager to maintain an independent and objective internal audit function and to report on the adequacy, effectiveness and efficiency of the Manager's operations on ERM.

Audit plan for each year is prepared by the internal audit manager using a risk based methodology in consultation with, but independent of, the management for review by the Audit Committee. The audit review focuses on operational and compliance controls of Hui Xian REIT and the effective implementation of the internal control systems and compliance procedures.

Eight audit reviews were conducted in the year ended 31 December 2019. Accomplishments of the audit plan and major findings of the audit reviews were reported to the Audit Committee on a half-yearly basis. Adequate controls were found to be in place and no major irregularities were noted. Recommendations to further improve on the internal control framework were all implemented.

CONNECTED PARTY TRANSACTIONS

A. CONNECTED PARTY TRANSACTIONS AND RELATED WAIVERS

Waivers from Strict Compliance with Certain Requirements under the REIT Code

At the time of authorisation of Hui Xian REIT under section 104 of the SFO in April 2011 and from time to time thereafter, waivers from strict compliance with the disclosure and Unitholders' approval requirements under Chapter 8 of the REIT Code in respect of certain connected party transactions involving Hui Xian REIT (the "Waivers") were granted by the SFC. Some of the Waivers were subsequently applied, modified and/or extended, with the approval of Unitholders where required. The terms and conditions pursuant to which the Waivers were granted and disclosed in the 2011 Interim Report of Hui Xian REIT and the announcements issued by the Manager from time to time. Throughout the year ended 31 December 2019, Hui Xian REIT has complied with the relevant terms and conditions of the Waivers.

Connected Party Transactions

Set out below is a summary of the information in respect of the connected party transactions entered into in the year ended 31 December 2019, other than those transactions that are exempted from disclosure and/or excluded pursuant to the waivers granted by the SFC.

Connected Party Transactions — Income

The following table sets out information on connected party transactions from which Hui Xian REIT derived its income for the year ended 31 December 2019:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2019 RMB'000
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	2,573
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,052
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	114
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,584
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,050
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,357
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	71
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	71

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2019 RMB'000
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	Associated company of a significant holder ¹	Leasing and licensing transaction	47
森棟乙(北京)科技有限公司 (Geng Dong Yi (Beijing) Technology Company Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	71
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,380
CK Asset Holdings Limited	Indirect holding company of a significant holder ¹	Leasing and licensing transaction	95
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	316
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,620
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	496
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing°Branch*)	Associated company of a significant holder ¹	Leasing and licensing transaction	3
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	Associated company of a significant holder ¹	Leasing and licensing transaction	2,426
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	6
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1
北京港世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,809
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	1,930
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	Associated company of a significant holder ¹	Leasing and licensing transaction	66
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Leasing and licensing transaction	485

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2019 RMB'000
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	Associated company of the ^o Trustee ²	Leasing and licensing transaction	1,110
Bank of China Limited	Associated company of a significant holder ³	Leasing and licensing transaction	30,681
香港貿易發展局 (The Hong Kong Trade Development Council*)	Associate of a director of Manager ⁴	Leasing and licensing transaction	123
香港貿易發展局北京辦事處 (The Hong Kong Trade Development Council Beijing Office*)	Associate of a director of Manager ⁴	Leasing and licensing transaction	385
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder ¹	Hotel room revenue	6
和記黃埔(中國)商貿有限公司 (Hutchison Whampoa (China) Commerce Limited*)	Associated company of a significant holder ¹	Hotel room revenue	1
和記地產集團有限公司 (Hutchison Property Group Limited*)	Associated company of significant holders ¹	Hotel room revenue	2
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	Associated company of a significant holder ¹	Hotel room revenue	109
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder ¹	Hotel room revenue	1
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	Associated company of a significant holder ¹	Hotel room revenue	7
達威設計顧問有限公司 (T W Design Consultants Limited*)	Associated company of a significant holder ¹	Hotel room revenue	1
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Hotel room revenue	9
Bank of China Limited	Associated company of a significant holder ³	Hotel room revenue	71
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	Associated company of a significant holder ³	Hotel room revenue	23
香港貿易發展局成都辦事處 (The Hong Kong Trade Development Council Chengdu Office*)	Associate of a director of Manager ⁴	Hotel room revenue	1
復旦大學 (Fudan University*)	Associate of a director of Manager ⁴	Hotel room revenue	11
南京大學 (Nanjing University)	Associate of a director of Manager ⁴	Hotel room revenue	1

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2019 RMB'000
國壽投資控股有限公司 (China Life Investment Holding Company Limited*)	Associated company of a significant holder ⁵ and associate of a director of a significant holder ⁶	Hotel room revenue	1
中信證券股份有限公司 (CITIC Securities Company Limited*)	Associate of a director of a significant holder ⁶	Hotel room revenue	79
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	11
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	2
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	68
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	334
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	38
和記地產集團有限公司 (Hutchison Property Group Limited*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	1
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	34
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	Associated company of a significant holder ¹	Food & beverages and other hotel income	10
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of Manager	Food & beverages and other hotel income	1
Bank of China Limited	Associated company of a significant holder ³	Food & beverages and other hotel income	20
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	Associated company of a significant holder ³	Food & beverages and other hotel income	4
中銀集團投資有限公司 (Bank of China Group Investment Limited*)	Associated company of a significant holder ³	Food & beverages and other hotel income	2
復旦大學 (Fudan University)	Associate of a director of Manager ⁴	Food & beverages and other hotel income	5
大連達達房地產開發有限公司 (Dalian Dalian Property Development Co., Ltd.*)	Associate of directors of a significant holder ⁷	Food & beverages and other hotel income	9

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Income for the year ended 31 December 2019 RMB'000
中信証券股份有限公司 (CITIC Securities Company Limited*)	Associate of a director of a significant holder ⁶	Food & beverages and other hotel income	23
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder ⁸	Interest Income	— ^
Bank of China Limited	Associated company of a significant holder ³	Interest Income	10,188
Bank of China (Hong Kong) Limited	Associated company of a significant holder ³ and associate of a director of Manager ⁴	Interest Income	417
Hui Xian Asset Management Limited	Manager	Reimbursement of staff cost	1,246
Total			63,658

Notes:

- 1 Significant holder being Noblecrown Investment Limited ("Noblecrown").
- 2 Trustee being DB Trustees (Hong Kong) Limited.
- 3 These companies are associated companies of Noblecrown which is significant holder of Hui Xian REIT.
- 4 Associates of Dr. CHOI Koon Shum, Jonathan, being the independent non-executive director of the Manager.
- 5 These companies are associated companies of Po Lian Enterprises Limited and/or China Life Insurance (Overseas) Company Limited, both of them are significant holders or deemed to be significant holders of Hui Xian REIT, and are subsidiaries or associated companies of China Life Insurance (Group) Company.
- 6 The Company is an associate of Mr. KUANG Tao who is both a director of China Life Insurance (Overseas) Company Limited and/or Po Lian Enterprises Limited, each of which is a significant holder or deemed to be a significant holder of Hui Xian REIT. Mr. KUANG has been appointed as director of CITIC Securities Company Limited on 6 September 2018 and ceased to be director on 31 December 2019.
- 7 This Company is an associate of (i) Mr. KAM Hing Lam who is director of Noblecrown and Heathcliff Developments Limited ("Heathcliff"); (ii) Mr. IP Tak Chuen, Edmond who is director of Noblecrown; (iii) Mr. CHUNG Sun Keung, Davy who is director of Noblecrown and (iv) Mr. CHOW Wai Kam, Raymond who is director of Heathcliff. Noblecrown and Heathcliff are significant holders and/or deemed to be a significant holder(s) of Hui Xian REIT. Mr. KAM Hing Lam, Mr. IP Tak Chuen, Edmond, Mr. CHUNG Sun Keung, Davy and Mr. CHOW Wai Kam, Raymond ceased to be directors of this company on 17 September 2019.
- 8 An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown, a significant holder of Hui Xian REIT.

The terms "associated company", "associate", "controlling entity", "holding company" and "significant holder" have the same meanings as they are defined under the REIT Code and SFO.

* The English name is shown for identification purpose only.

^ Transaction amount is greater than zero and smaller than RMB500.

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions — Expenses

The following table sets out information on connected party transactions in which Hui Xian REIT incurred its expenses for the year ended 31 December 2019:

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for year ended 31 December 2019 RMB'000
北京港世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	Associated company of a significant holder ¹	Property management fee	20,703
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	Associated company of a significant holder ¹	Property management fee	23,444
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited*)	Associated company of a significant holder ¹	Property management fee	8,550
海逸酒店管理有限公司 (Harbour Plaza Hotel Management Limited*)	Associated company of a significant holder ¹	Property management fee	120
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	Associated company of a significant holder ¹	Internet services fee	1,261
CK Asset Holdings Limited	Indirect holding company of a significant holder ¹	Internet services fee	19
廣州屈臣氏食品飲料有限公司 北京飲料分公司 (Guangzhou Watson's Food and Beverage Company Limited Beijing Beverages Branch*)	Associated company of a significant holder ¹	Beverages	426
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	Associated company of a significant holder ¹	Cleaning supplies	1,175
Harbour Grand Hong Kong Catering ^o Limited	Associated company of a significant holder ¹	Hotel Services	219
海逸酒店企業有限公司 (Harbour Plaza Hotel Enterprises ^o Limited*)	Associated company of a significant holder ¹	Trademark license fee	12
CK Asset Holdings Limited	Indirect holding company of a significant holder ¹	Staff related expenses	— ^
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	Associated company of a significant holder ²	Insurance expense	387
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	Associated company of a significant holder ³	Insurance expense	1,354

CONNECTED PARTY TRANSACTIONS

Name of Connected Party	Relationship with Hui Xian REIT	Nature of Connected Party Transaction	Expenses for year ended 31 December 2019 RMB'000
中國人壽財產保險股份有限公司重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	Associated company of a significant holder ³	Insurance expense	186
The Hongkong and Shanghai Banking Corporation Limited	Associate of a director of a significant holder ⁴	Interest expense	31,077
Bank of China (Hong Kong) Limited	Associated company of a significant holder ² and associate of a director of Manager ⁵	Interest expense	74,519
Bank of China Limited	Associated company of a significant holder ²	Bank charges and agency fee	3,540
Bank of China (Hong Kong) Limited	Associated company of a significant holder ² and associate of a director of Manager ⁵	Bank charges and agency fee	114
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	Subsidiary of the Manager	Property Manager's fee	86,304
D&P China (HK) Limited	Principal Valuer	Title Verification service fee	27
Total			253,437

Notes:

1. Significant holder being Noblecrown Investment Limited ("Noblecrown").
2. These companies are an associated companies of Noblecrown, a significant holder of Hui Xian REIT.
3. These companies are associated companies of Po Lian Enterprises Limited and/or China Life Insurance (Overseas) Company Limited, both of them are significant holders or deemed to be significant holders of Hui Xian REIT, and are subsidiaries or associated companies of China Life Insurance (Group) Company.
4. An associate of Mr. LI Tzar Kuoi, Victor, who is a director of Noblecrown, a significant holder of Hui Xian REIT.
5. Associates of Dr. CHOI Koon Sum, Jonathan, being the independent non-executive director of the Manager.

The terms "associated company", "associate", "holding company" and "significant holder" have the same meanings as they are defined under the REIT Code and SFO.

* The English name is shown for identification purpose only.

^ Transaction amount is greater than zero and smaller than RMB500.

CONNECTED PARTY TRANSACTIONS

Terms and Remuneration of Services Provided by the Manager, the Trustee and the Principal Valuer

Pursuant to note 2 to 8.10 of the REIT Code, services provided by the Manager, the Trustee and the Principal Valuer to Hui Xian REIT as contemplated under the constitutive documents of Hui Xian REIT shall not be deemed connected party transactions. Such services are therefore not disclosed in the above sections. The aggregate amount of fees (in cash and/or units) payable by Hui Xian REIT to the Trustee and to the Manager under the Trust Deed for the year ended 31 December 2019 were RMB4,022,000 and RMB143,540,000 respectively. Particulars of the services provided by the Trustee and the Manager are set out in notes 1(b) and 1(c) respectively to the Consolidated Financial Statements of Hui Xian REIT for the year ended 31 December 2019 on pages 149 to 150 of this Annual Report. For the year ended 31 December 2019, the valuation fee payable to the principal valuer, D&P China (HK) Limited, was RMB505,000.

Revolving Credit Facilities of US\$180 Million Granted by Hui Xian Holdings Limited to Hui Xian Investment Limited Dated 16 November 2017

For the year ended 31 December 2019, no revolving credit facilities granted by Hui Xian Holdings Limited to Hui Xian Investment Limited was utilised by Hui Xian REIT group.

DISCLOSURE OF INTERESTS

INTERESTS OF CONNECTED PERSONS

Based on the information available to the Manager as at 31 December 2019, each of the following persons was a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units of Hui Xian REIT as follows:

Name	As at 31 December 2019	
	No. of Units held	Percentage of Units held ¹
Subsidiaries of CK Asset Holdings Limited ("CKAH") ²	1,891,751,080	32.17%
Li Ka Shing Foundation Limited ³	600,000	0.01%
Subsidiaries of China Life Insurance (Group) Company ⁴	865,406,000	14.72%
The Hongkong and Shanghai Banking Corporation Limited ³	30,175,961	0.51%

Notes:

The terms associated company, connected person, controlling entity and significant holder are as defined in the REIT Code or the SFO.

- Based on the total number of 5,880,262,459 Units in issue as at 31 December 2019.
- These subsidiaries of CKAH were Noblecrown Investment Limited ("Noblecrown") (held 1,077,798,832 Units as at 31 December 2019), Wisdom Ally Limited ("Wisdom Ally") (held 172,588,661 Units as at 31 December 2019), Wealth Finder Limited ("Wealth Finder") (held 40,440,442 Units as at 31 December 2019), Heathcliff Developments Limited ("Heathcliff Developments") (held 579,738,788 Units as at 31 December 2019) and Hui Xian Asset Management Limited ("Manager") (held 21,184,357 Units as at 31 December 2019). All these companies were significant holders or deemed to be significant holders of Hui Xian REIT.

Separately, by virtue of the deemed application of Part XV of the SFO and based on information available to the Manager:

- as at 31 December 2019, each of CKAH and the intermediate holding companies through which CKAH was interested in the share capital of Noblecrown and Heathcliff Developments (namely, Mighty State Limited, Novel Trend Holdings Limited, Paola Holdings Limited and Burgeon Force Limited) was taken to have an interest in the Units that Noblecrown and Heathcliff Developments were interested in;
 - as at 31 December 2019, Noblecrown, of which Wisdom Ally, Wealth Finder and the Manager were its subsidiaries, was taken to have an interest in the Units held by Wisdom Ally, Wealth Finder and the Manager respectively; and
 - as at 31 December 2019, CKAH, in view of its interest in the above intermediate holding companies through which Noblecrown and Heathcliff Developments were held, was taken to have an interest in the Units held by Wisdom Ally, Wealth Finder and the Manager.
- Associate of Mr. Li Tzar Kuoi, Victor who was a director of Noblecrown, a significant holder of Hui Xian REIT.
 - The subsidiaries were China Life Insurance (Overseas) Co. Ltd and Po Lian Enterprises Limited which are significant holders or deemed to be significant holders of Hui Xian REIT.

DISCLOSURE OF INTERESTS

Interests of the Manager

As at 31 December 2019, the Manager held 21,184,357 Units in Hui Xian REIT.

Interests of the Directors, Senior Executives and Officers of the Manager

As at 31 December 2019, each of the following persons was a director, senior executive or officer of the Manager and thus a connected person of Hui Xian REIT under the REIT Code and, so far as the Manager is aware, held or was interested in the Units in Hui Xian REIT as follows:

Name	As at 31 December 2019 Number of Units held
KAM Hing Lam	831,073¹
IP Tak Chuen, Edmond	1,100,000²
CHEUNG Ling Fung, Tom	89,574³
TONG BARNES Wai Che, Wendy	142,856⁴

Notes:

1. These Units were held by Mr. KAM Hing Lam, chairman and non-executive director of the Manager, as a bare trustee and this is a voluntary disclosure made by Mr. KAM.
2. These Units were held by Mr. IP Tak Chuen, Edmond, non-executive director of the Manager, as beneficial owner.
3. These Units were held by Mr. CHEUNG Ling Fung, Tom, executive director and chief executive officer of the Manager, as beneficial owner.
4. These Units were held by Mrs. TONG BARNES Wai Che, Wendy, deputy chief executive officer of the Manager, as beneficial owner.

Save as disclosed above, the Manager is not aware of any connected persons of Hui Xian REIT holding any units of Hui Xian REIT as at 31 December 2019.

DIRECTORS' BIOGRAPHICAL INFORMATION

KAM Hing Lam, aged 73, is the founding Chairman and Non-executive Director of Hui Xian Asset Management Limited. He is also the founding Chairman of Beijing Oriental Plaza Co., Ltd.

Since the early 1990s, Mr. KAM has overseen the development of Beijing Oriental Plaza from its initial planning, design and construction stages to the company's present state of being one of the leading commercial complexes in Asia. Under Mr. KAM's leadership, Beijing Oriental Plaza now boasts an experienced management team strong in tenant mix planning, lease negotiation as well as marketing and promotion.

Mr. KAM is Deputy Managing Director of CK Hutchison Holdings Limited, an Executive Director, Deputy Managing Director, a Member of the Nomination Committee and a Member of the Executive Committee of CK Asset Holdings Limited. He possesses extensive experience in the real estate sector in Hong Kong and Mainland China. In Mainland China, beyond Beijing Oriental Plaza, Mr. KAM has considerable involvement with property developments in a number of cities, including Beijing, Shanghai, Chongqing and Chengdu.

Mr. KAM's wide breadth of experience in the PRC also extends to his role as the Group Managing Director of CK Infrastructure Holdings Limited ("CKI"). He was instrumental in CKI's listing in 1996, and since then has continued to direct the company's business projects, including those in Mainland China.

In addition, Mr. KAM is the President and Chief Executive Officer of CK Life Sciences Int'l., (Holdings) Inc. Prior to joining the CK Group, Mr. KAM had more than 20 years of experience in a senior and regional capacity at several major US multinational companies.

Except for Beijing Oriental Plaza Co., Ltd. and Hui Xian Asset Management Limited, all the companies mentioned above are listed companies.

Mr. KAM is an Honourable Citizen of Shenyang, Jiangmen, Foshan and Nanhai.

CHEUNG Ling Fung, Tom, aged 53, is an Executive Director and the Chief Executive Officer of Hui Xian Asset Management Limited (the "Manager"), a chairman of the Disclosures Committee and a member of the Designated (Finance) Committee. Mr. CHEUNG is also a Responsible Officer of the Manager.

Mr. CHEUNG is the Director and the General Manager of Beijing Oriental Plaza Co., Ltd., the Sino-foreign cooperative joint venture company through which Hui Xian REIT's investment in Beijing Oriental Plaza is held.

Prior to joining Beijing Oriental Plaza Co., Ltd. in 2001, Mr. CHEUNG spent seven years in Shanghai, where, as General Manager, he set up the first Mainland China branch for CBRE. He has over 28 years of experience in real estate, encompassing office, retail and residential properties. Mr. CHEUNG has previously been involved in a number of property developments located throughout Mainland China. He is also a member of Beijing Municipal Dongcheng District Committee of the Chinese People's Political Consultative Conference.

Mr. CHEUNG holds a Bachelor of Business Administration in Finance and a Master's degree in Business Administration.

LEE Chi Kin, Casey, aged 57, currently the Executive Director, the Chief Operating Officer and a Responsible Officer of Hui Xian Asset Management Limited. Mr. LEE had served as the Deputy Chief Operating Officer — Hotel of the Manager since the listing of the units of Hui Xian REIT on The Stock Exchange of Hong Kong Limited in April 2011 prior to his appointment as the Chief Investment Officer of Hui Xian Asset Management Limited in August 2011.

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. LEE joined the group of CK Asset Holdings Limited ("CK Asset") (previously known as Cheung Kong Property Holdings Limited) in 1998. His duties include assessing new hotel and related properties development opportunities in China, liaising with local PRC authorities, working with banks in respect of financing and overseeing the operation of various hotels in the group. He is also responsible for the investment in Sofitel Shenyang Lido Hotel (formerly known as Sheraton Shenyang Lido Hotel), which forms part of the Hui Xian REIT group since the beginning of 2012.

Mr. LEE has over 30 years of experience in accounting, hotel management and property development. Prior to joining the group of CK Asset, he worked for various hotel management groups, property investment companies, as well as Coopers and Lybrand. Mr. LEE holds a Bachelor's degree in Social Sciences. He is a fellow member of The Institute of Chartered Accountants in England and Wales, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants. He is also a member of the 12th, 13th and 14th Liaoning Shenyang Committee of the Chinese People's Political Consultative Conference.

LAI Wai Yin, Agnes, aged 52, was appointed an Executive Director of Hui Xian Asset Management Limited on 8 January 2018. She is also the Chief Financial Officer and Responsible Officer of the Manager, and a director of Beijing Oriental Plaza Co., Ltd.. Ms. LAI has worked for Beijing Oriental Plaza Co., Ltd. since she joined the company as Finance Manager in 2000 and has been the Financial Controller of Beijing Oriental Plaza Co., Ltd. since 2008. She has over 30 years of experience in accounting and auditing. Ms. LAI holds a Bachelor's degree in Business Administration. She is a fellow member of The Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

IP Tak Chuen, Edmond, aged 67, is a Non-executive Director of Hui Xian Asset Management Limited. Mr. IP is Deputy Managing Director of CK Hutchison Holdings Limited, as well as Deputy Managing Director, an Executive Director, a member of Nomination Committee and an Executive Committee Member of CK Asset Holdings Limited. He is also an Executive Director and Deputy Chairman of CK Infrastructure Holdings Limited, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc.

Except Hui Xian Asset Management Limited, all the companies mentioned above are listed companies.

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

LIM Hwee Chiang, aged 63, has been a Non-executive Director of Hui Xian Asset Management Limited since 21st December 2010. He is also the Co-Founder, Group Chief Executive Officer and Executive Director of ARA Asset Management Limited (whose shares were withdrawn from listing on 19 April 2017) since its establishment. He is also a Non-executive Director of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT, primary listed on The Stock Exchange of Hong Kong Limited, and secondary listed on the Singapore Exchange Securities Trading Limited in Singapore the listing of which has ceased with effect from 21 October 2019), ARA Trust Management (Suntec) Limited (the manager of Singapore-listed Suntec REIT) and ARA Asset Management (Prosperity) Limited (the manager of Hong Kong-listed Prosperity REIT). Mr. LIM is also the Chairman of Suntec Singapore International Convention & Exhibition Services Pte. Ltd.

Mr. LIM is Chairman of the Asia Pacific Real Estate Association ("APREA"), the Consultative Committee to the Department of Real Estate, National University of Singapore, Straits Real Estate and Lim Hoon Foundation. He is a Patron of Jurong Spring Citizens' Consultative Committee and the Securities Investors Association of Singapore (SIAS). He is also a Council Member of Singapore Chinese Chamber of Commerce and Industry and an Independent Director and Chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited.

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. LIM has more than 30 years of experience in the real estate industry and has received many notable corporate awards. His accolades include the PERE Global Awards 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. LIM, along with the Board of Directors of ARA Asset Management Limited, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contribution to the community.

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

CHENG Hoi Chuen, Vincent, aged 71, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He was the Adviser to the Group Chief Executive of HSBC Holdings plc and is also an Independent Non-executive Director of Great Eagle Holdings Limited, CLP Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited, and he was an Independent Non-executive Director of China Minsheng Banking Corp., Ltd. and MTR Corporation Limited up to in or around mid-June 2018 and mid-May 2019, respectively. Except Hui Xian Asset Management Limited, all the aforementioned companies are listed companies. He has been appointed as Independent Non-executive Director of Airstar Bank Limited with effect from 9 May 2019. He is the former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. CHENG was previously an Executive Director of HSBC Holdings plc, a Non-executive Director of HSBC China Dragon Fund and an Independent Non-executive Director of Swire Properties Limited.

Mr. CHENG was the Chairman of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR and the Chairman of the Council of The Chinese University of Hong Kong. He is a member of the Advisory Committee on Post-service Employment of Civil Servants and a Vice-patron of Community Chest of Hong Kong. He was also a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC"), and a Senior Adviser to the 11th Beijing Municipal Committee of the CPPCC. He was the Chairman of the Process Review Panel for the Securities and Futures Commission, Chairman of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government, a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Vice-chairman of the China Banking Association.

He was conferred the Doctoral degree of Social Science, *honoris causa*, by The Chinese University of Hong Kong and the Doctoral degree of Business Administration, *honoris causa*, by The Open University. Mr. CHENG holds a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master of Philosophy degree in Economics from The University of Auckland, New Zealand.

LEE Chack Fan, aged 74, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is an Academician of Chinese Academy of Engineering and was appointed as the Chancellor of the Chu Hai College of Higher Education on 1 July 2015. Professor LEE has been appointed as a non-executive director of Zhaobangji Properties Holdings Limited with effect from 22 October 2018. He is also an Independent Non-executive Director of South Shore Holdings Limited (formerly known as The 13 Holdings Limited). Professor LEE was an Independent Non-executive Director of AID Life Science Holdings Limited (previously known as AID Partners Technology Holdings Limited) up to 14 August 2017.

Professor LEE is an internationally renowned expert in geotechnical engineering. He served as a consultant and technical adviser to numerous energy and infrastructure projects in China and overseas, including the construction of the Three Gorges Dam of the Yangtze River. He worked for Ontario Hydro in Canada for more than 20 years. He joined the University of Hong Kong in 1994 as a professor of the Department of Civil Engineering, and successively as chair professor of geotechnical engineering, pro-vice-chancellor (vice-president) and director of the School of Professional and Continuing Education. He has also served as a specialist consultant or an advisor to many international bodies such as the United Nations Development Plan, World Bank and Asian Development Bank on numerous energy and infrastructure projects in many parts of the world.

DIRECTORS' BIOGRAPHICAL INFORMATION

Professor LEE is currently the Chairman of the Hong Kong Institute for Promotion of Chinese Culture, Chairman of Jao Tsung-I Academy, Director of Jao Tsung-I Petite Ecole, University of Hong Kong, and the President of the Fu Hui Charity Foundation. He is also a member of the Commission on Strategic Development. Professor LEE was a Chairman of the Harbourfront Enhancement Committee, the Council of the Lord Wilson Heritage Trust, and the Veterinary Surgeons Board. He previously also served as a member of Board of the West Kowloon Cultural District Authority and the Cultural and Heritage Commission.

Professor LEE's eminent achievement in civil engineering has been highly recognised. He was awarded the K Y Lo Medal in 2001 by the Engineering Institute of Canada and was elected the Academician of the Chinese Academy of Engineering in 2003 in recognition of his contributions to the engineering profession. He was appointed as Justice of the Peace by the Hong Kong Government in 2003 and was awarded the Silver Bauhinia Star and Gold Bauhinia Star in 2005 and 2013 respectively.

Professor LEE graduated from The University of Hong Kong with a Bachelor's degree in Civil Engineering and received his Master's degree from The University of Hong Kong and a Doctor of Philosophy degree from The University of Western Ontario, Canada, in the field of geotechnical engineering.

CHOI Koon Shum, Jonathan, aged 62, has been an Independent Non-executive Director of Hui Xian Asset Management Limited since 4 April 2011. He is also Chairman of the Sun Wah Group, Chairman of Sunwah International Limited (formerly known as Kingsway International Holdings Limited) (Toronto-listed), Chairman of Sunwah Kingsway Capital Holdings Limited (formerly known as SW Kingsway Capital Holdings Limited) (Hong Kong-listed), Independent Non-executive Director of BOC Hong Kong (Holdings) Limited (Hong Kong-listed), Chairman of VinaCapital, Vietnam, Chairman of the Sun Wah Hi-Tech Group and Chairman of the Sun Wah Media Group. Dr. CHOI has extensive experience in the financial services business, food industry, real estate development, international trade and technology.

Dr. CHOI is a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference of the PRC. He also holds a number of public positions including Chairman of the Hong Kong Chinese General Chamber of Commerce, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Standing Committee Member of the All-China Federation of Industry and Commerce, an Economic Advisor to the President of the Chinese Academy of Sciences, a Council Member of the Hong Kong Trade Development Council, Chairman of the Hong Kong-Vietnam Chamber of Commerce, Chairman of the China-India Software Association, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center, Founding Chairman of the Hong Kong-Korea Business Council and Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, China's representative of APEC Business Advisory Council by the Chief Executive of HKSAR respectively. Dr. CHOI is also a Court/Council Member of a number of universities including United College of The Chinese University of Hong Kong, The Hong Kong University of Science and Technology, The Hong Kong Polytechnic University, the University of Macau, Fudan University, Nanjing University and Northeastern University in Liaoning.

Dr. CHOI is a Justice of Peace and has been awarded the Bronze Bauhinia Star and Gold Bauhinia Star by the Hong Kong SAR Government. In 2015, he was conferred 'Friendship Order' by Vietnam Government. In February 2017, Dr. CHOI was conferred the 'Officer of the Order of Arts and Letters of France' by the French Government and Japan Foreign Minister's Commendation for FY 2017. In January 2019, Dr. CHOI was awarded the Medal of Merit on Education by Macau S.A.R Government and was awarded a 'Friends of Diplomacy' by the Ministry of Foreign Affairs of P.R.C.. He has also received the World Outstanding Chinese Award granted by the United World Chinese Association and is an Honorary Citizen or Advisor of Guangzhou, Shenyang, Wuhan, Jinggangshan, Zhongshan and Changjiajie.

In 2005, Dr. CHOI was conferred the Honorary Doctor of Humanities by the Michigan State University in the United States. He became a University Fellow of The Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by The University of Glamorgan in the United Kingdom in 2009, the Honorary Doctor of Social Sciences by Lingnan University in Hong Kong in October 2011, the Honorary Doctor of the Vietnam National University, Hanoi, in 2013, the Honorary Doctor of Business Administration by De Montfort University in United Kingdom in July 2014 and the Honorary Doctor of Laws Degree by the University of Alberta in October 2015.

KEY PERSONNEL'S BIOGRAPHICAL INFORMATION

TONG BARNES Wai Che, Wendy is the Deputy Chief Executive Officer of Hui Xian Asset Management Limited (“the Manager”). She is the Chief Corporate Affairs Officer of CK Asset Holdings Limited, CK Infrastructure Holdings Limited, and CK Life Sciences Int'l., (Holdings) Inc. She is also a Board Member of the Australian Chamber of Commerce Hong Kong. Mrs. BARNES has been working on the Beijing Oriental Plaza project since the 1990s during the pre-leasing and pre-opening phase. She holds a Bachelor's degree in Business Administration.

FONG Chi Lam, Jasmine is the Chief Compliance Officer of the Manager. Ms. FONG is also the Senior Legal Manager of CK Infrastructure Holdings Limited. She has over 20 years of experience in legal and regulatory compliance, mergers and acquisitions, as well as project structuring and financing areas. Ms. FONG was qualified as a solicitor of the High Court of Hong Kong in 1997.

CHING Sung, Eric is the Deputy Chief Investment Officer and Responsible Officer of the Manager. Prior to joining the Manager, Mr. CHING worked in CK Life Sciences Int'l., (Holdings) Inc. and CK Infrastructure Holdings Limited. Mr. CHING has over 35 years of experience in banking, finance and mergers & acquisitions. He holds a Master's degree in Management.

TANG Hiu Tung, Daisy is the Senior Corporate Finance and Corporate Development Manager and Responsible Officer of the Manager. Ms. TANG has over 19 years of experience in investor relations, corporate finance and marketing communications with a career that spans the finance, property, exhibition and convention, and automotive industries. She holds a Master's Degree in Marketing.

TSE Chun Wai, Richard is the Internal Audit Manager of the Manager. He is also the Senior Manager, Internal Audit Department of CK Asset Holdings Limited. He has over 28 years of experience in auditing. Mr. TSE holds a Master's degree in Business Administration, a Master of Science degree in Information Systems Management, a Master of Science degree in Investment Management, a Master of Laws degree in Common Law and a Juris Doctor Degree. He is a fellow member of The Association of Chartered Certified Accountants, an associate member of The Chartered Institute of Management Accountants, and a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants.

VALUATION REPORT

March 4, 2020

Hui Xian Asset Management Limited
Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Our Ref.: 99491A

Dear Sirs,

Pursuant to the terms and conditions of an Engagement Letter dated December 13, 2016 between ourselves, we are instructed by you, Hui Xian Asset Management Limited and DB Trustees (Hong Kong) Limited (together as the "Company") to provide our opinion of Market Value of the property interest of Oriental Plaza, located at No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China (the "PRC") (or hereafter referred as the "Property" or the "property interest"). The Property is held by Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司)("BOP").

As instructed, we, D&P China (HK) Limited ("D&P") has made a determination of the value in its existing state of the Property as of December 31, 2019 (the "valuation date").

This letter, which forms part of our report, identifies the Property, the scope and character of our investigation, the premise of value adopted, the methodology applied, and our conclusion. It is our understanding that this appraisal will be used for your financial reporting purposes.

BASIS OF VALUATION

Our valuation represents our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood to be the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Property with reference to the tenancy schedules provided to us by BOP and, where appropriate, by reference to sales evidence as available on the market.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation, we have considered various valuation methodologies and have principally adopted the Income Capitalization Approach and cross-checked by the Direct Comparison Approach. For the purpose of this valuation, we consider that the Income Capitalization Approach is a reasonable, and the appropriate, valuation methodology to adopt for assessing the market value of the Property. It is particularly relevant for the valuation of well established income-producing properties that can be expected to have relatively stabilized income streams in the future as it can reflect prevailing economic and investment market conditions, the existing tenancy profile (including, without limitation, the existing rental income and occupancy level, tenancy commencement and expiry profiles, and tenancy duration) and the period of the unexpired term of the land use rights of the Property.

The Income Capitalization Approach is a valuation method commonly applied for investment properties. The rental income derived from the existing tenancies are capitalized for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the date of valuation, which is then capitalized for the remaining term of the land use rights of the Property. The sum of the capitalized value of the term income, the reversionary income as appropriately deferred and the vacant units provides the market value of the Property.

The key value drivers of the Income Capitalization Approach are the market rent and the capitalization rate. The market rent is mainly estimated with reference to the new lettings and/or renewals of the Property. The capitalization rates are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and our experience in valuing other similar properties. The capitalization rates are applied to capitalize the rental income generated for the unexpired term of the land use rights of the property until April 2049. No value has been ascribed to any estimated market rent or any form of income beyond the expiry date of the land use rights.

For the hotel portion of the Property, we have capitalised the income generated from operating the hotel after deducting the operating and non-operating expenses. The income and expenses are estimated with regard to the latest hotel operating results and the budget provided by the Company and the changes in market conditions.

For cross-checking purposes, we have also adopted the Direct Comparison Approach by making reference to comparable sales evidence of properties with similar characteristics as available in the relevant market. There is, however, a lack of en-bloc transactions in the vicinity. Comparison can only be made with reference to individual strata-title property transactions in the locality.

TITLE DOCUMENTS

We have been provided with copies of documents in relation to the title of the property interest situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation particulars are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this letter and valuation particulars.

VALUATION REPORT

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interest. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interest described and that no encroachment or trespass exists unless noted in the valuation particulars.

We have assumed that the owner of the property interest has free and uninterrupted rights to use, lease, sell or mortgage the property interest for the whole of the unexpired term of its land use rights. We have also assumed that the property interest is freely disposable and transferable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation particulars for the Property.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission and the "HKIS Valuation Standards (2017 Edition)" published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation particulars and market overview.

Yours faithfully,
For and on behalf of
D&P China (HK) Limited

Calvin K.C. Chan
MRICS, MHKIS, RPS (GP), MCIREA, CFA
Real Estate Valuation Group
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

VALUATION REPORT

EXECUTIVE SUMMARY

Property: The Property consists of retail, office, serviced apartment, hotel and basement portions of Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China (中華人民共和國北京市東城區東長安街1號東方廣場之商場, 寫字樓, 公寓, 酒店及地庫)

Description: Retail portion comprises podium level, 1-upper ground level and 1-lower ground level. Office portion comprises 5 blocks of 12-storey office towers and 3 blocks of 18-storey office towers. The serviced apartment portion comprises a block of 21-storey tower, 2 blocks of 14-storey towers and a block of 11-storey tower. The Hotel portion comprises a 24-storey tower. The basement portion comprises car park and storage spaces.

Site Area: 109,924.1 square metres (*Note 1*)

Note 1: The site area of Oriental Plaza is of 77,594.81 square metres under the relevant State-owned Land Use Certificate below and the planned land use area of the Property is of 109,924.1 square metres under the relevant Appendix of Construction Land Use Planning Permit below.

Registered Owner: Beijing Oriental Plaza Co., Ltd. (北京東方廣場有限公司) ("BOP")

Gross Floor Area: According to the information provided by BOP, the breakdown of gross floor area ("GFA") is as follow:

Uses	GFA <i>(sq.m.)(approx.)</i>
Retail	132,584
Office	309,768
Serviced Apartment	107,722
Hotel	94,977
Basement Levels	118,431 (<i>Note 2</i>)
Total:	763,482

Note 2: The above GFA of the basement does not include the area of civil defense shelter.

Lettable Area: According to the information provided by BOP, the breakdown of lettable area is as follows:

Uses	Lettable Area <i>(sq.m.)(approx.)</i>
Retail	71,322
Office	306,667
Serviced Apartment	105,104
Total:	483,093

The area schedule tabulated above is exclusive of car parking spaces.

State-owned Land Use Certificate:	Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號)
Building Ownership Certificate:	Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號)
Appendix of Construction Land Use Planning Permit:	2000-Gui Di Zi-0008 (2000-規地字-0008)
Valuation Date:	December 31, 2019
Valuation Methodology:	Income Capitalization Approach and Direct Comparison Approach
Market Value in Existing State:	

Uses	Market Value in Existing State (RMB)
Retail	14,261,000,000
Office	14,891,000,000
Serviced Apartment	2,850,000,000
Hotel	2,760,000,000
Basement	290,000,000
Total:	35,052,000,000

The Property mainly comprises retail, office, serviced apartment, hotel and basement (levels P1 to P4) of Oriental Plaza, Beijing. In the following sections, each portion of the Property is described separately in details.

VALUATION REPORT

VALUATION PARTICULARS

Retail Portion — The Shopping Mall

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The retail portion of the Property No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, four serviced apartment towers, a hotel and about 1,800 car parking spaces in basement levels. The retail portion was completed in 2000.</p> <p>The retail portion mainly comprises portion of podium level, 1-upper ground level and 1-lower ground level with a total gross floor area of approximately 132,584 square metres. The total lettable area is approximately 71,322 square metres.</p> <p>The retail portion is held by BOP for a term to be expired on April 21, 2049.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, the retail portion of the Property is let under various tenancies for various terms with the latest expiring on February 28, 2028, yielding a total monthly rental income of RMB80,043,604 exclusive of management fee and value-added tax. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.</p> <p>Various advertising spaces are let under various agreements yielding an average monthly income of approximately RMB1,047,450 from January 2019 to December 2019.</p> <p>The occupancy rate of the retail portion of the Property as at valuation date was about 99.4%.</p>	14,261,000,000

Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the property with a site area of 77,594.81 square metres are held by BOP for a term expiring on April 21, 2049 for composite use.
2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, in which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project (東方廣場項目), and about 15,300 square metres of land is to be resumed for city road use.

- Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings with gross floor area of 763,480.35 square metres are held by BOP.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- The rentals reported herein are contractual rentals without taking into account rent free periods and turnover rent, if any. The average monthly turnover rent income is approximately RMB 387,000 in 2019.
- Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile (excluding advertising spaces and turnover rent) is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	70,913	99.4
Vacant	409	0.6
Total	71,322	100.0

Tenancy Commencement Profile (excluding rental income from turnover)

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2014	673	0.95	774,114	0.97	3	0.97
2015	8,215	11.58	5,717,543	7.14	13	4.21
2016	9,869	13.92	8,109,307	10.13	18	5.83
2017	13,677	19.29	17,981,119	22.46	57	18.45
2018	19,175	27.04	22,970,175	28.70	103	33.33
2019	18,145	25.59	24,236,971	30.28	114	36.89
2020	1,159	1.63	254,375	0.32	1	0.32
Total	70,913	100.00	80,043,604	100.00	309	100.00

Tenancy Expiry Profile (excluding rental income from turnover)

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2019	3,573	5.04	3,394,454	4.24	14	4.53
2020	14,666	20.68	23,811,933	29.75	88	28.48
2021	16,803	23.70	22,869,800	28.57	93	30.10
2022	12,927	18.23	15,502,469	19.37	72	23.30
2023	7,438	10.49	5,510,069	6.88	16	5.18
2024	10,382	14.64	6,939,587	8.67	21	6.80
2025	786	1.11	1,221,417	1.53	1	0.32
2026	3,179	4.48	539,500	0.67	3	0.97
2027	-	-	-	-	-	-
2028	1,159	1.63	254,375	0.32	1	0.32
Total	70,913	100.00	80,043,604	100.00	309	100.00

VALUATION REPORT

Tenancy Duration Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	1,485	2.09	3,128,279	3.91	9	2.91
More than 1 year and up to 2 years	4,644	6.55	6,079,759	7.60	29	9.38
More than 2 years and up to 3 years	19,395	27.35	33,436,182	41.77	159	51.46
More than 3 years and up to 4 years	4,179	5.89	6,782,371	8.47	33	10.68
More than 4 years and up to 5 years	20,910	29.49	18,724,884	23.40	54	17.48
More than 5 years and up to 6 years	10,708	15.10	10,414,919	13.01	17	5.50
More than 6 years and up to 7 years	603	0.85	106,100	0.13	2	0.65
More than 7 years and up to 8 years	8,989	12.68	1,371,110	1.71	6	1.94
Total	70,913	100.00	80,043,604	100.00	309	100.00

* As at the date of valuation, the total monthly income includes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB 254,375 per month.

** As at the date of valuation, there are 309 tenancies (total leased rentable area of about 70,913 square metres), in which 308 tenancies (about 69,754 square metres) are with lease terms already commenced and 1 tenancy (about 1,159 square metres) is with lease terms not yet commenced.

7. We have prepared our valuation based on the following assumptions:

- a) BOP possesses the proper title of the Property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the Property or dispose of the Property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
- b) The buildings or structures of the Property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
- c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION PARTICULARS

Office Portion — East Office Towers, West Office Towers and Central Office Towers

Property	Description and Tenure	Particulars of Occupancy	Market Value
			in Existing State as at December 31, 2019 (RMB)
The office portion of the Property	The Property is a comprehensive development comprising of a shopping mall, eight office towers, four serviced apartment towers, a hotel and about 1,800 car parking spaces in basement levels. The office portion was completed in between 2000 and 2001.	According to the tenancy schedule dated December 31, 2019 provided to us, the office portion of the Property is let under various tenancies for various terms with the latest expiring on January 31, 2028, yielding a total monthly rental income of RMB78,667,753 exclusive of management fee and value-added tax. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.	14,891,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	The office portion comprises five blocks of 12-storey office towers and three blocks of 18-storey office towers with a total gross floor area of approximately 309,768 square metres. The lettable areas of office portion is approximately 306,667 square metres. The office portion is held by BOP for a term to be expired on April 21, 2049.	Various naming rights are let under monthly basis, yielding an average monthly rental of approximately RMB260,000 in 2019. The total occupancy rate of the office portion of the Property as at valuation date was about 85.6%.	

Notes:

- Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by BOP for a term expiring on April 21, 2049 for composite use.
- Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project (東方廣場項目), and about 15,300 square metres of land is to be resumed for city road use.

VALUATION REPORT

- Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by BOP.
- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
- Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile (excluding naming rights) is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	262,563	85.6
Owner-occupied	2,419	0.8
Vacant	41,685	13.6
Total	306,667	100.0

Tenancy Commencement Profile

Year	Leased Area (sq.m.)(approx.)	% of total	Monthly Rental (RMB)(approx.)	% of total	No. of Tenancies	% of total
2013	853	0.32	255,900	0.33	1	0.20
2014	-	-	-	-	-	-
2015	22,148	8.44	5,557,334	7.06	5	1.03
2016	29,356	11.18	7,551,113	9.60	13	2.67
2017	40,786	15.53	13,108,951	16.66	91	18.69
2018	79,467	30.27	24,988,917	31.77	167	34.29
2019	84,262	32.09	25,734,594	32.71	202	41.48
2020	5,691	2.17	1,470,944	1.87	8	1.64
Total	262,563	100.00	78,667,753	100.00	487	100.00

Tenancy Expiry Profile

Year	Leased Area (sq.m.)(approx.)	% of total	Monthly Rental (RMB)(approx.)	% of total	No. of Tenancies	% of total
2019	4,156	1.58	1,031,176	1.31	11	2.26
2020	82,367	31.37	24,885,615	31.63	144	29.57
2021	65,530	24.96	20,650,378	26.25	168	34.50
2022	79,058	30.11	22,614,248	28.75	124	25.46
2023	11,198	4.27	3,630,430	4.61	27	5.54
2024	17,985	6.85	5,337,571	6.79	11	2.26
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	2,269	0.86	518,335	0.66	2	0.41
Total	262,563	100.00	78,667,753	100.00	487	100.00

Tenancy Duration Profile

Year	Leased Area	Monthly Rental		No. of		
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	5,635	2.15	1,598,467	2.03	9	1.85
More than 1 year and up to 2 years	27,703	10.55	8,445,344	10.73	97	19.92
More than 2 years and up to 3 years	122,678	46.72	38,714,496	49.21	274	56.26
More than 3 years and up to 4 years	20,832	7.93	6,448,586	8.20	44	9.03
More than 4 years and up to 5 years	45,951	17.50	13,152,483	16.72	43	8.83
More than 5 years and up to 6 years	13,613	5.18	3,887,235	4.94	9	1.85
More than 6 years and up to 7 years	23,029	8.77	5,646,907	7.18	8	1.64
More than 7 years and up to 8 years	2,269	0.87	518,335	0.66	2	0.41
More than 8 years and up to 9 years	-	-	-	-	-	-
More than 9 years and up to 10 years	853	0.33	255,900	0.33	1	0.21
More than 10 years	-	-	-	-	-	-
Total	262,563	100.00	78,667,753	100.00	487	100.00

* As at the date of valuation, the total monthly income includes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB 1,470,944 per month.

** As at the date of valuation, there are 487 tenancies (total leased rentable area of about 262,563 square metres), in which 479 tenancies (about 256,872 square metres) are with lease terms already commenced and 8 tenancies (about 5,691 square metres) is with lease terms not yet commenced.

7. We have noted from the market the strata-title transactions and asking office properties with details as follows:

Property	Location	Completion	Type of	Asking Price	
		Date	Transaction	Offer Date	(RMB/sq.m.)(GFA)
Guanghua Chang An Building	No. 7 Jian Guo Men Nei Main Avenue	1996	Asking	Jan 2020	50,000
Dongfong Yin Zuo	No. 48 Dong Zhi Men Wai Da Jie	2003	Asking	Jan 2020	51,000
Nanxincang Building	Dong Sishitiao Xinanjiào	2005	Asking	Jan 2020	48,000

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

8. We have prepared our valuation based on the following assumptions:

- BOP possesses the proper title of the Property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the Property or dispose of the Property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
- The buildings or structures of the Property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
- The Property is not subject to any encumbrances, litigations or disputes.

VALUATION REPORT

VALUATION PARTICULARS

Serviced Apartment Portion

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The serviced apartment portion of the Property No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, four serviced apartment towers, a hotel and about 1,800 car parking spaces in basement levels. The serviced apartment portion was completed in between 2002 and 2004.</p> <p>The serviced apartment portion comprises of a 21-storey serviced apartment tower, two 14-storey serviced apartment towers and a 11-storey tower with a total gross floor area of approximately 107,722° square metres. The lettable areas of apartment portion is 105,104°square metres.</p> <p>The serviced apartment portion is held by BOP for a term to be expired on April 21, 2049.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, this portion of the Property is let under various tenancies for various terms with the latest expiring on April 30, 2022, yielding a total monthly rental income of RMB10,356,551 exclusive of management fee and value-added tax. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the market rents.</p> <p>The total occupancy rate of the serviced apartment portion of the Property as at valuation date was about 90.5%.</p>	2,850,000,000

Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by BOP for a term expiring on April 21, 2049 for composite use.
2. Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project (東方廣場項目), and about 15,300 square metres of land is to be resumed for city road use.
3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by BOP.

4. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
5. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
6. Based on the tenancy information provided by BOP, our analysis of the existing tenancy profile (excluding naming rights) is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	95,089	90.5
Owner-occupied	1,114	1.0
Vacant	8,901	8.5
Total	105,104	100.00

Tenancy Commencement Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2018	4,308	4.53	544,565	5.26	29	3.96
2019	88,553	93.13	9,580,106	92.50	686	93.72
2020	2,228	2.34	231,880	2.24	17	2.32
Total	95,089	100.00	10,356,551	100.00	732	100.00

Tenancy Expiry Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2019	1,261	1.32	161,357	1.56	12	1.64
2020	85,814	90.25	9,311,103	89.90	667	91.12
2021	7,776	8.18	859,289	8.30	51	6.97
2022	238	0.25	24,802	0.24	2	0.27
Total	95,089	100.00	10,356,551	100.00	732	100.00

Tenancy Duration Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	79,443	83.55	8,651,627	83.54	623	85.11
More than 1 year and up to 2 years	14,598	15.35	1,544,724	14.92	104	14.21
More than 2 years and up to 3 years	1,048	1.10	160,200	1.54	5	0.68
Total	95,089	100.00	10,356,551	100.00	732	100.00

* As at the date of valuation, the total monthly income includes the monthly rental receivable from tenancies with lease term not yet commenced, amounting to approximately RMB232,000 per month.

** As at the date of valuation, there are 732 tenancies (total leased rentable area of about 95,089 square metres), in which 715 tenancies (about 92,861 square metres) are with lease terms already commenced and 17 tenancies (about 2,228 square metres) is with lease terms not yet commenced.

VALUATION REPORT

7. We have prepared our valuation based on the following assumptions:
- a) BOP possesses the proper title of the Property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the Property or dispose of the Property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the Property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION PARTICULARS

Hotel Portion

Property	Description and Tenure	Particulars of Occupancy	Market Value
			in Existing State as at December 31, 2019 (RMB)
The hotel portion of the Property	The Property is a comprehensive development comprising of a shopping mall, eight office towers, four serviced apartment towers, a hotel and about 1,800 car parking spaces in basement levels. The hotel portion was completed in 2001.	The hotel portion of the Property is currently operated under the brand name of Grand Hyatt Beijing.	2,760,000,000
No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The hotel portion is a 5-star hotel comprising one 24-storey tower including four basement levels with a total gross floor area of approximately 94,977 square metres. The hotel has a total of 630 guest rooms (including a split-level Presidential Suite and 629 guest rooms), food and beverage outlets, a business centre, a fitness centre with indoor swimming pool, meeting rooms, function rooms and ballrooms.</p> <p>The hotel portion is held by BOP for a term to be expired on April 21, 2049.</p>	The average occupancy rate of the hotel portion for the year ended December 31, 2019 was about 80.8%.	

Notes:

- Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by BOP for a term expiring on April 21, 2049 for composite use.
- Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project (東方廣場項目), and about 15,300 square metres of land is to be resumed for city road use.

VALUATION REPORT

3. Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by BOP.
4. We have prepared our valuation based on the following assumptions:
 - a) BOP possesses the proper title of the Property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the Property or dispose of the Property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the Property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION PARTICULARS

Basement Portion — Car Parking Spaces

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The basement portion (car park spaces) of the Property No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the People's Republic of China	<p>The Property is a comprehensive development comprising of a shopping mall, eight office towers, three serviced apartment towers, a hotel and about 1,800 car parking spaces in basement levels. The basement portion was completed in 2000.</p> <p>The basement portion has a total gross floor area of approximately 118,431 square metres (excluding civil defense shelter area). The total number of parking spaces is approximately 1,800 carpark spaces, including loading and unloading spaces.</p> <p>The basement portion is held by BOP for a term to be expired on April 21, 2049.</p>	According to the tenancy schedule dated December 31, 2019 provided to us, the car park spaces are let under various licenses on monthly and hourly basis yielding an average monthly income of RMB2,088,000 exclusive of management fee and value-added tax.	290,000,000

Notes:

- Pursuant to the State-owned Land Use Certificate (國有土地使用證), Jing Shi Dong Gang Ao Tai Guo Yong (2006 Chu) Di No. 10128 (京市東港澳臺國用(2006出)第10128號) issued by the People's Government of Beijing Municipality (北京市人民政府) dated June 26, 2006, the land use rights of the Property with a site area of 77,594.81 square metres are held by BOP for a term expiring on April 21, 2049 for composite use.
- Pursuant to the Appendix of Construction Land Use Planning Permit (建設用地規劃許可證附件), 2000-Gui Di Zi-0008 (2000-規地字-0008), issued by the Urban Planning Administration Bureau of Beijing City (北京市城市規劃管理局) dated January 10, 2000, the total land area is 109,924.1 square metres, of which about 94,624.1 square metres of land is for construction land use of Oriental Plaza Project (東方廣場項目), and about 15,300 square metres of land is to be resumed for city road use.
- Pursuant to the Building Ownership Certificate (房屋所有權證), Jing Fang Quan Zheng Shi Dong Gang Ao Tai Zi Di No. 10283 (京房權證市東港澳臺字第10283號) issued by the Beijing Municipal Commission of Construction (北京市建設委員會) dated December 9, 2005, the buildings ownership rights with gross floor area of 763,480.35 square metres are held by BOP.

VALUATION REPORT

4. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
5. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
6. We have prepared our valuation based on the following assumptions:
 - a) BOP possesses the proper title of the Property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the Property or dispose of the Property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the Property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The Property is not subject to any encumbrances, litigations or disputes.

MARKET OVERVIEW

Beijing (the “City”) is the capital city of China, which is located at the northern side of PRC. It covers an area of approximately 16,000 square kilometres and has a population of approximately 21.5 million. The City is governed as a direct-controlled municipality under the national government with 16 urban, suburban and rural districts.

Beijing Retail Market

The retail market in Beijing is considered to be stable in terms of the growth of unit monthly rental and occupancy. In Q3 2019, the average monthly rental of ground floor level remained steady at RMB1,144 per square metre while the overall vacancy rate was about 5.3%.

The demand for retail space remained firm. It was mainly driven by F&B and other services sectors, i.e. education institutions and sportswear. Several well-known brands opened flagships stores, such as Onitsuka Tiger in China Central Mall, Vera Wang in In01 and Jordan in Beijing Oriental Plaza.

In Q3 2019, no new project was completed. Department stores continued to be converted into office space; and Ganjiakou Building will close for renovation.

In the H1 of 2020, 5 projects are scheduled to be completed with a total space of 306,100 square metres. The vacancy rate is expected to be drop slightly while the overall rent will remain stable.

Beijing Office Market

In Q3 2019, the leasing activity remained weak. Landlords have continued to experience downward pressure on the rents. The vacancy rate was slightly increased to 10.9%; and the rental was decreased by 0.4% as compared with last quarter. The average was about RMB426 per sq.m per month.

The demand trend has been softened in first half of 2019. Finance sector (31%) was the largest occupier of Beijing office space, followed by Technology, Media, Telecoms (“TMT”) (15%). The domestic companies have continuously increased their percentage of occupation in Beijing Grade A office market. They have replaced the foreign enterprises and become the dominant occupiers in the market. From 2016 to 2019, the share of leased Grade A office spaces of domestic companies has increased from 35% to 59%.

Four projects were completed in third quarter of 2019 with a total floor space of 440,600 square metres being put into market. However, the supply in core submarket is tight. Most of the new office buildings are located in non-core submarket, i.e. Lize and Wangjing. From H1 2016 to H1 2019, the percentage of Grade A office stock in non-core submarkets have increased from 9% to 31%.

In 2020, there will be a significant supply in CBD core and Lize. It is expected that the overall vacancy rate will further increase. The landlords will continue to experience the downward pressure on rental. In the coming years, the trend of decentralization will continue. With the consideration of high building quality of Grade A office In non-core submarket, more tenants seek to relocate their office in those area.

VALUATION REPORT

Beijing Serviced Apartment Market

The serviced apartment market was relatively stable in Q3 2019. The occupancy rate of citywide serviced apartment was about 88.5% while the average unit rent was about RMB255 per square metre per month.

The demand for serviced apartment remained stable. Employees from the automotive and manufacturing sectors continued to be the main demand drivers for long-term tenancy agreements. In Q3 2019, there was no new supply. The total stock remained at 8,377 units in Beijing city. From Q4 2019 to Q1 2020, the total new supply would be 631 units including Orientino Executive Apartments and China World Apartments.

Consideration of stable demand and limited supply, the rent and occupancy rate of serviced apartments is expected to remain at a stable pace.

Beijing Hotel Market

Hotel market has grown slowly in Q3 2019. As at August 2019, the average daily rate increased by 1.5% year-on-year to RMB1,104 while the occupancy rate decreased by 0.1% year-on-year to 75.4%. As a result, the revenue per available room was about RMB832, representing a slight growth of 1.2% year-on-year.

In Q3 2019, there was no new upscale hotel supply. Several hotel projects were delayed to year 2020. In addition, there was a limitation on the hotel supply in city centre. From the demand side, total visitor arrivals to Beijing increased by 5.4% year-on-year to 222.4 million in August 2019 although there was negative impact on the US-China trade tensions.

The opening of Beijing Daxing International Airport in September 25, 2019 has brought a positive impact on tourism of the City. In addition, as per official information, the passenger throughput is expected to be 45 million per annum by 2022. It is expected that Rev PAR would have a growth profile.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or value presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of D&P.
7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

VALUATION REPORT

March 4, 2020

Hui Xian Asset Management Limited
Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Our Ref.: 99491B

Dear Sirs,

Pursuant to the terms and conditions of an Engagement Letter dated December 13, 2016 between ourselves, we are instructed by you, Hui Xian Asset Management Limited and DB Trustees (Hong Kong) (together as the "Company") to provide our opinion of Market Value of the property interest of Metropolitan Oriental Plaza, located at No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China (the "PRC") (or hereafter referred as the "Property" or the "property interest"). The Property is held by Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司)("COP").

D&P China (HK) Limited ("D&P") has determined the market values in its existing state of the Property as of December 31, 2019 (the "valuation date").

This letter, which forms part of our report, identifies the Property, the scope and character of our investigation, the premise of value adopted, the methodology applied, and our conclusion. It is our understanding that this appraisal will be used for your financial reporting purposes.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the Property with reference to the tenancy schedules provided to us by Chongqing Metropolitan Oriental Plaza Co., Ltd. and, where appropriate, by reference to sales evidence as available on the market.

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation, we have considered various valuation methodologies and have principally adopted the Income Capitalization Approach and cross-checked by the Direct Comparison Approach. For the purpose of this valuation, we consider that the Income Capitalization Approach is a reasonable, and the appropriate, valuation methodology to adopt for assessing the market value of the Property. It is particularly relevant for the valuation of well established income-producing properties that can be expected to have relatively stabilized income streams in the future as it can reflect prevailing economic and investment market conditions and the existing tenancy profile (including, without limitation, the existing rental income and occupancy level, tenancy commencement and expiry profiles, and tenancy duration).

The Income Capitalization Approach is a valuation method commonly applied for investment properties. The rental income derived from the existing tenancies are capitalized for their respective unexpired terms of the contractual tenancies while vacant units are assumed to be let at their respective market rents at the date of valuation. Upon expiry of the existing tenancies, each unit is assumed to be let at its current market rent as at the date of valuation, which is then capitalized. The sum of the capitalized value of the term income, the reversionary income as appropriately deferred and the vacant units provides the market value of the Property.

The key value drivers of the Income Capitalization Approach are the market rent and the capitalization rate. The market rent is mainly estimated with reference to the new lettings and/or renewals of the Property. The capitalization rates are estimated with reference to the yield generally expected by the market for comparable properties, which implicitly reflect the type and quality of the properties, the expectation of the potential future rental growth, capital appreciation and relevant risk factors, and our experience in valuing other similar properties. The capitalization rates are applied to capitalize the rental income.

For cross-checking purposes, we have also adopted the Direct Comparison Approach by making reference to comparable sales evidence of properties with similar characteristics as available in the relevant market. There is, however, a lack of en-bloc transactions in the vicinity. Comparison can only be made with reference to individual strata-title property transactions in the locality.

TITLE DOCUMENTS

We have been provided with copies of documents in relation to the title of the property interest situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation particulars are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this letter and valuation particulars.

VALUATION REPORT

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interest. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interest described and that no encroachment or trespass exists unless noted in the valuation particulars.

We have assumed that the owner of the property interest has free and uninterrupted rights to use, lease, sell or mortgage the property interest. We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation particulars for the Property.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission and the "HKIS Valuation Standards (2017 Edition)" published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interest in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation particulars and market overview.

Yours faithfully,
For and on behalf of
D&P China (HK) Limited

Calvin K.C. Chan
MRICS, MHKIS, RPS (GP), MCIREA, CFA
Real Estate Valuation Group
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

VALUATION REPORT

EXECUTIVE SUMMARY

Property:	Metropolitan Oriental Plaza, No.68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China (中華人民共和國重慶市渝中區鄒容路68號大都會東方廣場)
Description:	The Property is a large-scale composite development comprising retail, office and car park spaces. The retail portion consists of 8 levels above-ground, a mezzanine level, a lower ground level and portion of basement level 1. The office portion is a 37-storey office tower. The car park spaces are located at the basement levels.
Site Area:	18,072.70 square metres
Registered Owner:	Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司)
Gross Floor Area:	According to the information provided by COP, the breakdown of gross floor area ("GFA") is as follow:

Uses	GFA (sq.m.)(approx.)
Retail	88,919.18
Office	54,617.37
Basement	20,823.28
Total:	164,359.83

Lettable Area:	According to the information provided by COP, the breakdown of lettable area is as follows:
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Uses	Lettable Area (sq.m.)(approx.)
Retail	58,198
Office	50,505
Total:	108,703

The area schedule tabulated above is exclusive of the provided 370 car park spaces.

Real Estate Title Certificate:	101 Fang Di Zheng 2015 Zi No. 24819 (101房地證2015字第24819號) 101 Fang Di Zheng 2015 Zi No. 24971 (101房地證2015字第24971號)
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Valuation Date:	December 31, 2019
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Valuation Methodology:	Income Capitalization Approach and Direct Comparison Approach
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Market Value in Existing State:	Market Value in Existing State (RMB)
Uses	
Retail	2,711,000,000
Office	919,000,000
Basement (Car Park Spaces)	45,000,000
Total:	3,675,000,000

The Property mainly comprises retail, office, and carpark portions of Metropolitan Oriental Plaza, Chongqing. In the following sections, each portion of the Property is described separately in details.

VALUATION PARTICULARS

Retail Portion — The Shopping Mall

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The retail portion of the Property No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China	<p>The Property is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 square metres. It comprises retail, office and car park spaces. The office portion is erected upon the retail podium. The retail portion of the Property was completed in 1997 while the office portion of the Property was completed in 1998.</p> <p>The retail portion of the Property comprises 8 levels above-ground, a mezzanine level between levels 7 and 8, a lower ground level and portion of basement level 1 with a total gross floor area and a total lettable area of approximately 88,919 square metres and 58,198 square metres respectively.</p> <p>The retail portion is held by Chongqing Metropolitan Oriental Plaza Co. Ltd. for a term to be expired on August 30, 2044.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, the retail portion of the Property is let under various tenancies for various terms with the latest expiring on July 21, 2031, yielding a total monthly rental income of about RMB7,228,354 inclusive of management fee. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the market rents.</p> <p>The leased retail portion as at valuation date was 80.4% while the owner-occupied retail portion of the Property was 6.4%.</p>	2,711,000,000

Notes:

- Pursuant to the Real Estate Certificate No. 101 Fang Di Zheng 2015 Zi No. 24971 (101房地證2015字第24971號) issued by the Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated December 11, 2015, the building ownership of the Property with a gross floor area of 109,742.46 square metres and the land use right with a site area of 18,072.7 square metres are held by Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) ("COP") for a land use term expiring on August 30, 2044 for commercial use.

VALUATION REPORT

- In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
- The rental reported herein are contractual rentals without taking into account rent free periods, turnover rent and other incomes, if any. The average monthly turnover rent income is approximately RMB280,000 in 2019. The other income is approximately RMB1,018,000 in 2019.
- Based on the tenancy information provided by COP, our analysis of the existing tenancy profile (excluding advertising spaces) is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	46,820	80.4
Owner-occupied	3,747	6.4
Vacant	7,631	13.2
Total	58,198	100.0

Tenancy Commencement Profile (excluding rental income from turnover rent & owner-occupied portion & part of hotel's retail portion)

Year	Leased Area (sq.m.)(approx.)	% of total	Monthly Rental (RMB)(approx.)	% of total	No. of Tenancies	% of total
2015	94	0.20	71,710	0.99	1	1.37
2016	28,646	61.18	6,097,665	84.36	4	5.48
2017	1,953	4.17	463,183	6.41	8	10.96
2018	8,291	17.71	243,662	3.37	18	24.66
2019	7,836	16.74	352,134	4.87	42	57.53
Total	46,820	100.00	7,228,354	100.00	73	100.00

Tenancy Expiry Profile (excluding rental income from turnover rent & owner-occupied portion excluding rental income from turnover rent & owner-occupied portion & part of hotel's retail portion)

Year	Leased Area (sq.m.)(approx.)	% of total	Monthly Rental (RMB)(approx.)	% of total	No. of Tenancies	% of total
2019	870	1.86	27,164	0.38	9	12.33
2020	1,798	3.84	451,276	6.24	21	28.77
2021	1,254	2.68	93,723	1.30	9	12.33
2022	28,373	60.60	5,979,625	82.72	14	19.18
2023	4,342	9.27	116,692	1.61	8	10.96
2024	3,044	6.50	184,986	2.56	9	12.33
2025	-	-	-	-	-	-
2026	2,590	5.53	57,143	0.79	1	1.37
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	242	0.52	-	-	1	1.37
2030	-	-	-	-	-	-
2031	4,307	9.20	317,745	4.40	1	1.36
Total	46,820	100.00	7,228,354	100.00	73	100.00

Tenancy Duration Profile (excluding rental income from turnover rent & owner-occupied portion excluding rental income from turnover rent & owner-occupied portion & part of hotel's retail portion)

Year	Leased Area	Monthly Rental		No. of		
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	2,232	4.77	43,522	0.60	23	31.51
More than 1 year and up to 2 years	574	1.23	12,318	0.17	7	9.59
More than 2 years and up to 3 years	3,047	6.51	517,754	7.16	13	17.81
More than 3 years and up to 4 years	650	1.39	88,355	1.22	5	6.85
More than 4 years and up to 5 years	4,057	8.66	314,627	4.35	13	17.81
More than 5 years and up to 6 years	29,122	62.20	5,876,889	81.30	9	12.33
More than 6 years and up to 7 years	-	-	-	-	-	-
More than 7 years	7,138	15.24	374,889	5.20	3	4.10
Total	46,820	100.00	7,228,354	100.00	73	100.00

* In the "Tenancy Expiry Profile" table, the tenancy with rentable area of about 887 square metres is subject to a rent-free period. Thus, no fixed monthly rental income as of date of valuation is shown in the said table.

5. We have prepared our valuation based on the following assumptions:
- COP possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC.
 - The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - The Property is not subject to any encumbrances, litigations or disputes.

VALUATION REPORT

VALUATION PARTICULARS

Office Portion

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The office portion of the Property No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China	<p>The Property is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 square metres. It comprises retail, office and car park spaces. The office portion is erected upon the retail podium. The retail portion of the Property was completed in 1997 while the office portion of the Property was completed in 1998.</p> <p>The office portion of the property is a 37-level office tower of the Development with a total gross area and a total lettable floor area of approximately 54,617 square metres and 50,505 square metres respectively.</p> <p>The office portion is held by Chongqing Metropolitan Oriental Plaza Co. Ltd. for a term to be expired on August 30, 2044.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, the office portion of the Property is let under various tenancies for various terms with the latest expiring on September 30, 2025, yielding a total monthly rental income of about RMB4,716,601 inclusive of management fee. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the then market rents.</p> <p>The leased office portion of the Property as at valuation date was 87.7% while the owner-occupied office portion of the Property was 3.5%.</p>	919,000,000

Notes:

1. Pursuant to the Real Estate Certificate No. 101 Fang Di Zheng 2015 Zi Di 24819 Hao (101房地證2015字第24819號) issued by the Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated December 11, 2015, The building ownership of the Property with a gross floor area of 54,617.37 square metres and the land use right with a site area of 18,072.7 square metres are held by Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) ("COP") for a term expiring on August 30, 2044 for commercial use.
2. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
3. The rentals reported herein are contractual rentals without taking into account rent free periods, if any. The other income is approximately RMB68,000 in 2019.

4. Based on the tenancy information provided by COP, our analysis of the existing tenancy profile is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	44,285	87.7
Owner-occupied	1,743	3.5
Vacant	4,477	8.8
Total	50,505	100.00

Tenancy Commencement Profile (excluding owner-occupied portion)

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2016	3,133	7.07	354,290	7.52	9	6.52
2017	12,832	28.98	1,444,451	30.62	30	21.74
2018	11,214	25.32	1,348,209	28.58	42	30.43
2019	16,981	38.35	1,555,936	32.99	56	40.58
2020	125	0.28	13,715	0.29	1	0.73
Total	44,285	100.00	4,716,601	100.00	138	100.00

Tenancy Expiry Profile (excluding owner-occupied portion)

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2019	4,253	9.60	459,879	9.75	14	10.15
2020	10,266	23.18	1,206,933	25.59	29	21.01
2021	13,598	30.71	1,513,672	32.09	50	36.23
2022	12,614	28.48	1,306,078	27.69	41	29.71
2023	375	0.85	48,152	1.02	1	0.72
2024	1,884	4.25	108,827	2.31	2	1.45
2025	1,295	2.93	73,060	1.55	1	0.73
Total	44,285	100.00	4,716,601	100.00	138	100.00

Tenancy Duration Profile (excluding owner-occupied portion)

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	289	0.65	25,484	0.54	3	2.17
More than 1 year and up to 2 years	6,316	14.26	747,477	15.85	23	16.67
More than 2 years and up to 3 years	25,996	58.70	2,740,451	58.10	85	61.59
More than 3 years and up to 4 years	6,252	14.12	765,918	16.24	19	13.77
More than 4 years and up to 5 years	2,902	6.55	232,941	4.94	4	2.90
More than 5 years and up to 6 years	2,530	5.72	204,330	4.33	4	2.90
Total	44,285	100.00	4,716,601	100.00	138	100.00

VALUATION REPORT

5. We have noted from the market the strata-title transactions and asking office properties with details as follows:

Property	Location	Completion Date	Type of Transaction	Offer Date	Asking Price (RMB/sq.m.)(GFA)
SFC Xiexin Center	Jiefangbei	2010	Asking	December 2019	22,000
Jiefangbei Commercial Mansion	Jiefangbei	2006	Asking	December 2019	17,000
Chongqing Raffles	Jiefangbei	2019	Asking	December 2019	30,000

Note: We are not the transaction parties nor are we the professional advisor in the above transactions. We are unable to verify or obtain direct confirmation of the above information and we make no guarantee, warranty or representation about it, which is for reference purpose only.

6. We have prepared our valuation based on the following assumptions:

- a) COP possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC.
- b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
- c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION PARTICULARS

Basement Portion (Car Park Spaces)

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
<p>The basement portion (car park spaces) of the Property</p> <p>No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China</p>	<p>The Property is a large-scale composite development erected on a parcel of land with a site area of approximately 18,073 square metres. It comprises retail, office and car park spaces. The office portion is erected upon the retail podium. The retail portion of the Property was completed in 1997 while the office portion of the Property was completed in 1998.</p> <p>The basement portion (car park spaces) of the property comprises 370 car parks on basement level 1 and portion of basement level 2.</p> <p>The property is held by Chongqing Metropolitan Oriental Plaza Co. Ltd. for a land use term to be expired on August 30, 2044.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, portion of the car park spaces is let under various licenses on monthly and hourly basis yielding an annual income of approximately RMB3,530,000.</p>	<p>45,000,000</p>

Notes:

1. Pursuant to the Real Estate Certificate No. 101 Fang Di Zheng 2015 Zi No. 24971 (101房地證2015字第24971號) issued by the Chongqing Bureau of Land Resources and Housing Management (重慶市國土資源和房屋管理局) dated December 11, 2015, the building ownership of the Property with a gross floor area of 109,742.46 square metres and the land use right with a site area of 18,072.7 square metres are held by Chongqing Metropolitan Oriental Plaza Co. Ltd. (重慶大都會東方廣場有限公司) ("COP") for a land use term expiring on August 30, 2044 for commercial use.
2. We have prepared our valuation based on the following assumptions:
 - a) COP possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC.
 - b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION REPORT

MARKET OVERVIEW

Chongqing is one of the direct-controlled municipalities in China. The municipality was established in March 1997. It covers an area of approximately 82,400 square kilometres with a total population of approximately 30 million. The city consists of 26 districts, 8 counties and 4 autonomous counties. After being separated from Sichuan Province in 1997, Chongqing has been rapidly urbanized and become China's third largest centre for motor vehicle production and the largest for motorcycles.

Chongqing Retail Market

Chongqing Raffles City Shopping Centre opened in Yuzhong district in Q3/2019, bringing approximately 235,000 sq.m of new supply to the market. The launch of the new project has also brought many first-time brands to the market. Chongqing Raffles City Shopping Centre is located at the junction of the Yangtze River and the Jialing River, near Chaotianmen Wharf.

Demand in the retail property market picked up in Q3/2019; core business district projects undertook numerous brand upgrades and transformations, and non-core business district projects saw a number of lease transactions conclude, causing the city's vacancy rate to drop by 0.4 percentage points quarter-on-quarter to 11.1%.

Looking forward to the future, the opening of Sincere Star Light 68 Phase B in Guanyinqiao should help bring attention back to that core business circle and help set a standard for future projects, further enhancing the competitiveness of that business area. In the short-term, more and more projects will enter the retail market, intensifying competition among retail projects. The vacancy rate may fluctuate slightly, and the downward pressure on rents is expected to remain.

Chongqing Office Market

No new projects entered the market in Q3/2019, and the total stock of Grade A office remained at 2,310,000 sq.m. Facing downward pressure, several owners of uncompleted office projects decided to delay entry into the market or adjust the project usage of properties to apartments or hotels. The city's short-term supply pressure reduced slightly.

While the net absorption in Q3/2019 was 43,000 sq.m, an increase of 53% quarter-on-quarter, worries remained that the transactions were coming mainly from clients who were concluding their long-term negotiations during the quarter. New client visits were down significantly quarter-on-quarter and year-on-year, which brings uncertainty to future market growth. The overall vacancy rate dropped by 2.5 percentage points to 32.5%.

A total of 85,000 sq.m of new supply is expected by the end of the year. The highly anticipated Chongqing Raffles Tower A° project, with approximately 64,000 sq.m, is expected to be completed and will become the benchmark for business offices in the core area of the city.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or value presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of D&P.
7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

VALUATION REPORT

March 4, 2020

Hui Xian Asset Management Limited
Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Our Ref.: 99491C

Dear Sirs,

In accordance with the instructions from Hui Xian Asset Management Limited and DB Trustees (Hong Kong) Limited (together as the "Company") to provide our opinion of Market Value of Sheraton Chengdu Lido Hotel located at No. 15, Section 1, Ren Min Zhong Road, Chengdu, Sichuan Province, the PRC (the "Property") (or hereafter referred as the "property interest").

D&P China (HK) Limited ("D&P") has determined the market value in its existing state of the Property as of December 31, 2019. (the "valuation date").

This letter, which forms part of our report, identifies the Property, the scope and character of our investigation, the premise of value adopted, the methodology applied, and our conclusion. It is our understanding that this appraisal will be used for your financial reporting purposes.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

To develop our opinion of value, we have mainly adopted the Income Approach. The theory of the approach is outlined as follows:

The term income as used in this approach is a general term that suggests any future benefits that can be quantified in monetary terms. It does not imply that the income approach should be used only with projections of income in the accounting sense. Rather, the income approach involves two general steps. The first is making a projection of the total monetary benefits expected to accrue to an investor in the Property. The second step involves discounting these monetary benefits to present worth at a discount rate that considers the degree of risk (or uncertainty) associated with the realization of the projected monetary benefits.

TITLE DOCUMENTS

We have been provided with copies of documents in relation to the title of the property interest situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation particulars are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this letter and valuation particulars.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interest. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interest described and that no encroachment or trespass exists unless noted in the valuation particulars.

We have assumed that the owner of the property interest has free and uninterrupted rights to use, lease, sell or mortgage the property interest for the whole of the unexpired term of its land use rights. We have also assumed that the property interests are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation particulars for the Property.

VALUATION REPORT

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission and the "HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB^oTrustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation particulars and market overview.

Yours faithfully,

For and on behalf of

D&P China (HK) Limited

Calvin K.C. Chan

MRICS, MHKIS, RPS (GP), MCIREA, CFA

Real Estate Valuation Group

Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

EXECUTIVE SUMMARY

Property:	The Property is a 37-storey hotel including basement levels with a total gross floor area of approximately 56,350 square metres located in Chengdu, Sichuan Province, the PRC.
Description:	The Property is a 5-star hotel development comprising retail shops, hotel rooms and other ancillary facilities.
Site Area:	4,614.69 sq.m
Registered Owner:	Chengdu Changtian Co., Ltd.
Gross Floor Area:	56,350 sq.m.
Usage:	Hotel
State-owned Land Use Certificates:	Cheng Guo Yong (2007) No. 52
Building Ownership Certificates:	Cheng Fang Quan Zheng Jian Zheng Zi No. 1613937
Valuation Date:	December 31, 2019
Valuation Methodology:	Income Capitalization Approach and Discounted Cash Flow
Market Value in Existing State:	RMB713,000,000

VALUATION REPORT

VALUATION PARTICULARS

Property	Description	Particular of Occupancy	Market Value in Existing State as of December 31, 2019 (RMB)
A Hotel (Sheraton Chengdu Lido Hotel) located at No.°15, Section 1, Ren Min Zhong Road, Chengdu, Sichuan Province, the People's Republic of China	<p>The Property is a 37-storey hotel including basement levels completed in about 2000.</p> <p>The total gross floor area ("GFA") of the Property is 56,350 sq.m.</p> <p>The land use rights of the Property have been granted for a term expiring on January 17, 2049 for composite use.</p>	As of the date of valuation, the property was operating as a 5-star hotel.	713,000,000

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No. Cheng Guo Yong (2007) No. 52 issued by Chengdu Bureau of Land Resources and Housing Management dated January 18, 2007, the land use rights with site area of 4,614.69 square metres was granted to Chengdu Changtian Co., Ltd for a term expiring on January 17, 2049 for composite use.
2. Pursuant to the Building Ownership Certificate, No. Cheng Fang Quan Zheng Jian Zheng Zi No. 1613937, issued by Chengdu Real Estate Management Bureau dated November 30, 2007, the building ownership with a total gross floor area of 56,350 sq. metres is held by Chengdu Changtian Co., Ltd.
3. In the course of our valuation, we have made the following assumptions:
 - a. The Company legally owns the land use rights and buildings ownership rights of the Property.
 - b. The design and construction of the development are in compliance with the local planning and building regulations and have been approved by the relevant authorities.
 - c. The Company has a proper legal title to the Property and is entitled to occupy, transfer, dispose, lease out or deal with the Property with the granted residual term of its land use rights.
 - d. The Property is free from mortgages and encumbrances.

MARKET OVERVIEW OF CHENGDU

Chengdu is the capital city of Sichuan Province of the People's Republic of China (the "PRC"). It covers an area of approximately 14,000 square kilometres with a total population of approximately 14 million. It consists of 11 districts, 4 county-level cities and 5 counties. Chengdu has been developed into a financial centre and transportation hub of the western part of PRC.

As per China Hotel Industry Study 2019, the average room rate and occupancy of 5-star hotels in Chengdu was about RMB710 and 67% respectively. According to the Chinese Ministry of Culture and Tourism, 782 million domestic tourists travelled throughout China during the seven-day National Day Holiday in 2019, a 7.81% increase on the previous year; domestic tourism revenue reached RMB649.71 billion, up 8.47% on the previous year. As one of the most important tourist destinations in China, Chengdu's hotel market performed fairly well during the 2019 Golden Week. Despite a lack of demand, the 0.7% RevPAR increase on 2018 level was driven primarily by a sharp ADR increase (+9.8%). Particularly outstanding performance was recorded in the Chengdu Centre & North market, with an increase of 4.1%, whereas the Chengdu Surrounding and Chengdu South recorded year-over-year declines of 8.8% and 3.0%, respectively.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or value presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of D&P.

VALUATION REPORT

7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

March 4, 2020

Hui Xian Asset Management Limited
Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Our Ref.: 99491D

Dear Sirs,

In accordance with the instructions from Hui Xian Asset Management Limited and DB Trustees (Hong Kong) Limited (together as the "Company") to provide our opinion of Market Value of Hyatt Regency Liberation Square Chongqing located at No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China (the "PRC") (the "Property") (or hereafter referred as the "property interest").

D&P China (HK) Limited ("D&P") has determined the market value in its existing state of the Property as of December 31, 2019 (the "valuation date").

This letter, which forms part of our report, identifies the Property, the scope and character of our investigation, the premise of value adopted, the methodology applied, and our conclusion. It is our understanding that this appraisal will be used for your financial reporting purposes.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION REPORT

VALUATION METHODOLOGY

To develop our opinion of value, we have mainly adopted the Income Approach. The theory of the approach is outlined as follows:

The term income as used in this approach is a general term that suggests any future benefits that can be quantified in monetary terms. It does not imply that the income approach should be used only with projections of income in the accounting sense. Rather, the income approach involves two general steps. The first is making a projection of the total monetary benefits expected to accrue to an investor in the Property. The second step involves discounting these monetary benefits to present worth at a discount rate that considers the degree of risk (or uncertainty) associated with the realization of the projected monetary benefits.

TITLE DOCUMENTS

We have been provided with copies of documents in relation to the title of the property interest situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation particulars for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this letter and valuation particulars.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interest. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interest described and that no encroachment or trespass exists unless noted in the valuation particulars.

We have assumed that the owner of the property interest has free and uninterrupted rights to use, lease, sell or mortgage the property interest for the whole of the unexpired term of its land use rights. We have also assumed that the property interest are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation particulars for the Property.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission and the "HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation particulars and market overview.

Yours faithfully,

For and on behalf of

D&P China (HK) Limited

Calvin K.C. Chan
MRICS, MHKIS, RPS (GP), MCIREA, CFA
Real Estate Valuation Group
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

VALUATION REPORT

EXECUTIVE SUMMARY

Property:	The Property is a 38-storey hotel including basement levels with a total gross floor area of approximately 52,238 square metres located in Chongqing, the PRC.
Description:	The Property is a 5-star hotel development comprising retail shops, hotel rooms and other ancillary facilities.
Site Area:	4,066.42 sq.m.
Registered Owner:	Chongqing Oriental Plaza Hotel Co., Ltd
Gross Floor Area:	52,238 sq.m.
Usage:	Portion of the Property was operated as hotel and portion of the Property was operated as serviced apartment.
Real Property Ownership Certificates:	Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000244748 Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Di No. 000467041
Valuation Date:	December 31, 2019
Valuation Methodology:	Income Capitalization Approach and Discounted Cash Flow
Market Value in Existing State:	The Hotel Portion: RMB365,000,000 The Serviced Apartment Portion: RMB62,000,000

VALUATION PARTICULARS

Property	Description	Particular of Occupancy	Market Value of Hotel Portion in existing state as of December 31, 2019 (RMB)
Hyatt Regency Liberation Square Chongqing located at No. 68 Zourong Road, Yuzhong District, Chongqing, the People's Republic of China	<p>The Property is a 38-storey hotel including basement levels completed in about 1999.</p> <p>The total gross floor area ("GFA") of hotel portion of the Property is about 41,358 sq.m while the total GFA of service apartment portion of the Property is about 10,880 square metres.</p>	<p>As of the date of valuation, the property was operating as a 5-star hotel and serviced apartment.</p>	<p>365,000,000</p> <p>Market Value of Serviced Apartment Portion in existing state as of December 31, 2019 (RMB)</p> <p>62,000,000</p>
	<p>As of the date of valuation, the Property was under renovation. As advised, portion of the hotel will be converted into serviced apartment. After the completion of the renovation work, the planned number of hotel rooms will be 339 while the planned number of serviced apartment units will be 74. The said renovation works is scheduled to be completed by the middle of 2020.</p>		
	<p>The land use rights of the Property has been granted for an expiring on August 30, 2044 for composite use.</p>		

Notes:

1. Pursuant to the Real Property Ownership Certificate, Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Zheng Di No. 000467041, issued by Chongqing Bureau of Land Resources and Housing Management dated May 26, 2017, the building with a total gross floor area of 51,736.81 square metres and land use rights with a site area of 4,066.42 square metres are held by Chongqing Oriental Plaza Hotel Co., Ltd for hotel use.
2. Pursuant to the Real Property Ownership Certificate, Yu (2017) Yu Zhong Qu Bu Dong Chan Quan Zheng Di No. 000244748, issued by Chongqing Bureau of Land Resources and Housing Management dated March 31, 2017, the basement levels with a total gross floor area of 501.53 square meters is held by Chongqing Oriental Plaza Hotel Co. Ltd for a term expiring on August 30, 2044 for car park use.

VALUATION REPORT

3. In the course of our valuation, we have made the following assumptions:
- a) The Company legally owns the land use rights and building ownership rights of the Property.
 - b) The design and construction of the development are in compliance with the local planning and building regulations and have been approved by the relevant authorities.
 - c) The Company has a proper legal title to the Property and is entitled to occupy, transfer, dispose, lease out or deal with the Property with the granted residual term of its land use rights.
 - d) Property is free from mortgages and encumbrances.

MARKET OVERVIEW OF CHONGQING

Chongqing is one of the direct-controlled municipalities in China. The municipality was established in March 1997. It covers an area of approximately 82,400 square kilometres with a total population of approximately 30 million. The city consists of 26 districts, 8 counties and 4 autonomous counties. After being separated from Sichuan Province in 1997, Chongqing has been rapidly urbanized and become China's third largest centre for motor vehicle production and the largest for motorcycles.

According to China Hotel Industry Study 2019, the average room rate and occupancy rate of 5-star hotels in Chongqing as of 2018 were RMB646 and 69% respectively. Between 2019 and 2022, there will be approximately 177,000 keys in 3-star and above hotels expected in the China hotel pipeline, with roughly 22,000 keys in the four first-tier cities. This shows that there is not only an appetite for higher-end hotels in these first-tier cities, but also there are a great many opportunities in the lower-tiered cities. Many of these are major international operators like Marriot and Hilton, but there are also brands relatively newer to China like Rosewood and Jumeirah. Emerging second-tier cities like Chongqing (12 hotels expected) will continue to see new hotels come into their markets as their tourism infrastructure upgrades in the next few years.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or value presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of D&P.

VALUATION REPORT

7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

March 4, 2020

Hui Xian Asset Management Limited
Unit 303,
Cheung Kong Center
2 Queen's Road Central
Hong Kong

DB Trustees (Hong Kong) Limited
52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Our Ref.: 99491E

Dear Sirs,

In accordance with the instructions from Hui Xian Asset Management Limited and DB Trustees (Hong Kong) Limited (together as the "Company") to provide our opinion of Market Value of the property interest of a five-star hotel and serviced apartment units known as "Sofitel Shenyang Lido" located at Nos. 370 and 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC") (中華人民共和國遼寧省瀋陽市和平區青年大街370及386號「瀋陽麗都索菲特酒店」 (the "Hotel Portion" and the "Serviced Apartment Portion") and the staff quarters of the hotel located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the PRC (中華人民共和國遼寧省瀋陽市和平區文安路14-3號) (the "Staff Quarters Portion") (or hereafter referred as the "Property" or the "property interest"). The Property is held by Shenyang Lido Business Co. Ltd (the "Company").

D&P China (HK) Limited ("D&P") has determined the market values in its existing state of the Property as of December 31, 2019 (the "valuation date").

This letter, which forms part of our report, identifies the Property, the scope and character of our investigation, the premise of value adopted, the methodology applied, and our conclusion. It is our understanding that this appraisal will be used for your financial reporting purposes.

BASIS OF VALUATION

Our valuation is our opinion of the Market Value which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION REPORT

VALUATION METHODOLOGY

To develop our opinion of value, we have mainly adopted the Income Approach. The theory of the approach is outlined as follows:

The term income as used in this approach is a general term that suggests any future benefits that can be quantified in monetary terms. It does not imply that the income approach should be used only with projections of income in the accounting sense. Rather, the income approach involves two general steps. The first is making a projection of the total monetary benefits expected to accrue to an investor in the Property. The second step involves discounting these monetary benefits to present worth at a discount rate that considers the degree of risk (or uncertainty) associated with the realization of the projected monetary benefits.

TITLE DOCUMENTS

We have been provided with copies of documents in relation to the title of the property interest situated in the PRC. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Company.

All legal documents disclosed in this letter and valuation particulars are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interest set out in this letter and valuation particulars.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interest on the market in their existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interest. In addition, no forced sale situation in any matter is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interest described and that no encroachment or trespass exists unless noted in the valuation particulars.

We have assumed that the owner of the property interest has free and uninterrupted rights to use, lease, sell or mortgage the property interest for the whole of the unexpired term of its land use rights. We have also assumed that the property interest are freely disposable and transferable in the market to both local and overseas purchasers for the whole of the unexpired terms as granted without any fees or charge incurred unless otherwise stated.

Other special assumptions and qualifications for each portion of the Property, if any, have been stated in the footnotes of the valuation particulars for the Property.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Company and have accepted advice given to us by the Company on such matters as statutory notices, easements, tenure, particulars of occupancy, site areas and floor areas and all other relevant matters. We have not carried out on-site measurements to verify the areas of the Property and assume the areas contained in the documents provided to us are correct.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Company. We have also been advised that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

We have not carried out investigations on site to determine the suitability of ground conditions and services for the Property, nor have we undertaken archaeological, ecological or environmental surveys. Our valuation is prepared on the assumption that these aspects are satisfactory.

We have inspected the exterior and, where possible, the interior of the Property. No structural survey has been made and we are therefore unable to report as to whether the property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Our valuation is prepared in accordance with Chapter 6.8 of the Code of Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission and the "HKIS Valuation Standards (2017 Edition)" published by The Hong Kong Institute of Surveyors. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal report is prepared on a fair and unbiased basis and is issued subject to our general assumptions and limitation conditions.

We have not investigated the title to or any liabilities against the property interest appraised.

We hereby certify that we have neither present nor prospective interests in the Company or the values reported. Pursuant to Chapter 6.5 of the REIT Code, we confirm that we are independent to Hui Xian Real Estate Investment Trust, DB Trustees (Hong Kong) Limited, and each of the significant holders of Hui Xian Real Estate Investment Trust.

We enclose herewith our valuation particulars and market overview.

Yours faithfully,
For and on behalf of
D&P China (HK) Limited

Calvin K.C. Chan
MRICS, MHKIS, RPS (GP), MCIREA, CFA
Real Estate Valuation Group
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 18 years' experience in valuation of properties in Hong Kong and the PRC. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with takeovers and mergers.

VALUATION REPORT

EXECUTIVE SUMMARY

Property:	“Sofitel Shenyang Lido” located at Nos. 370 & 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People’s Republic of China (中華人民共和國遼寧省瀋陽市和平區青年大街370 及386號「瀋陽麗都索菲特酒店」) Staff quarters located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the People’s Republic of China (中華人民共和國遼寧省瀋陽市和平區文安路14-3號員工宿舍)
Description:	The Property is a 5-star hotel development comprising retail shops, office units, hotel rooms, car parking spaces and other ancillary facilities.
Site Area:	9,370.00 sq.m. for Hotel Portion and 375.18 sq.m. for Staff Quarter Portion.
Registered Owner:	Shenyang Lido Business Co., Ltd
Gross Floor Area:	Pursuant to the relevant Building Ownership Certificates, the total gross floor area Hotel Portion, Serviced Apartment Portion and Staff Quarter Portion of the Property are 57,226.22 square metres, 21,225.19 square metres and 2,306.92 square metres, respectively.
Usage:	According to the information provided by the Company, the usage of hotel portion is as below:

The Hotel Portion:

Floor Levels	Uses
Basement Level 2	Carpark, temporary storage
Basement Level 1	Back of House
Level 1	Hotel lobby, serviced apartment lobby, lounge, retail shops and open carpark
Level 2	Restaurants, ballrooms and function rooms
Level 3	Restaurant and function rooms
Level 4	Office and multi-function rooms
Level 5	Health club, swimming pool, SPA and retail shops
Levels 6–7	Offices
Levels 8–16	Serviced apartments
Level 17 and above	Hotel rooms

The Staff Quarters Portion is designated for residential uses and is used as staff quarters as at the valuation date.

State-owned Land Use Certificates:	<p>The Hotel and Serviced Apartment Portions:</p> <p>Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) Shenyang Guo Yong (2011) Di Nos. HP05041, HP05316 and HP05407 (瀋陽國用(2011)第HP05041號、HP05316號及HP05407號)</p> <p>The Staff Quarters Portion:</p> <p>Shenyang Guo Yong (2011) Di No. HP05042 (瀋陽國用(2011)第HP05042號) Shenyang Guo Yong (2011) Di No. HP05043 (瀋陽國用(2011)第HP05043號)</p>
Building Ownership Certificates/ Real Estate Certificate:	<p>The Hotel and Serviced Apartment Portions:</p> <p>Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 12749 and 12750 (瀋房權證市和平字第12749及12750號) Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼(2018)瀋陽市不動產權證第0106750號)</p> <p>The Staff Quarters Portion:</p> <p>Shen Fang Quan Zheng Shi He Ping Zi Di Nos. 12747 and 12748 (瀋房權證市和平字第12747及12748號)</p>
Valuation Date:	December 31, 2019
Valuation Methodology:	Income Capitalization Approach and Discounted Cash Flow
Market Value in Existing State:	<p>The Hotel Portion:</p> <p>RMB645,000,000</p> <p>The Serviced Apartment Portion:</p> <p>RMB179,000,000</p> <p>The Staff Quarter Portion:</p> <p>No Commercial Value</p>

VALUATION REPORT

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The Hotel Portion of the Property known as “Softel Shenyang Lido” located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People’s Republic of China	<p>The Property is a 5-star hotel comprising 21 levels of a 30-storey tower (including 2° basement levels) with a total gross floor area of approximately 57,226 square metres erected on parcel of land with a total site area of approximately 9,370 square metres and completed in about 2002</p> <p>The hotel was renovated in 2019. Self-use car par spaces are provided at basement level° 2 and guest car park spaces are provided in the open area of the Property. Basement level 1 was designated for back of house purposes.</p> <p>The Property is held by Shenyang Lido Business Co. Ltd for terms to be expired on July° 1, 2042 and April 9, 2047.</p>	<p>The hotel portion of the Property was currently operated under the brand name of Sofitel Shenyang Lido.</p> <p>The average occupancy rate of the Hotel Portion for the year ended 2019 was 36.6%</p>	645,000,000

Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated April 20, 2007, the land use rights of the Hotel Portion of the Property with a site area of 2,966 square metres are held by Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) (“Shenyang Lido Business”) for a term expiring on April 9, 2047 for commercial use.
2. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05407 (瀋陽國用(2011)第HP05407號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 178.79 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.
3. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05316 (瀋陽國用(2011)第HP05316號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 1,763.59 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.

4. Pursuant to the State-owned Land Use Certificate (國有土地使用證) Shenyang Guo Yong (2011) Zi Di Nos. HP05041 (瀋陽國用(2011)字第HP05041號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 4,461.62 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for commercial use.
5. Pursuant to the Real Estate Certificate (不動產權證), Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼 (2018) 瀋陽市不動產權證第0106750號) issued by the Planning and Land Resources Bureau of Shenyang City (瀋陽市規劃和國土資源局), the buildings with gross floor area of 21,390.92 square metres are held by Shenyang Lido Business.
6. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (瀋房權證市和平字第12749號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 2,198.42 square metres are held by Shenyang Lido Business.
7. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (瀋房權證市和平字第12750號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 54,862.07 square metres are held by Shenyang Lido Business.
8. We have prepared our valuation based on the following assumptions:
 - a) The Company possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
 - b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
 - c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION REPORT

VALUATION PARTICULARS

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The Serviced Apartment Portion of the Property known as “Softel Shenyang Lido” located at No. 386 Qingnian Street, Heping District, Shenyang City, Liaoning Province, the People’s Republic of China	<p>The Property is a 5-star hotel comprising 9 levels of a 30-storey tower (including 2° basement levels) with a total gross floor area of approximately 21,225 square metres erected on parcel of land with a total site area of approximately 9,370 square metres and completed in about 2002. The lettable area of apartment portion is 19,646 square metres.</p> <p>The Property is held by Shenyang Lido Business Co., Ltd for terms to be expired on July 1, 2042 and April 2047.</p>	<p>According to the tenancy schedule dated December 31, 2019 provided to us, this portion of the Property is let under various tenancies for various terms with the latest expiring on September 27, 2024, yielding a total monthly rental income of RMB1,109,811 exclusive of management fee and value-added tax. Most of the tenancies do not contain rent review clauses and/or options to renew for further terms at the market rents.</p> <p>The total occupancy rate of the serviced apartment portion of the Property as at valuation date was about 55.7%.</p>	179,000,000

Notes:

1. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2007) Di No. 0135 (瀋陽國用(2007)第0135號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated April 20, 2007, the land use rights of the Hotel Portion of the Property with a site area of 2,966 square metres are held by Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) (“Shenyang Lido Business”) for a term expiring on April 9, 2047 for commercial use.
2. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05407 (瀋陽國用(2011)第HP05407號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 178.79 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.
3. Pursuant to the State-owned Land Use Certificate (國有土地使用證), Shenyang Guo Yong (2011) Di No. HP05316 (瀋陽國用(2011)第HP05316號) issued by the People’s Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 1,763.59 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for composite use.

4. Pursuant to the State-owned Land Use Certificate (國有土地使用證) Shenyang Guo Yong (2011) Zi Di Nos. HP05041 (瀋陽國用(2011)字第HP05041號) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated November 22, 2011, the land use rights of the Hotel Portion of the Property with a site area of 4,461.62 square metres are held by Shenyang Lido Business for a term expiring on July 1, 2042 for commercial use.
5. Pursuant to the Real Estate Certificate (不動產權證), Liao (2018) Shen Yang Shi Bu Dong Chan Quan Zheng Di No. 0106750 (遼 (2018) 瀋陽市不動產權證第0106750號) issued by the Planning and Land Resources Bureau of Shenyang City (瀋陽市規劃和國土資源局), the buildings with gross floor area of 21,390.92 square metres are held by Shenyang Lido Business.
6. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12749 (瀋房權證市和平字第12749號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 2,198.42 square metres are held by Shenyang Lido Business.
7. Pursuant to the Building Ownership Certificate (房屋所有權證), Shen Fang Quan Zheng Shi He Ping Zi Di No. 12750 (瀋房權證市和平字第12750號) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with gross floor area of 54,862.07 square metres are held by Shenyang Lido Business.
8. In accordance with standard terms and conditions of the tenancy agreement, the landlord is responsible for repairs of main building structure and the tenant is responsible for the maintenance of internal non-structural repairs of the property.
9. The rentals reported herein are contractual rentals without taking into account rent free periods, if any.
10. Based on the tenancy information provided by the Company, our analysis of the existing tenancy profile (excluding naming rights) is set out below:

Occupancy Profile

Type	Lettable Area (sq.m.)(approx.)	% of total
Leased	10,943	55.7
Vacant	8,703	44.3
Total	19,646	100.00

Tenancy Commencement Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2018	2,120	19.38	218,962	19.73	12	21.43
2019	8,823	80.62	890,849	80.27	44	78.57
Total	10,943	100.00	1,109,811	100.00	56	100.00

Tenancy Expiry Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
2020	6,419	58.66	630,283	56.79	33	58.93
2021	1,627	14.87	193,678	17.45	11	19.64
2022	2,132	19.48	210,378	18.96	9	16.07
2024	765	6.99	75,472	6.80	3	5.36
Total	10,943	100.00	1,109,811	100.00	56	100.00

VALUATION REPORT

Tenancy Duration Profile

Year	Leased Area		Monthly Rental		No. of	
	(sq.m.)(approx.)	% of total	(RMB)(approx.)	% of total	Tenancies	% of total
Up to 1 year	2,597	23.73	258,490	23.29	15	26.79
More than 1 year and up to 2 years	3,769	34.44	362,547	32.67	17	30.35
More than 2 years and up to 3 years	3,812	34.84	413,302	37.24	21	37.50
More than 5 years	765	6.99	75,472	6.80	3	5.36
Total	10,943	100.00	1,109,811	100.00	56	100.00

11. We have prepared our valuation based on the following assumptions:

- a) The Company possesses the proper title of the property with all premium and costs fully settled and is entitled to use, transfer, lease and mortgage the property or dispose of the property by other lawful means in accordance with the laws of the PRC during the term of the land use rights.
- b) The buildings or structures of the property are in compliance with local planning and building regulations and have been approved by the relevant authorities with all related cost or fee fully settled.
- c) The Property is not subject to any encumbrances, litigations or disputes.

VALUATION PARTICULARS

**Market Value
in Existing State
as at December 31, 2019**
(RMB)

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at December 31, 2019 (RMB)
The Staff Quarters Portion of the Property located at No. 14-3 Wen An Road, Heping District, Shenyang City, Liaoning Province, the People's Republic of China	<p>The Property comprises 35 residential units situated in two 7-storey residential buildings with a total gross floor area of 2,306.92 square metres completed in 1999.</p> <p>The land use rights of the Staff Quarters portion have been allocated for residential use.</p> <p>The Property is held by Shenyang Lido Business Co., Ltd .</p>	The Property was currently occupied by staffs of Sofitel Shenyang Lido as staff quarters.	No Commercial Value

Notes:

1. Pursuant to 2 State-owned Land Use Certificates (國有土地使用證) issued by the People's Government of Shenyang Municipality (瀋陽市人民政府) dated October 31, 2011, the land use rights of the Staff Quarters Portion of the Property with land area of 375.18 square metres are allocated to Shenyang Lido Business Co., Ltd. (瀋陽麗都商務有限公司) ("Shenyang Lido Business") for residential use. Details are set as follow:

State-owned Land Use Certificate No.	Unit No.	Site Area (sq.m.)
Shenyang Guo Yong (2011) Di No. HP05042 瀋陽國用(2011)第HP05042號	111-117, 112-172, 113-173, 211-271*	292.79
Shenyang Guo Yong (2011) Di No. HP05043 瀋陽國用(2011)第HP05043號	212, 222, 232, 242, 252, 262, 272	82.39
Total		375.18

2. Pursuant to 2 Building Ownership Certificates (房屋所有權證) issued by the Real Estate Bureau of Shenyang City (瀋陽市房產局), the buildings with a total gross floor area of 2,306.92 square metres are held by Shenyang Lido Business. Details are set as follow:

Building Ownership Rights Certificates No.	Unit No.	Gross Floor Area (sq.m.)
Shen Fang Quan Zheng Shi He Ping Zi Di No. 12747 (瀋房權證市和平字第12747號)	111-117, 112-172, 113-173, 211-271*	1,800.33
Shen Fang Quan Zheng Shi He Ping Zi Di No. 12748 (瀋房權證市和平字第12748號)	212, 222, 232, 242, 252, 262	506.59
Total		2,306.92

3. In the course of valuation, we have assigned no commercial value to the Staff Quarters of the Property as it cannot be freely transferred in the market.

VALUATION REPORT

MARKET OVERVIEW

Shenyang is the capital of Liaoning Province, located in the northern region of China. The city has a population of about 831 million and total land area of about 12,900 square kilometres. It is a major industrial and cultural city with historical importance. As a result of “Revitalize Northeastern China” campaign, the economy of Shenyang City has been revived and the heavy industry had declined gradually in recent years. The tourist industry of Shenyang has been improving in last couple years. In 2018, there were 305 travel agencies and 81 hotels with star rating in the city. According to data published by Shenyang government, the total income generated from tourism in 2018 increased by 15% year-on-year and reached about RMB75.9 billion.

Shenyang Hotel Market

“Sofitel Shenyang Lido” is one of the well positioned five-star hotels along Qingnian Street which can successfully capture both tourists and business travelers. The supply of similar type hotel in Shenyang has been increased in the previous years. Since 2016, several 5-star new hotels including JW Marriott Shenyang Hotel, Renaissance Shenyang Hotel, Hilton Shenyang Shimao, have entered in Shenyang hotel market.

According to the Hotel Industry Study published by China Tourist Hotel Association, the average room rate and occupancy rate of international branded five-star hotels in Shenyang in 2018 was about RMB 551 per night and 54%, respectively.

Shenyang Serviced Apartment Market

In 2016, the government of Shenyang city announced a new policy: “Opinions on Promoting Healthy Development of Real Estate Market <關於促進房地產健康發展的實施意見(試行)> and its supplementary opinions <關於促進房地產健康發展的實施意見(試行)補充意見>”. According to this policy, the owners of sub-divided serviced apartment units can enjoy the same benefits as the owners of residential units in terms of costs of utilities, school catchment zones and mortgage amount. As of 2018, there seemed to be an upward trend on the sales of serviced apartments located along along Qingnian Street and Aoti Centre (奧體中心板塊) because the amenities of these two places were well developed and mature. In the same year, Sofitel Shenyang Lido has converted a number of hotel rooms into 134 serviced apartment units.

STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner’s claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. The value or value presented in this report are based upon the premises outlined herein.
4. The date of value to which the conclusions and opinions expressed apply is set forth in the report. The value opinion herein rendered is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
5. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.

6. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of D&P.
7. Areas, dimensions, and descriptions of property, if any, used in this analysis have not been verified, unless stated to the contrary in the report. Any areas, dimensions, and descriptions of property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled for size.
8. Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.
9. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on value.

TRUSTEE'S REPORT

Hui Xian Asset Management Limited

(in its capacity as the REIT Manager of Hui Xian REIT)

Unit 303, 3rd Floor

Cheung Kong Center

2 Queen's Road Central

Hong Kong

Dear Sir,

We hereby confirm that, in our opinion, the Manager of Hui Xian Real Estate Investment Trust ("Hui Xian REIT") has, in all material respects, managed Hui Xian REIT in accordance with the provisions of the Trust Deed dated 1 April 2011 (as amended from time to time) for the period from 1 January 2019 to 31 December 2019.

DB Trustees (Hong Kong) Limited

(in its capacity as trustee of Hui Xian Real Estate Investment Trust)

Hong Kong, 10 March, 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE UNITHOLDERS OF HUI XIAN REAL ESTATE INVESTMENT TRUST

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

OPINION

We have audited the consolidated financial statements of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 141 to 212, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and non-controlling interests, consolidated statement of cash flows and distribution statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2019, and of its consolidated financial transactions and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements associated with determining the fair value. The carrying value of the Group's investment properties amounted to RMB32,938 million at 31 December 2019, representing 71% of the Group's total assets, with its change in fair value included in the consolidated statement of comprehensive income. During the year ended 31 December 2019, a decrease in fair value of investment properties amounted to RMB214 million.

An independent professional valuer ("the Valuer") was engaged by Hui Xian Asset Management Limited ("the Manager" of Hui Xian REIT) to determine the fair value of the Group's investment properties. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in Notes 3 and 13 to the consolidated financial statements. The valuations are dependent on certain inputs, together with significant assumptions, that involve judgements, including term yield, reversionary yield and reversionary rent for malls and offices.

The Manager has reviewed and exercised its judgement on the key inputs to the valuations and the results with the Valuer.

Our procedures in relation to assessing the appropriateness of the valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Understanding the Valuer's valuation process and methodology, the performances of the property markets in different cities in the People's Republic of China ("the PRC"), significant assumptions adopted, critical judgemental areas and key inputs used in the valuations;
- Comparing the valuation methodology and assumptions used to industry norms;
- Evaluating the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the existing tenancy profiles; and (ii) comparing to relevant market information on prices, rentals achieved and capitalisation rates adopted in other similar properties in the same location and condition; and
- Performing analysis on the inputs to evaluate the results on the valuations.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of buildings and valuation of right-of-use assets</p> <p>We identified the valuation of buildings, which are included in property, plant and equipment, and the valuation of right-of-use assets (collectively referred to as the “Buildings and Right-of-use assets”) as a key audit matter due to the significant judgements involved in the determination of their recoverable amounts.</p> <p>The Buildings and Right-of-use assets mainly represent hotels and serviced apartments. As at 31 December 2019, for the purpose of the impairment review, the Manager has conducted an assessment to ensure that the Buildings and Right-of-use assets are carried at no more than their recoverable amounts. The recoverable amounts of the Buildings and Right-of-use assets are determined with reference to the valuations carried out by the Valuer. They are dependent on inputs that involve both the Manager and the Valuer’s judgements, including forecasting of future operating cash flows of hotels and serviced apartments and determining the discount rates which are disclosed in Note 3 to the consolidated financial statements.</p> <p>The Manager concluded that there is no impairment in respect of the Buildings and Right-of-use assets.</p>	<p>Our procedures in relation to the Manager’s assessment on the recoverable amounts of the Buildings and Right-of-use assets included:</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the Valuer; • Understanding the Valuer’s valuation process and approach, significant assumptions adopted, critical judgemental areas and key inputs used in the valuations; • Assessing the appropriateness of future operating cash flows with reference to the past performance of hotels and serviced apartments together with the Manager and the Valuer’s expectations for the market developments in different cities in the PRC; and • Assessing the reasonableness of the assumptions and inputs used by the Valuer in determining the discount rates by benchmarking to the entity specific information and market data.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

Hui Xian Asset Management Limited (the “Manager” of Hui Xian REIT) is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 (the “Trust Deed”) and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTER UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 RMB million	2018 RMB million
Revenue	5	3,169	3,201
Other income	6	223	280
(Decrease) increase in fair value of investment properties	13	(214)	25
Inventories consumed		(44)	(46)
Staff costs		(165)	(174)
Depreciation and amortisation		(361)	(358)
Other operating expenses	7	(928)	(896)
Finance costs	8	(335)	(297)
Exchange loss		(255)	(508)
Fair value gain on derivative financial instruments		-	23
Manager's fees	9	(144)	(145)
Real estate investment trust expenses	10	(13)	(11)
Profit before taxation and transactions with unitholders		933	1,094
Income tax expense	11	(481)	(551)
Profit for the year, before transactions with unitholders		452	543
Distributions to unitholders		(1,273)	(1,517)
Loss for the year, after transactions with unitholders		(821)	(974)
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Gain on revaluation of right-of-use assets upon transfer to investment properties, net of tax		3	-
Gain on revaluation of land and related costs upon transfer to investment properties, net of tax		-	8
Total comprehensive expense for the year		(818)	(966)
Profit for the year, before transactions with unitholders attributable to:			
Non-controlling interests		(32)	(31)
Unitholders		484	574
		452	543
Basic earnings per unit (RMB)	12	0.0831	0.1012

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB million	2018 RMB million
Profit for the year, before transactions with unitholders	452	543
Non-controlling interests	32	31
Profit for the year attributable to unitholders, before transactions with unitholders	484	574
Adjustments (<i>Note (i)</i>):		
Manager's fees	101	101
Deferred tax	(29)	31
Distributable depreciation and amortisation	197	203
Decrease (increase) in fair value of investment properties	214	(25)
	483	310
Distributable income	967	884
Additional items (<i>Note (ii)</i>):		
Depreciation and amortisation arising from fair value adjustments	52	52
Net unrealised exchange loss on bank loans and loan front-end fee	255	456
Net realised exchange gain on bank loan and loan front-end fee	–	75
Other cash distributions	60	50
	367	633
Amount available for distribution	1,334	1,517
Payout ratio (<i>Note (iii)</i>)	95.5%	100.0%
Distributions to unitholders (<i>Note (iv)</i>)		
— Interim distribution paid	725	804
— Final distribution payable	548	713
	1,273	1,517
Distribution per unit (<i>RMB</i>) (<i>Note (iv)</i>)		
Interim distribution per unit	0.1245	0.1414
Final distribution per unit	0.0932	0.1239
	0.2177	0.2653

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

Notes:

(i) Adjustments for the year include:

- (a) For the year ended 31 December 2019, Manager's fees paid and payable in units of RMB101 million (15,645,331 units issued and 15,504,070 units estimated to be issued) out of the total Manager's fees of RMB144 million. The difference of RMB43 million is paid or payable in cash.

For the year ended 31 December 2018, Manager's fees paid and payable in units of RMB101 million out of the total Manager's fees of RMB145 million. The difference of RMB44 million is paid or payable in cash.

- (b) Deferred tax charge of RMB16 million (2018: RMB16 million) in relation to accelerated tax depreciation and deferred tax credit of RMB45 million (2018: deferred tax charge of RMB15 million) in relation to changes in fair value of investment properties.
- (c) Distributable depreciation of Beijing Oriental Plaza attributable to unitholders of RMB197 million (2018: distributable depreciation and amortisation of RMB203 million) represented by depreciation of RMB202 million (2018: depreciation and amortisation of RMB210 million) less capital expenditure of RMB5 million (2018: RMB7 million).
- (d) Decrease in fair value of investment properties of RMB214 million (2018: increase in fair value of RMB25 million).

Pursuant to the Trust Deed, interim/annual distributable income is defined as the amount calculated by the Manager as representing the consolidated profit attributable to unitholders for the relevant financial year, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of comprehensive income for the relevant financial year.

(ii) Additional items refer to any additional amount (include capital) to be distributed as determined by the Manager pursuant to clause 11.4.2 of the Trust Deed. Additional items for the year include:

- (1) Depreciation and amortisation attributable to unitholders arising from fair value adjustments upon acquisition of Shenyang Lido Business Co. Ltd, Chongqing Oriental Plaza Hotel Co, Ltd ("Chongqing Hotel Company") and Chengdu Changtian Co., Ltd. totalling RMB52 million (2018: RMB52 million).
- (2) Net unrealised exchange loss on bank loans and loan front-end fee of RMB255 million (2018: RMB456 million).
- (3) Net realised exchange gain on bank loan and loan front-end fee of RMB75 million for the year ended 31 December 2018.
- (4) Other cash distributions of RMB60 million (2018: RMB50 million).

(iii) In accordance with the Trust Deed, Hui Xian REIT (as defined in Note 1) is required to distribute to unitholders not less than 90% of its distributable income for each financial year.

Distributions to unitholders for the year ended 31 December 2019 represent a payout ratio of 95.5% (2018: 100.0%) of Hui Xian REIT's distributable income for the year.

(iv) The interim distribution per unit of RMB0.1245 for the six months ended 30 June 2019 is calculated based on 100% of Hui Xian REIT's amount available for distribution of RMB724,960,420 over 5,822,910,494 units, representing issued units as at 30 June 2019. The final distribution per unit of RMB0.0932 for the six months ended 31 December 2019 is calculated based on 95.46% of Hui Xian REIT's amount available for distribution for the year of RMB1,333,575,570, less distribution to unitholders for the six months ended 30 June 2019, over 5,880,262,459 units, representing issued units as at 31 December 2019.

The interim distribution per unit of RMB0.1414 for the six months ended 30 June 2018 is calculated based on 100% of Hui Xian REIT's amount available for distribution of RMB804,265,161 over 5,687,051,439 units, representing issued units as at 30 June 2018. The final distribution per unit of RMB0.1239 for the six months ended 31 December 2018 is calculated based on 100% of Hui Xian REIT's amount available for distribution for the year of RMB1,517,316,383, less distribution to unitholders for the six months ended 30 June 2018, over 5,757,337,072 units, representing issued units as at 31 December 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	2019 RMB million	2018 RMB million
Non-current assets			
Investment properties	13	32,938	33,086
Property, plant and equipment	14	2,311	2,356
Land and related costs	15	–	4,292
Right-of-use assets	16	4,270	–
Goodwill		2	2
Total non-current assets		39,521	39,736
Current assets			
Inventories	17	27	29
Land and related costs	15	–	173
Trade and other receivables	18	120	122
Bank balances and cash	19	6,807	6,107
Total current assets		6,954	6,431
Total assets		46,475	46,167
Current liabilities			
Trade and other payables	20	515	504
Tenants' deposits		314	335
Tax payable		42	45
Manager's fee payable		72	73
Distribution payable		548	713
Bank loans	21	2,191	1,685
Total current liabilities		3,682	3,355
Total assets less current liabilities	26	42,793	42,812

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTES	2019 RMB million	2018 RMB million
Non-current liabilities, excluding net assets attributable to unitholders			
Bank loans	21	8,680	8,236
Tenants' deposits		457	468
Deferred tax liabilities	22	7,386	7,416
Total non-current liabilities, excluding net assets attributable to unitholders		16,523	16,120
Total liabilities, excluding net assets attributable to unitholders		20,205	19,475
Non-controlling interests		287	319
Net assets attributable to unitholders		25,983	26,373
Units in issue ('000)	23	5,880,262	5,757,337
Net asset value per unit (RMB) attributable to unitholders	24	4.4187	4.5807

The consolidated financial statements on pages 141 to 212 were approved and authorised for issue by the Board of Directors of the Manager on 16 March 2020 and were signed on its behalf by:

CHEUNG Ling Fung, Tom
DIRECTOR

LEE Chi Kin, Casey
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Net assets attributable to unitholders RMB million	Non-controlling interests RMB million	Total RMB million
Net assets as at 1 January 2018	26,783	350	27,133
Units issued for settlement of Manager's fees (<i>Note 23</i>)	102	–	102
Units issued pursuant to the distribution reinvestment arrangement in respect of 2017 final and 2018 interim distributions (<i>Note 23</i>)	423	–	423
	27,308	350	27,658
Profit (loss) for the year, before transactions with unitholders	574	(31)	543
Distributions to unitholders			
— Interim distribution paid	(804)	–	(804)
— Final distribution payable	(713)	–	(713)
Other comprehensive income for the year	8	–	8
Total comprehensive expense for the year	(935)	(31)	(966)
Net assets as at 31 December 2018	26,373	319	26,692
Units issued for settlement of Manager's fees (<i>Note 23</i>)	101	–	101
Units issued pursuant to the distribution reinvestment arrangement in respect of 2018 final and 2019 interim distributions (<i>Note 23</i>)	295	–	295
	26,769	319	27,088
Profit (loss) for the year, before transactions with unitholders	484	(32)	452
Distributions to unitholders			
— Interim distribution paid	(725)	–	(725)
— Final distribution payable	(548)	–	(548)
Other comprehensive income for the year	3	–	3
Total comprehensive expense for the year	(786)	(32)	(818)
Net assets as at 31 December 2019	25,983	287	26,270

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 RMB million	2018 RMB million
Operating activities			
Profit before taxation and transactions with unitholders		933	1,094
Adjustments for:			
Loss on disposal of property, plant and equipment		11	7
Depreciation of property, plant and equipment		191	187
Amortisation of land and related costs		–	171
Depreciation of right-of-use assets		170	–
Fair value gain on derivative financial instruments		–	(23)
Decrease (increase) in fair value of investment properties		214	(25)
Interest income		(213)	(276)
Exchange loss		255	507
Finance costs		335	297
Manager's fees settled by issuing units	23	101	102
Operating cash flows before movements in working capital		1,997	2,041
Decrease (increase) in inventories		2	(1)
Increase in trade and other receivables		(6)	(7)
Increase in trade and other payables		13	5
(Decrease) increase in tenants' deposits		(32)	21
(Decrease) increase in Manager's fee payable		(1)	1
Cash generated from operations		1,973	2,060
Income and withholding tax paid		(515)	(523)
Net cash from operating activities		1,458	1,537
Investing activities			
Placement of deposits in banks		(2,438)	(3,627)
Purchase of property, plant and equipment		(160)	(149)
Additions to investment properties	13	(34)	(43)
Proceeds from disposal of property, plant and equipment		–	1
Withdrawal of deposits in banks		3,627	4,914
Interest received		221	294
Net cash from investing activities		1,216	1,390

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 RMB million	2018 RMB million
Financing activities			
Net proceed from new bank loan raised		680	–
Repayment of bank loans		–	(1,556)
Payment of loan arrangement fee		(7)	(33)
Distributions paid to unitholders		(1,143)	(1,109)
Interest paid		(315)	(259)
Net cash inflow from derivative financial instruments		–	23
Net cash used in financing activities		(785)	(2,934)
Net increase (decrease) in cash and cash equivalents		1,889	(7)
Cash and cash equivalents at the beginning of the year		2,480	2,487
Cash and cash equivalents at the end of the year, represented by bank balances and cash	19	4,369	2,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong). Hui Xian REIT was established on 1 April 2011 and had not carried on any operation prior to 29 April 2011 (date of listing) and its units were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) since that date. Hui Xian REIT is governed by the Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended by four supplemental deeds dated 24 May 2013, 16 May 2014, 28 May 2015 and 19 May 2017 (the “Trust Deed”) made between Hui Xian Asset Management Limited (the “Manager”) and DB Trustees (Hong Kong) Limited (the “Trustee”), and the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Securities and Futures Commission (the “SFC”).

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

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

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

(a) Property Manager’s fee

Under the operations management agreement and supplemental agreement entered by Beijing Oriental Plaza Co., Ltd. and Beijing Hui Xian Enterprise Services Limited (the “Beijing Property Manager”) on 29 April 2011 and 22 June 2017, the Beijing Property Manager will receive a property manager’s fee with details as described in Note 1(c) and reimbursements for the employment costs and remuneration of the employees of the Beijing Property Manager for provision of business advisory and management services, marketing and lease management services and property management co-ordination services.

Under the Chongqing property manager agreement and supplemental agreement entered into by Chongqing Metropolitan Oriental Plaza Co., Ltd (“Chongqing Company”) and the Chongqing branch of Beijing Hui Xian Enterprise Services Limited (“Chongqing Property Manager”) on 2 March 2015 and 31 December 2017, the Chongqing Property Manager will be fully reimbursed by Chongqing Company for (i) 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 Metropolitan Plaza and Metropolitan Tower (collectively referred to as “Metropolitan Oriental Plaza”); and (ii) management expenses incurred by the Chongqing Property Manager on Metropolitan Oriental Plaza, 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 Metropolitan Oriental Plaza.

(b) Trustee’s fee

The Trustee is entitled to receive a one-off inception fee of not more than RMB100,000 and, in each financial year, an annual fee of such amount as is agreed between the Manager and the Trustee from time to time of not more than 0.02% of the fair values of the real estate properties (the “Property Values”) as at the end of such financial year (which may be increased without obtaining unitholders’ approval to a maximum of 0.06% per annum of the Property Values by giving at least one month’s prior written notice to the Manager and the unitholders), subject to a minimum amount of RMB56,000 per month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL (Continued)

(c) Manager's fees

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

Base Fee

Under the Trust Deed, the Manager will receive a base fee from Hui Xian REIT at 0.3% per annum of the Property Values as at the end of such financial year.

For the period from the date of listing until 31 December 2011, the base fee, only to the extent that it is referable to Beijing Oriental Plaza, shall be paid to the Manager as to 80% in the form of units and as to 20% in the form of cash. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

On 4 January 2019, the Manager has elected to receive 70% (2018: 70%) base fee in units and 30% (2018: 30%) in cash in respect of the financial year ended 31 December 2019.

Variable Fee

The Trust Deed has been modified on 19 May 2017 in relation to the variable fee structure. Under the Trust Deed, the Manager will receive a variable fee ("Variable Fee") of 3% per annum of the net property income ("NPI") of that real estate (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee) in respect of each real estate of Hui Xian REIT, for so long as the property manager is a wholly-owned subsidiary of the Manager, the Manager may elect at any time and from time to time, with effect from the date on which the property manager is appointed or the date of such election by the Manager, whichever is later, that the 3% rate in clause 14.1.2(i)(a) of the Trust Deed be split between the Manager and the property manager, in such proportion as the Manager in its sole discretion deems fit, into 2 portions comprising a variable fee payable to the Manager and a property manager's fee payable to the property manager.

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

The Manager has elected that with effect from 1 July 2017, the 3% rate in respect of Beijing Oriental Plaza be split into 2 portions comprising a variable fee payable to the Manager which is equal to 1% per annum, and a property manager's fee payable to the property manager which is equal to 2% per annum, of NPI of Beijing Oriental Plaza (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

The 3% rate in respect of the other real estates of Hui Xian REIT is all payable to the Manager at 3% per annum of NPI of the relevant real estate (before deduction therefrom of the Variable Fee and, where the property manager is a subsidiary of the Manager, the property manager's fee).

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

On 4 January 2019, the Manager has elected to receive 70% (2018: 70%) variable fee in units and 30% (2018: 30%) in cash in respect of the financial year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include the applicable disclosures requirements set out in Appendix C of the REIT Code issued by the SFC and the Rules Governing the Listing of Securities on the HKSE.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* (since 1 January 2019) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transferred at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Hui Xian REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Hui Xian REIT obtains control over the subsidiary and ceases when Hui Xian REIT loses control of the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date Hui Xian REIT gains control until the date when Hui Xian REIT ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the unitholders of Hui Xian REIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the unitholders of Hui Xian REIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's net assets attributable to unitholders therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

(d) Revenue recognition

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition (Continued)

Revenue from contracts with customers (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities have been included in trade and other payables.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. room rental and food and beverages services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation (i.e. room rental and management services (included in ancillary services income)) is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Revenue from food and beverage and other ancillary services (excluding management service) are recognised at a point in time when control of the relevant goods or services are transferred.

(e) Investment properties

Investment properties are properties held to earn rentals and capital appreciation.

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties (Continued)

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(f) Property, plant and equipment

Hotel and serviced suite properties, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment loss where appropriate.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold lands under HKFRS 16 or prepaid lease payments under HKAS 17) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated and costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payables (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of HKFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit losses (“ECL”) model on financial assets and other items which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for credit-impaired balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

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

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

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

Financial liabilities which include trade and other payables, tenants' deposits, manager's fee payable, distribution payable and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

Derecognition (continued)

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

(i) Impairment losses on property, plant and equipment and right-of-use asset

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment and right-of-use asset are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2(q))

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2(q))

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

The Group as a lessee (prior to 1 January 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2(q))

Classification and measurement of leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Upon application of HKFRS¹⁶ on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (Continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2(q)) (continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(m) Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the 'profit before taxation' as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where it is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are charged or credited to profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

(o) Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

(p) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(q) Impact arising from recently issued accounting standards

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except as described below.

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA.

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impact arising from recently issued accounting standards (Continued)

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Carpark revenue derived from non-reserved carpark spacing has been presented under revenue from contracts with customers within the scope of HKFRS 15 because it does not meet the definition of a lease under HKFRS 16.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. No difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

Upfront payments for leasehold lands in the PRC were classified as land and related cost as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of land and related costs amounting to RMB173 million and RMB4,292 million respectively were reclassified to right-of-use assets as at 1 January 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into before 1 January 2019 but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impact arising from recently issued accounting standards (Continued)

HKFRS 16 Leases (continued)

As a lessor (continued)

- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. No adjustment has been made as the financial impact on the consolidated financial statements is considered insignificant.
- (c) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current period.

At the date of authorisation of these consolidated financial statements, the Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1st January 2020.

Except for the revised Conceptual Framework for Financial Reporting as mentioned below, the Manager anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impact arising from recently issued accounting standards (Continued)

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment Properties

As described in Notes 2(e) and 13, as at 31 December 2019, investment properties of RMB32,938 million (2018: RMB33,086 million) are stated at fair value based on the valuation performed by an independent professional valuer. The valuation of properties was principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining term of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties. The key drivers underlying estimation of fair value of investment properties are market rents and capitalisation rates.

In relying on the valuation reports of the independent professional valuer, the Manager has exercised its judgement and is satisfied the key drivers underlying estimation of fair value of investment properties by comparing to actual market yield data, actual transactions of the similar properties in the same location and condition and those reported by the market. Any changes in the market conditions will affect the fair value of the investment properties of the Group.

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value, the Manager has reviewed the Group's investment property portfolios which are all located in the People's Republic of China ("the PRC") and rented out under operating leases and concluded that the investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use rather than through sale. Any change to the business model will lead to a change in the measurement basis of the deferred tax liabilities of the investment properties of RMB4,874 million as at 31 December 2019 (2018: RMB4,919 million).

Buildings and Right-of-use Assets (2018: Buildings and Land and Related Costs)

Upon application of HKFRS 16, the Group's land and related costs were reclassified to right-of-use assets at 1 January 2019. As detailed in Notes 2 (f) and (j), the Group's buildings and right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment loss where appropriate. The Manager makes significant judgements in determining the recoverable amounts of the buildings and right-of-use assets (collectively referred as "Buildings and Right-of-use assets").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Buildings and Right-of-use Assets (2018: Buildings and Land and Related Costs) (Continued)

The Buildings and Right-of-use assets mainly represent hotels and serviced apartments. As at 31 December 2019, for the purpose of the impairment review, the Manager has conducted an assessment to ensure that the Buildings and Right-of-use assets are carried at no more than their recoverable amounts. The recoverable amounts of the Buildings and Right-of-use assets are determined with reference to the valuations carried out by an independent professional valuer. They are dependent on inputs that involve both the Manager and the independent professional valuer's judgements, including forecasting of future operating cash flows of hotels and serviced apartments and determining the discount rates. These require the use of key assumptions and estimations subject to uncertainty, including the growth rates, occupancy rates, room rates and discount rates which reflect the degree of risks associated with the estimated future operating cash flows.

Based on the Manager's assessment, no impairment or write-off was recognised on Buildings and Right-of-use assets during the years ended 31 December 2019 and 2018. As at 31 December 2019, the carrying amounts of the Group's buildings and right-of-use assets of hotels and serviced apartments are RMB2,044 million (2018: RMB2,102 million) and RMB4,270 million (2018: land and related costs of RMB4,465 million) respectively.

4. SEGMENT REPORTING

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

The following are identified operating and reportable segments:

Malls:	Renting of the shopping mall and car parking spaces in Oriental Plaza, Beijing, the PRC and Metropolitan Oriental Plaza in Chongqing, the PRC.
Offices:	Renting of office buildings in Oriental Plaza, Beijing, the PRC and Metropolitan Oriental Plaza in Chongqing, the PRC.
Apartments:	Operation of serviced apartment towers in Oriental Plaza, Beijing, the PRC and serviced apartment units in The Residences at Sofitel Shenyang Lido, Shenyang, the PRC.
Hotels:	Operation of Grand Hyatt Beijing in Oriental Plaza, Beijing, the PRC, Sofitel Shenyang Lido, Shenyang, the PRC, Hyatt Regency Liberation Square Chongqing (formerly known as Harbour Plaza Chongqing), Chongqing, the PRC and Sheraton Chengdu Lido Hotel, Chengdu, the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SEGMENT REPORTING (Continued)

(a) Segment revenue and results

For the year ended 31 December 2019

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	1,223	1,264	192	490	3,169
Segment profit	893	935	95	89	2,012
Decrease in fair value of investment properties					(214)
Finance costs					(335)
Depreciation					(344)
Unallocated income					217
Unallocated expense and loss					(403)
Profit before taxation and transactions with unitholders					933

For the year ended 31 December 2018

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	1,212	1,284	170	535	3,201
Segment profit	892	955	94	119	2,060
Increase in fair value of investment properties					25
Finance costs					(297)
Depreciation and amortisation					(346)
Unallocated income and gain					300
Unallocated expense and loss					(648)
Profit before taxation and transactions with unitholders					1,094

The accounting policies of the operating segments are the same as the accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of the changes in fair value of investment properties, certain Manager's fees and real estate investment trust expenses, certain depreciation and amortisation expenses, certain other operating expenses, exchange loss and certain other income that are not directly related to each segmental activities, fair value change on derivative financial instruments and finance costs. This is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SEGMENT REPORTING (Continued)

(b) Segment assets

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

	2019 RMB million	2018 RMB million
Malls	17,286	17,382
Offices	15,822	15,906
Apartments	2,521	2,124
Hotels	4,095	4,748
Total segment assets	39,724	40,160
Bank balances and cash	6,684	5,928
Other assets	67	79
Consolidated total assets	46,475	46,167

For the purposes of monitoring segment performances and resources allocation, all investment properties, right-of-use assets (2018: land and related costs), inventories, certain bank balances and cash, certain property, plant and equipment (mainly buildings), trade and certain other receivables are allocated to operating segments. Other corporate assets (including remaining bank balances and cash, certain equipment and certain other receivables) are unallocated.

Segment liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to the Manager for the purpose of resource allocation and performance assessment.

(c) Geographical information

All of the Group's revenue is derived from activities and customers located in the PRC and the Group's non-current assets are all located in Beijing, Chongqing, Shenyang and Chengdu, the PRC.

The Group did not have any major customers as no single customer contributed more than 10% of the Group's revenue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SEGMENT REPORTING (Continued)

(d) Other segment information

For the year ended 31 December 2019

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Total reportable segments RMB million	Others RMB million	Consolidated total RMB million
Depreciation of property, plant and equipment	2	1	2	12	17	-	17
Additions to non-current assets	27	7	6	152	192	2	194

For the year ended 31 December 2018

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Total reportable segments RMB million	Others RMB million	Consolidated total RMB million
Depreciation of property, plant and equipment	2	1	1	8	12	-	12
Additions to non-current assets	42	6	9	134	191	1	192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. REVENUE

For the year ended 31 December 2019

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Disaggregation of revenue					
Revenue from contracts with customers within the scope of HKFRS 15					
Room revenue	-	-	133	332	465
Food and beverage	-	-	-	133	133
Carpark revenue	27	-	-	-	27
Ancillary services income	147	225	59	25	456
	174	225	192	490	1,081
Rental income	1,049	1,039	-	-	2,088
Total revenue	1,223	1,264	192	490	3,169
Timing of revenue recognition					
A point in time	56	59	6	145	266
Over time	118	166	186	345	815
Total	174	225	192	490	1,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. REVENUE (Continued)

For the year ended 31 December 2018

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Disaggregation of revenue					
Revenue from contracts with customers within the scope of HKFRS 15					
Room revenue	–	–	123	354	477
Food and beverage	–	–	–	155	155
Ancillary services income	150	210	47	26	433
	150	210	170	535	1,065
Rental income	1,062	1,074	–	–	2,136
Total revenue	1,212	1,284	170	535	3,201
Timing of revenue recognition					
A point in time	62	41	5	172	280
Over time	88	169	165	363	785
Total	150	210	170	535	1,065

All services within the scope of HKFRS 15 are for period of one year or less, except for certain management services (included in ancillary services) which are provided for a period of one year or more. For management services, the Group applied the practical expedient in HKFRS 15 to recognise revenue in the amount that the Group has the right to invoice based on the terms of the relevant agreements in which the Group bills a fixed monthly amount in advance. As permitted under HKFRS 15, the transaction price of all these services allocated to the remaining performance obligations is not disclosed.

The gross rental from investment properties includes variable lease payments that do not depend on an index or a rate of RMB7 million (2018: RMB8 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB666 million (2018: RMB655 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. OTHER INCOME

	2019 RMB million	2018 RMB million
Interest income from banks	213	276
Government subsidies	3	3
Others	7	1
Total	223	280

7. OTHER OPERATING EXPENSES

	2019 RMB million	2018 RMB million
Advertising and promotion	29	26
Audit fee	2	2
Insurance	6	6
Lease agency fee	38	35
Property manager's fee (<i>Note 1(a)</i>)	86	78
Property management fees	70	76
Repairs and maintenance	89	86
Other miscellaneous expenses (<i>Note</i>)	182	160
Stamp duty	3	3
Urban land use tax	3	3
Urban real estate tax	307	301
Utilities	98	104
Value added tax surcharges	15	16
Total	928	896

Note: Other miscellaneous expenses comprise mainly cleaning and security expenses, guest supplies and labour service fees.

8. FINANCE COSTS

	2019 RMB million	2018 RMB million
Interest expense on unsecured bank loans wholly repayable within five years	335	297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. MANAGER'S FEES

	2019 RMB million	2018 RMB million
Base fee (Note 1(c))	121	122
Variable fee (Note 1(c))	23	23
	144	145

10. REAL ESTATE INVESTMENT TRUST EXPENSES

	2019 RMB million	2018 RMB million
Trustee's fee (Note 1(b))	4	4
Legal and professional fees	3	2
Public relations-related expenses	1	1
Trust administrative expenses and others	5	4
	13	11

11. INCOME TAX EXPENSE

	2019 RMB million	2018 RMB million
The income tax expense comprises:		
Current tax		
— PRC Enterprise Income Tax	448	457
— Withholding tax	64	65
Deferred taxation (Note 22)	(31)	29
	481	551

No provision for Hong Kong profits tax was made as the Group's profits neither arose in, nor was derived from, Hong Kong.

PRC Enterprise Income Tax was provided at the applicable enterprise income tax rate of 15%–25% on the estimated assessable profits of the Group's PRC subsidiaries. Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, a subsidiary which is operating in Chongqing was granted a concessionary tax rate of 15% by the local tax bureau.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11. INCOME TAX EXPENSE (Continued)

The Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law also required withholding tax to be levied on distribution of profits earned by a PRC entity to non-PRC tax residents for profits generated after 1st January 2008. The applicable withholding tax rate is 5%. At the end of the reporting period, deferred taxation was provided for in full in respect of the temporary differences attributable to such profits.

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

	2019 RMB million	2018 RMB million
Profit before taxation	933	1,094
Tax at the applicable income tax rate of 25%	233	273
Tax effect of different tax rates of subsidiaries operating in other regions	(2)	(2)
Tax effect of income not taxable for tax purpose	(42)	(58)
Tax effect of expenses not deductible for tax purpose	187	237
Tax effect of tax losses and deductible temporary differences not recognised	40	35
Deferred tax on earnings of the Group's PRC subsidiaries	65	66
Tax charge for the year	481	551

12. EARNINGS PER UNIT

The earnings per unit for the year ended 31 December 2019 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB484 million by 5,820,620,179 units, being the weighted average number of units in issue during the year of 5,816,691,066 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2019 to 31 December 2019 of 3,929,113 units.

The earnings per unit for the year ended 31 December 2018 is calculated by dividing the profit for the year attributable to unitholders before transactions with unitholders of RMB574 million by 5,674,310,742 units, being the weighted average number of units in issue during the year of 5,670,287,982 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2018 to 31 December 2018 of 4,022,760 units.

No diluted earnings per unit for both 2019 and 2018 were presented as there were no potential dilution of earnings per unit for both 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTIES

The Group leases out various offices, malls and carparks under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 month to 15 years, with unilateral rights to extend the lease beyond initial period held by lessees only. Majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend. The leases of retail stores contain variable lease payment that are based on 0.2% to 25% of sales and minimum annual lease payment that are fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2019 RMB million	2018 RMB million
FAIR VALUE		
At the beginning of the year	33,086	32,981
Additions	34	43
Transferred from property, plant and equipment	8	9
Transferred from land and related costs	–	51
Transferred from right-of-use assets	36	–
(Decrease) increase in fair value recognised in profit or loss	(214)	25
Transferred to property, plant and equipment	(5)	(3)
Transferred to land and related costs	–	(20)
Transferred to right-of-use assets	(7)	–
At the end of the year	32,938	33,086

- (a) The Group's investment properties held under operating leases are located in Beijing and Chongqing, the PRC under medium-term leases and are measured using the fair value model.
- (b) Investment properties were revalued on 31 December 2019 and 31 December 2018 by D&P China (HK) Limited, an independent professional valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The valuations of properties have been principally arrived at by using the income capitalisation approach which is a method of valuation whereby valuation is the sum of capitalised value of the term income and the appropriately deferred reversionary income for the remaining term of the land use rights of the properties. The capitalised value of the term income is derived by capitalising the rental income derived from existing tenancies for their respective unexpired terms of contractual tenancies, while the capitalised value of reversionary income is derived by capitalising the current market rents for the remaining terms of the land use rights of the properties. Capitalisation rates are estimated with reference to the yield generally accepted by the market for comparable properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1st to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 1 – office buildings in Oriental Plaza, Beijing	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the office buildings, of 6.00% (2018: 6.00%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.50% (2018: 6.50%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the rental as stated in the existing rental agreements of RMB301/sq.m./month (2018: RMB299/sq.m./ month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements of RMB312/sq.m./month (2018: RMB310/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB14,891 million as at 31 December 2019 (2018: RMB14,973 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1st to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 2 – shopping mall and car parking spaces in Oriental Plaza, Beijing	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the shopping mall, of 6.00% (2018: 6.00%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.50% (2018: 6.50%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of rental as stated in the existing rental agreements with an average of RMB1,114/sq.m./month (2018: RMB1,123/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the rental as stated in the new rental agreements RMB1,285/sq.m./month (2018: RMB1,226/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB14,551 million as at 31 December 2019 (2018: RMB14,645 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1st to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 3 – office in Metropolitan Oriental Plaza, Chongqing	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the office, of 6.25% (2018: 6.25%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.75% (2018: 6.75%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of the gross rental as stated in the existing rental agreements of RMB107/sq.m./month (2018: RMB116/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the gross rental as stated in the new rental agreements of RMB129/sq.m./month (2018: RMB128/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB919 million as at 31 December 2019 (2018: RMB924 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1st to 3) based on the degree to which the inputs to the fair value measurements is observable. (continued)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value (Note)
Property 4 – shopping mall and car parking spaces in Metropolitan Oriental Plaza, Chongqing	Level 3	Income capitalisation method		
		The key inputs are		
		(1) Term yield	Term yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the conditions of the shopping mall, of 6.25% (2018: 6.25%).	The higher the term yield, the lower the fair value
		(2) Reversionary yield	Reversionary yield, taking into account of yield generated by market average selling price and the market average rental from comparable properties and adjustment to reflect the risk associated with the future rental, of 6.75% (2018: 6.75%).	The higher the reversionary yield, the lower the fair value
		(3) Monthly term rental	Monthly term rental for each unit is derived from the average of gross rental as stated in the existing rental agreements with an average of RMB154/sq.m./month (2018: RMB160/sq.m./month).	The higher the monthly term rental, the higher the fair value
		(4) Reversionary rental	Reversionary rental is derived from the average of the gross rental as stated in the new rental agreements RMB240/sq.m./month (2018: RMB243/sq.m./month).	The higher the reversionary rental, the higher the fair value

The fair value is estimated at RMB2,577 million as at 31 December 2019 (2018: RMB2,544 million).

13. INVESTMENT PROPERTIES (Continued)

(b) (continued)

Note: There is no indication that any slight change in the unobservable inputs would result in significant higher or lower fair value measurement.

The fair values of all investment properties at 31 December 2019 and 31 December 2018 were measured using valuation techniques with significant unobservable inputs and hence were classified as Level 3 of the fair value hierarchy.

There were no transfers into or out of Level 3 during the year.

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group used market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the Manager works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Manager.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings			Plant and machinery	Construction in progress	Others	Total
	Hotels	Serviced apartments	Others				
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
COST							
At 1 January 2018	2,428	726	51	176	12	156	3,549
Additions for the year	2	8	4	1	128	6	149
Disposals for the year	(1)	–	(1)	(5)	–	(12)	(19)
Transfers	16	–	–	20	(53)	17	–
Transferred from investment properties	–	–	3	–	–	–	3
Transferred to investment properties	–	–	(10)	–	–	–	(10)
At 31 December 2018	2,445	734	47	192	87	167	3,672
Additions for the year	6	5	1	14	117	17	160
Disposals for the year	(8)	–	(4)	(5)	–	(2)	(19)
Transfers	(229)	324	–	48	(185)	42	–
Transferred from investment properties	–	–	5	–	–	–	5
Transferred to investment properties	–	–	(9)	–	–	–	(9)
At 31 December 2019	2,214	1,063	40	249	19	224	3,809
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	801	162	3	87	–	88	1,141
Provided for the year	128	28	3	16	–	12	187
Eliminated on disposals	–	–	–	(2)	–	(9)	(11)
Transferred to investment properties	–	–	(1)	–	–	–	(1)
At 31 December 2018	929	190	5	101	–	91	1,316
Provided for the year	104	48	4	18	–	17	191
Eliminated on disposals	(6)	–	–	(2)	–	–	(8)
Transfers	(150)	150	–	–	–	–	–
Transferred to investment properties	–	–	(1)	–	–	–	(1)
At 31 December 2019	877	388	8	117	–	108	1,498
CARRYING AMOUNTS							
At 31 December 2019	1,337	675	32	132	19	116	2,311
At 31 December 2018	1,516	544	42	91	87	76	2,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	3.1%–20% per annum
Plant and machinery	5%–18% per annum
Others (comprising of furniture and fixtures and computer equipment)	18%–33% per annum

Buildings, which are situated in Beijing, Chongqing, Shenyang and Chengdu, the PRC are held under medium-term leases.

The valuation of Buildings and Land were performed on 31 December 2019 and 31 December 2018 by D&P China (HK) Limited, an independent valuer with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations. The Manager determined that no impairment was made to Buildings and Right-of-use assets (2018: Land and related costs).

15. LAND AND RELATED COSTS

The carrying amount of prepaid lease payments and other related costs for land use rights held in the PRC under medium-term leases is analysed as follows:

	2018 RMB million
Non-current asset	4,292
Current asset	173
	4,465

During the year ended 31 December 2018, an amount of RMB20 million was transferred from investment properties.

During the year ended 31 December 2018, an amount of RMB51 million (after revaluation) was transferred to investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB million
As at 1 January 2019 Carrying amount	4,465
As at 31 December 2019 Carrying amount	4,270
For the year ended 31 December 2019 Depreciation charge	170
Additions to right-of-use assets	-

The Group owns several hotel and serviced apartment buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year ended 31 December 2019, an amount of RMB7 million was transferred from investment properties.

During the year ended 31 December 2019, an amount of RMB36 million after revaluation was transferred to investment properties.

17. INVENTORIES

	2019 RMB million	2018 RMB million
Food and beverage	4	4
Other consumables	23	25
	27	29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18. TRADE AND OTHER RECEIVABLES

	2019 RMB million	2018 RMB million
Trade receivables	29	29
Deposits and prepayments	15	17
Advance to suppliers	10	16
Interest receivables	30	38
Other receivables	36	22
	120	122

As at 31 December 2019, trade receivable from contracts with customers amounted to RMB22 million (2018: RMB24 million).

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

	2019 RMB million	2018 RMB million
Less than or equal to 1 month	16	16
1-3 months	7	9
Over 3 months	6	4
	29	29

There is no credit period given on billing for rental properties, including malls, offices, apartments and hotels, except that a maximum credit period of 30 days (2018: 30 days) is granted to the travel agencies and corporate customers of the hotels. Interest is charged immediately on overdue balance at the rate of 0.05% per day in 2019 and the rates ranging from 0.05% to 0.3% per day in 2018.

Hotel revenue is normally settled by cash or credit card.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB21 million (2018: RMB21 million) which are past due as at the reporting date. Out of the past due balances, RMB6 million (2018: RMB4 million) has been past due 90 days or more and is not considered as in default as management specifically reviewed creditability of each counterparty and considered these balances as recoverable. The Group does not hold any collateral over these balances.

Trade and other receivables are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

19. BANK BALANCES AND CASH

	2019 RMB million	2018 RMB million
Cash at bank or on hand	1,817	1,675
Time deposits (with original maturity of three months or less)	2,552	805
Cash and cash equivalents	4,369	2,480
Time deposits (with original maturity of more than three months)	2,438	3,627
Total	6,807	6,107
Average interest rate per annum is as follows:		
Bank deposits — Time deposits	1.40% to 3.70%	1.89% to 5.30%

Bank balances carry interest at prevailing market rates for the years ended 31 December 2019 and 31 December 2018.

Bank balances and cash are denominated in the following currencies:

	2019 RMB million	2018 RMB million
RMB	6,799	6,097
Hong Kong Dollar (“HK\$”)	7	9
United States Dollar (“US\$”)	1	1
	6,807	6,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. TRADE AND OTHER PAYABLES

	2019 RMB million	2018 RMB million
Trade payables	136	86
Receipts in advance (Note (i))	223	235
Others (Note (ii))	156	183
	515	504

Notes:

- (i) Included in receipts in advance are contract liabilities amounting to RMB65 million, RMB59 million and RMB55 million as at 31 December 2019, 31 December 2018 and 1 January 2018 respectively related to room rental and ancillary services provided in malls, offices, apartments and hotels segments. For contract liabilities relating to malls, offices and apartments segments, the Group has the right to invoice the room rental and ancillary service in advance for each month according to the terms of the relevant leases, whereas for contract liabilities relating to hotel segment, the Group has the right to invoice the room rental and ancillary service in advance according to terms of the relevant contracts. Revenue amounting to approximately RMB59 million (2018: RMB55 million) recognised during the year ended 31 December 2019 was related to contract liabilities balance at the beginning of the year. No revenue recognised during the year ended 31 December 2019 and year ended 31 December 2018 was related to performance obligation that was satisfied in prior years.
- (ii) Others comprise mainly accrued salaries, accrued staff welfare and certain operating expense payables.

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

	2019 RMB million	2018 RMB million
Less than or equal to 3 months	92	71
Over 3 months	44	15
	136	86

Trade and other payables are denominated in the following currencies:

	2019 RMB million	2018 RMB million
HK\$	8	16
RMB	507	488
	515	504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

21. BANK LOANS

	2019 RMB million	2018 RMB million
Unsecured term loans	10,906	9,967
Loan front-end fee	(35)	(46)
	10,871	9,921
The maturities of the above bank loans are as follows:		
Within one year	2,191	1,685
More than one year but not exceeding two years	4,469	1,963
More than two years but not exceeding five years	4,211	6,273
	10,871	9,921
Less: Amounts shown under current liabilities	(2,191)	(1,685)
	8,680	8,236

In relation to the credit facility of HK\$800 million granted to the Group on 18 March 2019 to finance the general corporate funding requirements of the Group, the total amount of the credit facility utilised by the Group as at 31 December 2019 was HK\$800 million (equivalent to RMB717 million). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.85% per annum and is repayable in full in March 2022.

In relation to the credit facility of HK\$1,200 million granted to the Group on 24 April 2019 to refinance the credit facility granted in April 2016, the total amount of the credit facility utilised by the Group as at 31 December 2019 was HK\$1,200 million (equivalent to RMB1,075 million) (31 December 2018: HK\$1,200 million (equivalent to RMB1,051 million)). It bears interest at floating interest rate of HIBOR plus 0.90% per annum and is repayable in full in April 2022.

In relation to the credit facility of HK\$525 million granted to the Group on 14 August 2019 to refinance the credit facility granted in August 2016, the total amount of the credit facility utilised by the Group as at 31 December 2019 was HK\$525 million (equivalent to RMB470 million) (31 December 2018: HK\$525 million (equivalent to RMB460 million)). It bears interest at floating interest rate of HIBOR plus 0.84% per annum and is repayable in full in August 2022.

In relation to the credit facility of HK\$200 million granted to the Group on 17 December 2019 to refinance the credit facility granted in December 2017, the total amount of the credit facility utilised by the Group as at 31 December 2019 was HK\$200 million (equivalent to RMB179 million) (31 December 2018: HK\$200 million (equivalent to RMB175 million)). It bears interest at floating interest rate of HIBOR plus 1.00% per annum and is repayable in full in December 2020.

Bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of Hui Xian REIT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

22. DEFERRED TAX LIABILITIES

The following are the major components of deferred tax liabilities recognised and movements therein during the year:

	Others RMB million (Note)	Fair value of investment properties RMB million	Withholding tax on retained profits to be distributed RMB million	Total RMB million
At 1 January 2018	2,406	4,904	74	7,384
Charge to profit or loss (Note 11)	13	15	66	94
Charge to reserve	3	–	–	3
Release upon distribution of earnings (Note 11)	–	–	(65)	(65)
At 31 December 2018	2,422	4,919	75	7,416
Charge (credit) to profit or loss (Note 11)	13	(45)	65	33
Charge to reserve	1	–	–	1
Release upon distribution of earnings (Note 11)	–	–	(64)	(64)
At 31 December 2019	2,436	4,874	76	7,386

Note: Others represented the fair value adjustment on recognised assets and liabilities upon business combination and accelerated tax depreciation.

At 31 December 2019, no deferred tax asset was recognised for tax losses and deductible temporary differences amounting to RMB307 million (31 December 2018: RMB211 million) and RMB393 million (31 December 2018: RMB361 million) respectively. The tax losses would expire within five years.

23. UNITS IN ISSUE

As at 31 December 2019, Hui Xian REIT had 5,880,262,459 (2018: 5,757,337,072) issued units.

During the year, movements of units in issue are as below:

	Number of units	RMB million
Balance at 1 January 2018	5,586,412,489	27,840
Payment of Manager's fees through issuance of new units during the year (Note (i))	32,580,837	102
Units issued pursuant to the distribution reinvestment arrangement in respect of 2017 final and 2018 interim distributions (Note (ii))	138,343,746	423
Balance at 31 December 2018	5,757,337,072	28,365
Payment of Manager's fees through issuance of new units during the year (Note (i))	30,992,992	101
Units issued pursuant to the distribution reinvestment arrangement in respect of 2018 final and 2019 interim distributions (Note (iii))	91,932,395	295
Balance at 31 December 2019	5,880,262,459	28,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. UNITS IN ISSUE (Continued)

Notes:

- (i) Details of units issued during the year as payment of Manager's fees are as follows:

For the year ended 31 December 2019

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
12 April 2019	1 July 2018 to 31 December 2018	3.32	15,347,661
22 August 2019	1 January 2019 to 30 June 2019	3.22	15,645,331
			30,992,992

For the year ended 31 December 2018

Issue date	Payment of Manager's fees for the period	Average price per unit determined based on Trust Deed RMB	Number of units issued
11 April 2018	1 July 2017 to 31 December 2017	3.10	16,608,424
23 August 2018	1 January 2018 to 30 June 2018	3.15	15,972,413
			32,580,837

- (ii) On 17 May 2019, 50,225,761 scrip units at an issue price of RMB3.25 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2018 final distribution.
- On 26 September 2019, 41,706,634 scrip units at an issue price of RMB3.16 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2019 interim distribution.
- On 21 May 2018, 84,030,526 scrip units at an issue price of RMB3.04 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2017 final distribution.
- On 27 September 2018, 54,313,220 scrip units at an issue price of RMB3.09 per unit were issued to unitholders pursuant to the distribution reinvestment arrangement in respect of 2018 interim distribution.

24. NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders as at 31 December 2019 of RMB25,983 million (2018: RMB26,373 million) and the total number of 5,880,262,459 units in issue as at 31 December 2019 (2018: 5,757,337,072 units).

25. NET CURRENT ASSETS

At the end of the reporting period, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB3,272 million (2018: RMB3,076 million).

26. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB42,793 million (2018: RMB42,812 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

27. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of assuring its ability to continue as a going concern while providing reasonable and stable returns to unitholders and generating benefits to other stakeholders. The Group considers the cost of capital and the risk associated with the capital. The Manager regularly reviews its capital management strategy to accommodate the Group's investment opportunities and strategies.

The Group is also subject to external capital requirements imposed by the REIT Code. The Group has to maintain a level of borrowings that shall not exceed 45% of the total gross asset value (the "gearing ratio") as required by the REIT Code. As at 31 December 2019, the Group's gearing ratio is 23.4% (2018: 21.5%), being bank loans divided by total assets of the Group.

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 RMB million	2018 RMB million
Financial assets		
<i>Amortised cost</i>		
Trade and other receivables	95	69
Bank balances and cash	6,807	6,107
	6,902	6,176
Financial liabilities		
<i>Amortised cost</i>		
Trade and other payables	292	269
Tenants' deposits	771	–
Manager's fee payable (<i>Note</i>)	21	22
Distribution payable	548	713
Bank loans	10,871	9,921
	12,503	10,925
Unitholders' funds	25,983	26,373

Note: The balance excludes Manager's fee payable of RMB51 million (2018: RMB51 million) to be settled in units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, foreign currency risk, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 19) and variable-rate bank loans (Note 21). The Manager considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate and therefore excluded from the sensitivity analysis below.

The Group currently does not have an interest rate hedging policy. However, the Manager monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the variable-rate bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by RMB55 million (2018: RMB50 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank loans.

Foreign currency risk

The Group collected all of its revenue in RMB and most of the expenditures including expenditure incurred in property investment as well as capital expenditure are also denominated in RMB.

The Group undertook certain transactions (including financing arrangements) in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group currently does not have a foreign currency hedging policy. However, the Manager monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Foreign currency risk (continued)

At 31 December 2018 and 2019, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	2019 RMB million	2018 RMB million
Assets		
HK\$	7	9
US\$	1	1
Liabilities		
HK\$	10,880	9,937

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

The Group mainly exposes to foreign exchange fluctuation of HK\$ against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the HK\$. The sensitivity analysis includes only outstanding HK\$ denominated monetary items and adjusts their translation at the year end for a 5% change in HK\$. 5% is the sensitivity rate used when reporting foreign risk internally to key management personnel and represents the Manager's assessment of the reasonably possible change in HK\$. There will be an increase in profit for the year where the RMB strengthens against the HK\$. For a 5% weakening of RMB against the HK\$, there would be an equal and opposite impact on the profit for the year.

	2019 RMB million	2018 RMB million
HK\$		
Profit for the year	544	496

The Manager considers the sensitivity analysis is unrepresentative of foreign currency risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

The carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

Trade receivable consists of rental revenue and room revenue receivables from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the Manager before rental agreements are entered into with tenants or counterparties. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances individually. In this regard, the Manager considers the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because cash and bank deposits are placed with reputable financial institutions which are banks with high credit-ratings assigned by international credit-rating agencies.

In determining the ECL for other receivables, the Manager has taken into account the historical default experience and forward-looking information, as appropriate, for example the Group has considered the consistently low historical default rate and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant. The Manager has assessed that cash and bank balance and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognised.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired which are assessed individually, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its Malls, Offices, Apartments and Hotels operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2019 and 31 December 2018, the Group did not provide additional impairment allowance for trade receivables based on the provision matrix as the amount involved is insignificant.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay two to three months deposits upon entering into leases with the Group. The Group has the right to offset the deposits against the outstanding receivables should the tenants default rental payments.

There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged immediately on overdue balance at the rate of 0.05% per day in 2019 and the rates ranging from 0.05% to 0.3% per day in 2018. In addition, the Manager is responsible for follow up action to recover the overdue debt. The Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (continued)

There is a maximum credit period of 30 days (2018: 30 days) granted to corporate customers and travel agents of the hotels. The Group has no significant concentration of credit risk over these debtors, with exposure spread over a number of counterparties and customers. The Manager reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for all trade debtors as at 31 December 2019 and 31 December 2018.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's operations. As at 31 December 2019, the Group had net current assets of RMB3,272 million (2018: RMB3,076 million). Taking into account of the internally generated funds and available credit facilities, the Group will be able to meet its financial obligation when they fall due.

As at 31 December 2018 and 2019, the Group has undrawn revolving credit facilities of US\$180 million (equivalent to RMB1,256 million) granted by Hui Xian Holdings Limited which is an associate company of a significant holder of Hui Xian REIT.

Liquidity risk analysis

The following table details the Group's remaining contractual maturity for its financial liabilities and tenants' deposits based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2019 RMB million
Non-derivative financial liabilities							
Trade and other payables	-	292	-	-	-	292	292
Tenants' deposits	-	148	166	172	285	771	771
Manager's fee payable	-	21	-	-	-	21	21
Distribution payable	-	-	548	-	-	548	548
Bank loans	3.18	108	2,462	4,668	4,323	11,561	10,871
		569	3,176	4,840	4,608	13,193	12,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or less than 3 months RMB million	3 months to 1 year RMB million	1 year to 2 years RMB million	Over 2 years RMB million	Total undiscounted cash flows RMB million	Carrying amount at 31 December 2018 RMB million
Non-derivative financial liabilities							
Trade and other payables	-	269	-	-	-	269	269
Tenants' deposits	-	152	183	182	286	803	803
Manager's fee payable	-	22	-	-	-	22	22
Distribution payable	-	-	713	-	-	713	713
Bank loans	2.66	85	1,904	2,218	6,458	10,665	9,921
		528	2,800	2,400	6,744	12,472	11,728

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statement of financial position approximate to their fair values at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

29. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to participate in a defined contribution retirement scheme administered by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the scheme and the same amount is matched by employees.

The Group recognised the retirement benefit costs of RMB12 million for the year ended 31 December 2019 (2018: RMB15 million).

30. OPERATING LEASE COMMITMENTS

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2019 RMB million
Within one year	1,958
In the second year	1,328
In the third year	780
In the fourth year	327
In the fifth year	176
After five years	105
	4,674

The Group had contracted with lessees for the following future minimum lease payments:

	2018 RMB million
Within one year	2,046
In the second to fifth year inclusive	3,075
After five years	447
	5,568

The Group rents out its properties in the PRC under operating leases. Operating lease income represents rentals receivable by the Group for its properties. Leases are negotiated for term ranging from 1 month to 15 years (2018: 1 month to 15 years) with monthly fixed rental, except for certain leases of the malls of which contingent rents are charged based on the percentage of sales ranged from 0.2% to 25% (2018: 0.2% to 33%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

31. CAPITAL COMMITMENTS

	2019 RMB million	2018 RMB million
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	67	131

32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with connected and related parties, and all these transactions were entered into in the ordinary course of business and were on normal commercial terms:

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
Rent and rental related income			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	2,573	814
重慶屈臣氏個人用品商店有限公司 (Chongqing Watson's Personal Care Stores Co., Limited*)	(a)	-	13
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	1,052	997
Cheung Kong (Holdings) Limited Beijing Office 長實(中國)投資有限公司	(a)	-	8
(CKH (China) Investment Co., Limited*)	(a)	114	131
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	1,584	1,582
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	1,050	1,050
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	1,357	1,357
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	71	71
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	71	71
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	47	47
森棟乙(北京)科技有限公司 (Ceng Dong Yi (Beijing) Technology Company Limited*)	(a)	71	71
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	1,380	584
CK Asset Holdings Limited	(b)	95	87
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	316	360
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	1,620	2,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	496	453
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	(b)	3	28
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	(b)	2,426	–
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	6	211
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	1	397
北京港世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	1,809	1,792
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	1,930	1,911
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	66	66
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	485	480
德意志銀行(中國)有限公司重慶分行 (Deutsche Bank (China) Co., Ltd. Chongqing Branch*)	(g)	1,110	1,109
Bank of China Limited	(h)	30,681	29,147
香港貿易發展局 (The Hong Kong Trade Development Council*)	(i)	123	364
香港貿易發展局北京辦事處 (The Hong Kong Trade Development Council Beijing Office*)	(i)	385	199
Hotel room revenue			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	6	1
和記黃埔(中國)商貿有限公司 (Hutchison Whampoa (China) Commerce Limited*)	(a)	1	–
廣州屈臣氏個人用品商店有限公司 (Guangzhou Watson's Personal Care Stores Ltd.*)	(a)	–	1
CK Infrastructure Holdings Limited	(a)	–	13
和記地產集團有限公司 (Hutchison Property Group Limited*)	(b)	2	1
和記黃埔地產管理有限公司重慶分公司 (Hutchison Whampoa Property Management Limited Chongqing Branch*)	(b)	109	127
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nan'an) Limited*)	(b)	1	24
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	7	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
達威設計顧問有限公司 (T W Design Consultants Limited*)	(b)	1	–
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	9	–
德意志銀行 (Deutsche Bank AG*)	(g)	–	1
Bank of China Limited	(h)	71	145
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	(h)	23	8
香港貿易發展局成都辦事處 (The Hong Kong Trade Development Council Chengdu Office*)	(i)	1	118
復旦大學 (Fudan University*)	(i)	11	15
南京大學 (Nanjing University*)	(i)	1	–
澳門大學 (University of Macau*)	(i)	–	1
香港鐵路有限公司 (MTR Corporation Limited*)	(j)	–	6
中國民生銀行股份有限公司 (China Minsheng Banking Corp., Ltd.*)	(j)	–	3
國壽投資控股有限公司 (China Life Investment Holding Company Limited*)	(k) & (n)	1	1
大連達達房地產開發有限公司 (Dalian Dalian Property Development Co., Ltd.*)	(m)	–	3
中信証券股份有限公司 (CITIC Securities Company Limited*)	(n)	79	6
中國聯合網絡通信集團有限公司 (China United Network Communication Group Co., Ltd.*)	(o)	–	8
Food & beverages and other hotel income			
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	11	1
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	2	4
武漢屈臣氏個人用品商店有限公司 (Wuhan Watson's Personal Care Stores Co., Limited*)	(a)	–	1
北京雷靈萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	–	1
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	68	142
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	334	452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
和記黃埔地產(北京朝陽)有限公司 (Hutchison Whampoa Properties (Beijing Chaoyang) Limited*)	(b)	38	–
和記地產集團有限公司 (Hutchison Property Group Limited*)	(b)	1	–
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	34	27
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	–	61
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	–	69
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	10	10
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	1	118
Bank of China Limited	(h)	20	48
中銀國際證券股份有限公司 (BOC International (China) Co., Ltd.*)	(h)	4	4
中銀集團投資有限公司 (Bank of China Group Investment Limited*)	(h)	2	3
復旦大學 (Fudan University*)	(i)	5	22
中國民生銀行股份有限公司 (China Minsheng Banking Corp., Ltd.*)	(j)	–	8
國壽投資控股有限公司 (China Life Investment Holding Company Limited*)	(k) & (n)	–	5
大連達連房地產開發有限公司 (Dalian Dalian Property Development Co., Ltd.*)	(m)	9	22
中信證券股份有限公司 (CITIC Securities Company Limited*)	(n)	23	7
中國文化產業投資基金管理有限公司 (China Cultural Industry Investment Fund Management Co., Ltd.*)	(o)	–	1
Interest income from banks			
The Hongkong and Shanghai Banking Corporation Limited	(c)	– [^]	– [^]
Bank of China Limited	(h)	10,188	7,584
Bank of China (Hong Kong) Limited	(h) & (i)	417	42
Reimbursement of staff cost			
Hui Xian Asset Management Limited	(d)	1,246	1,154
Reversal of warranty claims			
Joinpower Holdings Limited	(b)	–	768
Cheerjoy Limited	(b)	–	768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
Property management fee			
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	20,703	19,179
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	23,444	21,294
家利物業管理(深圳)有限公司 (Cayley Property Management (Shenzhen) Limited*)	(b)	8,550	16,474
海逸酒店管理有限公司 (Harbour Plaza Hotel Management Limited*)	(b)	120	426
Internet services fee			
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	1,261	965
CK Asset Holdings Limited	(b)	19	18
Beverages			
廣州屈臣氏食品飲料有限公司北京飲料分公司 (Guangzhou Watson's Food and Beverage Company Limited Beijing Beverages Branch*)	(a)	426	397
Cleaning supplies			
上海和黃白貓有限公司 (Shanghai Hutchison Whitecat Company Limited*)	(a)	1,175	1,210
Hotel services			
Harbour Grand Hong Kong Catering Limited	(a)	219	154
Trademark license fee			
海逸酒店企業有限公司 (Harbour Plaza Hotel Enterprises Limited*)	(b)	12	36
Staff related expenses			
CK Asset Holdings Limited	(b)	— [^]	—
Insurance expense			
CK Asset Holdings Limited	(b)	—	— [^]
中銀保險有限公司北京分公司 (Bank of China Insurance Co., Ltd. Beijing Branch*)	(h)	387	397
中國人壽財產保險股份有限公司北京市分公司 (China Life Property and Casualty Insurance Company Limited Beijing Branch*)	(k)	1,354	1,390
中國人壽財產保險股份有限公司重慶市分公司 (China Life Property and Casualty Insurance Company Limited Chongqing Branch*)	(k)	186	190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
Interest expense			
The Hongkong and Shanghai Banking Corporation Limited	(c) & (l)	31,077	20,157
Bank of China (Hong Kong) Limited	(h), (i) & (l)	74,519	62,761
Bank of China Limited Macau Branch	(h) & (l)	–	2,960
Bank charges and agency fee			
Bank of China Limited	(h)	3,540	3,651
Bank of China (Hong Kong) Limited	(h), (i) & (l)	114	110
Trustee's fee			
DB Trustees (Hong Kong) Limited	(g)	4,022	4,051
Manager's fees			
Hui Xian Asset Management Limited	(d)	143,540	144,849
Property Manager's fee			
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	86,304	77,572
Valuation fee			
D&P China (HK) Limited (formerly known as "American Appraisal China Limited")	(f)	505	514
Title verification service fee			
D&P China (HK) Limited	(f)	27	34

Balances with connected and related parties as at 31 December 2019 and 2018 are as follows:

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
Bank loans			
The Hongkong and Shanghai Banking Corporation Limited	(c) & (l)	1,070,827	783,900
Bank of China (Hong Kong) Limited	(h), (i) & (l)	2,407,475	2,350,880
Bank balances			
The Hongkong and Shanghai Banking Corporation Limited	(c)	489	360
Bank of China (Hong Kong) Limited	(h) & (i)	107,098	99,975
Bank of China Limited	(h)	638,838	553,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Name of Connected/Related Party	Notes	2019 RMB'000	2018 RMB'000
Deposits placed with the Group for the lease of the Group properties			
北京屈臣氏個人用品連鎖商店有限公司 (Beijing Watson's Personal Care Stores Co., Limited*)	(a)	737	737
北京網聯無限技術發展有限公司 (Beijing Net-Infinity Technology Development Co., Ltd.*)	(a)	567	567
長實(中國)投資有限公司 (CKH (China) Investment Co., Limited*)	(a)	29	29
北京雷霆萬鈞網絡科技有限責任公司 (Beijing Lei Ting Wan Jun Network Technology Limited*)	(a)	464	464
北京雷霆無極網絡科技有限公司 (Beijing Lei Ting Wu Ji Network Technology Company Limited*)	(a)	349	349
北京雷系科技發展有限公司 (Beijing Lahiji Technology Development Limited*)	(a)	451	451
北京幻劍書盟科技發展有限公司 (Beijing Huan Jian Shu Meng Network Technology Limited*)	(a)	24	24
諾定(中國)投資有限公司 (TOM.COM (China) Investment Limited*)	(a)	24	24
香港TOM集團國際有限公司北京代表處 (TOM Group International Limited Beijing Representative Office*)	(a)	16	16
森棟乙(北京)科技有限公司 (Ceng Dong Yi (Beijing) Technology Company Limited*)	(a)	24	24
和記黃埔醫藥(上海)有限公司 (Hutchison MediPharma Limited*)	(a)	448	448
和記黃埔地產(重慶兩江新區)有限公司 (Hutchison Whampoa Properties (Chongqing Liangjiangxinqu) Limited*)	(b)	-	81
和記黃埔地產(重慶南岸)有限公司 (Hutchison Whampoa Properties (Chongqing Nanan) Limited*)	(b)	-	505
和記黃埔地產(重慶經開園)有限公司 (Hutchison Whampoa Properties (Chongqing Jingkaiyuan) Limited*)	(b)	-	119
CK Asset Holdings Limited	(b)	24	24
北京寶苑房地產開發有限公司 (Beijing Po Garden Real Estates Development Co., Ltd.*)	(b)	1	1
北京長樂房地產開發有限公司 (Beijing Chang Le Real Estates Development Co., Ltd.*)	(b)	1	1
北京港基世紀物業管理有限公司 (Beijing Citybase Century Property Management Ltd.*)	(b)	474	447
北京高衛世紀物業管理有限公司 (Beijing Goodwell Century Property Management Ltd.*)	(b)	506	476
北京穩得高投資顧問有限公司 (Beijing Wondergrow Investment and Consulting Co., Ltd.*)	(b)	16	16
北京匯賢企業管理有限公司 (Beijing Hui Xian Enterprise Services Limited*)	(e)	122	121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) These companies are associated companies¹ of Noblecrown Investment Limited ("Noblecrown") which is a significant holder² of Hui Xian REIT, and are subsidiaries or associated companies of CK Hutchison Holdings Limited ("CK Hutchison").
- (b) These companies are holding companies or associated companies¹ of Noblecrown which is a significant holder² of Hui Xian REIT, and are subsidiaries or associated companies of CK Asset Holdings Limited.
- (c) This company is an associate³ of Mr. Li Tzar Kuoi, Victor, a director of Noblecrown, a significant holder² of Hui Xian REIT.
- (d) This company is the manager of Hui Xian REIT ("Manager").
- (e) This company is a subsidiary of the Manager.
- (f) D&P China (HK) Limited is the principal valuer of Hui Xian REIT up to 31 December 2019.
- (g) These companies are either DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT ("Trustee") or associated companies¹ of the Trustee.
- (h) Bank of China Limited is an associated company¹ of Noblecrown which is a significant holder² of Hui Xian REIT. These companies are subsidiaries or associated companies¹ of Bank of China Limited.
- (i) These institutions/companies are associates³ of Dr. Choi Koon Shum, Jonathan, an independent non-executive director of the Manager, by virtue of his position as council member/director in these institutions/companies.
- (j) These companies are associates³ of Mr. Cheng Hoi Chuen, Vincent, an independent non-executive director of the Manager, by virtue of his position as independent non-executive director in these companies. Mr. Cheng ceased to be an independent non-executive director of China Minsheng Banking Corp., Ltd and MTR Corporation Limited up to in or around mid-June 2018 and mid-May 2019 respectively.
- (k) These companies are associated companies¹ of Po Lian Enterprises Limited ("Po Lian") and/or China Life Insurance (Overseas) Company Limited, both of them are significant holders² or deemed to be significant holders² of Hui Xian REIT, and are subsidiaries or associated companies¹ of China Life Insurance (Group) Company.
- (l) The bank loans represent part of the outstanding bank loans (*Note 21*) at the end of the reporting period. The interest expense represents the respective interest expense under part of the outstanding bank loans for the year.
- (m) This company is an associate³ of (i) Mr. Kam Hing Lam who is a director of Noblecrown and Heathcliff, (ii) Mr. Ip Tak Chuen, Edmond who is a director of Noblecrown, (iii) Mr. Chung Sun Keung, Davy who is a director of Noblecrown and (iv) Mr. Chow Wai Kam, Raymond who is a director of Heathcliff. Noblecrown and Heathcliff are significant holders² or deemed to be significant holders² of Hui Xian REIT. Mr. Kam Hing Lam, Mr. Ip Tak Chuen, Edmond, Mr. Chung Sun Keung, Davy and Mr. Chow Wai Kam, Raymond ceased to be directors of this company on 17 September 2019.
- (n) These companies are associates³ of Mr. Kuang Tao who is a director of China Life Insurance (Overseas) Company Limited, a significant holder² of Hui Xian REIT. Mr Kuang has been appointed as director of CITIC Securities Company Limited ("Citics") on 6 September 2018 and ceased to be director of Citics on 31 December 2019.
- (o) These companies are associates³ of Mr. Gong Jianzhong who is a director of Lucky Star International Holdings Inc., a significant holder² of Hui Xian REIT up to 13 December 2018.

1 As defined in the REIT Code, a company shall be deemed to be an associated company of another company if one of them owns or controls 20% or more of the voting rights of the other or if both are associated companies of another company.

2 As defined in the REIT Code, a unitholder is a significant holder if it holds 10% or more of the outstanding units.

3 As defined in the SFO, a company is an associate of a person if the person is a director of that company.

* The English name is shown for identification purpose only.

^ Transaction amount is greater than zero and smaller than RMB500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. LIST OF SUBSIDIARIES

(i) At the end of the reporting period, the following entities are controlled by Hui Xian REIT.

Name of company	Date of incorporation	Ordinary share capital/ registered capital	Proportion ownership interest held by Hui Xian REIT				Principal activities	Name of property held
			Directly		Indirectly			
			2019	2018	2019	2018		
Incorporated in the British Virgin Islands:								
Hui Xian (B.V.I.) Limited	7 June 1994	1 share of US\$1	100%	100%	-	-	Investment holding	-
Shenyang Investment (BVI) Limited	21 July 2011	50,000 shares of no par value	100%	100%	-	-	Investment holding	-
Chongqing Overseas Investment Limited	1 September 2014	50,000 shares of no par value	100%	100%	-	-	Investment holding	-
Incorporated in Hong Kong:								
Hui Xian Investment Limited	18 August 1992	US\$10,000	-	-	100%	100%	Investment holding and financing	-
Shenyang Investment (Hong Kong) Limited	16 August 2011	HK\$10,000	-	-	100%	100%	Investment holding	-
Chongqing Investment Limited	12 November 1992	HK\$210,000,000	-	-	100%	100%	Investment holding	-
Chongqing Hotel Investment Limited	23 November 2016	HK\$1	100%	100%	-	-	Investment holding	-
Highsmith (HK) Limited	9 October 2007	HK\$5,000,000	-	-	100%	100%	Investment holding and financing	-
New Sense Resources Limited	16 November 2016	HK\$1	100%	100%	-	-	Investment holding and financing	-
Chengdu Investment Limited	23 November 2016	HK\$1	-	-	100%	100%	Investment holding	-
Incorporated in the PRC:								
Beijing Oriental Plaza Co., Ltd.	25 January 1999	Registered — US\$600,000,000	-	-	100%	100%	Property investment and hotel and serviced suites operations in Beijing, the PRC	Beijing Oriental Plaza
Shenyang Lido Business Co. Ltd	14 September 1996	Registered — US\$59,873,990	-	-	70%	70%	Hotel and serviced suites operations in Shenyang, the PRC	Sofitel Shenyang Lido
Chongqing Metropolitan Oriental Plaza Co., Ltd	18 November 1993	Registered — RMB470,000,000	-	-	100%	100%	Property investment in Chongqing, the PRC	Chongqing Metropolitan Oriental Plaza
Chongqing Oriental Plaza Hotel Co., Ltd	10 March 1999	Registered — US\$22,800,000	-	-	100%	100%	Hotel operation in Chongqing, the PRC	Hyatt Regency Liberation Square Chongqing*
Chengdu Changtian Co., Ltd.	18 June 1998	Registered — RMB248,000,000	-	-	69%	69%	Hotel operation in Chengdu, the PRC	Sheraton Chengdu Lido Hotel

*Formerly known as Harbour Plaza Chongqing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

33. LIST OF SUBSIDIARIES (Continued)

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018
				RMB million	RMB million	RMB million	RMB million
Shenyang Lido Business Co. Ltd	Shenyang, the PRC	30%	30%	(24)	(21)	182	206
Chengdu Changtian Co., Ltd.	Chengdu, the PRC	31%	31%	(8)	(10)	105	113
				(32)	(31)	287	319

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2019 RMB million	2018 RMB million
Revenue	128	125
Expenses and taxation	(233)	(228)
Loss for the year	(105)	(103)
Loss and total comprehensive expense for the year, attributable to:		
Non-controlling interests	(32)	(31)
Unitholders	(73)	(72)
	(105)	(103)

The Manager considered that the non-controlling interests in the assets, liabilities and cash flows of Shenyang Lido Business Co. Ltd and Chengdu Changtian Co., Ltd. are not material to the Group and accordingly, no summarised financial information on the assets, liabilities and cash flows are disclosed. No dividend was paid to non-controlling interests during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans <i>(Note 21)</i> RMB million	Interest payable RMB million	Distribution payable RMB million	Derivative financial instruments RMB million	Total RMB million
At 1 January 2018	10,969	7	728	–	11,704
Financing cash flows	(1,589)	(259)	(1,109)	23	(2,934)
Exchange loss	507	–	–	–	507
Proposed distribution	–	–	1,517	–	1,517
Units in issue	–	–	(423)	–	(423)
Interest expenses	34	263	–	–	297
Fair value gain	–	–	–	(23)	(23)
At 31 December 2018	9,921	11	713	–	10,645
Financing cash flows	673	(315)	(1,143)	–	(785)
Exchange loss	255	–	–	–	255
Proposed distribution	–	–	1,273	–	1,273
Units in issue	–	–	(295)	–	(295)
Interest expenses	22	313	–	–	335
At 31 December 2019	10,871	9	548	–	11,428

35. EVENTS AFTER REPORTING PERIOD

The COVID-19 outbreak has affected a wide array of industries, particularly tourism, airline, retail, food and beverage and manufacturing sectors. The COVID-19 outbreak's long-term effect on the Chinese economy remains to be seen. Hui Xian REIT's hotel and retail sectors, however, have felt the pain immediately. The significant drop in tourist arrivals coupled with the cancellation of corporate events has affected both accommodation and food and beverage business of our hotels. The outbreak has also dampened retail sentiment as consumers cut back on discretionary spending. As a result, foot traffic and retail sales of shopping centres have decreased substantially. Also, there will likely be repercussions on the leasing business of our office and serviced apartment sectors.

The COVID-19 outbreak clouds the short-term economic outlook of China and affects substantially Hui Xian REIT's business, particularly in the first half of 2020. Due to the inherent unpredictable nature of the outbreak, the actual financial impacts could be different depending on future development of the outbreak, government policies and measures in response to the outbreak. The actual financial impact, if any, will be reflected in the Group's 2020 financial statements.

SUMMARY FINANCIAL INFORMATION

The summary of the consolidated statement of comprehensive income, distributions and the consolidated statement of financial position of Hui Xian REIT are set out as below:

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1.1.2019 to 31.12.2019 RMB million	1.1.2018 to 31.12.2018 RMB million	1.1.2017 to 31.12.2017 RMB million	1.1.2016 to 31.12.2016 RMB million	1.1.2015 to 31.12.2015 RMB million
Revenue					
Gross rental from investment properties	2,383	2,412	2,407	2,423	2,413
Income from hotel operation	490	535	541	479	501
Income from serviced apartments operation	192	170	151	139	136
Rental related income	104	84	100	65	56
	3,169	3,201	3,199	3,106	3,106
Profit before taxation and transactions with unitholders	933	1,094	1,942	528	525
Income tax expense	(481)	(551)	(502)	(427)	(372)
Profit for the year, before transactions with unitholders	452	543	1,440	101	153
Profit for the year attributable to unitholders, before transactions with unitholders	484	574	1,456	114	168
	RMB	RMB	RMB	RMB	RMB
Basic earnings per unit	0.0831	0.1012	0.2635	0.0211	0.0315

SUMMARY OF DISTRIBUTIONS

	1.1.2019 to 31.12.2019 RMB million	1.1.2018 to 31.12.2018 RMB million	1.1.2017 to 31.12.2017 RMB million	1.1.2016 to 31.12.2016 RMB million	1.1.2015 to 31.12.2015 RMB million
Distributions to unitholders	1,273	1,517	1,489	1,499	1,449
	RMB	RMB	RMB	RMB	RMB
Distribution per unit	0.2177	0.2653	0.2681	0.2754	0.2700

SUMMARY FINANCIAL INFORMATION

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.12.2019 RMB million	31.12.2018 RMB million	31.12.2017 RMB million	31.12.2016 RMB million	31.12.2015 RMB million
Non-current assets	39,521	39,736	39,875	39,549	40,282
Current assets	6,954	6,431	7,734	7,391	6,422
Total assets	46,475	46,167	47,609	46,940	46,704
Current liabilities	3,682	3,355	6,642	2,619	3,075
Non-current liabilities, excluding net assets attributable to unitholders	16,523	16,120	13,834	17,639	15,816
Total liabilities, excluding net assets attributable to unitholders	20,205	19,475	20,476	20,258	18,891
Non-controlling interests	287	319	350	243	256
Net assets attributable to unitholders	25,983	26,373	26,783	26,439	27,557
	RMB	RMB	RMB	RMB	RMB
Net asset value per unit attributable to unitholders	4.4187	4.5807	4.7943	4.8403	5.1231

PERFORMANCE TABLE

	Notes	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Net assets attributable to unitholders (RMB million)		25,983	26,373	26,783	26,439	27,557
Net asset value per unit attributable to unitholders (RMB)		4.4187	4.5807	4.7943	4.8403	5.1231
Market capitalisation (RMB million)		19,287	18,366	17,597	17,151	17,912
Units issued (units)		5,880,262,459	5,757,337,072	5,586,412,489	5,462,193,939	5,378,973,852
Debts to net asset value ratio	1	41.8%	37.6%	41.0%	40.9%	34.2%
Debts to total asset value ratio	2	23.4%	21.5%	23.0%	23.0%	20.2%
		1.1.2019 to 31.12.2019	1.1.2018 to 31.12.2018	1.1.2017 to 31.12.2017	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015
Highest traded unit price (RMB)		3.45	3.35	3.22	3.51	3.57
Highest premium of the traded unit price to net asset value per unit	3	N/A	N/A	N/A	N/A	N/A
Lowest traded unit price (RMB)		3.16	3.03	3.02	2.98	2.94
Highest discount of the traded unit price to net asset value per unit		28.5%	33.9%	37.0%	38.4%	42.6%
Distribution per unit (RMB)		0.2177	0.2653	0.2681	0.2754	0.2700
Distribution yield per unit	4	6.64%	8.32%	8.51%	8.77%	8.11%

Notes:

1. Debts to net asset value ratio is calculated based on total debts over net assets attributable to unitholders as at the end of the reporting period.
2. Debts to total asset value ratio is calculated based on total debts over total assets as at the end of the reporting period.
3. The highest traded unit price is lower than the net asset value per unit attributable to unitholders at the end of the reporting period. Accordingly, premium of the traded unit price to net asset value per unit has not been recorded.
4. Distribution yield per unit is calculated by dividing the distribution per unit by the closing unit price as at the end of the reporting period.

INVESTOR CALENDAR

On or around

Annual results announcement for the year ended 31 December 2019 announcing, among other information, the final distribution for the period from 1 July 2019 to 31 December 2019 (“2019 Final Distribution”) and the distribution reinvestment arrangement (“DRA”)	16 March 2020 (Monday)
Units quoted ex-2019 Final Distribution	27 March 2020 (Friday)
First of the ten consecutive trading days to determine unit price for new units to be issued from scrip distribution under the DRA (“Scrip Units”)	27 March 2020 (Friday)
Closure of register of Unitholders (for ascertaining entitlement to the 2019 Final Distribution)	31 March 2020 (Tuesday) to 2 April 2020 (Thursday) (both dates inclusive)
Record date for 2019 Final Distribution	2 April 2020 (Thursday)
Announcement in relation to the DRA	14 April 2020 (Tuesday)
Despatch of circular and election form for the DRA	16 April 2020 (Thursday)
Latest time for return of election form for the DRA ¹	by 4:30 p.m., 6 May 2020 (Wednesday)
2020 annual general meeting ²	12 May 2020 (Tuesday)
Payment of the 2019 Final Distribution for cash distribution election	15 May 2020 (Friday)
Despatch of new unit certificates for scrip distribution election	15 May 2020 (Friday)
Expected first day of dealings in Scrip Units (subject to the granting of listing approval by the Stock Exchange)	18 May 2020 (Monday)

1. A distribution reinvestment arrangement is available to eligible Unitholders who may elect to receive the 2019 Final Distribution for the period from 1st July 2019 to 31 December 2019 wholly in cash or in the form of new units in Hui Xian REIT or a combination of both. An announcement containing details of the distribution reinvestment arrangement was published on 14 April 2020 (Tuesday) and a circular together with the relevant election form will be delivered by post to the Unitholders on or around 16 April 2020 (Thursday). The election form for scrip distribution must be lodged with and received by the Unit Registrar (at its address at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong) not later than 4:30 pm on 6 May 2020 (Wednesday). Please refer to the relevant circular and election form for the details of such distribution reinvestment arrangement. Unitholders should note that any election form arrived or received after the deadline set out above will be treated and taken as invalid.
2. The register of Unitholders will be closed from 7 May 2020 (Thursday) to 12 May 2020 (Tuesday) for the purpose of ascertaining Unitholders’ right to attend and vote at the 2020 annual general meeting of Hui Xian REIT. Unitholders must lodge all transfer forms (accompanied by the relevant unit certificates) with the Unit Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 May 2020 (Wednesday).

CORPORATE INFORMATION

MANAGER

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

BOARD OF DIRECTORS OF THE MANAGER

Chairman and Non-executive Director

KAM Hing Lam

Executive Directors

CHEUNG Ling Fung, Tom (*Chief Executive Officer*)
LEE Chi Kin, Casey (*Chief Operating Officer*)
LAI Wai Yin, Agnes (*Chief Financial Officer*)

Non-executive Directors

IP Tak Chuen, Edmond
LIM Hwee Chiang

Independent Non-executive Directors

CHENG Hoi Chuen, Vincent
LEE Chack Fan
CHOI Koon Shum, Jonathan

BOARD COMMITTEES

Audit Committee

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

Disclosures Committee

CHEUNG Ling Fung, Tom (*Chairman*)
IP Tak Chuen, Edmond
LEE Chack Fan

Designated (Finance) Committee

IP Tak Chuen, Edmond (*Chairman*)
CHEUNG Ling Fung, Tom
CHOI Koon Shum, Jonathan

COMPANY SECRETARY OF THE MANAGER

Fair Wind Secretarial Services Limited

TRUSTEE

DB Trustees (Hong Kong) Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

D&P China (HK) Limited¹
Knight Frank Petty Limited²

LEGAL ADVISER

Woo Kwan Lee & Lo

UNIT REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990

¹ Appointment/Engagement terminated on 31 December 2019

² Appointed with effect from 1 January 2020

CORPORATE INFORMATION

INVESTOR RELATIONS

TONG BARNES Wai Che, Wendy

Tel: (852) 2121 1128

Fax: (852) 2121 1138

Email: info@huixianreit.com

PROPERTY MANAGER

北京匯賢企業管理有限公司

(Beijing Hui Xian Enterprise Services Limited*)

STOCK CODE

87001

WEBSITE

www.huixianreit.com

GLOSSARY

Board	the board of directors of the Manager
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
Director(s)	director(s) of the Manager
DPU	distribution per unit
GDP	gross domestic product
Hui Xian Cayman	Hui Xian (Cayman Islands) Limited
Hui Xian Holdings	Hui Xian Holdings Limited
Hui Xian Investment	Hui Xian Investment Limited
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
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Manager	Hui Xian Asset Management Limited, a company incorporated in Hong Kong and a corporation licensed to carry on the regulated activity of asset management under the SFO
PRC	People's Republic of China
REIT Code	Code on Real Estate Investment Trusts
RevPAR	revenue per available room
RMB	Renminbi
SFC	Securities and Futures Commission of Hong Kong
SFO	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
Shenyang Investment BVI	Shenyang Investment (BVI) Limited
Shenyang Investment HK	Shenyang Investment (Hong Kong) Limited
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
Stock Exchange	The Stock Exchange of Hong Kong Limited

GLOSSARY

Trust Deed	Deed of Trust constituting Hui Xian REIT dated 1 April 2011 as amended, modified or supplemented from time to time
Trustee	DB Trustees (Hong Kong) Limited, the trustee of Hui Xian REIT Unit(s) unit(s) of Hui Xian
REIT Unit(s)	unit(s) of Hui Xian REIT
Unitholder(s)	any person(s) registered as holding a Unit or Units

* The English name is shown for identification purpose only

Hui Xian Asset Management Limited

(as the manager of Hui Xian REIT)

Unit 303, Cheung Kong Center
2 Queen's Road Central, Hong Kong

Tel: (852) 2121 1128

Fax: (852) 2121 1138

Email: info@huixianreit.com

Website: www.huixianreit.com