HUI XIAN REIT
匯賢產業信託

Hui Xian Real Estate Investment Trust

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

(Stock Code: 87001)

Managed by Hui Xian Asset Management Limited

滙賢房託管理有限公司

INTERIM RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 30 JUNE 2020

HUI XIAN REIT

Hui Xian Real Estate Investment Trust ("**Hui Xian REIT**") 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.

The interim results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2020 to 30 June 2020 ("**Reporting Period**") are as follows:

* dissolved on 9 April 2020

CHAIRMAN'S STATEMENT

During the first half of 2020, Hui Xian REIT experienced its most challenging period since listing.

COVID-19 has a significant impact on the business of Hui Xian REIT. The interim results for the six months ended 30 June 2020 saw net property income ("**NPI**") to be RMB751 million, a decline of 27.9% year-on-year. Amount available for distribution was RMB140 million, a decrease of 80.7% over the same period last year.

Since December 2019, the COVID-19 outbreak has had a devastating effect on the world economy. According to World Bank forecast in June 2020, the global gross domestic product ("**GDP**") will shrink by 5.2% in 2020 — the deepest global recession in decades.

China's economy was also heavily impacted by the COVID-19 pandemic. The country's GDP during the first quarter of 2020 contracted by 6.8% year-on-year, the worst quarterly figure since 1992. While the second quarter showed a slight recovery, the first half of the year still registered a year-on-year contraction of 1.6%, as compared to 6.3% growth for the same period last year.

RMB exchange rate experienced volatility over the first half of 2020. RMB fell to 7.1778 against the US dollar at the end of May 2020, the weakest level in 11 years. As at 30 June 2020, the People's Bank of China RMB rate against Hong Kong Dollar was 0.91344, representing a drop of around 2% as compared to the rate of 0.89578 as at 31 December 2019.

As the entire property portfolio of Hui Xian REIT is located in China, Hui Xian REIT's business of all sectors (retail, office, hotel and serviced apartment) was severely affected.

The hotel portfolio was the worst performing sector, which has been hit particularly hard due to the travel restrictions. The lockdown rulings prohibiting both international and domestic travel had led to a significant reduction in the number of tourists and demand for hotel rooms. Occupancy rates have fallen to dramatically low numbers. All four hotels have recorded operating loss during the Reporting Period.

The impact on the retail business has been immediate as well. Consumers shopped online as they could not leave homes and visit the stores in person during the lockdown. Footfall and turnover at our shopping centres have declined to an unprecedented level.

Office leasing was negatively affected. During the lockdown, stringent restrictions halted most economic activities. As COVID-19 continued to menace the world economy, corporations were shying away from signing new leases. Office leasing demand was weak and rents were under tremendous pressure.

Serviced apartment leasing business was also impacted by the pandemic, though a lesser extent compared to the other sectors. Affected by the travel restrictions and lockdown, it became harder to recruit new tenants, especially expatriates who cannot travel to China.

Two other major factors which also affected the Amount Available for Distribution are the unrealised exchange loss on bank loans resulting from depreciation of RMB against Hong Kong Dollars; and the discontinuation of the early repayment of investment capital through repatriation of depreciation ("**Distributable Depreciation**") under the new PRC foreign investment law which took effect on 1 January 2020.

Due to the stressed political tension between US and China and the current global uncertain and volatile economic and socio-political environment, the Manager has decided to take a prudent view and discontinued to include the unrealised exchange loss on bank loans as a discretionary distribution during the Reporting Period.

In prior years, Distributable Depreciation was distributed to Unitholders as part of the distribution amount. Under the PRC foreign investment law effective on 1 January 2020, there is no provision for early repayment of investment capital of foreign investors through repatriation of depreciation to outside Mainland China. The amount was retained in the asset companies in the PRC, and could not be repatriated to Hong Kong for distribution.

Results and Distribution

For the period from 1 January 2020 to 30 June 2020

	Six months ended 30 Jun 2020	**Six months ended 30 Jun 2019**	**Percentage Change**
Total Revenue *(RMB million)*	**1,203**	1,598	-24.7%
Net Property Income *(RMB million)*	**751**	1,042	-27.9%
Amount Available for Distribution *(RMB million)*	**140**	725	-80.7%
Distributions to Unitholders *(RMB million)*	**126**	725	-82.6%
Distribution per Unit *(RMB)*	**0.0212**	0.1245	-83.0%

During the Reporting Period, the Amount Available for Distribution was RMB140 million (2019: RMB725 million). The payout ratio for the Reporting Period was 90%. Distributions to Unitholders amounted to RMB126 million (2019: RMB725 million) and distribution per unit ("**DPU**") was RMB0.0212 (2019: RMB0.1245). Based on the closing unit price of RMB2.15 on 30 June 2020, the annualised distribution yield is 2.0%.

Due to the COVID-19 pandemic and its economic impact, the appraised value of the investment properties as at 30 June 2020 was approximately RMB30,841 million compared to RMB32,938 million as at 31 December 2019.

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.

To curb the spread of the pandemic, the Chinese government imposed a series of strict lockdown measures during early 2020, including travel restrictions, and closure of workplaces, factories and consumer businesses. The impact on Hui Xian REIT's business has been felt across all four sectors.

(1) Hotel Portfolio

Hui Xian REIT's hotel portfolio comprises four international hotels in four key cities in China. Their businesses deteriorated quickly commencing late January when the COVID-19 outbreak started to spread across the country.

The COVID-19 and the travel restrictions slammed the operations of the hotels during the Reporting Period. In late March 2020, the Chinese government has temporarily suspended the entry into China by foreign nationals. There was a sharp drop in the number of tourists and demand for hotel rooms. As a result, occupancy rates plunged to record low. Not just room revenue, but the business from restaurants, banqueting, conferencing and corporate events were also affected drastically.

Despite the implementation of aggressive cost-cutting measures, including human resources management and deferral of capital expenditure plans, the hotel portfolio still incurred an operating loss during the Reporting Period. The aggregate NPI reported a loss of RMB44 million as compared to a profit of RMB43 million during the same period in 2019.

As the capital city and political centre, the preventive measures in Beijing were particularly strict. Tourists and returning residents were subject to special quarantine measures either before or after entering Beijing. The "Two Sessions" was also postponed from March to May 2020 due to the COVID-19 pandemic. Hotels in Beijing recorded extremely low occupancy rates.

The sudden spike of COVID-19 infections in mid-June in Beijing came as another blow. On 16 June 2020, Beijing raised its COVID-19 emergency response from Level 3 to Level 2, and tighter restrictions were implemented again in the capital city.

During the Reporting Period, Grand Hyatt Beijing has recorded its worst performance since its opening 20 years ago. It has recorded operating loss since February 2020. Occupancy rate dropped significantly from 76.8% a year ago to 15.5%. Average room rate was RMB1,068 (2019: RMB1,284).

Chongqing is one of the most affected cities in China by the pandemic. A series of stringent preventive measures was implemented by the Chongqing government.

In line with the government's guidelines, Hyatt Regency Liberation Square Chongqing was closed for business during February and March 2020. It was reopened in April. Occupancy rate fell from 31.7% in 2019 to 22.7%. Average room rate per night was RMB462 (2019: RMB520). The hotel recorded an operating loss during the Reporting Period.

Shenyang is an important industrial centre in northeast China. Many factories were temporarily shut down in February 2020, in line with government guidelines. In May 2020, there was an increase in new COVID-19 infections in the region, and strict preventive measures were re-imposed. Sofitel Shenyang Lido's occupancy rate dropped from 34.0% a year earlier to 13.4%. Average rate per night was RMB448 (2019: RMB442). An operating loss was incurred.

As for Chengdu, the city's business activities were seriously dampened during February and March 2020. Sheraton Chengdu Lido Hotel recorded an operating loss during the Reporting Period. Occupancy rate was down from 68.4% in 2019 to 34.7%. Average room rate per night was RMB402 (2019: RMB522). Starting in April, the hotel's business began to recover gradually as some corporate bookings returned. Among the four cities, Chengdu seems to have recovered relatively faster. In June 2020, the hotel has returned to cash positive.

(2) Retail Portfolio

The first half of 2020 has been very difficult for many retailers in China. Consumers were forced to stay at home during the lockdown. Social distancing and inter/intra city travel restriction dampened retail traffic and consumer sentiment. There was a substantial decline in foot traffic and turnover in physical stores. Business of sit-down restaurants was particularly hit, with only take-away and delivery services allowed at the height of the outbreak. There was a strict limitation on the seating capacity when they were allowed to open for dine in. Cinemas, gyms and entertainment venues were ordered by the government to close temporarily. As the retail market continued to deteriorate and vacancy rate on the rise, landlords were under as much pressure as their beleaguered tenants. They also had experienced a substantial reduction in their rental income.

Hui Xian REIT's retail portfolio consists of two shopping centres: (i) The Malls at Beijing Oriental Plaza, and (ii) The Mall at Chongqing Oriental Plaza. NPI was RMB344 million (2019: RMB452 million).

Most of our tenants have suffered from a severe drop in business. They also faced various challenges, such as cash flow and supply chain issues. Some tenants sought for rent relief and deferment plan, and others negotiated to restructure the leases. There were also struggling tenants requesting for the leased areas to be shrunk and some requested early termination of their tenancy agreements.

At The Malls at Beijing Oriental Plaza, many retail tenants were either closed or only partially opened from February to April 2020, with foot traffic plunged to an unprecedented level. Sales turnover dropped by more than half compared to the same period last year.

In an effort to maintain the occupancy rate and stable rental income during this difficult period, we focused on supporting the existing tenants by offering temporary rent relief on a case-by-case basis, which has immediately hit the revenue and passing rent during the Reporting Period. The financial impact will continue to affect in the second half of 2020 and throughout the entire lease terms. Average monthly passing rent was RMB947 (2019: RMB1,153) per square metre. Occupancy rate was down slightly to 96.7% (2019: 98.0%).

The Mall at Chongqing Oriental Plaza was closed in February 2020 following the local government's instruction, and was reopened in March in phases. Average occupancy rate was 84.2% (2019: 86.7%) and average monthly passing rent was RMB94 (2019: RMB155) per square metre.

(3) Office Portfolio

Hui Xian REIT's office portfolio has been materially impacted by the ongoing China-US trade war since 2019. The COVID-19 pandemic, which has disrupted the global supply chains and international trade, further exacerbated the vulnerability of the situation.

During the lockdown, stringent restrictions halted most economic activities and citizens were not allowed to go to work. Even when offices and workplaces gradually reopened later, there were government restrictions on the area and number of staff that could be allowed to go back to the office to work.

The economic uncertainty and the dampened operating environment severely impacted the leasing demand. Many companies have become extremely cost-conscious and have held off their expansion plans. There were also many cases of tenants scaling back or even reneging on leases. Moreover, COVID-19 has accelerated the adoption of "work from home"; this might have led to lower demand for office space in the long run. All these have affected office leasing prospects and further rental declines are expected.

Hui Xian REIT's office portfolio consists of: (i) The Tower Offices at Beijing Oriental Plaza, and (ii) The Tower at Chongqing Metropolitan Oriental Plaza. NPI was RMB403 million (2019: RMB499 million).

Against a backdrop of economic uncertainty, a number of tenants at Beijing Oriental Plaza did not renew or requested to early terminate their leases during the Reporting Period. Further, corporations were extremely cost-cautious and had put their expansion plans on hold. As a result, leasing momentum was slow during the Reporting Period and occupancy rate was down to 84.5% (2019: 94.0%). Rental rates continued to be under pressure. Average monthly passing rent was RMB288 (2019: RMB297) per square metre. Newly committed rents were unavoidably lower resulting in negative reversion; and average monthly spot rent was RMB281 (2019: RMB323) per square metre.

Chongqing's office market faced similar leasing challenges, though not as severe as those in Beijing. At The Tower at Chongqing Metropolitan Oriental Plaza, occupancy rate was slightly dropped to 88.2% (2019: 89.7%) and average monthly passing rent was RMB104 (2019: RMB116) per square metre.

(4) Serviced Apartment Portfolio

The leasing business of serviced apartment was also affected by the COVID-19 pandemic, though to a lesser extent than the other sectors. Due to the travel restrictions and lockdown, fewer site inspections for prospective tenants could be arranged. Thus, it became more difficult to recruit new tenants. In addition, expatriates who are a target market cannot travel to China.

Hui Xian REIT's serviced apartment portfolio comprises two projects and NPI was RMB48 million (2019: RMB48 million) during the Reporting Period.

The Towers Apartment at Beijing Oriental Plaza, one of Beijing's largest serviced apartment developments, has a total inventory of 809 units, spreading across four towers. Despite the leasing challenges, occupancy rate was maintained at 84.2% (2019: 84.8%) due to its reputation and central location in downtown Beijing.

Over in Shenyang, the newly-launched "The Residences at Sofitel Shenyang Lido" which offered 134 serviced apartment units started to build up its occupancy and brand awareness. Occupancy rate was 52.5%.

Financial Position

Hui Xian REIT continues to adopt a prudent financial strategy. As at 30 June 2020, bank balances and cash on hand amounted to RMB6,618 million and total debts amounted to RMB11,093 million. Debts to gross asset value ratio was 25.1%, which is below the maximum borrowing limit of 45% permitted under the REIT Code.

Outlook

The outbreak of COVID-19 has caused severe disruptions to the global and Chinese economies since the beginning of the year. It has impacted almost all industries and sectors worldwide.

Policymakers around the world are facing an extraordinary dilemma. Weeks of lockdown helped containing the spread of COVID-19, but also brought negative effects on the economy and people's livelihoods. On the other hand, the relaxation of lockdown restrictions may spark a new wave of infections, resulting in re-tightening of measures.

With the pandemic largely under control within its borders, China started to ease lockdown measures. Factories have resumed production. Inter-city business activities in China have gradually resumed to normal despite international business activities still remained weak. China's economy seems to have recovered at a faster pace relative to other parts of the world. It has become among the first major economies to show signs of stabilization. China's GDP has returned to an increase in the second quarter of 2020 and key economic indicators also saw improvements.

To support the economy, the Chinese government has rolled out a series of stimulus policies benefitting both corporations and individuals, such as tax reductions and deferments and the waiving of social security contributions. It seems the situation in China may have passed its worst; and its business environment is expected to recover gradually.

Hui Xian REIT's portfolio was heavily impacted during the first half of 2020. With the easing of COVID-19 in China, our business is expected to see some improvement and the pandemic impact on the second half of 2020 will be less severe. The pace of recovery of Hui Xian REIT's business would vary across different sectors and would depend greatly on the duration of the pandemic and the degree of relaxation of lockdown measures.

Due to the lack of demand from inbound international travel and MICE (meetings, incentives, conferences and exhibitions), domestic demand is expected to drive the recovery for the hotel business in the second half of 2020. The Ministry of Culture and Tourism announced in July 2020 that inter-provincial group tours, previously suspended in January, would resume. Assuming that there would be no new significant wave of COVID-19 cases, the business of the hotels is expected to pick up gradually and the financial performance is expected to improve in the second half of the year. In June 2020, Sheraton Chengdu Lido Hotel has recorded a cash positive month.

Consumer sentiment in China has showed signs of improvement after the easing of social distancing and lockdown measures. Retail sales in Beijing and Chongqing during the second quarter of 2020 have recovered progressively according to the data published by respective bureaux of statistics. To boost domestic consumption, the respective local governments issued free digital consumption coupons to their residents. The footfall and sales at Hui Xian REIT's shopping centres are recovering gradually.

As the Chinese government started to relax the preventive measures, office workers are returning to work and commercial activities are recovering. It is expected that the leasing business of office and serviced apartment will be stabilized, or may even see some improvement in the second half of 2020.

COVID-19 crisis is not over yet and it will continue to create economic uncertainties. Global economy and international trade may not fully recover within a short period of time. While many countries are still battling COVID-19, we have confidence in China's ability and commitment to combat the spread of the pandemic.

We remain confident in the fundamentals of China, and we look forward to the long-term development of Hui Xian REIT.

On behalf of the Manager, I would like to take this opportunity to express my gratitude to all of our colleagues, especially the front line staff, for their dedication and hardwork during this difficult period. I would also 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, 3 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

PORTFOLIO HIGHLIGHTS

As at 30 June 2020, 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

OPERATIONS REVIEW

(1) 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.

Due to the COVID-19 outbreak, travel restrictions have been implemented by many countries and such measures had completely changed the operating landscape of the hotel industry. In March 2020, China has temporarily suspended the entry by foreign nationals. There were also restrictions on domestic travel within China. As a result, there was a drastic drop in both international and domestic tourist arrivals. Room revenue and occupancy rates at our hotels plummeted. Bookings of corporate events, banquets and weddings were also cancelled or postponed according to government guidelines. All these hit the income of our hotels. The aggregate revenue of our hotel portfolio was RMB63 million (2019: RMB231 million) during the Reporting Period. The aggregate NPI recorded a loss of RMB44 million compared to the profit of RMB43 million for the corresponding period in 2019 despite the aggressive cost reduction measures that continue to be in place, including human resources management and deferral of capital expenditure plans.

(i) Grand Hyatt Beijing
The pandemic containment measures in Beijing, the capital city, were extremely strict. Hotel business in Beijing was heavily impacted. During the Reporting Period, Grand Hyatt Beijing recorded its worst performance in nearly 20 years, with occupancy hitting record low. Average occupancy rate was 15.5% (2019: 76.8%). Average room rate was RMB1,068 (2019: RMB1,284).

In mid-June, Beijing saw a resurgence in locally transmitted COVID cases and it raised the COVID-19 emergency response from Level 3 to Level 2. Strict restrictions were re-implemented till mid July 2020.

(ii) Hyatt Regency Liberation Square Chongqing
Chongqing is one of the most affected cities in China by the pandemic. Tight precautionary measures were imposed by the local government.

Hyatt Regency Liberation Square Chongqing was closed for business during February and March 2020, in line with local government guidelines. It reopened in April. Average room rate per night was RMB462 (2019: RMB520). Occupancy rate was 22.7% (2019: 31.7%).

(iii) Sofitel Shenyang Lido (70% interest)
Located in northeast China, Shenyang is an important industrial centre. Factories were temporarily shut down in February 2020 following government regulations. In May 2020, strict preventive and control measures were introduced again in the region as there was a rise of new infections.

Sofitel Shenyang Lido's average rate per night was RMB448 (2019: RMB442). Occupancy rate was 13.4% (2019: 34.0%).

(iv) Sheraton Chengdu Lido Hotel (69% interest)
Chengdu's commercial activities were seriously affected during February and March 2020. Sheraton Chengdu Lido's average room rate per night was RMB402 (2019: RMB 522) and average occupancy rate was 34.7% (2019: 68.4%). It recorded an operating loss during the Reporting Period.

Starting in April 2020, the hotel's business began to pick up gradually, driven by corporate bookings. In June 2020, it has returned to cash positive.

(2) Retail Portfolio
The COVID-19 outbreak hit China's retail sector hard. During the lockdown, residents were forced to stay at home. Brick-and-mortar stores saw a plunge in foot traffic and sales. Sit-down restaurants also suffered as only take-away and delivery services were allowed at the height of the pandemic. Following government guidelines, cinemas, gyms and entertainment venues across the country were closed temporarily. China's total retail sales of consumer goods during the first half of 2020 fell by 11.4% year-on-year as compared to 8.4% growth for the same period of 2019.

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. Many of our retail tenants saw a massive drop in business during the Reporting Period. Rent relief were offered, which in turn affected our revenue immediately. During the Reporting Period, revenue was RMB483 million (2019: RMB614 million) and NPI was RMB344 million (2019: RMB452 million).

(i) The Malls at Beijing Oriental Plaza
According to the Beijing Municipal Bureau of Statistics, Beijing's GDP shrank by 3.2% year-on-year to RMB1,621 billion during the first half of 2020. Retail sales contracted by 16.3% year-on-year to RMB597 billion.

During the period from February to April 2020, many tenants of The Malls at Beijing Oriental Plaza were either closed or partially opened. Shopper traffic and sales declined sharply. To support the existing tenants at this difficult time, rent relief was offered on a case-by-case basis. Revenue was RMB454 million (2019: RMB567 million). NPI amounted to RMB337 million (2019: RMB436 million). Average monthly passing rent to RMB947 (2019: RMB1,153) per square metre. Occupancy rate was 96.7% (2019: 98.0%).

(ii) The Mall at Chongqing Metropolitan Oriental Plaza

During the first half of 2020, Chongqing's GDP was up by 0.8% year-on-year to RMB1,121 billion while retail sales fell by 7.2% year-on-year according to Chongqing Municipal Bureau of Statistics.

According to the local government's guidelines, The Mall at Chongqing Metropolitan Plaza was closed for business during February 2020 and it was reopened in March in phases. Average monthly passing rent was RMB94 (2019: RMB155) per square metre and average occupancy rate was 84.2% (2019: 86.7%).

(3) Office Portfolio

With increased market uncertainty due to the pandemic and ongoing China-US trade tensions, many corporations continued to focus on cost containment and expansion plans were put on hold. Some struggling tenants even reneged on leases. Office leasing momentum was generally slow during the Reporting Period.

Hui Xian REIT's office portfolio comprises The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue was RMB562 million (2019: RMB660 million) and NPI was RMB403 million (2019: RMB499 million)

(i) The Tower Offices at Beijing Oriental Plaza

The Tower Offices at Beijing Oriental Plaza comprises eight towers, offering over 300,000 square metres of Grade A office space. It has 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 RMB533 million (2019: RMB627 million). NPI amounted to RMB385 million (2019: RMB479 million). Amid tough economic conditions, a number of tenants did not renew or have requested to early terminate their leases, driving up the vacancy rate. At the same time, leasing activity was slow due to weak demand from corporations. As a result, occupancy rate dropped to 84.5% (2019: 94.0%). Average monthly passing rent was RMB288 (2019: RMB297) per square metre. Given the challenging business environment, it is inevitable that the newly committed rents were lower than last year. Average monthly spot rent was RMB281 (2019: RMB323) per square metre.

(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 corporations from a broad range of sectors, including insurance and financial services, electronics, logistics and healthcare.

Revenue was RMB29 million (2019: RMB33 million) and NPI was RMB18 million (2019: RMB20 million). Average occupancy rate was 88.2% (2019: 89.7%); and average monthly passing rent was RMB104 (2019: RMB116) per square metre with average monthly spot rent being RMB129 (2019: RMB117) per square metre.

(4) 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. During the Reporting Period, revenue was up by 2.4% year-on-year to RMB95 million. NPI amounted to RMB48 million (2019: RMB48 million).

The Tower Apartments at Beijing Oriental Plaza offers a total inventory of 809 units for leasing and is one of the largest serviced apartment developments in downtown Beijing. Occupancy rate was 84.2% (2019: 84.8%).

The newly-launched "The Residences at Sofitel Shenyang Lido" features 134 fully-furnished units for leasing. Occupancy rate was 52.5%. With a dedicated entrance, lobby and exclusive guest lifts, serviced apartment guests can enjoy a new level of privacy, comfort and convenience.

FINANCIAL REVIEW

Net Property Income
The net property income was RMB751 million for the six months ended 30 June 2020.

Distributions
Distribution Amount
Hui Xian REIT will distribute a total of RMB126 million ("**2020 Interim Distribution**") to Unitholders for the six months ended 30 June 2020. The 2020 Interim Distribution represents 90% of Hui Xian REIT's total amount available for distribution during the period from 1 January 2020 to 30 June 2020 and will be paid in RMB. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB126 million (2019: RMB244 million).

The year-on-year decrease in distribution amount was primarily caused by a drop in NPI mainly due to the COVID-19 pandemic, unrealised exchange loss on bank loans, and discontinuation of the early repayment of investment capital through repatriation of depreciation in accordance with the PRC foreign investment law which came into effect on 1 January 2020.

Due to the stressed political tension between US and China and the current global uncertain and volatile economic and socio-political environment, the Manager has decided to take a prudent view and discontinued to include the unrealised exchange loss on bank loans as a discretionary distribution during the Reporting Period.

In prior years, Distributable Depreciation was distributed to Unitholders as part of the distribution amount. Under the PRC foreign investment law effective on 1 January 2020, there is no provision for early repayment of investment capital of foreign investors through repatriation of depreciation to outside Mainland China. The amount was retained in the asset companies in the PRC, and could not be repatriated to Hong Kong for distribution.

Distribution per Unit
The interim DPU for the period from 1 January 2020 to 30 June 2020 is RMB0.0212 based on the number of outstanding Units on 30 June 2020. This represents an annualised distribution yield of 2.0% based on the closing unit price of RMB2.15 on 30 June 2020.

Closure of Register of Unitholders
The record date for the 2020 Interim Distribution will be 20 August 2020, Thursday ("**Record Date**"). The Register of Unitholders will be closed from 18 August 2020, Tuesday to 20 August 2020, Thursday, both days inclusive, during which period no transfer of Units will be registered. The interim distribution is expected to be payable on 25 September 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 2020 Interim 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 17 August 2020, Monday.

Debt Positions
In May 2020, Hui Xian Investment drew down an unsecured 3-year term loan of HK$800 million offered by Hang Seng Bank Limited and China Construction Bank (Asia) Corporation Limited. The purpose of the facility was to refinance the existing credit facility granted in April 2017.

In the same month, Hui Xian Investment also drew down an unsecured 3-year term loan of HK$600 million offered by Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch. The purpose of the facility was to refinance the existing credit facility granted in June 2015.

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 30 June 2020, Hui Xian REIT's total debts amounted to RMB11,093 million (31 December 2019: RMB10,871 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB24,420 million as at 30 June 2020 (31 December 2019: RMB25,983 million), Hui Xian REIT's debts to net asset value ratio was 45.4% (31 December 2019: 41.8%). Meanwhile, the debts to gross asset value ratio was 25.1% as at 30 June 2020 (31 December 2019: 23.4%).

Bank Balances and Asset Positions

As at 30 June 2020, Hui Xian REIT's bank balances and cash amounted to RMB6,618 million (31 December 2019: RMB6,807 million). The bank balances and cash are mainly denominated in RMB. No currency hedge was employed.

Pursuant to the requirements of the Code on Real Estate Investment Trusts ("**REIT Code**"), D&P China (HK) Limited ("**D&P China**") retired as principal valuer after it has conducted valuations of the real estate of Hui Xian REIT for three consecutive years. Knight Frank Petty Limited ("**Knight Frank**") was appointed as the principal valuer of Hui Xian REIT and valued its properties portfolio as at 30 June 2020.

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.

Knight Frank valued the eight blocks of office towers, the shopping centre and car parking spaces at RMB27,690 million as at 30 June 2020 (31 December 2019: RMB29,442 million), translating into a decrease of 6.0% over the valuation as of 31 December 2019. Together with the hotel and serviced apartment premises, gross property value of BOP was RMB32,230 million as at 30 June 2020, as compared to RMB34,075 million as at 31 December 2019.

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 30 June 2020, the shopping centre, office building and car parking spaces were valued by Knight Frank at RMB3,323 million (31 December 2019: RMB3,675 million). Gross property value of the properties as at 30 June 2020 was RMB3,278 million (31 December 2019: RMB3,627 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, a 38-storey hotel tower of 52,238 square metre. 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. Gross property value of the hotel premises as at 30 June 2020 was RMB391 million (31 December 2019: RMB399 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 metre 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. Gross property value of the hotel premises as at 30 June 2020 was RMB627 million (31 December 2019: RMB640 million).

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.

D&P China valued the hotel and serviced apartment premises of Shenyang Lido at RMB824 million as at 31 December 2019 while gross property value of the hotel and serviced apartment premises as at 30 June 2020 was RMB637 million (31 December 2019: RMB662 million).

Net Assets Attributable to Unitholders

As at 30 June 2020, net assets attributable to Unitholders amounted to RMB24,420 million (31 December 2019: RMB25,983 million) or RMB4.1017 per Unit, representing a 90.8% premium to the closing unit price of RMB2.15 on 30 June 2020 (31 December 2019: RMB4.4187 per Unit, representing a 34.7% premium to the closing unit price of RMB3.28 on 31 December 2019). Decline in net assets attributable to Unitholders was mainly due to the fair value decrease in investment properties portfolio.

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 30 June 2020, 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 30 June 2020, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,051 employees in Hong Kong and the PRC; of which, 1,013 employees performed hotel operation functions and services, and 38 employees handled legal, regulatory and other administrative matters 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 30 June 2020.

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures with built-in checks and balances have been put in place. In particular, the Manager has adopted, and revised from time to time, a compliance manual which sets out the key processes, systems and measures the Manager will apply in order to comply with the Trust Deed, the Code on Real Estate Investment Trusts ("**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 six months ended 30 June 2020, 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**") and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 announcement, Mr. CHEUNG Ling Fung, Tom (executive director and chief executive officer of the Manager), Mr. LEE Chi Kin, Casey (executive director and chief operating officer of the Manager), Ms. LAI Wai Yin, Agnes (executive director and chief financial officer 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.

Review of the Interim Results
The interim results of Hui Xian REIT for the six months ended 30 June 2020 have been reviewed by the Audit Committee and Disclosures Committee of the Manager in accordance with their respective terms of reference.

New Units Issued
In the six months ended 30 June 2020, (i) 22,734,668 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) 50,705,174 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 2019 to 31 December 2019.

The total number of Units in issue as at 30 June 2020 was 5,953,702,301 Units.

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 six months ended 30 June 2020.

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 30 June 2020.

Issuance of the Interim Report 2020
The interim report of Hui Xian REIT for the six months ended 30 June 2020 will be published on the respective websites of the Stock Exchange at www.hkexnews.hk and Hui Xian REIT at www.huixianreit.com, and will be sent to Unitholders on or before 31 August 2020.

By order of the Board
Hui Xian Asset Management Limited
滙賢房託管理有限公司
(as Manager of Hui Xian Real Estate Investment Trust)
CHEUNG Ling Fung Tom
Chief Executive Officer and Executive Director of the Manager

Hong Kong, 3 August 2020

As at the date of this announcement, the Directors of the Manager are Mr. KAM Hing Lam (Chairman and non-executive Director); Mr. CHEUNG Ling Fung, Tom, Mr. LEE Chi Kin, Casey and Ms. LAI Wai Yin, Agnes (executive Directors); 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).

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	**2020** **RMB million** **(unaudited)**	2019 RMB million (unaudited)
Revenue	*5*	**1,203**	1,598
Other income	*6*	**105**	116
Decrease in fair value of investment properties		**(2,101)**	(9)
Inventories consumed		**(7)**	(21)
Staff costs		**(62)**	(78)
Depreciation		**(180)**	(178)
Other operating expenses	*7*	**(371)**	(443)
Finance costs	*8*	**(162)**	(152)
Exchange loss		**(215)**	(59)
Manager's fees	*9*	**(68)**	(72)
Real estate investment trust expenses	*10*	**(5)**	(6)
(Loss) profit before taxation and transactions with unitholders		**(1,863)**	696
Income tax credit (expense)	*11*	**243**	(270)
(Loss) profit for the period, before transactions with unitholders		**(1,620)**	426
Distribution to unitholders		**(126)**	(725)
Loss for the period after transactions with unitholders		**(1,746)**	(299)
Total comprehensive expense for the period		**(1,746)**	(299)
(Loss) profit for the period, before transactions with unitholders attributable to:			
Non-controlling interests		**(21)**	(15)
Unitholders		**(1,599)**	441
		(1,620)	426
Basic (loss) earnings per unit *(RMB)*	*12*	**(0.2703)**	0.0762

FINANCIAL INFORMATION

DISTRIBUTION STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	2020 **RMB million** **(unaudited)**	2019 RMB million (unaudited)
(Loss) profit for the period, before transactions with unitholders	**(1,620)**	426
Non-controlling interests	**21**	15
(Loss) profit for the period attributable to unitholders, before transactions with unitholders	**(1,599)**	441
Adjustments *(Note (i))*:		
Manager's fees	**48**	50
Decrease in fair value of investment properties	**2,101**	9
Deferred tax	**(435)**	10
Other non-cash gain	**(1)**	-
Distributable depreciation	-	102
	1,713	171
Distributable income	**114**	612
Additional items *(Note (ii))*:		
Depreciation arising from fair value adjustment	**26**	26
Net unrealised exchange loss on bank loans and loan front-end fee	-	59
Other cash distributions	-	28
	26	113
Amount available for distribution	**140**	725
Payout ratio *(Note (iii))*	**90%**	100%
Distribution to unitholders	**126**	725
Distribution per unit *(RMB) (Note (iv))*	**0.0212**	0.1245

Notes:

(i) *Adjustments for the period include:*

(a) *For the six months ended 30 June 2020, Manager's fees payable in units of RMB48 million (22,262,728 units estimated to be issued) out of the total Manager's fees of RMB68 million. The difference of RMB20 million is payable in cash.*

For the six months ended 30 June 2019, Manager's fees payable in units of RMB50 million out of the total Manager's fees of RMB72 million. The difference of RMB22 million was payable in cash.

(b) *Decrease in fair value of investment properties of RMB2,101 million (2019: RMB9 million).*

(c) *Deferred tax charge of RMB3 million (2019: RMB11 million) in relation to accelerated tax depreciation and deferred tax credit of RMB438 million (2019: RMB1 million) in relation to change in fair value of investment properties.*

(d) *Other non-cash gain of RMB1 million (2019: nil).*

(e) *For the six months ended 30 June 2019, distributable depreciation of Beijing Oriental Plaza attributable to unitholders of RMB102 million represented depreciation of RMB102 million less zero capital expenditure. Under the People's Republic of China (the "PRC") foreign investment law which became effective on 1 January 2020, there was no provision for the repatriation of capital in the form of depreciation. As a result, there is no distributable depreciation since 1 January 2020.*

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 period/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 period/year.

(ii) *Additional items refer to any additional amount (include capital) to be distributed as determined by the Manager pursuant to clause 11.4.1 of the Trust Deed. Additional items for the period include:*

(1) *Depreciation attributable to unitholders arising from fair value adjustment upon acquisition of Shenyang Lido Business Co. Ltd, Chongqing Oriental Plaza Hotel Co., Ltd and Chengdu Changtian Co., Ltd. totalling RMB26 million (2019: RMB26 million).*

(2) *For the six months ended 30 June 2019, net unrealised exchange loss on bank loans and loan front-end fee of RMB59 million.*

(3) *For the six months ended 30 June 2019, other cash distributions of RMB28 million.*

(iii) *In accordance with the Trust Deed, Hui Xian REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period.*

Distributions to unitholders for the six months ended 30 June 2020 represent a payout ratio of 90% (2019: 100%) of Hui Xian REIT's distributable income for the period.

(iv) *The distribution per unit of RMB0.0212 for the six months ended 30 June 2020 is calculated based on 90% of Hui Xian REIT's amount available for distribution of RMB140,153,855 over 5,953,702,301 units, representing issued units as at 30 June 2020. The distribution per unit of RMB0.1245 for the six months ended 30 June 2019 was 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.*

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTES	**30.6.2020 RMB million (unaudited)**	31.12.2019 RMB million (audited)
Non-current assets			
Investment properties	*13*	**30,841**	32,938
Property, plant and equipment	*14*	**2,260**	2,311
Right-of-use assets	*15*	**4,185**	4,270
Goodwill		**2**	2
Total non-current assets		**37,288**	39,521
Current assets			
Inventories		**27**	27
Trade and other receivables	*16*	**195**	120
Bank balances and cash		**6,618**	6,807
Total current assets		**6,840**	6,954
Total assets		**44,128**	46,475
Current liabilities			
Trade and other payables	*17*	**388**	515
Tenants' deposits		**290**	314
Tax payable		**86**	42
Manager's fee payable		**68**	72
Distribution payable		**126**	548
Bank loans	*18*	**5,520**	2,191
Total current liabilities		**6,478**	3,682
Total assets less current liabilities	*21*	**37,650**	42,793
Non-current liabilities, excluding net assets attributable to unitholders			
Bank loans	*18*	**5,573**	8,680
Tenants' deposits		**477**	457
Deferred tax liabilities		**6,914**	7,386
Total non-current liabilities, excluding net assets attributable to unitholders		**12,964**	16,523
Total liabilities, excluding net assets attributable to unitholders		**19,442**	20,205
Non-controlling interests		**266**	287
Net assets attributable to unitholders		**24,420**	25,983
Units in issue *('000)*		**5,953,702**	5,880,262
Net asset value per unit *(RMB)* attributable to unitholders	*19*	**4.1017**	4.4187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 (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 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 controlled entities (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 condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of Hui Xian REIT.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" and the relevant disclosure requirements set out in Appendix C of the REIT Code issued by the SFC.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except as described below.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRS

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRS") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the Manager concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current period has had no material impact on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Variable lease payments (the Group as a lessor)

When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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, Chongqing, the PRC and Sheraton Chengdu Lido Hotel, Chengdu, the PRC.

(a) Segment revenue and results

Six months ended 30 June 2020 (unaudited)

	Malls RMB million	**Offices** RMB million	**Apartments** RMB million	**Hotels** RMB million	**Consolidated** RMB million
Segment revenue	**483**	**562**	**95**	**63**	**1,203**
Segment profit (loss)	**344**	**403**	**48**	**(44)**	**751**
Decrease in fair value of investment properties					**(2,101)**
Finance costs					**(162)**
Depreciation					**(169)**
Unallocated income and gain					**100**
Unallocated expense and loss					**(282)**
Loss before taxation and transactions with unitholders					**(1,863)**

4. SEGMENT REPORTING - continued

(a) Segment revenue and results - continued

Six months ended 30 June 2019 (unaudited)

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Consolidated RMB million
Segment revenue	614	660	93	231	1,598
Segment profit	452	499	48	43	1,042
Decrease in fair value of investment properties					(9)
Finance costs					(152)
Depreciation					(171)
Unallocated income and gain					113
Unallocated expense and loss					(127)
Profit before taxation and transactions with unitholders					696

Segment profit (loss) represents the profit earned or loss incurred 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 expenses, certain other operating expenses, exchange loss and certain other income that are not directly related to each segmental activities and finance costs. This is the measure reported to the Manager for the purposes of resource allocation and performance assessment.

(b) Segment assets

The following is an analysis of the Group's assets by operating segment:

	30.6.2020 RMB million (unaudited)	31.12.2019 RMB million (audited)
Malls	**16,214**	17,286
Offices	**14,862**	15,822
Apartments	**2,462**	2,521
Hotels	**4,002**	4,095
Total segment assets	**37,540**	39,724
Bank balances and cash	**6,511**	6,684
Other assets	**77**	67
Consolidated total assets	**44,128**	46,475

4. SEGMENT REPORTING - continued

(b) Segment assets - continued

For the purposes of monitoring segment performances and resources allocation, all investment properties, right-of-use assets, 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.

For the measurement of segment assets and results, property, plant and equipment and right-of-use assets are allocated to segments while their corresponding depreciation are not allocated to segment results on the same basis.

(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 the period.

(d) Other segment information

Six months ended 30 June 2020 (unaudited)

	Malls **RMB million**	**Offices** **RMB million**	**Apartments** **RMB million**	**Hotels** **RMB million**	**Total reportable segments** **RMB million**
Depreciation of property, plant and equipment	**1**	**-**	**2**	**8**	**11**

Six months ended 30 June 2019 (unaudited)

	Malls RMB million	Offices RMB million	Apartments RMB million	Hotels RMB million	Total reportable segments RMB million
Depreciation of property, plant and equipment	1	1	2	3	7

5. REVENUE

For the six months ended 30 June 2020	**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	**-**	**-**	**64**	**37**	**101**
Food and beverage	**-**	**-**	**-**	**20**	**20**
Carpark revenue	**11**	**-**	**-**	**-**	**11**
Ancillary services income	**59**	**91**	**31**	**6**	**187**
	70	**91**	**95**	**63**	**319**
Rental income	**413**	**471**	**-**	**-**	**884**
Total revenue	**483**	**562**	**95**	**63**	**1,203**
Timing of revenue recognition					
A point in time	**16**	**16**	**3**	**21**	**56**
Over time	**54**	**75**	**92**	**42**	**263**
Total	**70**	**91**	**95**	**63**	**319**

For the six months ended 30 June 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	-	-	65	156	221
Food and beverage	-	-	-	66	66
Carpark revenue	13	-	-	-	13
Ancillary services income	76	124	28	9	237
	89	124	93	231	537
Rental income	525	536	-	-	1,061
Total revenue	614	660	93	231	1,598
Timing of revenue recognition					
A point in time	32	40	3	72	147
Over time	57	84	90	159	390
Total	89	124	93	231	537

The gross rental from investment properties includes variable lease payments that do not depend on an index or a rate of RMB3 million (2019: RMB5 million).

The direct operating expense from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB303 million (2019: RMB325 million).

6. OTHER INCOME

	2020 **RMB million** **(unaudited)**	2019 RMB million (unaudited)
Interest income from banks	**99**	112
Government subsidies	**3**	3
Others	**3**	1
Total	**105**	116

7. OTHER OPERATING EXPENSES

	2020 RMB million (unaudited)	2019 RMB million (unaudited)
Advertising and promotion	**11**	12
Audit fee	**1**	1
Insurance	**3**	3
Lease agency fee	**19**	16
Property manager's fee	**36**	44
Property management fees	**25**	34
Repairs and maintenance	**30**	34
Other miscellaneous expenses *(Note)*	**62**	81
Stamp duty	**2**	1
Urban land use tax	**1**	2
Urban real estate tax	**134**	158
Utilities	**42**	49
Value added tax surcharges	**5**	8
	371	443

Note: Other miscellaneous expenses comprise mainly cleaning and security expenses, guest supplies and labour service fees.

8. FINANCE COSTS

	2020 RMB million (unaudited)	2019 RMB million (unaudited)
Interest expense on unsecured bank loans	**162**	152

9. MANAGER'S FEES

	2020 RMB million (unaudited)	2019 RMB million (unaudited)
Base Fee	**60**	60
Variable Fee	**8**	12
	68	72

10. REAL ESTATE INVESTMENT TRUST EXPENSES

	2020 RMB million (unaudited)	2019 RMB million (unaudited)
Trustee's fee	**2**	2
Legal and professional fees	**1**	2
Public relations - related expenses	**-**	1
Trust administrative expenses and others	**2**	1
	5	6

11. INCOME TAX (CREDIT) EXPENSE

	2020	2019
	RMB million	RMB million
	(unaudited)	(unaudited)
The income tax (credit) expense comprises:		
Current tax		
- PRC Enterprise Income Tax	**165**	231
- Withholding tax	**64**	64
Deferred taxation	**(472)**	(25)
	(243)	270

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.

The Law of the PRC 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 1 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.

12. (LOSS) EARNINGS PER UNIT

The (loss) earnings per unit is calculated by dividing the loss for the period attributable to unitholders before transactions with unitholders of RMB1,599 million (2019: profit of RMB441 million) by 5,914,410,612 units (2019: 5,784,101,171 units) being the weighted average number of units in issue during the period of 5,903,226,256 units (2019: 5,776,607,636 units), plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 January 2020 to 30 June 2020 of 11,184,356 units (2019: for the period from 1 January 2019 to 30 June 2019 of 7,493,535 units).

13. INVESTMENT PROPERTIES

	30.6.2020	31.12.2019
	RMB million	RMB million
	(unaudited)	(audited)
FAIR VALUE		
At the beginning of the period/year	**32,938**	33,086
Additions	**4**	34
Transferred from property, plant and equipment	-	8
Transferred from right-of-use assets	-	36
Decrease in fair value recognised in profit or loss	**(2,101)**	(214)
Transferred to property, plant and equipment	-	(5)
Transferred to right-of-use assets	-	(7)
At the end of the period/year	**30,841**	32,938

13. INVESTMENT PROPERTIES - continued

(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 30 June 2020 and 31 December 2019 by Knight Frank Petty Limited and D&P China (HK) Limited, independent professional valuers with appropriate professional qualifications and experiences in the valuation of similar properties in the relevant locations respectively.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of RMB46 million (2019: RMB74 million) and no property, plant and equipment was transferred from investment properties (2019: RMB2 million).

No building and plant and machinery were transferred to investment properties during the six months ended 30 June 2020 (2019:RMB4 million).

Items of plant and equipment with a carrying value of RMB2 million were disposed of during the six months ended 30 June 2020 (2019: RMB1 million).

15. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, there was no transfer from investment properties to right-of-use assets (2019: RMB8 million).

During the six months ended 30 June 2020, there was no transfer from right-of-use assets to investment properties (2019: RMB16 million after revaluation).

16. TRADE AND OTHER RECEIVABLES

	30.6.2020 **RMB million** **(unaudited)**	31.12.2019 RMB million (audited)
Trade receivables	**90**	29
Deposits and prepayments	**8**	15
Advance to suppliers	**14**	10
Interest receivables	**46**	30
Other receivables	**37**	36
	195	120

Aging analysis of the Group's trade receivables by invoice dates at the end of the reporting period is as follows:

	30.6.2020 **RMB million** **(unaudited)**	31.12.2019 RMB million (audited)
Less than or equal to 1 month	**45**	16
1 - 3 months	**29**	7
Over 3 months	**16**	6
	90	29

17. TRADE AND OTHER PAYABLES

	30.6.2020 RMB million (unaudited)	31.12.2019 RMB million (audited)
Trade payables	**106**	136
Receipts in advance *(Note (i))*	**159**	223
Others *(Note (ii))*	**123**	156
	388	515

Notes:

(i) Included in receipts in advance are contract liabilities amounting to RMB61 million, RMB65 million and RMB59 million as at 30 June 2020, 31 December 2019 and 1 January 2019 respectively related to room rental and ancillary services provided in malls, offices, apartments and hotels segments.

(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:

	30.6.2020 RMB million (unaudited)	31.12.2019 RMB million (audited)
Less than or equal to 3 months	**52**	92
Over 3 months	**54**	44
	106	136

18. BANK LOANS

	30.6.2020 RMB million (unaudited)	31.12.2019 RMB million (audited)
Unsecured term loans	**11,121**	10,906
Loan front-end fees	**(28)**	(35)
	11,093	10,871

The maturities of the above bank loans are as follows:

Within one year	**5,520**	2,191
More than one year but not exceeding two years	**1,821**	4,469
More than two years but not exceeding five years	**3,752**	4,211
	11,093	10,871
Less: Amounts shown under current liabilities	**(5,520)**	(2,191)
Amounts due after one year	**5,573**	8,680

18. BANK LOANS - continued

In relation to the credit facility of HK$800 million granted to the Group on 28 April 2020 to refinance the credit facility granted in April 2017, the total amount of the credit facility utilised by the Group as at 30 June 2020 was HK$800 million (equivalent to RMB731 million) (31 December 2019: HK$800 million (equivalent to RMB717 million)). It bears interest at floating interest rate of Hong Kong Interbank Offered Rate ("HIBOR") plus 0.90% per annum and is repayable in full in May 2023.

In relation to the credit facility of HK$600 million granted to the Group on 25 May 2020 to refinance the credit facility granted in June 2015, the total amount of the credit facility utilised by the Group as at 30 June 2020 was HK$600 million (equivalent to RMB548 million) (31 December 2019: HK$600 million (equivalent to RMB537 million)). It bears interest at floating interest rate of HIBOR plus 0.95% per annum and is repayable in full in May 2023.

Bank loans are guaranteed by the Trustee (in its capacity as Trustee of Hui Xian REIT) and certain subsidiaries of Hui Xian REIT.

19. 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 30 June 2020 of RMB24,420 million (31 December 2019: RMB25,983 million) and the total number of 5,953,702,301 units in issue as at 30 June 2020 (31 December 2019: 5,880,262,459 units).

20. NET CURRENT ASSETS

As at 30 June 2020, the Group's net current assets, defined as total current assets less total current liabilities, amounted to RMB362 million (31 December 2019: RMB3,272 million).

21. TOTAL ASSETS LESS CURRENT LIABILITIES

As at 30 June 2020, the Group's total assets less current liabilities amounted to RMB37,650 million (31 December 2019: RMB42,793 million).