# 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**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 JANUARY 2020 TO 31 DECEMBER 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 annual results of Hui Xian REIT and its special purpose vehicles for the period from 1 January 2020 to 31 December 2020 ("**Reporting Period**") are as follows:

* Dissolved on 9 April 2020

# FINANCIAL HIGHLIGHTS

For the financial year from 1 January 2020 to 31 December 2020

| | **1 Jan – 31 Dec 2020** | **1 Jan – 31 Dec 2019** | **Percentage Change** |
|---|---|---|---|
| Total Revenue *(RMB million)* | **2,499** | 3,169 | -21.1% |
| Net Property Income *(RMB million)* | **1,491** | 2,012 | -25.9% |
| Amount Available for Distribution *(RMB million)* | **577** | 1,334 | -56.7% |
| Distributions to Unitholders *(RMB million)* | **520** | 1,273 | -59.2% |
| Distribution per Unit *(RMB)*<br>*H1 DPU (RMB)*<br>*H2 DPU (RMB)* | **0.0866**<br>*0.0212*<br>*0.0654* | 0.2177<br>*0.1245*<br>*0.0932* | -60.2%<br>*-83.0%*<br>*-29.8%* |

# CHAIRMAN'S STATEMENT

**China Became the Only Major Economy Recording GDP Growth in 2020**

The COVID-19 pandemic and the ensuring lockdown measures have plunged the world economy into a severe contraction in 2020. According to the International Monetary Fund ("**IMF**") forecast, the global economy shrank by 3.5% in 2020.

China's economy was adversely affected by the COVID-19 pandemic during the first half of ("**H1**") 2020. The country's gross domestic product ("**GDP**") during the first quarter of 2020 contracted by 6.8% year-on-year.

As the COVID-19 situation eased off within the border in the second half of ("**H2**") 2020, and a series of stimulus policies having been rolled out by the Chinese Government, China's economy has shown noticeable improvement in H2 2020.

China's GDP during the last quarter of 2020 rose by 6.5% year-on-year, bringing the full-year growth to 2.3%. It was the only major economy to have recorded expansion in 2020. China was also the largest recipient of foreign direct investment ("**FDI**") in 2020, bringing in US$163 billion in inflow.

**Accordingly, Hui Xian REIT's Business Showed Signs of Recovery in H2**

As the entire property portfolio of Hui Xian REIT is located in China, the business of all sectors was significantly affected by the COVID-19 pandemic during H1 2020.

After a tough H1 2020, our assets' business started to improve gradually in H2 2020 as the pandemic became largely under control within China.

**H2 DPU was Three Times of H1 DPU**

Amount Available for Distribution for H2 2020 increased to RMB437 million from RMB140 million in H1 2020.

The Board has decided to set the payout ratio as 90% and declared a final DPU of RMB0.0654 for H2 2020, three times that of the interim DPU.

**2020 Full Year Results Down YoY Despite Improvement in H2**

During the year, Hui Xian REIT's revenue amounted to RMB2,499 million (2019: RMB3,169 million). Net property income ("**NPI**") was RMB1,491 million (2019: RMB2,012 million).

Amount Available for Distribution was RMB577 million (2019: RMB1,334 million). Distributions to Unitholders was RMB520 million (2019: RMB1,273 million).

Final DPU for 2020 was RMB0.0654. Together with the interim DPU of RMB0.0212, Hui Xian REIT's total DPU for the financial year was RMB0.0866 (2019: RMB0.2177). Based on the closing unit price of RMB1.81 on 31 December 2020, the distribution yield was 4.8%.

**Business Performance Varied by Sector and Location**

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

The hotel portfolio was the worst performing sector. It has been hit particularly hard due to the travel restrictions. The lockdown measures prohibiting both international and domestic travel had led to a drastic drop in the number of tourists and the demand for hotel rooms. Occupancy rates in H1 2020 have fallen to dramatically low numbers. Following the easing of restrictions in H2 2020, with pent-up travel demand driving the resumption of domestic-led travel, there was a rebound in our hotel business.

Although the COVID-19 impact on the leasing business of retail, office and serviced apartment was relatively less pronounced given that the revenue is protected by medium and long-term lease agreements, each sector was still affected to varying degrees.

During the lockdown in H1 2020, consumers shopped online as they could not leave homes and visit the stores in person. Footfall and turnover at our shopping centres have declined to an unprecedented level. Consumer sentiment has improved since H2 2020, partly due to the government's stimulus measures. Accordingly, our retail portfolio had seen signs of improvement.

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 in China was weak and rents were under tremendous pressure. With the gradual resumption of economic activities in H2 2020, our office portfolio's occupancy stabilized.

The serviced apartment leasing business was affected by the travel restrictions and lockdown as it became harder to recruit new tenants, especially with the expatriate workers as travel to China had been restricted for most of 2020.

As a whole, Hui Xian REIT's four sectors had shown improvement in H2 2020. The pace of recovery varied across different cities.

***(1) Hotel Portfolio – A Roller Coaster Year***

Hui Xian REIT's hotel portfolio comprises four international chain hotels in four key cities in China. Affected by COVID-19, their business during 2020 has been a roller coaster ride, with ups and downs. The NPI of the hotel portfolio reported a loss of RMB51 million as compared to a profit of RMB89 million in 2019.

The four hotels reported record lows in occupancy as well as revenue per available room ("**RevPAR**") in H1 2020. Revenue from hotel restaurants, banquets and corporate events also saw a steep decline.

There was a visible rebound in H2 2020 following the relaxation of COVID-19 containment measures in China. Occupancy rates at four hotels picked up on the back of domestic travel and consumption, especially during the summer months and October's Golden Week. The hotel portfolio's revenue in H2 was almost three times of that in H1.

***Grand Hyatt Beijing Hit by Strict COVID-19 Preventive Measures and Absence of Foreign Tourists***

As the capital city and political centre of China, Beijing imposed very strict COVID-19 preventive measures. Tourists and returning residents were subject to stringent quarantine requirements either before or after entering the city.

Beijing's pace of economic recovery seems to be slower than other cities as suggested by its 2020 GDP growth of 1.2%, which was below the national growth rate of 2.3%.

While many Chinese cities started to recover from the pandemic, the sudden spike of COVID-19 infections in June and December in Beijing caused further dents. In January 2021, there was another wave in Shijiazhuang, capital of Hebei province, immediately raised concern because of its proximity to Beijing. Tighter preventive measures were re-imposed and mass testing was conducted.

Over the years, international tourists have been an important source of revenue for Grand Hyatt Beijing. In 2020, international travel has already been sharply curbed by the pandemic. According to the Beijing Municipal Bureau of Statistics, Beijing's foreign tourist arrival in 2020 dropped 97% year-on-year. The absence of foreign tourists had an adverse impact on the hotel's business, and Grand Hyatt Beijing reported an operating loss in H1 2020.

Following the easing of domestic travel restrictions and resumption of inter-provincial group tours in H2 2020, Grand Hyatt Beijing's occupancy rate started to pick up and improved to 54.4% from 15.5% in H1 while room rate was down by 15.9% compared to H1.

As for 2020, average occupancy rate was 34.9% (2019: 80.8%), and average room rate was RMB936 (2019: RMB1,271).

Grand Hyatt Beijing's NPI in H2 returned to positive. However, it was not sufficient to cover the loss from previous months, resulting in a loss being recorded for full-year NPI.

***Asset Enhancement Initiatives Continued at Hyatt Regency Liberation Square Chongqing***
Hyatt Regency Liberation Square Chongqing was temporarily closed for business in February and March 2020 in accordance to government's guidelines. During H1 2020, an operating loss was recorded.

Whilst the pandemic continued to impact the hotel business, the asset enhancement programme progressed during the year and more renovated hotel rooms were made available. Room inventory increased to 320 as at 31 December 2020 from 231 a year ago. The increase in room inventory took place just in time to meet the recovering domestic travel demand in H2 2020. The total number of rooms sold in 2020 rose 31.6% over 2019. Occupancy rate was 46.1% based on an enlarged inventory (2019: 43.0%). Average room rate per night was RMB534, a drop of only 5.2% from 2019.

Revenue generated by Hyatt Regency Liberation Square Chongqing in H2 2020 was over four times that in H1. Despite significant improvement of business in H2 2020, a full-year operating loss was incurred owing to the loss of two months' income in H1.

***Sofitel Shenyang Lido Business – Northeast Region Particularly Affected by COVID-19***
Shenyang is located in the northeast of China. Various cities in the northeast region had been affected by the on-and-off COVID infections in 2020. Whenever there was a new surge in cases, strict preventive measures were implemented.

Occupancy at Sofitel Shenyang Lido started to pick up in the last quarter of 2020, driven by the gradual recovery of domestic travel. Its business showed a marked improvement in H2 2020, more than doubling its revenue over H1. Occupancy rate in H2 2020 was 42.6% as compared to 13.3% in H1 2020.

During the Reporting Period, Sofitel Shenyang Lido's average occupancy rate was 28.0% (2019: 36.6%). Average room rate per night was RMB442 (2019: RMB467). An operating loss was incurred in 2020.

***Sheraton Chengdu Lido Hotel Recovered to Nearly Pre-pandemic Level***
Among the four cities, Chengdu's economy and tourism have recovered at a relatively faster pace. In June 2020, Sheraton Chengdu Lido Hotel returned to a cash positive position.

Driven by the recovery of domestic tourism, the hotel's occupancy increased to 78.3% in H2 2020 from 34.7% in H1 2020. Its NPI in H2 2020 recovered to nearly the same level as compared to H2 2019.

Unfortunately, Chengdu was on high alert again after new COVID-19 cases were reported in December 2020. The hotel's occupancy dropped to 31.7% that month.

On a full-year basis, the hotel managed to achieve positive NPI despite a disappointing H1 2020. Average occupancy rate of 2020 was 56.6% (2019: 74.3%). Average room rate per night was RMB446 (2019: RMB507).

***(2) Retail Portfolio – Rental Relief Measures to Support Occupancy***

2020 has been difficult for many retailers and landlords in China. According to the National Bureau of Statistics, China's retail sales of consumer goods fell by 3.9% year-on-year in 2020.

At the height of the pandemic, cinemas, gyms and entertainment venues had to be closed for business temporarily according to government measures. Only take-away and delivery services were allowed for restaurants. Some retailers struggled to pay rent. At the same time, many landlords faced various challenges, such as rental collection problems, tenant bankruptcies and substantial reduction in rental income and occupancy.

COVID-19 has brought structural changes to the retail industry and consumer behaviour. Consumers stayed at home during the lockdown and shopped online, accelerating the shift from physical to online purchasing. Shopper footfall and retail sales in the majority of brick-and-mortar stores recorded decrease in figures. In China, online retail sales of physical goods increased 14.8% year-on-year in 2020, accounting for 24.9% of the total retail sales of consumer goods.

Hui Xian REIT's retail portfolio consists of two shopping centres: (i) The Malls at Beijing Oriental Plaza, and (ii) The Mall at Chongqing Metropolitan Oriental Plaza. NPI was RMB667 million (2019: RMB893 million).

In 2020, Beijing's total retail sales of consumer goods declined 8.9% year-on-year, steeper than the national average of 3.9% decrease.

At The Malls at Beijing Oriental Plaza, a number of tenants suffered from a decline in business during 2020. Some faced cash flow and supply chain problems; and some sought rental relief and deferment plan, or lease renegotiation.

The Malls' occupancy rate in the beginning of 2020 was approximately 99%; subsequently it dropped to 86% in the middle of the year.

In a weak retail environment, The Malls had to consider offering rent relief programme. At the same time, The Malls worked hard on lease renewals, even at a lower rental rate.

Due to its excellent location and tenant mix, The Malls remained popular among retailers and shoppers. Occupancy rate as at December 2020 was improved to 91.5%.

Average occupancy rate for 2020 was 92.4% (2019: 98.4%). Average monthly passing rent was RMB972 (2019: RMB1,151) per square metre. Average spot rent was down by 9.7% year-on-year. Negative rental reversion rate was 34.4%.

Various online and offline marketing campaigns were launched by The Malls to drive shopper traffic and spending. Beijing Government also issued electronic coupons to stimulate domestic consumption. Both footfall and retail sales recovered visibly towards the end of 2020.

The Mall at Chongqing Metropolitan Oriental Plaza was closed in February 2020 following the local government measures, and was reopened in phases in March. The business of the tenants was badly affected. Rental relief schemes were offered to tenants. Foot traffic and retail sales had been gradually recovering since H2 2020. Average occupancy rate was 81.0% (2019: 87.6%) and average monthly passing rent was RMB131 (2019: RMB155) per square metre.

***(3) Office Portfolio – Focus on Retaining Quality Tenants***

Over the past several years, China's office leasing market has been facing the challenge of weakening demand and excess supply. Hui Xian REIT's office portfolio has been negatively impacted by the ongoing China-US trade war since 2019. The COVID-19 pandemic posed a new threat to the office leasing market.

COVID-19 weighed heavily on the global economy. Many corporations have become extremely cost-conscious. There were also many cases of tenants scaling back or even reneging on leases. Leasing momentum was weak. Landlords had to take a much more accommodative stance in lease negotiations.

The pandemic has also ushered in a “work-from-home” concept. As “work-from-home” becomes the new normal, the demand for office space in the long run is likely to be affected.

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 RMB790 million (2019: RMB935 million).

Beijing’s office vacancy rate was 19.4% as at the last quarter of 2020, hitting its ten-year high according to Colliers’ report[1]. High availability of vacant space put further pressure on rental.

Amid a volatile market environment, many tenants of The Tower Offices at Beijing Oriental Plaza had suspended or delayed their expansion plans. Occupancy rate declined from 90.5% in 2019 to 85.2% in 2020. Average monthly passing rent was RMB281 (2019: RMB298) per square metre.

To maintain stable income stream and occupancy, retaining existing tenants became the top priority during 2020. The Tower Offices offered attractive and flexible rental renewal packages to quality tenants. Newly committed rents were unavoidably lower resulting in negative reversion. Average monthly spot rent was RMB273 (2019: RMB303) per square metre.

Chongqing’s office market faced similar challenges. The city’s office vacancy rate was 27.5%[2] as at the end of 2020. At The Tower at Chongqing Metropolitan Oriental Plaza, occupancy rate was slightly down to 87.4% (2019: 89.7%) and average monthly passing rent was RMB103 (2019: RMB113) per square metre.

Sources:
1) Colliers, “Beijing, Q4 2020, Office: Beijing Office Vacancy Rate Hits 10-Year High”, 14 January 2021
2) Savills Research, “Market in Minutes – Chongqing”, 21 January 2021

***(4) Serviced Apartment Portfolio – Shifting from International to Domestic Market***

The leasing business of serviced apartment was not immune to the impact caused by the COVID-19 pandemic, but it showed a relative degree of resilience compared to the hotel sector due to their leases being of longer duration.

With travel restrictions and strict preventive measures in place, it became more difficult to recruit new tenants as fewer site inspections for prospective tenants could be arranged. Expatriates, who were a target market, could not travel to China most of the time in 2020.

Hui Xian REIT’s serviced apartment portfolio comprises two projects. NPI declined to RMB85 million (2019: RMB95 million).

The Tower Apartments at Beijing Oriental Plaza, one of Beijing’s largest serviced apartment developments, has a total inventory of 836 units, spreading across four towers. Occupancy rate was 82.1% (2019: 87.0%). Riding on its excellent location and services, The Tower Apartments focused on the growing affluent domestic market — residents from both Beijing and other Chinese provinces — who have become the major target tenants.

In Shenyang, “The Residences at Sofitel Shenyang Lido” offers 134 units for leasing. The newly-launched serviced apartment project has been building up its brand awareness and occupancy rate, which was up from 51.1% in H1 2020 to 60.0% in H2 2020. Average occupancy rate for the year was 55.5% (2019: 45.4%).

**Financial Position Remained Sound**

Hui Xian REIT continues to adopt a prudent financial strategy. During the Reporting Period, bank loans totaled approximately RMB1,375 million were repaid, and total debts were reduced to RMB8,876 million from RMB10,871 million a year earlier. Debts to gross asset value ratio was improved to 20.8% (2019: 23.4%) while bank balances and cash on hand amounted to RMB5,725 million (as at 31 December 2019: RMB6,807 million).

**2021 Outlook Remains Challenging**

Looking ahead to 2021, vaccines have offered hope for world economic recovery. According to the latest issue of “The World Economic Outlook” published by IMF, the global economic growth is expected to be 5.5% in 2021. China sets 2021 GDP growth target of over 6%.

Nevertheless, the shadow of the pandemic is expected to continue to linger over the world in 2021. Renewed waves and new variants of the virus posed concerns for the outlook, threatening the pace of economic recovery.

There was a resurgence of COVID-19 cases in several Chinese cities in late 2020 and early 2021. The authorities had taken a swift response to contain the spread by re-imposing tight restrictive measures on travel and large-scale gatherings. Residents were encouraged to stay where they were instead of travel during the Chinese New Year holiday (February 2021), normally the busiest travel time of the year in China. The overall traffic volume by rail, road, air and water during the first six days of Chinese New Year was down by 76.4% and 43.1% compared to 2019 and 2020 respectively according to the Ministry of Transport of the People's Republic of China. Our hotels' business was also negatively affected.

Since international travel may not be feasible in the near term, Chinese consumers are opting for destinations within the country. Our hotels will continue to put greater emphasis on the domestic market by creating enticing staycation packages and food and beverage offerings.

The recovery of Hui Xian REIT's hotel portfolio would depend largely on whether there would be any resurgence of COVID-19 cases. It is also crucial for us to capture the rising domestic market for both our hotels and serviced apartments.

Global economy and international trade are unlikely to recover to pre-pandemic level within a short period of time. The new normal of "work-from-home" has reshaped the office property market outlook. As a result, the office leasing market remains tenant-favourable and rents will continue to be under pressure. For our office portfolio, we will focus on building occupancy and maximizing the retention rates. To attract new tenants, competitive and flexible leasing strategies will be adopted. It is expected that the leasing business of the office portfolio will be stable.

Supported by Chinese Government's stimulus measures, domestic consumption has shown signs of improvement since H2 2020. Retail sales and traffic flow of our shopping centres are gradually recovering. Due to the rental concessions offered earlier and negative reversions, the financial impact will continue to affect the retail portfolio in 2021 and throughout the entire lease terms.

The consumer market saw a strong rebound during the Chinese New Year holiday in 2021, with sales volume generated by key retail and catering companies reaching RMB821 billion, an increase of 28.7% from 2020 and 4.9% from 2019 according to the figures from the Ministry of Commerce of the People's Republic of China.

Leveraging on their prime locations and long-established reputation, we are committed to find the right balance among tenant mix, occupancy and rental for our shopping centres.

While the near term global economic outlook remains unpredictable, we remain firm believers in the fundamentals of China and we have confidence in China's ability and commitment to combat the COVID-19 pandemic. China's economy is also on track for recovery. 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 hard work during this difficult period. I would also like to thank all the Unitholders and the Trustee for their continued support 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, 12 March 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## PORTFOLIO HIGHLIGHTS

As at 31 December 2020, Hui Xian REIT's portfolio included:
(1) 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) 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) 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) 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) 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 chain hotels: Grand Hyatt Beijing at Beijing Oriental Plaza, Hyatt Regency Liberation Square Chongqing, Sofitel Shenyang Lido (70% interest) and Sheraton Chengdu Lido Hotel (69% interest).

Revenue of the hotel portfolio was RMB237 million (2019: RMB490 million) in 2020. The aggregate NPI recorded a loss of RMB51 million compared to the profit of RMB89 million in 2019.

The COVID-19 pandemic has led to travel restrictions and quarantine measures around the world, bringing international travel to a standstill and creating unprecedented challenges for the hotel industry.

In March 2020, China temporarily suspended the entry of foreign nationals, and the ban was subsequently lifted in September. There was a dramatic drop in international tourist arrivals in China during 2020. At the height of the pandemic in H1 2020, there were also restrictions on domestic travel within China.

In H1 2020, occupancy rates and room revenues at our four hotels plummeted. Many corporate functions, banquets and weddings were also cancelled or postponed according to government guidelines. All these impacted the income of our hotels.

Following the easing of COVID-19 preventive measures and resumption of trans-provincial travel in H2 2020, there was a notable improvement in our hotels' business. The pace of recovery varied across the cities.

*(i) Grand Hyatt Beijing*

The pandemic containment measures in Beijing, the capital city, were extremely stringent. Tourists and returning residents were subject to strict entry and quarantine requirements.

In June and December 2020, Beijing saw a resurgence of COVID-19 cases. In January 2021, there were also new cases in Shijiazhaung, the capital of Hebei province, which surrounds Beijing. Strict preventive restrictions were re-implemented.

International tourists have been a vital source of revenue for Grand Hyatt Beijing. International travel came to a near complete halt in 2020 due to the COVID-19 pandemic. Beijing's foreign tourist arrivals in 2020 plunged 97% year-on-year according to the Beijing Municipal Bureau of Statistics. The absence of foreign tourists had negatively impacted Grand Hyatt Beijing. In H1 2020, it recorded an occupancy rate of 15.5% and an operating loss.

Following the relaxation of domestic travel restrictions in H2 2020, Grand Hyatt Beijing's occupancy rate picked up and recorded an occupancy rate of 54.4%. Its NPI in H2 2020 returned to positive. However, it was not enough to offset the disappointing performance in H1. The full-year NPI recorded an operating loss.

In 2020, Grand Hyatt Beijing's average occupancy rate was 34.9% (2019: 80.8%). Average room rate was RMB936 (2019: RMB1,271).

***(ii) Hyatt Regency Liberation Square Chongqing***

Hyatt Regency Liberation Square Chongqing was closed for business during February and March 2020, in line with local government guidelines. It reopened in April.

The hotel's asset enhancement works continued during the Reporting Period and more renovated hotel rooms were made available. As at the end of 2020, its room inventory was increased to 320 from 231 a year earlier. The expanded room inventory allowed the hotel to capture the recovering domestic travel demand in a timely manner. The total number of rooms sold in 2020 rose 31.6% over 2019. Occupancy rate was 46.1% based on an enlarged inventory (2019: 43.0%). Average room rate per night was RMB534, a drop of only 5.2% from 2019.

Despite the marked improvement in H2 2020, the hotel recorded a full-year operating loss due to the loss of revenue for two months during the year.

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

Shenyang is an important industrial centre in northeast China. Several cities in the region had been affected by on-and-off COVID-19 cases in 2020. Strict preventive measures and travel restrictions were implemented whenever there was a new surge in infection cases. Shenyang's GDP in 2020 grew only by 0.8% year-on-year, below the national average growth of 2.3%.

In the last quarter of 2020, occupancy at Sofitel Shenyang Lido started to improve on the back of the steady recovery of domestic travel.

In 2020, Sofitel Shenyang Lido's average occupancy rate was 28.0% (2019: 36.6%). Average room rate per night was RMB442 (2019: RMB467). An operating loss was recorded.

***(iv) Sheraton Chengdu Lido Hotel (69% interest)***

Chengdu's economy and tourism have recovered relatively faster than the other three cities. Its GDP in 2020 grew by 4% year-on-year, above the national growth rate.

Occupancy of Sheraton Chengdu Lido Hotel increased to 78.3% in H2 2020 from 34.7% in H1 2020, driven by the recovery of domestic travel. Its NPI in H2 2020 returned almost to the same level as compared with the same period in 2019.

In December 2020, there were new COVID-19 cases reported in Chengdu. Strict preventive measures were implemented again. Occupancy rate was down to 31.7% for December 2020.

The hotel managed to achieve full-year positive NPI. Average occupancy rate of 2020 was 56.6% (2019: 74.3%). Average room rate per night was RMB446 (2019: RMB507).

**(2) Retail Portfolio**

The COVID-19 pandemic hit China's retail sector hard, particularly H1 2020. During the lockdown, residents had to stay at home. Many brick-and-mortar stores saw a fall 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. Per government guidelines, cinemas, gyms and entertainment venues across the country were temporarily closed for business.

During 2020, China's total retail sales of consumer goods fell by 3.9% year-on-year as compared to 8.0% growth for 2019 according to the National Bureau of Statistics of China.

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 sharp drop in business during the Reporting Period. Rent relief was offered to the tenants. During the Reporting Period, revenue was RMB973 million (2019: RMB1,223 million) and NPI was RMB667 million (2019: RMB893 million).

***(i) The Malls at Beijing Oriental Plaza***

According to the Beijing Municipal Bureau of Statistics, Beijing's 2020 GDP grew by 1.2%, below the national GDP growth of 2.3%. Total retail sales of consumer goods declined by 8.9% year-on-year, compared to the national average of 3.9% decrease. Beijing's per capita consumption expenditure dropped 9.6% year-on-year while the national figure was only down by 1.6% year-on-year.

Revenue of The Malls at Beijing Oriental Plaza was RMB896 million (2019: RMB1,127 million). NPI amounted to RMB649 million (2019: RMB854 million). Average monthly passing rent to RMB972 (2019: RMB1,151) per square metre. Occupancy rate was 92.4% (2019: 98.4%).

Amid a challenging retail backdrop, The Malls offered rent relief to tenants on a case-by-case basis and focused on the lease renewals, even at a lower rental rate.

Leveraging on the excellent location and long-established reputation, The Malls welcomed a number of new tenants in 2020, including Cole Hann, Juicy Couture, S.T. Dupont, MARYLING, Ted Baker, THE COLORIST, Tim Hortons, A Twosome Place, Peet's Coffee, vivo and Sennheiser.

To boost traffic flow and sales, various online and offline marketing campaigns were launched by The Malls, such as electronic coupons, KOL live-streams, gift redemption and promotional events. Beijing Municipal Government also issued electronic coupons to stimulate domestic consumption. Footfall and retail sales of The Malls recovered notably towards the end of 2020.

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

During 2020, Chongqing's GDP was up by 3.9% year-on-year to RMB2.5 trillion, and retail sales grew by 1.3% to RMB1.8 trillion according to the Chongqing Municipal Bureau of Statistics.

The Mall at Chongqing Metropolitan Oriental Plaza was closed for business during February 2020 according to local government guidelines, and it was reopened in phases in March. Rent relief was offered to tenants. Average monthly passing rent was RMB131 (2019: RMB155) per square metre and average occupancy rate was 81.0% (2019: 87.6%).

**(3) Office Portfolio**

With increased market uncertainty due to the pandemic and ongoing China-US trade tensions, many corporations continued to be cost cautious and put their expansion plans on hold. Some struggling tenants even reneged on leases. The office leasing momentum in China was generally weak in 2020.

Hui Xian REIT's office portfolio consists of The Tower Offices at Beijing Oriental Plaza and The Tower at Chongqing Metropolitan Oriental Plaza. Revenue was RMB1,111 million (2019: RMB1,264 million) and NPI was RMB790 million (2019: RMB935 million).

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

Beijing's office vacancy rate as at the last quarter of 2020 hit 10-year high of 19.4%[1].

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, including finance and banking, insurance, accounting, technology, legal, pharmaceutical, media and advertising, and consumer products. There are also educational and professional institutions, and government-related organisations.

Revenue of The Tower Offices was RMB1,054 million (2019: RMB1,199 million). NPI amounted to RMB756 million (2019: RMB895 million). Amid a tough economic climate, a number of tenants did not renew or put their expansion plans on hold. At the same time, leasing activity was slow due to weak demand from corporations. Occupancy rate dropped to 85.2% (2019: 90.5%). Average monthly passing rent was RMB281 (2019: RMB298) per square metre. Given the challenging business environment, it was unavoidable that the newly committed rents were lower than 2019. Average monthly spot rent was RMB273 (2019: RMB303) per square metre.

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

As at the end of 2020, Chongqing's office vacancy rate was 27.5%[2].

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 wide range of industries, including insurance and financial services, electronics, logistics and healthcare.

Revenue was RMB57 million (2019: RMB65 million) and NPI was RMB34 million (2019: RMB40 million). Average occupancy rate was 87.4% (2019: 89.7%); and average monthly passing rent was RMB103 (2019: RMB113) per square metre. Average monthly spot rent being RMB121 (2019: RMB107) per square metre.

Sources:
1) Colliers, "Beijing, Q4 2020, Office: Beijing Office Vacancy Rate Hits 10-Year High", 14 January 2021
2) Savills Research, "Market in Minutes – Chongqing", 21 January 2021

**(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 amounted to RMB178 million (2019: RMB192 million). NPI was RMB85 million (2019: RMB95 million).

Travel restrictions and social distancing measures made it more difficult to recruit new tenants as fewer on-site viewings could be arranged for prospective serviced apartment tenants.

The Tower Apartments at Beijing Oriental Plaza offers 836 units for leasing and is one of the largest serviced apartment developments in downtown Beijing. The lobby entrances are located at the raised podium level of the Beijing Oriental Plaza complex, which offers tenants the utmost convenience of city living in a tranquil environment.

The expatriate market was important for The Tower Apartments. However, the number of foreigners entering Beijing dropped sharply in 2020, and occupancy was inevitably affected. Occupancy rate was 82.1% (2019: 87.0%). The Tower Apartments focused on the rapidly-growing affluent domestic market.

The newly-launched "The Residences at Sofitel Shenyang Lido" features 134 fully-furnished units for leasing. Occupancy rate was 55.5% (2019: 45.4%). 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 RMB1,491 million for the year ended 31 December 2020.

**Distributions**

*Distribution Amount*

Hui Xian REIT will distribute a total of RMB394 million ("**2020 Final Distribution**") to Unitholders for the period from 1 July 2020 to 31 December 2020. The 2020 Final Distribution represents 90% of Hui Xian

REIT's total amount available for distribution during the period from 1 July 2020 to 31 December 2020 and will be paid in RMB. A total of RMB126 million was distributed to Unitholders of Hui Xian REIT on 25 September 2020 for the period from 1 January 2020 to 30 June 2020. In total, Hui Xian REIT will distribute a total of RMB520 million to Unitholders for the year ended 31 December 2020. The distribution amount includes certain profit elements in the capital nature of Hui Xian REIT. The amount of capital nature items is RMB304 million (2019: RMB583 million).

The year-on-year decrease in distribution amount was primarily caused by a drop in NPI mainly due to the COVID-19 pandemic, exchange loss realised from the repayment of bank loans, and discontinuation of the early repayment of investment capital through repatriation of depreciation ("**Distributable Depreciation**") under the new PRC foreign investment law which came into effect on 1 January 2020.

In prior years, Distributable Depreciation was distributed to Unitholders as part of the distribution amount. Under the PRC foreign investment law that took effect 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 final DPU for the period from 1 July 2020 to 31 December 2020 is RMB0.0654 based on the number of outstanding Units on 31 December 2020. Together with the interim DPU of RMB0.0212, Hui Xian REIT provides a total DPU for the year ended 31 December 2020 of RMB0.0866. This represents a distribution yield of 4.8% based on the closing unit price of RMB1.81 on 31 December 2020.

**Closure of Register of Unitholders**
The record date for the 2020 Final Distribution will be 31 March 2021, Wednesday ("**Record Date**"). The Register of Unitholders will be closed from 29 March 2021, Monday to 31 March 2021, Wednesday, both days inclusive, during which period no transfer of Units will be registered. The final distribution is expected to be payable on 14 May 2021, 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 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 26 March 2021, Friday.

**Debt Positions**
In May 2020, Hui Xian Investment Limited ("**Hui Xian Investment**") drew down an unsecured 3-year revolving 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.

In October 2020, Hui Xian Investment fully repaid an unsecured 5-year term loan of HK$850 million which was granted by China Construction Bank (Asia) Corporation Limited in October 2015. In the same month, Hui Xian Investment fully prepaid an unsecured 3-year term loan of HK$525 million which was granted by Hang Seng Bank Limited and drawn down in August 2019. During the month, Hui Xian Investment also fully prepaid an unsecured term loan of HK$200 million which was granted by The Bank of East Asia, Limited and drawn down in December 2013. The exchange loss realised from the repayment of bank loans was approximately RMB103 million.

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 2020, Hui Xian REIT's total debts amounted to RMB8,876 million (31 December 2019: RMB10,871 million). Based on Hui Xian REIT's net assets attributable to Unitholders of RMB25,052 million as at 31 December 2020 (31 December 2019: RMB25,983 million), Hui Xian REIT's debts to net asset value ratio decreased to 35.4% (31 December 2019: 41.8%). Meanwhile, the debts to gross asset value ratio was 20.8% as at 31 December 2020 (31 December 2019: 23.4%).

**Bank Balances and Asset Positions**
As at 31 December 2020, Hui Xian REIT's bank balances and cash amounted to RMB5,725 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 was retired as principal valuer after it had 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 31 December 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 RMB27,491 million as at 31 December 2020 (31 December 2019: RMB29,442 million), translating into a decrease of 6.6% over the valuation as of 31 December 2019. The hotel and serviced apartment premises were valued at RMB4,860 million as at 31 December 2020 (31 December 2019: RMB5,610 million). The total valuation of Beijing Oriental Plaza was RMB32,351 million (31 December 2019: RMB35,052 million), while the total gross property value of the properties was RMB31,924 million as at 31 December 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 31 December 2020, the shopping centre, office building and car parking spaces were valued by Knight Frank at RMB3,314 million (31 December 2019: RMB3,675 million). Gross property value of the properties as at 31 December 2020 was RMB3,261 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 (formerly known as Harbour Plaza Chongqing), a 38-storey hotel tower of 52,238 square metre. It is adjacent to Chongqing Metropolitan Oriental Plaza.

Knight Frank valued the hotel premises of Hyatt Regency Liberation Square Chongqing at RMB404 million as at 31 December 2020 (31 December 2019: RMB427 million). Gross property value of hotel premises as at 31 December 2020 was RMB384 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.

Knight Frank valued the hotel premises of Sheraton Chengdu Lido Hotel at RMB603 million as at 31 December 2020 (31 December 2019: RMB713 million). Gross property value of hotel premises as at 31 December 2020 was RMB572 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, the 78,451 square metre, 30-storey Sofitel Shenyang Lido is located in the heart of the newly established central business district in southern Shenyang.

Knight Frank valued the hotel and serviced apartment premises of Shenyang Lido at RMB729 million as at 31 December 2020 (31 December 2019: RMB824 million). Gross property value of the hotel and serviced apartment premises as at 31 December 2020 was RMB609 million (31 December 2019: RMB662 million).

**Net Assets Attributable to Unitholders**

As at 31 December 2020, net assets attributable to Unitholders amounted to RMB25,052 million (31 December 2019: RMB25,983 million) or RMB4.1651 per Unit, representing a 130.1% premium to the closing unit price of RMB1.81 on 31 December 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).

**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 2020, except for capital commitment in respect of the asset enhancement programmes for Grand Hyatt Beijing, Beijing Oriental Plaza, Sheraton Chengdu Lido Hotel, Chongqing Metropolitan Oriental Plaza, Hyatt Regency Liberation Square Chongqing and Sofitel Shenyang Lido, Hui Xian REIT did not have any significant commitments.

**Employees**

As at 31 December 2020, Hui Xian REIT, by subsidiaries and through its branches, employed a total of 1,001 employees in Hong Kong and the PRC, of which 961 employees performed hotel operation functions and services, and 40 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 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 applies 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 12 months ended 31 December 2020, both the Manager and Hui Xian REIT had 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 (Cap. 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 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 Annual Results**

The annual results of Hui Xian REIT for the year ended 31 December 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 year ended 31 December 2020, (i) an aggregate of 54,200,775 new Units were issued to the Manager as payment of part of the Manager's fees; and (ii) an aggregate of 80,188,764 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 and the interim distribution for the period from 1 January 2020 to 30 June 2020.

The total number of Units in issue as at 31 December 2020 was 6,014,651,998 Units.

**Corporate Social Responsibility**

The Manager recognises the importance of corporate social responsibility and will continue to commit appropriate resources to meet the environmental, social and governance standards and requirements in the day-to-day operations of Hui Xian REIT's properties. Detailed information in these areas will be published in the Annual Report of Hui Xian REIT for the year ended 31 December 2020.

**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 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 31 December 2020.

**Issuance of the Annual Report 2020**

The annual report of Hui Xian REIT for the year ended 31 December 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 30 April 2021.

**Annual General Meeting of Unitholders**

The 2021 annual general meeting of Hui Xian REIT will be held on or around 11 May 2021, Tuesday, notice of which will be published and given to Unitholders in due course.

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, 12 March 2021

*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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

| | NOTES | **2020** **RMB million** | 2019 RMB million |
|---|---|---|---|
| Revenue | 5 | **2,499** | 3,169 |
| Other income | 6 | **201** | 223 |
| Decrease in fair value of investment properties | 13 | **(2,332)** | (214) |
| Inventories consumed | | **(27)** | (44) |
| Staff costs | | **(143)** | (165) |
| Depreciation | | **(395)** | (361) |
| Other operating expenses | 7 | **(858)** | (928) |
| Finance costs, including exchange differences | 8 | **363** | (590) |
| Manager's fees | 9 | **(128)** | (144) |
| Real estate investment trust expenses | 10 | **(13)** | (13) |
| (Loss) profit before taxation and transactions with unitholders | | **(833)** | 933 |
| Income tax credit (expense) | 11 | **115** | (481) |
| (Loss) profit for the year, before transactions with unitholders | | **(718)** | 452 |
| Distributions to unitholders | | **(520)** | (1,273) |
| Loss for the year, after transactions with unitholders | | **(1,238)** | (821) |
| 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 |
| Total comprehensive expense for the year | | **(1,238)** | (818) |
| (Loss) profit for the year, before transactions with unitholders attributable to: | | | |
| Non-controlling interests | | **(46)** | (32) |
| Unitholders | | **(672)** | 484 |
| | | **(718)** | 452 |
| Basic (loss) earnings per unit (RMB) | 12 | **(0.1129)** | 0.0831 |

FINANCIAL INFORMATION

DISTRIBUTION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| (Loss) profit for the year, before transactions with unitholders | **(718)** | 452 |
| Non-controlling interests | **46** | 32 |
| (Loss) profit for the year attributable to unitholders, before transactions with unitholders | **(672)** | 484 |
| Adjustments *(Note (i))*: | | |
| Manager's fees | **96** | 101 |
| Deferred tax | **(520)** | (29) |
| Distributable depreciation | **-** | 197 |
| Decrease in fair value of investment properties | **2,332** | 214 |
| Net unrealised exchange (gain) loss on bank loans and loan front-end fee | **(573)** | 255 |
| Net realised exchange loss on bank loans and loan front-end fee | **(138)** | - |
| | **1,197** | 738 |
| Distributable income | **525** | 1,222 |
| Additional items *(Note (ii))*: | | |
| Other cash distributions | **52** | 112 |
| Amount available for distribution | **577** | 1,334 |
| Payout ratio *(Note (iii))* | **90.0%** | 95.5% |
| Distributions to unitholders *(Note (iv))* | | |
| - Interim distribution paid | **126** | 725 |
| - Final distribution payable | **394** | 548 |
| | **520** | 1,273 |
| Distribution per unit *(RMB) (Note (iv))* | | |
| Interim distribution per unit | **0.0212** | 0.1245 |
| Final distribution per unit | **0.0654** | 0.0932 |
| | **0.0866** | 0.2177 |

*Notes:*

*(i) Adjustments for the year include:*

*(a) For the year ended 31 December 2020, Manager's fees paid and payable in units of RMB96 million (31,466,107 units issued and 27,254,933 units estimated to be issued) out of the total Manager's fees of RMB128 million. The difference of RMB32 million is paid or payable in cash.*

*For the year ended 31 December 2019, Manager's fees paid and payable in units of RMB101 million out of the total Manager's fees of RMB144 million. The difference of RMB43 million is paid or payable in cash.*

*(b) Deferred tax credit of RMB31 million (2019: Deferred tax charge of RMB16 million) in relation to accelerated tax depreciation and deferred tax credit of RMB489 million (2019: RMB45 million) in relation to changes in fair value of investment properties.*

*(c) For the year ended 31 December 2019, distributable depreciation of Beijing Oriental Plaza attributable to unitholders of RMB197 million represented depreciation of RMB202 million less capital expenditure of RMB5 million. 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.*

*(d) Decrease in fair value of investment properties of RMB2,332 million (2019: RMB214 million).*

*(e) Net unrealised exchange gain on bank loans and loan front-end fee of RMB573 million for the year ended 31 December 2020 (2019: Net unrealised exchange loss on bank loans and loan front-end fee of RMB255 million).*

*(f) Accumulated net unrealised exchange loss of RMB138 million on bank loans and loan front-end fee previously adjusted out from the distribution statement have been realised and adjusted back upon loan repayment during the year ended 31 December 2020 (2019: Nil).*

*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 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 (2019: RMB52 million).*

*(2) Other cash distributions of RMB60 million for the year ended 31 December 2019.*

*Notes: - continued*

(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 2020 represent a payout ratio of 90.0% (2019:95.5%) of Hui Xian REIT's distributable income for the year.*

(iv) *The interim 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 final distribution per unit of RMB0.0654 for the six months ended 31 December 2020 is calculated based on 90% of Hui Xian REIT's amount available for distribution for the year of RMB577,323,309, less distribution to unitholders for the six months ended 30 June 2020, over 6,014,651,998 units, representing issued units as at 31 December 2020.*

*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.*

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | NOTES | **2020** **RMB million** | 2019 RMB million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 13 | **30,629** | 32,938 |
| Property, plant and equipment | 14 | **2,132** | 2,311 |
| Right-of-use assets | 15 | **4,100** | 4,270 |
| Goodwill | | **2** | 2 |
| Total non-current assets | | **36,863** | 39,521 |
| **Current assets** | | | |
| Inventories | | **26** | 27 |
| Trade and other receivables | 16 | **140** | 120 |
| Bank balances and cash | | **5,725** | 6,807 |
| Total current assets | | **5,891** | 6,954 |
| **Total assets** | | **42,754** | 46,475 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **512** | 515 |
| Tenants' deposits | | **241** | 314 |
| Tax payable | | **24** | 42 |
| Manager's fee payable | | **60** | 72 |
| Distribution payable | | **394** | 548 |
| Bank loans | 18 | **-** | 2,191 |
| Total current liabilities | | **1,231** | 3,682 |
| **Total assets less current liabilities** | 21 | **41,523** | 42,793 |
| **Non-current liabilities, excluding net assets attributable to unitholders** | | | |
| Bank loans | 18 | **8,876** | 8,680 |
| Tenants' deposits | | **470** | 457 |
| Deferred tax liabilities | | **6,884** | 7,386 |
| Total non-current liabilities, excluding net assets attributable to unitholders | | **16,230** | 16,523 |
| **Total liabilities, excluding net assets attributable to unitholders** | | **17,461** | 20,205 |
| Non-controlling interests | | **241** | 287 |
| **Net assets attributable to unitholders** | | **25,052** | 25,983 |
| Units in issue ('000) | | **6,014,652** | 5,880,262 |
| Net asset value per unit (RMB) attributable to unitholders | 19 | **4.1651** | 4.4187 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 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.

2. BASIS OF PREPARATION

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"). For the purpose of preparation of consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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 fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 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.

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period on or after 1 January 2020 for the preparation of the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs 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.

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 and the related Amendments[1] |
| Amendment to HKFRS 16 | Covid-19- Related Rent Concessions[4] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[5] |
| 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 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018 – 2020[2] |

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 June 2020
[5] Effective for annual periods beginning on or after 1 January 2021

## 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

**For the year ended 31 December 2020**

| | Malls<br>RMB million | Offices<br>RMB million | Apartments<br>RMB million | Hotels<br>RMB million | Consolidated<br>RMB million |
|---|---|---|---|---|---|
| Segment revenue | **973** | **1,111** | **178** | **237** | **2,499** |
| Segment profit (loss) | **667** | **790** | **85** | **(51)** | **1,491** |
| Decrease in fair value of investment properties | | | | | **(2,332)** |
| Interest expenses | | | | | **(245)** |
| Depreciation | | | | | **(372)** |
| Unallocated income | | | | | **792** |
| Unallocated expense | | | | | **(167)** |
| Loss before taxation and transactions with unitholders | | | | | **(833)** |

4. SEGMENT REPORTING - continued

(a) Segment revenue and results - continued

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) |
| Interest expenses | | | | | (335) |
| Depreciation | | | | | (344) |
| Unallocated income | | | | | 217 |
| Unallocated expense and loss | | | | | (403) |
| Profit before taxation and transactions with unitholders | | | | | 933 |

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 expenses, certain other operating expenses, exchange gain or loss, 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:

| | **2020 RMB million** | 2019 RMB million |
|---|---|---|
| Malls | **15,975** | 17,286 |
| Offices | **14,823** | 15,822 |
| Apartments | **2,458** | 2,521 |
| Hotels | **3,798** | 4,095 |
| Total segment assets | **37,054** | 39,724 |
| Bank balances and cash | **5,618** | 6,684 |
| Other assets | **82** | 67 |
| Consolidated total assets | **42,754** | 46,475 |

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.

4. SEGMENT REPORTING - continued

(b) Segment assets - continued

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.

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 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.

(d) Other segment information

**For the year ended 31 December 2020**

| | Malls<br>RMB<br>million | Offices<br>RMB<br>million | Apartments<br>RMB<br>million | Hotels<br>RMB<br>million | Total reportable segments<br>RMB<br>million | Others<br>RMB<br>million | Consolidated Total<br>RMB<br>million |
|---|---|---|---|---|---|---|---|
| Depreciation of property, plant and equipment | **2** | **1** | **3** | **17** | **23** | **-** | **23** |
| Additions to non-current assets | **15** | **8** | **4** | **83** | **110** | **2** | **112** |

For the year ended 31 December 2019

| | Malls<br>RMB<br>million | Offices<br>RMB<br>million | Apartments<br>RMB<br>million | Hotels<br>RMB<br>million | Total reportable segments<br>RMB<br>million | Others<br>RMB<br>million | Consolidated Total<br>RMB<br>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 |

5. REVENUE

**For the year ended 31 December 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 | **-** | **-** | **-** | **151** | **151** |
| Food and beverage | **-** | **-** | **-** | **72** | **72** |
| Carpark revenue | **23** | **-** | **-** | **-** | **23** |
| Ancillary services income | **123** | **184** | **58** | **14** | **379** |
| | **146** | **184** | **58** | **237** | **625** |
| Rental income | **827** | **927** | **120** | **-** | **1,874** |
| Total revenue | **973** | **1,111** | **178** | **237** | **2,499** |
| Timing of revenue recognition | | | | | |
| A point in time | **32** | **32** | **5** | **78** | **147** |
| Over time | **114** | **152** | **53** | **159** | **478** |
| Total | **146** | **184** | **58** | **237** | **625** |

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 | - | - | - | 332 | 332 |
| Food and beverage | - | - | - | 133 | 133 |
| Carpark revenue | 27 | - | - | - | 27 |
| Ancillary services income | 147 | 225 | 59 | 25 | 456 |
| | 174 | 225 | 59 | 490 | 948 |
| Rental income | 1,049 | 1,039 | 133 | - | 2,221 |
| 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 | 53 | 345 | 682 |
| Total | 174 | 225 | 59 | 490 | 948 |

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.

## 5. REVENUE - continued

The gross rental from investment properties includes variable lease payments that do not depend on an index or a rate of RMB10 million (2019: RMB7 million).

The direct operating expenses from investment properties (includes mainly certain other operating expenses, certain Manager's fees and staff costs) amounting to RMB641 million (2019: RMB666 million).

## 6. OTHER INCOME

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| Interest income from banks | **182** | 213 |
| Government subsidies | **12** | 3 |
| Others | **7** | 7 |
| Total | **201** | 223 |

## 7. OTHER OPERATING EXPENSES

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| Advertising and promotion | **46** | 29 |
| Audit fee | **2** | 2 |
| Insurance | **6** | 6 |
| Lease agency fee | **37** | 38 |
| Property manager's fee | **70** | 86 |
| Property management fees | **51** | 70 |
| Repairs and maintenance | **96** | 89 |
| Other miscellaneous expenses (Note) | **136** | 171 |
| Stamp duty | **4** | 3 |
| Urban land use tax | **3** | 3 |
| Urban real estate tax | **264** | 307 |
| Utilities | **88** | 98 |
| Value added tax surcharges | **12** | 15 |
| Loss on disposal of property, plant and equipment | **43** | 11 |
| | **858** | 928 |

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

## 8. FINANCE COSTS, INCLUDING EXCHANGE DIFFERENCES

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| Net unrealised exchange (gain) loss on bank loans and loan front-end fee | **(573)** | 255 |
| Net realised exchange gain on bank loans | **(35)** | - |
| Interest expense on unsecured bank loans wholly repayable within five years | **245** | 335 |
| | **(363)** | 590 |

## 9. MANAGER'S FEES

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| Base fee | **111** | 121 |
| Variable fee | **17** | 23 |
| | **128** | 144 |

## 10. REAL ESTATE INVESTMENT TRUST EXPENSES

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| Trustee's fee | **4** | 4 |
| Legal and professional fees | **3** | 3 |
| Public relations - related expenses | - | 1 |
| Trust administrative expenses and others | **6** | 5 |
| | **13** | 13 |

## 11. INCOME TAX (CREDIT) EXPENSE

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| The income tax (credit) expense comprises: | | |
| Current tax | | |
| - PRC Enterprise Income Tax | **323** | 448 |
| - Withholding tax | **64** | 64 |
| Deferred taxation | **(502)** | (31) |
| | **(115)** | 481 |

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.

11. INCOME TAX (CREDIT) 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 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 per unit for the year ended 31 December 2020 is calculated by dividing the loss for the year attributable to unitholders before transactions with unitholders of RMB672 million by 5,952,029,568 units, being the weighted average number of units in issue during the year of 5,945,122,496 units, plus the weighted average number of units issuable for settlement of Manager's fees for the period from 1 July 2020 to 31 December 2020 of 6,907,072 units.

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.

No diluted earnings per unit for both 2020 and 2019 were presented as there were no potential units in issue for both 2020 and 2019.

13. INVESTMENT PROPERTIES

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| FAIR VALUE | | |
| At the beginning of the year | **32,938** | 33,086 |
| Additions | **23** | 34 |
| Transferred from property, plant and equipment | - | 8 |
| Transferred from right-of-use assets | - | 36 |
| Decrease in fair value recognised in profit or loss | **(2,332)** | (214) |
| Transferred to property, plant and equipment | - | (5) |
| Transferred to right-of-use assets | - | (7) |
| At the end of the year | **30,629** | 32,938 |

(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 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.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | | | | | | |
|---|---|---|---|---|---|---|---|
| | Hotels<br>RMB million | Serviced apartments<br>RMB million | Others<br>RMB million | Plant and machinery<br>RMB million | Construction in progress<br>RMB million | Others<br>RMB million | Total<br>RMB million |
| COST | | | | | | | |
| At 1 January 2019 | 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 |
| Additions for the year | **5** | **3** | **-** | **19** | **35** | **27** | **89** |
| Disposals for the year | **(46)** | **(3)** | **-** | **(5)** | **-** | **(16)** | **(70)** |
| Transfers | **26** | **15** | **-** | **37** | **(47)** | **(31)** | **-** |
| At 31 December 2020 | **2,199** | **1,078** | **40** | **300** | **7** | **204** | **3,828** |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 January 2019 | 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 |
| Provided for the year | **130** | **56** | **3** | **13** | **-** | **23** | **225** |
| Eliminated on disposals | **(12)** | **(1)** | **-** | **(3)** | **-** | **(11)** | **(27)** |
| Transfers | **1** | **9** | **-** | **17** | **-** | **(27)** | **-** |
| At 31 December 2020 | **996** | **452** | **11** | **144** | **-** | **93** | **1,696** |
| CARRYING AMOUNTS | | | | | | | |
| At 31 December 2020 | **1,203** | **626** | **29** | **156** | **7** | **111** | **2,132** |
| At 31 December 2019 | 1,337 | 675 | 32 | 132 | 19 | 116 | 2,311 |

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.

Buildings, which are situated in Beijing, Chongqing, Shenyang and Chengdu, the PRC are held under medium-term leases.

The assessment of the recoverable amounts of Buildings and Right-of-use assets under the value-in-use model were performed on 31 December 2020 and 31 December 2019 by Knight Frank Petty Limited and D&P China (HK) Limited respectively, both being independent valuers 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 respectively after considering the recoverable amount of Buildings and Right-of-use assets with reference to the higher of their value-in-use and fair values less cost of disposal.

## 15. RIGHT-OF-USE ASSETS

| | Leasehold lands RMB million |
|---|---|
| **As at 31 December 2020** | |
| Carrying amount | **4,100** |
| As at 31 December 2019 | |
| Carrying amount | 4,270 |
| **For the year ended 31 December 2020** | |
| Depreciation charge | **170** |
| Additions to right-of-use assets | - |
| For the year ended 31 December 2019 | |
| Depreciation charge | 170 |
| Additions to right-of-use assets | - |

## 16. TRADE AND OTHER RECEIVABLES

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| Trade receivables | **32** | 29 |
| Deposits and prepayments | **18** | 15 |
| Advance to suppliers | **9** | 10 |
| Interest receivables | **43** | 30 |
| Other receivables | **38** | 36 |
| | **140** | 120 |

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

| | **2020** **RMB million** | 2019 RMB million |
|---|---|---|
| Less than or equal to 1 month | **17** | 16 |
| 1 - 3 months | **7** | 7 |
| Over 3 months | **8** | 6 |
| | **32** | 29 |

## 17. TRADE AND OTHER PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| Trade payables | **140** | 136 |
| Receipts in advance | **213** | 223 |
| Others (Note) | **159** | 156 |
| | **512** | 515 |

Notes:

(i) Included in receipts in advance are contract liabilities amounting to RMB62 million and RMB54 million as at 31 December 2020 and 31 December 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:

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| Less than or equal to 3 months | **96** | 92 |
| Over 3 months | **44** | 44 |
| | **140** | 136 |

## 18. BANK LOANS

| | **2020** | 2019 |
|---|---|---|
| | **RMB million** | RMB million |
| Unsecured term loans | **8,921** | 10,906 |
| Loan front-end fee | **(45)** | (35) |
| | **8,876** | 10,871 |

The maturities of the above bank loans are as follows:

| | | |
|---|---|---|
| Within one year | - | 2,191 |
| More than one year but not exceeding two years | **3,524** | 4,469 |
| More than two years but not exceeding five years | **5,352** | 4,211 |
| | **8,876** | 10,871 |
| Less: Amounts shown under current liabilities | - | (2,191) |
| Amounts due after one year | **8,876** | 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 31 December 2020 was HK$800 million (equivalent to RMB673 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 31 December 2020 was HK$600 million (equivalent to RMB505 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.

In relation to the credit facility of HK$850 million drew down by the Group on 23 October 2015, the Group fully prepaid HK$850 million (equivalent to RMB743 million) of the credit facility in October 2020.

In relation to the credit facility of HK$525 million drew down by the Group on 19 August 2019, the Group fully prepaid HK$525 million (equivalent to RMB458 million) of the credit facility in October 2020.

In relation to the credit facility of HK$200 million drew down by the Group on 27 December 2013, the Group fully prepaid HK$200 million (equivalent to RMB174 million) of the credit facility in October 2020.

In relation to the credit facility of HK$5,000 million granted to the Group on 24 November 2020 to refinance the credit facility granted in February 2018, the total amount of the credit facility utilised by the Group as at 31 December 2020 was HK$5,000 million (equivalent to RMB4,208 million) (31 December 2019: HK$5,000 million (equivalent to RMB4,479 million)). It bears interest at floating interest rate of HIBOR plus 1.13% per annum and is repayable in full in November 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 31 December 2020 of RMB25,052 million (2019: RMB25,983 million) and the total number of 6,014,651,998 units in issue as at 31 December 2020 (2019: 5,880,262,459 units).

20. 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 RMB4,660 million (2019: RMB3,272 million).

21. TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to RMB41,523 million (2019: RMB42,793 million).