



HUI XIAN REIT
匯賢產業信託

Press Release

Hui Xian REIT Proposes to Acquire Chongqing Metropolitan Plaza at a Yield of 7.65%

(10 November 2014, Hong Kong) – The manager of Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) announced today that the Trustee of Hui Xian REIT has entered into a sale and purchase agreement with the subsidiaries of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited (“Vendors”) for the acquisition of Metropolitan Plaza, an iconic mixed-use complex in Chongqing, China, at an attributable value of RMB3,910 million.

The Vendors are connected persons of Hui Xian REIT, and completion of the acquisition is conditional upon the approval of the deal by the Independent Unitholders of Hui Xian REIT. An Extraordinary General Meeting is scheduled to take place at the end of November.

Strategically located in the Jiefangbei Central Business District (“CBD”) of Chongqing, Metropolitan Plaza comprises an approximately 90,000 sq. m. shopping mall, over 54,000 sq. m. of Grade A office building and a 353-space car park. The total Gross Floor Area (“GFA”) is approximately 164,000 sq. m..

Well-established asset with competitive positioning

The shopping mall, currently known as “Metropolitan Plaza”, is one of the most established and popular shopping malls in Chongqing, with wide recognition amongst local population. It has the largest GFA amongst all the shopping malls in the core Jiefangbei CBD.

The mall currently features a department store, as well as a diverse range of international brands, such as Hugo Boss, Dunhill, OMEGA, G Givenchy, Cerruti 1881, MaxMara Weekend, Armani Collezioni, Armani Jeans and Calvin Klein. It also has a food court, a variety of restaurants, a cinema and the city’s first ice-skating rink.

The office building, currently known as “Metropolitan Tower”, has a solid and well-diversified tenant profile. Tenants include consulates and multinational corporations of different industries such as retail, insurance and financial services, electronics and healthcare. Amongst the tenants are the British Consulate-General and the Canadian Consulate General, PricewaterhouseCoopers, KPMG, Siemens, Deutsche Bank, HSBC, Dragonair, 3M and Johnson & Johnson Medical Companies).

As of 31 August 2014, the occupancy rates of the shopping mall and the office building were approximately 92.5% and approximately 97.3% respectively.

Attractive consideration at a 4.7% discount to appraised value

The attributable value of RMB3,910 million represents a discount of approximately 4.7% to the appraised value of Metropolitan Plaza of RMB4,104 million as at 31 August 2014. The acquisition is expected to be financed by new banking borrowing and existing cash.

Benefits for Hui Xian REIT to pursue the acquisition

(1) Brings significant contribution to Hui Xian REIT’s amount available for distribution, and is DPU accretive

If Metropolitan Plaza had been owned by Hui Xian REIT throughout the financial year ended 31 December 2013, it is estimated that the amount available for Hui Xian REIT’s distribution for that financial year would have increased by 4.9% to RMB1,324 million. The estimated distribution per unit (“DPU”) would have increased by 4.15% from RMB0.2455 to RMB0.2557.

(2) Mitigates Hui Xian REIT’s risk of concentration in “single asset, single city”, and the risk of having a limited lifespan

The acquisition is expected to diversify Hui Xian REIT’s asset portfolio geographically and to reduce Hui Xian REIT’s heavy reliance on Beijing Oriental Plaza (“BOP”). The risk of “single asset, single city” could accordingly be mitigated.

The acquisition could also address the risk of Hui Xian REIT having a limited lifespan. Hui Xian REIT’s interest in BOP will expire in January 2049 when the joint venture period of BOP ends. On the other hand, the company which holds Metropolitan Plaza is a wholly-foreign owned enterprise, and therefore does not have a limited joint venture period like that of BOP. By continuing to hold COP, Hui Xian’s lifespan will continue even after the expiration of BOP’s joint venture period in 2049.

(3) Meaningful growth in scale

The acquisition is expected to increase Hui Xian REIT's portfolio value and size meaningfully. If the acquisition had been completed on 30 June 2014, it is estimated that the gross asset value of Hui Xian REIT would have increased by approximately 7.6% to RMB45,242 million. The total GFA managed by Hui Xian REIT is also expected to increase by approximately 19% from 865,805 sq.m. to 1,030,165 sq.m.. The appraised value of Metropolitan Plaza represents approximately 11% of the existing portfolio's appraised value of RMB37,040 million as at 31 December 2013.

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

Opened in 1997, Metropolitan Plaza has a strong track record of operating and financial performance. For the three years ended 31 December 2013, the revenue and rental related income amounted to approximately RMB261 million, RMB268 million and RMB282 million respectively. Based on the attributable value of RMB3,910 million, the revenue and rental related income of RMB282 million represents a gross rental yield of approximately 7.21%.

In order to further improve the mix of offerings and attractiveness of the shopping mall, Metropolitan Plaza has started an initiative to optimise the tenant mix in the middle-floors of the mall, and the process is currently being carried out. The tenant optimisation, despite causing temporary disruption, is expected to improve the overall rental income and tenant mix of the shopping mall over the longer term.

In view of the above, the Vendors agreed to provide income guarantee for a period of five years after (and including) the year in which completion takes place to give greater certainty to Hui Xian REIT. If the aggregate amount of revenue and rental related income is less than the guaranteed income level of RMB299.28 million per annum, the Vendors will pay to Hui Xian REIT the income shortfall. The total amount of payments to be made under the income guarantee during the entire five-year period is not to exceed RMB100 million.

The guaranteed income level of RMB299.28 million per annum represents a yield of approximately 7.65% based on the attributable value.

A Tale of Two Cities, A Tale of Two Plazas

The REIT Manager intends to rebrand "Metropolitan Plaza" to "Metropolitan Chongqing Oriental Plaza", and position it as the second "Oriental Plaza" under Hui Xian REIT.

This would mark the first step of Hui Xian REIT's long-term plan of establishing a portfolio of strategically located large-scale integrated property developments across different cities in China under the "Oriental Plaza" brand, leveraging the prestigious brand recognition of Beijing Oriental Plaza.

The re-branding would also enable the REIT Manager to leverage its experience and existing resources to achieve strong synergistic benefits between Metropolitan Plaza and Beijing Oriental Plaza.

Mr. H L Kam, Chairman of Hui Xian Asset Management Limited, the Manager of Hui Xian REIT said, "The proposed acquisition of Metropolitan Plaza marks a transformational milestone for Hui Xian REIT and brings clear benefits to both Hui Xian REIT and its unitholders. Not only is the proposed acquisition DPU accretive, the Hui Xian REIT's portfolio value and size would also see meaningful growth."

"With our proven track record in Beijing Oriental Plaza, we believe that the expansion of the Oriental Plaza brand beyond Beijing would be a thriving opportunity for Hui Xian REIT. This proposed acquisition is expected to bode well for Hui Xian REIT's future prospects," Mr. Kam added.

Chongqing – one of the fastest growing cities in China

Covering an area of almost 83,000 sq. km., Chongqing has a growing population of over 33 million. It is the most populous and largest city by area in China.

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

Chongqing is one of China's fastest growing local economies. In the first half of 2014, Chongqing's GDP reached RMB644 billion, up 10.9% year-on-year, the highest growth rate amongst all key cities in China. Similarly, urban disposable income and retail sales grew at 9.6% and 13.1% year-on-year respectively in the first half of 2014.

Disclaimer

The proposed acquisition is subject to and conditional upon a number of conditions being fulfilled, which includes independent unitholders' approval being obtained at the Extraordinary General Meeting, and accordingly, may or may not proceed. Unitholders, as well as any prospective investors of Hui Xian REIT, are advised to exercise caution when dealing in the units of Hui Xian REIT.

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