



**HUI XIAN** REIT  
匯賢產業信託

## **Press Release**

### **Hui Xian REIT Embarks on Expansion Trail with Acquisition of Sheraton Shenyang Lido Hotel**

(10 November 2011, Hong Kong) – Hui Xian Real Estate Investment Trust (“Hui Xian REIT”) announced today that its trustee has entered into a sales and purchase agreement for the acquisition of 70% of Shenyang Lido, which holds the land use rights and building rights in Sheraton Shenyang Lido Hotel.

This marks Hui Xian REIT’s first acquisition since the initial public offering in April this year. The consideration is RMB 980 million.

Sheraton Shenyang Lido Hotel was originally owned by Shenyang Lido, a Sino-foreign cooperative joint venture (“CJV” ) enterprise established in China, with Cheung Kong (Holdings) Ltd (“Cheung Kong”) having 99% interest. This CJV had a 50-year term originally and the term has been lengthen to 65 years. As a result, the CJV has a 50-year tenure remaining as of today, with expiration being 2061.

Upon completion of this transaction, Hui Xian REIT will hold 70% of the investment, while Cheung Kong will hold 29%, and the Chinese party 1%.

#### **First Acquisition Since IPO**

Mr. HL Kam, Chairman of Hui Xian Asset Management Limited, the Manager of Hui Xian REIT said, “This marks the first milestone of our expansion trail and is consistent with our acquisition growth strategy to expand and diversify Hui Xian REIT’s asset base.”

“The award-winning Sheraton Shenyang Lido Hotel has been a very successful hotel delivering strong financial performance since its establishment ten years ago,” Mr. Kam expressed.

#### **Numerous Times Named “Best Business Hotel” in Shenyang**

With a gross floor area of 79,000 sq. m., Sheraton Shenyang Lido Hotel is one of the largest international five-star hotels in North-eastern China offering 590 elegant guestrooms, suites and apartments.

Since its opening in 2002, the Hotel has won many awards for its outstanding accomplishments and exceptional services. It is probably the winner of the most number of official hotel awards in North-eastern China. In addition to being selected as the “Best Business Hotel in Shenyang” by *Business Traveller China* magazine for five consecutive years, it has also been named the “Most Popular Business Hotel in Northern China” by *Golden-Pillow Award of China Hotels* for two years, and “China’s Top 100 Hotels” for two years by *Travel+Leisure Magazine*.

### **Solid Financial and Operating Track Record**

Sheraton Shenyang Lido Hotel has an excellent operational track record. During its first eight complete years of operation (2003-2010), the compound annual growth rate of its EBITDA amounted to approximately 21.3%.

The growth momentum continues in 2011. During the eight months ended 31 August 2011, there has been an increase in EBITDA of 33.3% over the same period last year.

Against Sheraton Shenyang Lido Hotel’s competitive set of hotels in the city, it has consistently achieved the highest average room rate and RevPAR since 2005.

“The financial results of Sheraton Shenyang Lido Hotel have been very fruitful throughout the years. This performance is expected to continue on a good growth path as Shenyang follows on its rapid pace of development,” Mr. Kam continued.

(Attachments 1, 2 and 3 show the historic and year-to-date financial performance of Sheraton Shenyang Lido Hotel.)

### **The Deal**

The Consideration for the Acquisition will be RMB 980 million, representing a 12% discount to the Appraised Value. The Appraised Value of 70% of the interests in the Property as at 31 August 2011 was RMB 1,113 million. The Consideration represents approximately RMB 17,722 per sq. m. gross floor area.

### **Preferred Distribution Arrangement**

As part of the sales and purchase agreement, Hui Xian REIT’s 70% interest will receive priority distribution over Cheung Kong’s 29% interest in relation to a “Yearly-Based Amount”.

A “Yearly Base Amount” has been pre-set at RMB 92.0 million, an amount which is higher than the actual yearly level of “Distributable Cash” (before Withholding Tax) of Shenyang Lido in any of the previous years.

If the Distributable Cash of any year is higher than the “Yearly-Based Amount” (RMB 92.0 million), the REIT will receive its share of the Distributable Cash on a pro rata basis (i.e. 70%).

If the Distributable Cash of any year is lower than “Yearly-Based Amount” (RMB 92.0 million), the REIT will have the priority to receive up to RMB 64.4 million (i.e. 70% of RMB 92.0 million).

Based on the Consideration of RMB 980 million, the amount of RMB 64.40 million (70% of “Yearly Base Amount” of RMB 92.0 million) represents a yield of approximately 6.57%.

For details of Preferred Distribution Arrangement, please refer to Attachment 4.

### **Portfolio Diversification and Expansion to Continue**

The acquisition is expected to boost Hui Xian REIT’s Gross Asset Value by 3.4% to RMB 33,812 million.\*

Upon completion, Hui Xian REIT will hold the retail, office, hotel and serviced apartment properties of Beijing Oriental Plaza plus the Sheraton Shenyang Lido Hotel. With the inclusion of Sheraton Shenyang Lido Hotel, the gross floor area and valuation of the real estate portfolio of Hui Xian REIT will increase by approximately 9.9% and 3.4% respectively.

“We will continue to look for more acquisition opportunities with the aim of broadening the asset portfolio and hence enhance Hui Xian REIT’s returns to our Unitholders,” Mr. Kam concluded.

### **Shenyang – A City Full of Development Potential**

Shenyang, as the capital of Liaoning province, is the largest economic, cultural, science and transportation hub in North-eastern China. Located close to Beijing, the industrial city of Changchun, and the port city of Dalian, Shenyang is the gateway to the Three Northeast Provinces.

Known as the “Home of Machinery”, Shenyang is China’s base for heavy industry in machinery equipment manufacturing. As part of the Central Government’s “Revitalise Northeast China” initiative in 2003, local authorities have commenced a campaign to diversify Shenyang’s industry and develop the city into a technically-advanced global metropolis. Shenyang’s economic development has been staggering since then. In 2010, its gross domestic product (“GDP”) reached RMB 501.7 billion, an increase of 14.1% over the previous year. Since 2001, Shenyang’s GDP has quadrupled, with an average annual growth rate of approximately 16.8%.

\* Value of the existing property is based on audited financial statements as at 30 June 2011. Value of the Shenyang property is based on valuation by American Appraisal.

In the year 2010 alone, foreign direct investment exceeded US\$5.05 billion (approximately RMB 32 billion). Multinational companies that have already established operations in Shenyang include General Motors, Bombardier, BMW, BASF, ABB, Panasonic, Siemens, Michelin and Bridgestone and Mannesmann Demag.

Shenyang is also a city rich in history. Founded more than 2,300 years ago, it is also the birthplace of the Qing Dynasty. Boasting cultural relics such as the Shenyang Imperial Palace, the Guarding Pagodas of Shenyang and Marshal Zhang's Mansion, Shenyang is one of the most popular tourist destinations in North-eastern China.

The city will also be hosting the prestigious 12<sup>th</sup> National Games of the People's Republic of China in 2013. In preparation for the game and the influx of tourists, local authorities have made substantial investments to transfer the city into a modern, world class metropolis.

Shenyang is undergoing a robust infrastructure upgrade. It is one of the most important railway hubs in China. Shenyang's Taoxian International Airport is also the largest airport in North-eastern China. A new airport terminal has been scheduled for completion in 2013 to cope with a larger number of travellers. This new terminal is expected to have the capacity to handle 25 million passengers.

According to Jones Lang LaSalle's 2011 China Hotel Market Outlook Report, in the next three to five years, more than 2 million sq. m. of prime office space is scheduled to come onto the market. This dramatic sevenfold rise in the supply of Grade A office is expected to boost demand for hotel accommodation in Shenyang in the future.

- End -

For more information about Sheraton Shenyang Lido Hotel, please visit [www.sheraton.com/shenyang](http://www.sheraton.com/shenyang).

# Attachment 1



**HUI XIAN** REIT  
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HKEx Stock Code: 87001

## Strong EBITDA Track Record



## Attachment 2



HUI XIAN REIT  
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## Distributable Cash Track Record



## Attachment 3



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## Momentum continues in 2011



	2010 Jan-Aug	2011 Jan-Aug	Growth rate
Average occupancy rate (%)	66.5	77.4	<b>16.4%</b>
Average room rate of Hotel (RMB)	665	775	<b>16.5%</b>
Revenue per unaudited accounts (RMB million)	113.9	141.3	<b>24.1%</b>
<b>EBITDA (RMB million)</b>	<b>47.4</b>	<b>63.2</b>	<b>33.3%</b>
Profit after tax & adjustment of exchange gain (RMB million)	14.8	26.2	<b>77.0%</b>
"Distributable Cash" (before Withholding Tax) (RMB million)	42.0	54.3	<b>29.3%</b>

# Attachment 4

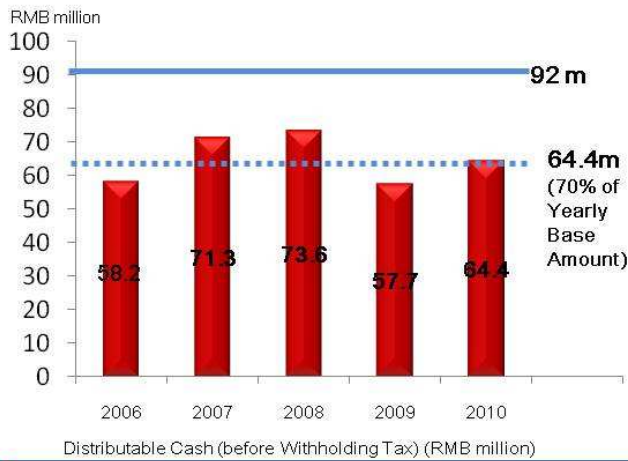


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## Yearly Base Amount & PDA

➤ “Yearly Base Amount” is set at **RMB92.0 million, higher than the actual yearly level of “Distributable Cash” (before Withholding Tax) of Shenyang Lido in any of the previous years**



### Preferred Distribution Agreement

HX	CKH	Domestic Partner	
70% (>RMB 64.4m)	29%	1%	92 m
70-99% (=RMB64.4m)	29%-0%	1%	
99% (<RMB 64.4m)	0%	1%	65.05 m