



HUI XIAN REIT
匯賢產業信託

HKEx Stock Code: 87001

PRIVATE &
CONFIDENTIAL

Hui Xian REIT

2023 Annual Results

(for the period from 1 Jan 2023 to 31 Dec 2023)





Distribution Dropped Despite an Improvement in Net Property Income

- 2023 was another turbulent year for the world economy
- Global growth decelerated from 3.0% in 2022 to 2.6% in 2023 according to the World Bank's "Global Economic Prospects" report (Jan 2024)
- Lingering effects of COVID-19 pandemic
- Geopolitical tensions and climate disasters
- Soaring interest rates:
 - Since the second half of 2022, major central banks had unleashed the steepest series of interest rate increases in decades to contain inflation
 - Interest rates kept surging in 2023, exerting immense pressure on various sectors. Elevated borrowing costs amplified their fragilities
- China's road to recovery bumpier than expected:
 - Economy started to show signs of improvement following the lifting of anti-pandemic measures in late 2022
 - Turmoil in the global economy and volatility of RMB exchange rate paved the road to economic recovery with obstacles



Another Challenging Year for Hui Xian REIT

➤ Net Property Income (“NPI”) Increased RMB68 million

- Hotel portfolio experienced a rebound
- Pace of recovery of leasing business was slower than expected
- Revenue increased 6.5%YoY to RMB2,345 million
- NPI increased 5.3%YoY to RMB1,368 million

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022	YoY Increase	Percentage Change
Total Revenue (<i>RMB million</i>)	2,345	2,202	+143	+6.5%
Net Property Income (<i>RMB million</i>)	1,368	1,300	+68	+5.3%



Another Challenging Year for Hui Xian REIT

➤ **Interest Expenses Increased RMB193 million**

- HIBOR has increased substantially over the year
- 1-month HIBOR: 2.7057%* (31 Jan 2023);
- 1-month HIBOR: 5.6595%* (29 Nov 2023), hitting its highest level since 2007
- 1-month HIBOR: 5.2681%* (29 Dec 2023)
- Average 1-month HIBOR between July and December 2023 was around 5.0%
- Interest expenses increased from RMB206 million (2022) to RMB399 million (2023)

➤ **Realised Exchange Loss of RMB190 million**

- Revenue in RMB; debts are denominated in HKD
- A realised exchange loss of approximately RMB190 million was incurred in 2023 in relation to loan repayment and settlement

*Sources: The Hong Kong Associates of Banks' website



- Despite an increase in NPI, an increase in interest expenses and a realised exchange loss negated the NPI growth, leading to a YoY reduction in 2023's distributions
- Total Amount Available for Distribution for 2023: RMB227 million (2022: RMB575 million)
- Distributions to Unitholders: RMB227 million at a payout ratio of 100% (2022: RMB517 million at a payout ratio of 90%)
- Distribution per Unit ("DPU"): RMB0.0361 (2022: RMB0.0834)

	1 Jan – 31 Dec 2023	1 Jan – 31 Dec 2022	YoY Variance	Percentage Change
Net Property Income <i>(RMB million)</i>	1,368	1,300	+68	+5.3%
Amount Available for Distribution <i>(RMB million)</i>	227	575	-348	-60.5%
Distributions to Unitholders <i>(RMB million)</i>	227	517	-290	-56.1%
Distribution per Unit <i>(RMB)</i>	0.0361	0.0834	-0.0473	-56.7%
Payout Ratio	100%	90%	N/A	N/A



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Portfolio Highlights



Assets Under Management

- Four key cities in China: Beijing, Chongqing, Shenyang, Chengdu
- Sectors: Retail, Office, Hotel, Serviced Apartment
- Floor area under management : over 1.1 million square metres

Beijing –

Beijing Oriental Plaza
(retail, office, serviced apartment & hotel)



BEIJING
北京



• SHENYANG
瀋陽

Shenyang –

The Westin Shenyang
(Rebranded in March 2023)
(hotel & serviced apartment)



Chengdu –

Sheraton Chengdu Lido Hotel *(hotel)*

CHENGDU
成都

Chongqing –

1. Chongqing Metropolitan Oriental Plaza *(retail & office)*;
2. Hyatt Regency Metropolitan Chongqing *(hotel)*

CHONGQING
重慶





Hotel Portfolio *A Visible Recovery*

2023 marked a turning point for China’s hotel industry after three devastating years of the pandemic

➤ **Domestic Travel:**

- Started to rebound after the pandemic and travel restrictions were removed
- Number of domestic trips in 2023*: 4.9 billion, +93%YoY
- Domestic tourism revenue in 2023*: over RMB4.9 trillion, +140%YoY

➤ **International Travel:**

- Still in the initial stage of recovery
- Frequency of international flights to and from China had not fully returned to the pre-pandemic levels
- Number of inbound visits in 2023**: 210 million, 63% of the pre-pandemic figure in 2019

Four international chain hotels in four key cities in China

- Occupancy and room rates of all four hotels witnessed a notable improvement during 2023

Revenue	RMB390 million (2022: RMB166 million)
Net Property Income	RMB34 million (2022: Loss of RMB98 million)



**Grand Hyatt Beijing at
Beijing Oriental Plaza**



The Westin Shenyang

*Source: The Chinese Ministry of Culture and Tourism ** Source: China’s National Immigration Administration



Hotel Portfolio

A Visible Recovery

(1) Sheraton Chengdu Lido Hotel

- Chengdu's domestic business and leisure travel recovered quickly
- Room rate increased by 34%YoY

(2) Hyatt Regency Metropolitan Chongqing

- Chongqing's domestic tourism industry showed signs of strong recovery
- Occupancy increased by 32 percentage points

(3) Grand Hyatt Beijing

- While international travel was constrained by the limited international flights, Beijing's domestic travel has staged a recovery since Q2 2023
- Room rate increased 62% YoY to RMB1,589, exceeding the 2019 pre-pandemic level of RMB1,271

(4) The Westin Shenyang

- Rebranded in March 2023; succeeded in building brand awareness in the first ten months after the rebranding



Sheraton Chengdu Lido Hotel



Hyatt Regency Metropolitan Chongqing

	Sheraton Chengdu Lido Hotel		Hyatt Regency Metropolitan Chongqing*		Grand Hyatt Beijing		The Westin Shenyang**	
	2023	2022	2023	2022	2023	2022	2023	2022
Average Room Rate per night (RMB)	579	433	668	535	1,589	981	557	449
Average Occupancy Rate	64.6%	39.5%	75.5%	43.1%	42.0%	16.5%	51.6%	31.1%

* Formerly known as Hyatt Regency Liberation Square Chongqing

** Formerly known as Sofitel Shenyang Lido



Retail Portfolio Post-COVID Recovery Slower Than Expected



The Malls at Beijing Oriental Plaza

- Retailers suffered severe business disruptions and a sharp downturn in revenue during the pandemic
- Consumers were still wary of spending due to uncertain macroeconomic environment
- Retail shops faced cash flow and supply chain issues, and keen competition from online shopping
- Retailers were taking a cautious approach towards lease renewal, let alone expansion



The Mall at Chongqing Metropolitan Oriental Plaza

Hui Xian REIT's retail portfolio:

- (i) The Malls at Beijing Oriental Plaza
- (ii) The Mall at Chongqing Metropolitan Oriental Plaza

Revenue

RMB720 million

(2022: RMB779 million)

Net Property Income

RMB473 million

(2022: RMB522 million)



(i) The Malls at Beijing Oriental Plaza



- During 2023, new lease and renewal terms were mostly concluded at negative reversion rates, continuing to impact The Malls financially



Location	Wangfujing (王府井), Beijing
GFA	about 130,000 sq m
Revenue	RMB698 million (2022: RMB725 million)
Net Property Income	RMB497 million (2022: RMB526 million)
Average Occupancy Rate	91.7% (2022: 93.6%)
Average Monthly Passing Rent	RMB724/sq m (2022: RMB750/sq m)



(ii) Chongqing Metropolitan Oriental Plaza mall



- Continued its comprehensive asset enhancement programme, impacting occupancy rate and rental income



Location	Jiefangbei (解放碑), Chongqing
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GFA	about 89,000 sq m
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Average Occupancy Rate	37.2% (2022: 64.4%)
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Average Monthly Passing Rent	RMB56/sq m (2022: RMB114/sq m)
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Office Portfolio

Uncertain Global Outlook Weighs on Leasing Market



The Tower Offices at Beijing Oriental Plaza

- Corporations remained cost-cautious and hesitant to commit to leases as uncertainty permeated the business environment
- Wider adoption of “Work-from-home” and hybrid work models continued to affect the underlying demand for office space

Hui Xian REIT’s office portfolio:

- (i) The Tower Offices at Beijing Oriental Plaza
- (ii) The Tower at Chongqing Metropolitan Oriental Plaza



The Tower at Chongqing Metropolitan Oriental Plaza

Revenue	RMB1,066 million (2022: RMB1,086 million)
Net Property Income	RMB779 million (2022: RMB793 million)



(i) The Tower Offices at Beijing Oriental Plaza



*Savills Research, "Market in Minutes – Beijing Office", January 2024

- Leasing demand in Beijing did not see a notable improvement
- A substantial influx of new office stock in Beijing
- Beijing's office vacancy rate increased to 20.4%* in Q4 2023, highest in 13 years

GFA	Over 300,000 sq m; 8 Grade A office towers
Revenue	RMB1,021 million (2022: RMB1,040 million)
Net Property Income	RMB754 million (2022: RMB767 million)
Average Occupancy Rate	85.4% (2022: 87.8%)
Average Monthly Passing Rent	RMB267/sq m (2022: RMB265/sq m)
Average Monthly Spot Rent	RMB250/sq m (2022: RMB293/sq m)



Major Office Tenants

Business Type	Tenants	Business Type	Tenants
Professional & Consultancy	Ernst & Young (<i>Ernst & Young Tower</i>) KPMG (<i>KPMG Tower</i>) Sidley Austin K&L Gates Han Kun Law Moody's	Consumer Products	Swatch Group Coach Moet Hennessy Diageo Sisley Miele Fila Steelcase
NGOs & Government Offices	CPA Australia Hong Kong Tourism Board Tourism Authority of Thailand Victoria Trade and Investment Office Bureau Veritas	Finance & Insurance	Amex Bank London Stock Exchange MetLife Manulife Sinochem Guy Carpenter Aegon THTF
Public Relations & Media	Refinitiv WPP Creative Artists Agency	Energy & Technologies	Daikin Dow Chemical
Medical Pharmaceuticals	Merck Sharp & Dohme Roche Otsuka Santen	e-Commerce, Telecom, I.T. & Networks	British Telecom Juniper Networks ECCOM Networks



(ii) The Tower at Chongqing Metropolitan Oriental Plaza

- Chongqing's office vacancy rate was 32.6%* in Q4 2023
- Chongqing Metropolitan Oriental Plaza is home to MNCs, consulates and government-related organisations, including British Consulate-General, Consulate General of Canada, ANZ, Bosch, Canon, Cathay Pacific, Citizen, Deutsche Bank, Honda, HSBC, Janssen, Johnson & Johnson, Kuehne+Nagel, MSD, Nestle, Panasonic, PricewaterhouseCoopers and Siemens

GFA	Over 54,000 sq m
Revenue	RMB45 million (2022: RMB46 million)
Net Property Income	RMB25 million (2022: RMB26 million)
Average Occupancy Rate	80.6% (2022: 79.2%)
Average Monthly Passing Rent	RMB89/sq m (2022: RMB93/sq m)
Average Monthly Spot Rent	RMB85/sq m (2022: RMB90/sq m)



*Cushman & Wakefield, “2023 年重慶房地產市場回顧及未來展望”, January 2024



Serviced Apartment Portfolio

Domestic Market Remained the Key Demand Driver

Hui Xian REIT's serviced apartment portfolio:

- Domestic Market has remained the key demand driver for serviced apartment leasing
- New expatriate arrivals have not returned to pre-pandemic levels

(i) The Tower Apartments at Beijing Oriental Plaza

- 4 serviced apartment towers, one of the largest serviced apartment developments in downtown Beijing
- Average Occupancy Rate: 83.8% (2022: 81.4%)
- New expatriate arrivals to China had not returned to pre-pandemic levels



The Tower Apartments at Beijing Oriental Plaza

(ii) The Westin Residences Shenyang

- Average Occupancy Rate: 45.6% (2022: 50.7%)



The Westin Residences Shenyang

Revenue	RMB169 million (2022: RMB171 million)
Net Property Income	RMB82 million (2022: RMB83 million)



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Outlook



Outlook

Recovery Trajectory Remains Uncertain

- In 2024, the global economy is expected to face the challenges that persisted throughout 2023. The lingering effects of the pandemic, ongoing geopolitical tensions, escalating geoeconomic fragmentation, and rising scale of climate disasters will continue to pose significant risks to the world economy.
- As we entered 2024, the financial landscape continued to be dominated by high interest rates and persistent inflation. The higher-for-longer interest rate environment will continue to put pressure on corporations. According to the World Bank, global economic growth in 2024 is projected to slow for a third consecutive year, dipping to 2.4% from 2.6% in 2023. This would mark the weakest half-decade of GDP growth in 30 years.
- The Chinese economy is in recovery mode with anticipation of some bumps ahead. The government is expected to roll out fresh stimulus policies to further boost consumer sentiment and facilitate the nascent economic recovery.
- Looking ahead, Hui Xian REIT's hotel portfolio will likely continue to benefit from a strong rebound in domestic tourism and the business could return to pre-pandemic levels by the end of 2024.
- Cognizant of some difficulties ahead, the leasing business of the retail, office and serviced apartment portfolio is expected to continue making steady progress toward recovery.



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Key Facts

IPO Date	29 April 2011
Listing Venue	The Main Board of Hong Kong Stock Exchange
Currency	RMB
Total Number of Units*	6,353,099,752
Market Capitalisation*	RMB5.8 billion
Area under management	Over 1.1 million sq m

*As at 29 December 2023



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Thank You



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