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方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產（中國）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

**FRAMEWORK AGREEMENT FOR LEASE OF PROPERTIES (JIN MAO)
AND
ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS
UNDER THE FRAMEWORK AGREEMENT**

The Board announces that on 31 July 2009, the Company entered into the Jin Mao Framework Agreement with Sinochem Group in order to regulate the leasehold relationship in respect of the relevant units of Shanghai Jin Mao Tower between the Company and Sinochem Group. Under the Jin Mao Framework Agreement:

- All existing Individual Lease Agreements that have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its relevant Associates in respect of the relevant units of Jin Mao Tower, in Shanghai, the PRC, are included in and will be regulated by the Jin Mao Framework Agreement.
- Based on its estimated demand for office premises, Sinochem Group and/or its Associates may at their own option increase the lease area in existing units or increase the number of units leased by not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the two years from 2010 to 2011, and any such future Individual Lease Agreement to be entered into after the signing of the Jin Mao Framework Agreement will also be included in and regulated by the Jin Mao Framework Agreement.
- All continuing connected transactions under the Individual Lease Agreements will be aggregated and subject to the aggregate annual caps for the three years ending 31 December 2011 of RMB61,800,000, RMB71,500,000 and RMB82,600,000, respectively. The original aggregate annual caps for the existing Individual Lease Agreements will no longer apply upon the entering into of the Jin Mao Framework Agreement.

Sinochem Group is the ultimate controlling shareholder of the Company and is therefore a Connected Person of the Company within the meaning of the Listing Rules. The Jin Mao Framework Agreement entered into between the Company and Sinochem Group constitutes a connected transaction under the Listing Rules. The continuing transactions under the Jin Mao Framework Agreement and the Individual Lease Agreements also constitute continuing connected transactions of the Company.

As one or more of the percentage ratios (other than profit ratio) in respect of the continuing connected transactions under the relevant Individual Lease Agreements included in the Jin Mao Framework Agreement is/are expected to exceed 0.1%, but all applicable percentage ratios are less than 2.5%, therefore the entering into of the Jin Mao Framework Agreement and the total annual caps for the continuing connected transactions thereunder are subject to the reporting and announcement requirements under the Listing Rules, but are exempt from independent shareholders' approval.

The Board announces that on 31 July 2009, the Company entered into the Jin Mao Framework Agreement with Sinochem Group in order to regulate the leasehold relationship between the Company and Sinochem Group in respect of the relevant units in Shanghai Jin Mao Tower. Under the Jin Mao Framework Agreement:

- All existing Individual Lease Agreements that have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its relevant Associates in respect of the relevant units of the Jin Mao Tower in Shanghai, the PRC shall be included in and regulated by the Jin Mao Framework Agreement.
- Based on its estimated demand for office premises, Sinochem Group and/or its Associates may at their own option increase the lease area in existing units or increase the number of units leased by not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the two years from 2010 to 2011, and any such future Individual Lease Agreement to be entered into after the signing of the Jin Mao Framework Agreement shall also be included in and regulated by the Jin Mao Framework Agreement.
- All continuing connected transactions under the Individual Lease Agreements will be aggregated and subject to the aggregate annual caps for the three years ending 31 December 2011 of RMB61,800,000, RMB71,500,000 and RMB82,600,000, respectively. The original aggregate annual caps for the existing Individual Lease Agreements will no longer apply upon the entering into of the Jin Mao Framework Agreement¹.

Sinochem Group is the ultimate controlling shareholder of the Company and is therefore a Connected Person of the Company within the meaning of the Listing Rules. The Jin Mao Framework Agreement entered into between the Company and Sinochem Group constitutes a connected transaction under the Listing Rules. The continuing transactions under the Jin Mao Framework Agreement and the Individual Lease Agreements also constitute continuing connected transactions of the Company.

¹ Details of the continuing connected transactions under existing Individual Lease Agreements and the combined annual caps for the three years from 2008 to 2010 have been disclosed in the announcement of the Company dated 5 January 2009.

THE JIN MAO FRAMEWORK AGREEMENT

Date: 31 July 2009

Parties: The Company (on behalf of itself and its subsidiaries) and Sinochem Group (on behalf of itself and its relevant Associates)

Lessors: Jin Mao, a wholly-owned subsidiary of the Company and the owner of Jin Mao Tower

Lessees: Sinochem Group and its relevant Associates

Leased Premises: The Lessors shall lease the relevant units of Jin Mao Tower located in Shanghai under the existing Individual Lease Agreements to the Lessees. The total gross floor area being leased under all existing Individual Lease Agreements is 13,948.32 square meters. The Lessees may, according to their future needs, renew, increase or decrease the lease area in existing units or increase the number of units leased during the term of the Jin Mao Framework Agreement. For details of the relevant units of the Leased Premises covered by the Individual Lease Agreements that have been signed and come into effect, please refer to the table set out below.

The Lessees may at their own option lease from the Lessors an additional maximum area of not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the two years from 2010 to 2011.

Term: Ten years from 31 July 2009

Rental: The rentals, inclusive of property management fees of relevant units, are to be determined by the parties in the Individual Leasing Agreements. Based on the Individual Lease Agreements that have been signed and which have come into effect, the aggregate rental of all relevant units (including the renewed units and increased units before the end of 2009, if applicable) of the Leased Premises for the year 2009 is estimated to be RMB58,700,000. For details, please refer to the contents set out below.

The rentals shall be paid by the Lessees by cash on a monthly basis according to the provisions of the Individual Lease Agreements.

Other Fees: The Lessees shall pay Other Fees being various sundry charges actually incurred (including but not limited to parking space rentals, car-park management fees, parking fees, water, electricity, telephone tariffs, overtime air-conditioning fees and maintenance etc., where applicable) (“Other Fees”) according to the provisions of the Individual Lease Agreements. The estimated Other Fees of the relevant units (including the renewed units and increased units before the end of 2009, if applicable) of the Leased Properties for the year 2009 based on the existing Individual Lease Agreements are set out in the following.

Other Fees shall be paid by the lessees by cash on a monthly basis according to the provisions of the Individual Lease Agreements.

The Directors are of the view that the Jin Mao Framework Agreement must be for a much longer period than the Individual Lease Agreements (which normally are for a term of three years and, under the Jin Mao Framework Agreement, will not exceed three years, and the renew of which shall not exceed the term of the Jin Mao Framework Agreement) as the Individual Lease Agreements will expire at different times and be renewed, and new Individual Lease Agreements will be entered into during the term of the Jin Mao Framework Agreement. The Directors take the view that it is normal business practice for the Jin Mao Framework Agreement to be of ten years duration.

Somerley, the independent financial adviser of the Company, has discussed with the management of the Company the rationale for entering into the Jin Mao Framework Agreement with a term of ten years, covering the period from 31 July 2009 to 30 July 2019. The Jin Mao Framework Agreement is to govern all the Individual Lease Agreements (including both existing and future agreements) with an aim to better regulate and control the lease relationship in respect of the Leased Premises between the Group and Sinochem Group. Somerley concurs with the Directors that, to achieve such a purpose, the Jin Mao Framework Agreement must be for a much longer period than the Individual Lease Agreements which will expire and be renewed at different times. Somerley understands from professional property valuer and has also noted from published information sourced from the official web-site of the Stock Exchange that there are other Hong Kong listed companies had entered into similar agreements involving leasing of properties in the PRC, which have durations comparable to that of the Jin Mao Framework Agreement. Somerley concurs with the Directors' view that tenants would prefer long duration of leasing arrangement in order to avoid unnecessary disruption to business operations and to minimize relocation costs. It is also beneficial to the Group to secure "anchor" tenants for large gross floor areas who have good payment record to lock-in long-term rental income. Having taken into account the above principal factors, Somerley considers that it is normal business practice for contracts similar to the Jin Mao Framework Agreement to have a ten-year term.

The relevant units of the Leased Premises under the existing Individual Lease Agreements that have been signed and which have come into effect are as follows:

Lessors	Lessees	Relevant units of the Leased Premises
Jin Mao	Far Eastern Leasing	Units 01, 02, 04, 06, 07, 08, 09 at 33/F, Units 01, 02, 03, 04, 07, 08, 09, 10 at 35/F, Units 04, 05, 06, 09, 10 at 36/F, of Jin Mao Tower (Block 4) ^{Note 1}
Jin Mao	Sinochem International	Units 01-09 at 18/F, Units 01-08 at 19/F, Unit 09 at 21/F, Unit 09 at 22/F, Units above Carpark Space No. 240 and 242 at B3/F, Unit 09 at 24/F, Unit 09 at 25/F, Units 01, 02B, 03, 04, 05-10 at 26/F of Jin Mao Tower (Block 3) ^{Note 1}
Jin Mao	Manulife-Sinochem Life	Units 01-03, 08, 10 and 04A at 21/F of Jin Mao Tower (Block 3)
Jin Mao	Sinochem Pudong	Units 06 and 10 at 25/F of Jin Mao Tower (Block 3)

Lessors	Lessees	Relevant units of the Leased Premises
Jin Mao	Donghong Industrial	Units 07 and 08 at 36/F of Jin Mao Tower (Block 4)
Jin Mao	Sinochem-Stolt	Unit 05A at 26/F of Jin Mao Tower (Block 3) ^{Note 2}

Notes:

1. After the publishing of the announcement of the Company dated 5 January 2009 but prior to the signing of the Jin Mao Framework Agreement, Far Eastern Leasing and Sinochem International had adjusted certain leased units, but had not made any amendment to the relevant Individual Lease Agreements.
2. The Company and Sinochem-Stolt signed an Individual Lease Agreement on 30 April 2009 in respect of Unit 05A at 26/F of Jin Mao Tower (Block 3). As all applicable percentage ratios in respect of such Individual Lease Agreement are less than 0.1%, the Company is not subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

ANNUAL CAPS

Revisions of 2009 and 2010 Annual Caps and Estimation of 2011 Annual Caps

According to the announcement of the Company dated 5 January 2009, the 2009 aggregate annual cap for the continuing connected transactions in respect of the relevant leased units of Jin Mao Tower has been set at RMB45,604,261. Such aggregate annual cap had been estimated based on the actual total amount of the rental and Other Fees, without taking into account at that time the renewal of the relevant leased units before the end of 2009 upon expiration.

The actual total amount of the above continuing connected transactions for six months ended 30 June 2009 was RMB28,064,536, and based on the communications between the Company and the relevant lessees, all the relevant leased units which will expire before the end of 2009 are expected to be renewed at the original rental standard. Accordingly, pursuant to the above actual amount for six months ended 30 June 2009 and taking into account the lease renewal and expansion (if any) of Sinochem Group and/or its associates before the end of 2009, the Company revised the 2009 aggregate annual cap to RMB61,800,000 at the same time when signing the Jin Mao Framework Agreement, details are as follows:

	Rental (RMB)	Other Fees (RMB)	Total (RMB)
Six months ended 30 June 2009	26,666,121	1,398,415	28,064,536
Year ended 31 December 2009, estimated	58,700,000	3,100,000	61,800,000

Meanwhile, the Company also amended and set the annual caps for two years ended 31 December 2011. Upon the above amendments, the aggregate annual caps (including rental and Other Fees) of the continuing connected transactions under the Jin Mao Framework Agreement are as follows:

	Year ended 31 December 2009 (revised)^{Note 1} (RMB)	Year ended 31 December 2010 (revised)^{Note 2} (RMB)	Year ended 31 December 2011 (newly set) (RMB)
Estimated annual caps	61,800,000	71,500,000	82,600,000

Notes:

1. According to the announcement of the Company dated 5 January 2009, the original 2009 annual cap was RMB45,604,261.
2. According to the announcement of the Company dated 5 January 2009, the original 2010 annual cap was RMB30,387,790.

The amendments and revisions are based on the following assumptions:

- all Individual Lease Agreements that are expected to expire during the period from 2009 to 2011 will be renewed based on the then prevailing market rates, including the rentals and Other Fees; and
- Sinochem Group and/or its Associates will lease from the Company and/or its subsidiaries an additional maximum area of not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the year 2010 and 2011.

Bases of the Annual Caps

The Directors recommend that the aggregate annual caps for the continuing connected transactions under the Jin Mao Framework Agreement for the three years ending 31 December 2011 be set at RMB61,800,000, RMB71,500,000 and RMB82,600,000 respectively. The rentals of the relevant units of the Leased Premises are determined based on arm's length negotiations between the Company and/or its subsidiaries and Sinochem Group and/or its Associates on the then prevailing market rates and on normal commercial terms. The Directors have taken into account the following principal factors in estimating the annual caps for the three years as mentioned above:

1. The Other Fees are various sundry charges actually incurred under the Individual Lease Agreement. Due to the change in market prices and the actual needs of the lessees, the Directors make an estimated annual increase of 10% for Other Fees for each year based on previous market price adjustments and the changing needs of the lessees.

2. When considering the relevant annual caps, the Directors have also taken into account the fact that Sinochem Group and/or its Associates may at their own option conclude additional leases for other units, or increase the lease area in existing units of the Leased Premises owned by the Company and/or its subsidiaries during the term of the Jin Mao Framework Agreement. As Shanghai is aggressively establishing itself into the “Two Centres” (the “International Financial Centre” and the “International Shipping Centre”), Sinochem Group is expected to strengthen its business expansion in the Shanghai market, which will lead to additional demand for office premises. It is provided that Sinochem Group and/or its Associates may lease from the Company and/or its subsidiaries an additional maximum area of not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the two years from 2010 to 2011. The Directors, after making the above adjustments, therefore make an additional buffer of an annual increase of 15% of the estimated aggregate amount of the rentals and Other Fees.

REASONS FOR AND BENEFITS OF THE JIN MAO FRAMEWORK AGREEMENT

Currently, Individual Lease Agreements in respect of the Leased Premises have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its Associates, and aggregate annual caps have been set for the continuing connected transactions under these existing Individual Lease Agreements. As the Leased Premises were leased to Sinochem Group and/or its Associates at the rates not lower than the prevailing market rates, the Directors are of the view that, for the purpose of securing long-term tenants, substantial time and costs can be saved should the Company and/or its subsidiaries continue to lease offices and lease additional offices to Sinochem Group and/or its Associates. As such, in order to better regulate and control the leasehold relationship between the parties, the Directors consider it is necessary to enter into a framework agreement for all existing and future leasehold relationship in respect of the Leased Premises, and revise and set the aggregate annual caps for the three years ending 31 December 2011. Therefore, the Jin Mao Framework Agreement was entered into by both parties with the following effects:

- All existing Individual Lease Agreements that have been entered into between the Company and/or its subsidiaries and Sinochem Group and/or its relevant Associates in respect of the relevant units of Jinmao Tower, respectively, in Shanghai, the PRC, are included in and will be regulated by the Jin Mao Framework Agreement.
- Based on its estimated demand for office premises, Sinochem Group and/or its Associates may at their own option increase the lease area in existing units or increase the number of units leased by not more than 10% (if available) of the total gross floor area currently being leased under the Jin Mao Framework Agreement in each of the two years from 2010 to 2011, and any such future Individual Lease Agreement to be entered into after the signing of the Jin Mao Framework Agreement will also be included in and regulated by the Jin Mao Framework Agreement.
- All continuing connected transactions under the Individual Lease Agreements will be aggregated and subject to the aggregate annual caps for the three years ending 31 December 2011 of RMB61,800,000, RMB71,500,000 and RMB82,600,000, respectively. The original aggregate annual caps for the existing Individual Lease Agreements will no longer apply upon the entering into of the Jin Mao Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the Jin Mao Framework Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the transactions under such agreement and the related annual caps are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION REGARDING THE COMPANY AND SINOCHEM GROUP

The Company is a developer and investor of large-scale and quality real estate projects in the PRC, with an emphasis on commercial real estate and hotels. The Company is the platform enterprise of Sinochem Group in the development of real estate business. The Company engages principally in the development, sale, leasing and management of commercial and residential properties and hotel operations.

Sinochem Group is one of the central state-owned enterprises in the PRC with the approval of the SASAC of the State Council of the PRC to develop, invest in and manage real estate projects as one of its core businesses.

IMPLICATIONS UNDER THE LISTING RULES

Sinochem Group is the ultimate controlling shareholder and a Connected Person of the Company. Pursuant to Chapter 14A of the Listing Rules, the Jin Mao Framework Agreement entered into between the Company and Sinochem Group constitutes a connected transaction. After the Jin Mao Framework Agreement has been effected, the existing and all future Individual Lease Agreements will be regulated by the Jin Mao Framework Agreement. The continuing transactions contemplated under the Jin Mao Framework Agreement and Individual Lease Agreements constitute continuing connected transactions of the Company.

As one or more of the percentage ratios (other than profit ratio) in respect of the continuing connected transactions under the relevant Individual Lease Agreements included in the Jin Mao Framework Agreement is/are expected to exceed 0.1%, but all applicable percentage ratios are less than 2.5%, therefore the entering into of the Jin Mao Framework Agreement and the total annual caps for the continuing connected transactions thereunder are subject to the reporting and announcement requirements under the Listing Rules, but are exempt from independent shareholders' approval.

DEFINITIONS

“Associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Franshion Properties (China) Limited (方興地產(中國)有限公司), a company incorporated in Hong Kong with limited liability and listed on the Stock Exchange
“Connected Person”	has the same meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Donghong Industrial”	上海東泓實業發展有限公司 (Shanghai Donghong Industrial Limited), one of the Associates of Sinochem Group
“Far Eastern Leasing”	遠東國際租賃有限公司 (International Far Eastern Leasing Co., Ltd.), one of the Associates of Sinochem Group
“Group”	the Company and its subsidiaries

“Individual Lease Agreement”	the respective lease agreement in respect of the relevant units of the Leased Premises entered into between the Company and/or its subsidiaries and Sinochem Group and/or its Associates both before and after the signing of the Jin Mao Framework Agreement
“Jin Mao”	中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited), a limited liability company incorporated under the laws of the PRC
“Jin Mao Framework Agreement”	the Framework Agreement for the Lease of Properties entered into between the Company and Sinochem Group on 31 July 2009 in respect of the lease of the relevant units of the Leased Premises and their renewal, or the increase or decrease of the lease area in existing units or increase the number of units leased, or the conclusion of additional leases for other units of the Leased Premises by Sinochem Group and its Associates
“Leased Premises”	the relevant units of Jin Mao Tower, located in Shanghai, the PRC, leased by the Company and/or its subsidiaries to Sinochem Group and its Associates under the Jin Mao Framework Agreement, collectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manulife-Sinochem Insurance”	Manulife-Sinochem Life Insurance Co., Ltd. (中宏人壽保險有限公司), one of the Associates of Sinochem Group
“Other Fees”	the various sundry charges (if applicable) actually incurred and payable by the lessee to the Company pursuant to the Jin Mao Framework Agreement, including but not limited to parking space rentals, car-park management fees, parking fees, water, electricity, telephone tariffs, overtime air-conditioning fees and maintenance etc.
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan or the Hong Kong and Macau Special Administrative Regions
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sinochem Group”	Sinochem Group (中國中化集團公司), a stated-owned enterprise established in the PRC, the ultimate controlling shareholder of the Company
“Sinochem International”	中化國際(控股)股份有限公司 (Sinochem International Corporation), one of the Associates of Sinochem Group
“Sinochem Pudong”	中化浦東貿易有限公司 (Sinochem Pudong Trading Co., Ltd.), one of the Associates of Sinochem Group
“Sinochem-Stolt”	上海中化思多爾特船務有限公司 (Shanghai Sinochem-Stolt Shipping Co., Ltd.), one of the Associates of Sinochem Group

“Somerley” Somerley Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO having CE registration number AAJ067 and the independent financial adviser of the Company in relation to the duration of the Jin Mao Framework Agreement

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board
Franshion Properties (China) Limited
HE Cao
Chairman

Hong Kong, 31 July 2009

As at the date of this announcement, the Directors of the Company are Ms. LI Xuehua, Mr. HE Binwu and Mr. JIANG Nan as Executive Directors; Mr. HE Cao (Chairman) and Mr. WANG Hongjun as Non-executive Directors; Mr. LAU Hon Chuen, Ambrose, Professor SU Xijia, Professor LIU Hongyu, Mr. NGAI Wai Fung and Dr. GAO Shibin as Independent Non-executive Directors.