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Jinmao Hotel

金茂酒店

(As constituted pursuant to a deed of trust on 13 June 2014 under the laws of Hong Kong, the trustee of which is Jinmao (China) Investments Manager Limited)

and

Jinmao (China) Hotel Investments and Management Limited

金茂（中國）酒店投資管理有限公司

(Registered in the Cayman Islands with limited liability)

(Stock Code: 06139)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE FRAMEWORK LEASE AGREEMENTS

Reference is made to the announcement of the Company dated 7 December 2016 in relation to, among others, (i) the China Jinmao Framework Lease Agreement entered into between China Jin Mao (Group) and China Jinmao for the period of two years with effect from 1 January 2017 pursuant to which China Jin Mao (Group) will provide certain leasing and related management services to China Jinmao in relation to office space in Jin Mao Tower; and (ii) the Sinochem Framework Lease Agreement entered into between China Jin Mao (Group) and Sinochem Group for the period of two years with effect from 1 January 2017 pursuant to which China Jin Mao (Group) will provide certain leasing and related management services to Sinochem Group in relation to office space in Jin Mao Tower.

On 21 December 2018, (i) the Company renewed the China Jinmao Framework Lease Agreement with China Jinmao for a term of three years with effect from 1 January 2019 pursuant to which the Company will provide certain leasing and related management services to China Jinmao in relation to office space in Jin Mao Tower, shop units and other property facilities owned by the Company; and (ii) China Jin Mao (Group) renewed the Sinochem Framework Lease Agreement with Sinochem Group for a term of three years with effect from 1 January 2019 pursuant to which China Jin Mao (Group) will provide certain leasing and related management services to Sinochem Group in relation to office space in Jin Mao Tower.

Both China Jinmao and Sinochem Group (as the ultimate controlling shareholder of China Jinmao) are the controlling holders of the Share Stapled Units and are therefore connected persons of the Company under the Listing Rules.

The transactions under the renewed Framework Lease Agreements will be aggregated in accordance with Rule 14A.82 of the Listing Rules. Since the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the transactions under the renewed Framework Lease Agreements will, on an annual basis, be more than 0.1% but less than 5%, these transactions when aggregated will constitute continuing connected transactions are only subject to the announcement and reporting requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

On 21 December 2018, (i) the Company renewed the China Jinmao Framework Lease Agreement with China Jinmao for a term of three years with effect from 1 January 2019; and (ii) China Jin Mao (Group) renewed the Sinochem Framework Lease Agreement with Sinochem Group for a term of three years with effect from 1 January 2019. The principal terms of the renewed Framework Lease Agreements are set out below.

2. THE RENEWED CHINA JINMAO FRAMEWORK LEASE AGREEMENT

Date	21 December 2018
Parties	(a) the Company (b) China Jinmao
Subject matter	The Company has agreed to provide certain leasing and related management services to China Jinmao in relation to office space in Jin Mao Tower, shop units and other property facilities owned by the Company. Members of China Jinmao Group will from time to time renew and enter into, lease agreements with members of the Group for office space in Jin Mao Tower, shop units and other property facilities owned by the Company (the “ China Jinmao Individual Lease Agreements ”). The renewed China Jinmao Framework Lease Agreement is a master framework lease agreement to supplement the China Jinmao Individual Lease Agreements for these continuing connected transactions such that the terms shall be on commercial terms and will regulate all existing and future China Jinmao Individual Lease Agreements. The transactions under the renewed China Jinmao Framework Lease Agreement are in the ordinary and usual course of business of the Group.
Term	From 1 January 2019 to 31 December 2021
Consideration and payment terms	The rental rate in any China Jinmao Individual Lease Agreement shall be ascertained through negotiation separately between members of the Group and China Jinmao Group in terms of the renewed China Jinmao Framework Lease Agreement, which primarily includes the rental rate for the property leased and the management fees of the relevant space, and shall be based on arm’s length negotiations with reference to prevailing market rate for leasing similar properties or providing similar management services during the term of the agreement. When deciding the market rates for leasing similar properties or providing management services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable quotes provided by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar management services. The rental will also be on terms no more favourable than those offered by the Company to other independent third parties.

3. THE RENEWED SINOCEM FRAMEWORK LEASE AGREEMENT

Date	21 December 2018
Parties	(a) China Jin Mao (Group) (b) Sinochem Group
Subject matter	China Jin Mao (Group) has agreed to provide certain leasing and related management services to Sinochem Group in relation to office space in Jin Mao Tower. Members of Sinochem Conglomerate will from time to time renew and enter into, lease agreements with China Jin Mao (Group) for office space in Jin Mao Tower (the “ Sinochem Individual Lease Agreements ”). The Sinochem Framework Lease Agreement is a master framework lease agreement to supplement the Sinochem Individual Lease Agreements for these continuing connected transactions such that the terms shall be on commercial terms and will regulate all existing and future Sinochem Individual Lease Agreements. The transactions under the renewed Sinochem Framework Lease Agreement are in the ordinary and usual course of business of the Group.
Term	From 1 January 2019 to 31 December 2021
Consideration and payment terms	The rental rate in any Sinochem Individual Lease Agreement shall be ascertained through negotiation separately between China Jin Mao (Group) and Sinochem Group in terms of the renewed Sinochem Framework Lease Agreement, which primarily includes the rental rate for the property leased and the management fees of the relevant space, and shall be based on arm’s length negotiations with reference to prevailing market rate for leasing similar properties or providing similar management services during the term of the agreement. When deciding the market rates for leasing similar properties or providing management services, the management of the Company will, to the extent practicable, take into account the rates of at least two similar and comparable quotes provided by independent third parties for reference or obtain quotations from at least two independent third parties for providing similar management services. The rental will also be on terms no more favourable than those offered by the Company to other independent third parties.

4. ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Existing Annual Caps for the current Framework Lease Agreements

The existing annual caps for transactions under the Framework Lease Agreements for each of the two years ended 31 December 2018 are set out below:

	Year ended 31 December	
	2017	2018
Annual caps	RMB59.7 million	RMB64.1 million

Historical Transaction Amounts for the Framework Lease Agreements

For the year ended 31 December 2017 and the six months ended 30 June 2018, the Group's aggregate annual rental income from members of the Sinochem Conglomerate and China Jinmao Group were approximately RMB18.0 million and approximately RMB13.1 million, respectively.

Annual Caps for the renewed Framework Lease Agreements

The annual caps for the transactions contemplated under the renewed Framework Lease Agreements for the three years ended 31 December 2021 are set out below:

	Year ended 31 December		
	2019	2020	2021
Annual caps	RMB61.11 million	RMB85.46 million	RMB103.14 million

The annual caps in respect of the renewed Framework Lease Agreements are estimated with reference to (i) the historical aggregate annual rental income received from members of the Sinochem Conglomerate and China Jinmao Group, (ii) key factors including the agreed rental rates in the existing individual lease agreements and the prevailing rental rates of relevant space in, and in the proximity of, the relevant property owned by the Company which are leased to independent third parties, (iii) the prevailing rental rates of the relevant hotel properties and shop units owned by the Company and (iv) the business growth and demand of each of the members of the Sinochem Conglomerate and the members of the China Jinmao Group for office space.

5. INFORMATION IN RELATION TO THE GROUP, CHINA JIN MAO (GROUP), CHINA JINMAO AND SINOCHEN GROUP

The Group

Jinmao Hotel is a fixed single investment trust with an initial focus on the hospitality industry in the PRC. The Group primarily owns and invests in a portfolio of hotels with diversified revenue sources and customer mix from a portfolio of high quality hotels and commercial properties, comprising eight hotels and Jin Mao Tower, a mixed-use development. The properties are all located in prime, strategic locations in top-tier cities or tourist hot spots in the PRC and comprise high quality hotels and commercial property.

China Jin Mao (Group)

China Jin Mao (Group) is an indirect wholly-owned subsidiary of the Company and primarily owns and invests in a portfolio of hotels.

China Jinmao

China Jinmao is a large-scale developer and operator of quality real estate projects in the PRC, and is principally engaged in the development, sale, leasing and management of commercial and residential properties and hotel operations.

Sinochem Group

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

6. REASONS FOR, AND BENEFITS OF, THE RENEWED FRAMEWORK LEASE AGREEMENTS

The entry into the renewed Framework Lease Agreements will enable China Jinmao and Sinochem Group to continue to operate from its current office premises in Jin Mao Tower. In addition, the Directors believe that the renewed Framework Lease Agreements are consistent with the business objectives of the Group and that transactions contemplated under the renewed Framework Lease Agreements are expected to contribute to the revenue of the Group.

7. LISTING RULES IMPLICATIONS

Both China Jinmao and Sinochem Group (as the ultimate controlling shareholder of China Jinmao) are the controlling holders of the Share Stapled Units and are therefore connected persons of the Company under the Listing Rules.

The transactions under the renewed Framework Lease Agreements will be aggregated in accordance with Rule 14A.82 of the Listing Rules. Since the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps for the transactions under the renewed Framework Lease Agreements will, on an annual basis, be more than 0.1% but less than 5%, these transactions when aggregated will constitute continuing connected transactions are only subject to the announcement and reporting requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the renewed Framework Lease Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the renewed Framework Lease Agreements are fair and reasonable and in the interests of the Company and the holders of the Share Stapled Units as a whole.

Mr. Li Congrui, Mr. Zhang Hui and Mr. Jiang Nan had declared their interests in the transactions under the renewed China Jinmao Framework Lease Agreement by virtue of their relationship with China Jinmao, and each of them have abstained from voting on the relevant resolutions of the respective Boards in respect of the renewed China Jinmao Framework Lease Agreement and the annual caps for the three years ending 31 December 2021 for the renewed China Jinmao Framework Lease Agreement. Save as disclosed above, none of the Directors has a material interest in the renewed Framework Lease Agreements and the transactions contemplated thereunder, and therefore no other Director has abstained from voting on the relevant resolutions of the respective Boards in respect of the renewed Framework Lease Agreements and the annual caps for the three years ending 31 December 2021.

9. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“affiliate”	has the meaning under the Listing Rules
“Boards”	the boards of directors of the Trustee-Manager and the Company
“China Jinmao”	China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00817) and a controlling holder of the Share Stapled Units, and therefore a connected person of the Company
“China Jin Mao (Group)”	China Jin Mao (Group) Company Limited (中國金茂(集團)有限公司), a company incorporated in the PRC with limited liability on 10 February 1993 and a wholly-owned subsidiary of the Company
“China Jinmao Group”	China Jinmao and its subsidiaries and affiliates (excluding the Trust Group)
“China Jinmao Framework Lease Agreement”	the framework lease agreement dated 7 December 2016 entered into between China Jin Mao (Group) and China Jinmao, as renewed on 21 December 2018 between the Company and China Jinmao

“Company”	Jinmao (China) Hotel Investments and Management Limited (金茂(中國)酒店投資管理有限公司), a company incorporated in the Cayman Islands
“Directors”	the directors of the Company and the Trustee-Manager
“Framework Lease Agreements”	the China Jinmao Framework Lease Agreement and the Sinochem Framework Lease Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jin Mao Tower”	a mixed-use development comprising Grand Hyatt Shanghai and office, retail and tourist areas, which is wholly owned by the Trust Group
“Jinmao Hotel”	Jinmao Hotel (金茂酒店), as constituted pursuant to the Trust Deed
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Stapled Units”	<p>the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none"> (a) a Unit; (b) the beneficial interest in a specifically identified ordinary share of the Company linked to the Unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of Jinmao Hotel); and (c) a specifically identified preference share of the Company stapled to the Unit
“Sinochem Conglomerate”	Sinochem Group and its subsidiaries and affiliates (excluding the Trust Group and the China Jinmao Group)
“Sinochem Framework Lease Agreement”	the framework lease agreement dated 7 December 2016 entered into between China Jin Mao (Group) and Sinochem Group, as renewed on 21 December 2018

“Sinochem Group”	Sinochem Group Co., Limited (中國中化集團有限公司) (formerly known as Sinochem Group (中國中化集團公司)), a state-owned enterprise established in the PRC on 11 August 1981, the ultimate controlling shareholder of China Jinmao, and therefore a connected person of the Company
“Trust Deed”	the trust deed dated 13 June 2014 constituting Jinmao Hotel and entered into between the Trustee-Manager and the Company, as amended from time to time
“Trust Group”	Jinmao Hotel and the Group
“Trustee-Manager”	Jinmao (China) Investments Manager Limited (金茂(中國)投資管理人有限公司), the trustee-manager of Jinmao Hotel
“Unit”	a unit in Jinmao Hotel which confers the rights set out in the Trust Deed

By Order of the Boards
Jinmao (China) Investments Manager Limited
and
Jinmao (China) Hotel Investments and Management Limited
LI Congrui
Chairman

Hong Kong, 21 December 2018

As at the date of this announcement, the directors of the Trustee-Manager and the Company are Mr. LI Congrui (Chairman), Mr. ZHANG Hui and Mr. JIANG Nan as Non-executive Directors; Mr. TANG Yong as Executive Director and Chief Executive Officer; and Dr. CHUNG Shui Ming Timpson, Dr. CHEN Jieping and Dr. XIN Tao as Independent Non-executive Directors.