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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 THIRD HOTEL PROPERTY
MANAGEMENT AGREEMENT**

Reference is made to (a) the prospectus of the Company dated 19 June 2014 in relation to, among others, the First Hotel Property Management Agreement entered into between the Company and China Jinmao; and (b) the announcement by the Company and the Trustee-Manager on 7 December 2016 in relation to the Second Hotel Property Management Agreement entered into between the Company and China Jinmao on 7 December 2016.

On 13 December 2019, the Company entered into the Third Hotel Property Management Agreement with China Jinmao for a period of three years with effect from 1 January 2020 pursuant to which the Group has agreed to provide certain hotel management services in relation to the Excluded Hotels to the China Jinmao Group. The transactions under the Third Hotel Property Management Agreement are in the ordinary and usual course of business of the Group.

China Jinmao is the controlling holder of the Share Stapled Units, and is therefore a connected person of the Trust Group under Rule 14A.07(1) of the Listing Rules. Accordingly, the Third Hotel Property Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Trust Group under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions under the Third Hotel Property Management Agreement will, on an annual basis, be more than 0.1% but less than 5%, these transactions will constitute continuing connected transactions that are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

1. INTRODUCTION

The First Hotel Property Management Agreement was entered into between the Company and China Jinmao for a period of three years with effect from 2 July 2014. On 7 December 2016, the Company entered into the Second Hotel Property Management Agreement with China Jinmao for a period of three years with effect from 1 January 2017. The Second Hotel Property Management Agreement may be renewed subject to the parties complying with the applicable provisions of the Listing Rules in respect of any such renewal.

On 13 December 2019, the Company entered into the Third Hotel Property Management Agreement with China Jinmao for a period of three years with effect from 1 January 2020. The Second Hotel Property Management Agreement will be terminated on 31 December 2019 and the Third Hotel Property Management Agreement will be effective from 1 January 2020. The principal terms of the Third Hotel Property Management Agreement are set out below.

2. THE THIRD HOTEL PROPERTY MANAGEMENT AGREEMENT

Date 13 December 2019

Parties (a) the Company; and
(b) China Jinmao.

Subject matter The Third Hotel Property Management Agreement was entered into for a period of three years with effect from 1 January 2020. Save for the duration, all other principal terms are substantially the same as those in the Second Hotel Property Management Agreement.

Under the Third Hotel Property Management Agreement, the Company will provide certain hotel management services in respect of the Excluded Hotels to the China Jinmao Group. The hotel management services relate to overseeing and monitoring hotel management agreements, advising on hotel improvements and overseeing the financial performance of the Excluded Hotels. The transactions under the Third Hotel Property Management Agreement are in the ordinary and usual course of business of the Group.

Term From 1 January 2020 to 31 December 2022.

Payment terms The Company will be entitled to receive an annual fee comprising a basic management fee of 0.5% of the total development costs of an Excluded Hotel and an incentive fee of 4% of the earnings before interest, taxes, depreciation and amortisation of each Excluded Hotel upon the formal opening of such Excluded Hotel.

3. ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Annual Caps and Historical Transaction Amounts for the Second Hotel Property Management Agreement

Annual Caps

For each of the three years ending 31 December 2017, 2018 and 2019, there was a monetary cap on the fees payable under the Second Hotel Property Management Agreement:

	2017	2018	2019
Annual caps	RMB8.25 million	RMB13.59 million	RMB18.92 million

Historical Transaction Amounts

The historical transaction amounts for transactions under the Second Hotel Property Management Agreement for each of the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 are set out below:

	Year ended 31 December		Six months ended
	2017	2018	30 June
			2019
Transaction amount	RMB7.75 million	RMB8.13 million	RMB3.95 million

Annual Caps for the Third Hotel Property Management Agreement

The annual caps for the transactions contemplated under the Third Hotel Property Management Agreement for the three years ending 31 December 2020, 2021 and 2022 are set out below:

	2020	2021	2022
Annual caps	RMB9.53 million	RMB9.64 million	RMB17.30 million

The annual caps have been determined primarily on the basis of: (a) estimated total development costs of the Excluded Hotels; (b) estimated earnings before interest, taxes, depreciation and amortisation of each Excluded Hotel upon its formal opening; and (c) the estimated financial budget for each Excluded Hotel.

4. INFORMATION IN RELATION TO THE GROUP AND CHINA JINMAO

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.

The ultimate controlling holder of the Share Stapled Units is Sinochem Group.

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.

The ultimate beneficial owner of China Jinmao is Sinochem Group.

5. REASONS FOR, AND BENEFITS OF, THE THIRD HOTEL PROPERTY MANAGEMENT AGREEMENT

The entry into the Third Hotel Property Management Agreement will enable the Company to continue to provide hotel management services in respect of the Excluded Hotels to facilitate their operations. The Directors believe that the Third Hotel Property Management Agreement is consistent with the business objectives of the Company and that the transactions contemplated under the Third Hotel Property Management Agreement are expected to contribute to the revenue of the Group.

6. LISTING RULES IMPLICATIONS

China Jinmao is the controlling holder of the Share Stapled Units, and is therefore a connected person of the Trust Group under Rule 14A.07(1) of the Listing Rules. Accordingly, the Third Hotel Property Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Trust Group under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of annual caps for the transactions under the Third Hotel Property Management Agreement, will, on an annual basis, be more than 0.1% but less than 5%, these transactions will constitute continuing connected transactions that are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

7. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the Third Hotel Property Management Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Third Hotel Property Management Agreement 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 Third Hotel Property Management Agreement by virtue of their relationship with China Jinmao, and each of them has abstained from voting on the relevant resolutions of the respective Boards in respect of the Third Hotel Property Management Agreement and the annual caps for the years ending 31 December 2020, 2021 and 2022. Save as disclosed above, none of the Directors has a material interest in the Third Hotel Property Management Agreement 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 Third Hotel Property Management Agreement and the annual caps for the years ending 31 December 2020, 2021 and 2022.

8. DEFINITIONS

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

“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 Trust Group
“China Jinmao Group”	China Jinmao and its subsidiaries
“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

“Excluded Hotels”	these comprise the following hotels: <ul style="list-style-type: none"> (a) The Westin Nanjing; (b) Mexi Lake Hotel a Luxury Collection Hotel Changsha; (c) a hotel in Phase II of the Nanjing International Centre Project, which is still under development; and (d) a hotel in the Nansha Jinmao Wan Project in Guangzhou, PRC, which is still under development
“First Hotel Property Management Agreement”	the hotel property management agreement entered into between the Company and China Jinmao dated 13 June 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Second Hotel Property Management Agreement”	the hotel property management agreement entered into between the Company and China Jinmao dated 7 December 2016
“Sinochem Group”	Sinochem Group Co., Limited (中國中化集團有限公司), a state-owned enterprise established in the PRC on 11 August 1981 and the ultimate controlling holder of the Share Stapled Units and the ultimate beneficial owner of China Jinmao

“Share Stapled Units”	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: (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
“Third Hotel Property Management Agreement”	the hotel property management agreement entered into between the Company and China Jinmao on 13 December 2019
“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, 13 December 2019

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.