
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **China Jinmao Holdings Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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China Jinmao Holdings Group Limited
中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

**CONNECTED TRANSACTION
UNDER THE LOAN AGREEMENT AND THE
MORTGAGE AGREEMENT
AND
CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW FRAMEWORK LEASE AGREEMENT**

*Independent financial adviser to the
Independent Board Committee and the
Independent Shareholders in respect of the
connected transaction under the Loan
Agreement and the Mortgage Agreement*

*Independent financial adviser to the
Independent Board Committee and the
Independent Shareholders in respect of the
continuing connected transactions under the
New Framework Lease Agreement*



A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Opus Capital, an independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction under the Loan Agreement and the Mortgage Agreement is set out on pages 22 to 39 of this circular. A letter from Red Sun Capital, an independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the New Framework Lease Agreement is set out on pages 40 to 60 of this circular.

A notice convening the EGM to be held at Salon III-IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 19 June 2024 at 9:40 a.m. is set out on pages 66 to 68 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

30 May 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings respectively set opposite to them:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	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, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Salon III-IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 19 June 2024 at 9:40 a.m. for the purpose of considering and approving (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps)
“Existing Framework Lease Agreement”	the framework lease agreement dated 28 December 2021 entered into between the Company and Sinochem Holdings
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei, formed to advise the Independent Shareholders in respect of (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps)
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM, i.e. Shareholders other than Sinochem Holdings and its associates for the purpose of approving (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps)
“Latest Practicable Date”	24 May 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Leased Properties”	properties leased by the Group to Sinochem Holdings and its associates under the New Framework Lease Agreement, including the relevant units of Xicheng Jinmao Centre, Chemsunny World Trade Centre, Royal International Mansion, Shanghai Jin Mao Tower, Changsha Jin Mao Tower and Nanjing International Centre, as well as other buildings or properties legally owned or to be owned by the Group for leasing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in a total principal amount of RMB1,500,000,000 provided by Sinochem Finance to Zhantuo Real Estate under the Loan Agreement
“Loan Agreement”	the loan agreement for fixed assets dated 26 April 2024 entered into between Zhantuo Real Estate and Sinochem Finance
“Mortgage Agreement”	the maximum amount mortgage agreement dated 26 April 2024 entered into between Zhantuo Real Estate and Sinochem Finance to secure the repayment obligations of Zhantuo Real Estate under the Loan Agreement

DEFINITIONS

“New Framework Lease Agreement”	the framework lease agreement dated 7 May 2024 for the leasing of the Leased Properties entered into between the Company and Sinochem Holdings
“Opus Capital”	Opus Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Project”	Chaoyang Jinmao Centre (朝陽金茂中心), an office project developed by Zhantuo Real Estate, which is located at No. 7 Huiquan Street, Chaoyang District, Beijing
“Properties”	the six office buildings and underground garage developed by Zhantuo Real Estate on the land on which the Project is located
“Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sinochem Capital”	Sinochem Capital Co., Ltd. (中化資本有限公司), a company with limited liability established under the laws of the PRC, and a subsidiary of Sinochem Corporation
“Sinochem Corporation”	Sinochem Corporation (中國中化股份有限公司), a company with limited liability established under the laws of the PRC, and an indirect subsidiary of Sinochem Holdings
“Sinochem Finance”	Sinochem Finance Co., Ltd. (中化集團財務有限責任公司), a company with limited liability established under the laws of the PRC, and a subsidiary of Sinochem Corporation
“Sinochem Holdings”	Sinochem Holdings Corporation Ltd. (中國中化控股有限責任公司), a state-owned enterprise incorporated in the PRC, which is wholly owned by the SASAC
“Sinochem Hong Kong”	Sinochem Hong Kong (Group) Company Limited (中化香港(集團)有限公司), a company incorporated in Hong Kong with limited liability, the immediate controlling shareholder of the Company holding approximately 38.40% of the total number of issued Shares, and an indirect subsidiary of Sinochem Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollar, the lawful currency of the United States
“Zhantuo Real Estate”	Beijing Zhantuo Real Estate Co., Ltd. (北京展拓置業有限公司), a company with limited liability established under the laws of the PRC, and an indirect wholly-owned subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD



China Jinmao Holdings Group Limited
中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

Executive Directors

Mr. ZHANG Zenggen (*Chairman*)
Mr. TAO Tianhai (*Chief Executive Officer*)
Mr. ZHANG Hui (*Senior Vice President*)
Ms. QIAO Xiaojie (*Chief Financial Officer*)

Non-executive Directors

Mr. CHENG Yong
Ms. CHEN Aihua
Mr. AN Hongjun
Ms. WANG Wei

Independent Non-executive Directors

Mr. SU Xijia
Mr. SUEN Man Tak
Mr. GAO Shibin
Mr. ZHONG Wei

Registered Office

Rooms 4702-03
47th Floor Office Tower
Convention Plaza
No. 1 Harbour Road
Wanchai
Hong Kong

30 May 2024

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
UNDER THE LOAN AGREEMENT AND THE
MORTGAGE AGREEMENT
AND
CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW FRAMEWORK LEASE AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 26 April 2024 in relation to the Loan Agreement and the Mortgage Agreement entered into between Zhantuo Real Estate, an indirect wholly-owned subsidiary of the Company, and Sinochem Finance. The transaction under the Loan Agreement and the Mortgage Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 7 May 2024 in relation to the New Framework Lease Agreement entered into between the Company (on behalf of the Group, as lessor) and Sinochem Holdings (for itself and on behalf of its associates, as lessees). The transactions under the New Framework Lease Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder; (ii) further information on the details of the New Framework Lease Agreement and the transactions contemplated thereunder; (iii) the letter from the Independent Board Committee to the Independent Shareholders; (iv) the letter from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction under the Loan Agreement and the Mortgage Agreement; (v) the letter from Red Sun Capital to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the New Framework Lease Agreement; and (vi) other information as required under the Listing Rules.

CONNECTED TRANSACTION UNDER THE LOAN AGREEMENT AND THE MORTGAGE AGREEMENT

The Board announces that on 26 April 2024, Zhantuo Real Estate, an indirect wholly-owned subsidiary of the Company, as borrower, entered into the Loan Agreement with Sinochem Finance, as lender, pursuant to which Sinochem Finance agreed to provide the Loan in a total principal amount of RMB1,500,000,000 to Zhantuo Real Estate.

As a security for its repayment obligations under the Loan Agreement, Zhantuo Real Estate entered into the Mortgage Agreement with Sinochem Finance on the same date, pursuant to which Zhantuo Real Estate agreed to mortgage the Properties to Sinochem Finance.

Principal Terms of the Loan Agreement

Date:	26 April 2024
Parties:	(a) Zhantuo Real Estate (an indirect wholly-owned subsidiary of the Company, as borrower) (b) Sinochem Finance (as lender)
Total principal amount:	RMB1,500,000,000, to be drawn down in two tranches. It is expected that Zhantuo Real Estate will draw down no less than RMB1,080,000,000 by 28 June 2024, and draw down the remaining principal amount of the Loan by 30 August 2024.

LETTER FROM THE BOARD

Sinochem Finance will issue a written confirmation to Zhantuo Real Estate at the time of release of each tranche, setting out the amount, interest rate and drawdown date of each tranche.

Interest rate: The interest rate for each tranche of the Loan shall be determined on the basis of, and shall not be higher than, the five-year loan prime rate (the “**Five-year LPR**”) published by the National Interbank Funding Centre for the most recent month prior to the drawdown date of such tranche. On such basis, the interest rate for the first tranche of the Loan is provisionally set at 2.4% per annum and will be conclusively confirmed by both parties prior to the drawdown date of the first tranche.

Sinochem Finance has the right to adjust the interest rate on a quarterly basis by reference to the Five-year LPR of the most recent month before the first natural day of the first month of each quarter, provided that the adjusted interest rate shall not be higher than the Five-year LPR of the most recent month. If Zhantuo Real Estate does not accept the adjustment of the interest rate, it shall repay the full amount of the Loan by the end of the quarter.

Term: Subject to the approval by the Independent Shareholders at the EGM, the Loan Agreement has a term of 12 years commencing from 24 June 2024. Each tranche of the Loan will mature on the expiry date of the Loan Agreement.

Purpose: Zhantuo Real Estate shall use the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans and for liquidity expenses. It is currently expected that Zhantuo Real Estate will use all the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans as further described under the section headed “Reasons for and Benefits of the Entering into of the Loan Agreement and the Mortgage Agreement” of this circular.

Repayment: Within ten years from the drawdown date of the first tranche of the Loan, 21 June and 21 December (or the next business day if such dates are not business days) of each year shall be the repayment dates. On each repayment date, Zhantuo Real Estate shall repay RMB25,000,000 to Sinochem Finance (or the full amount if the outstanding principal of the Loan is less than RMB25,000,000). Upon maturity of the Loan, Zhantuo Real Estate shall repay the remaining principal amount of the Loan to Sinochem Finance in one lump sum.

LETTER FROM THE BOARD

Zhantuo Real Estate shall pay the accrued interest on each tranche of the Loan to Sinochem Finance on a quarterly basis.

Zhantuo Real Estate may, by serving a prior notice of five business days to Sinochem Finance and upon obtaining the consent from Sinochem Finance, repay the Loan and any interest accrued thereon, in whole or in part, prior to the maturity date.

Security: The Loan shall be secured by the mortgage in respect of the Properties provided by Zhantuo Real Estate under the Mortgage Agreement.

Principal Terms of the Mortgage Agreement

Date: 26 April 2024

Parties: (a) Zhantuo Real Estate (as mortgagor)
(b) Sinochem Finance (as mortgagee)

Collateral: As a security for its repayment obligations under the Loan Agreement, Zhantuo Real Estate agreed to mortgage the Properties to Sinochem Finance.

The Properties are the six office buildings and underground garage developed by Zhantuo Real Estate on the land on which the Project is located. The Project is located at No. 7 Huiquan Street, Chaoyang District, Beijing with a site area of 38,100 square meters and a total gross floor area of 102,251.78 square meters. The Properties are currently vacant, and are intended to be held by the Group for sale and leasing. The book value of the Properties as at 31 December 2023 was RMB3,072,282,771.

The preliminary appraised value of the Properties as at 31 December 2023 was RMB3,099,288,804 (the “**Preliminary Appraised Value**”). Assets approach was adopted for the appraisal of four buildings that are intended for sale, and income approach was adopted for the appraisal of two buildings that are intended to be held by the Group for leasing.

LETTER FROM THE BOARD

Sinochem Finance has engaged an independent valuer to determine the fair value of the Properties (the “**Final Appraised Value**”). If the Final Appraised Value is lower than the Preliminary Appraised Value, Sinochem Finance shall have the right to reduce the principal amount of the Loan to be released to Zhantuo Real Estate by an amount of not more than the difference between the Preliminary Appraised Value and the Final Appraised Value. The Final Appraised Value has not been determined by the independent valuer as at the Latest Practicable Date, and will be finalized before the drawdown date of the first tranche of the Loan, i.e. before 28 June 2024. If the Final Appraised Value differs materially from the Preliminary Appraised Value, the Company will make further announcement in due course.

Maximum amount of
guarantee:

The maximum amount of guarantee under the Mortgage Agreement is RMB1,500,000,000, including the outstanding principal of the Loan under the Loan Agreement, and any interests, default interests, compensations, liquidated damages and any other expenses incurred by Sinochem Finance for the realization of its claims.

Pursuant to the Civil Code of the PRC, if the debtor fails to perform its repayment obligations or other circumstances agreed by the parties for the enforcement of mortgage occur, the mortgagee may negotiate with the mortgagor for the enforcement of mortgage, and be paid off by converting the value of the mortgaged property into money or by the proceeds acquired through an auction or sale of the mortgaged property. If the mortgagee and the mortgagor cannot reach an agreement on the enforcement of mortgage, the mortgagee may seek a court judgment to auction or sell the mortgaged property. After the mortgaged property is converted into money, or auctioned or sold, the part of proceeds therefrom in excess of the amount of the debt shall belong to the mortgagor. Zhantuo Real Estate (as mortgagor) and Sinochem Finance (as mortgagee) shall comply with the above requirements on the enforcement of mortgage under the Civil Code of the PRC.

Reasons for and Benefits of the Entering into of the Loan Agreement and the Mortgage Agreement

Pursuant to the Loan Agreement, Zhantuo Real Estate shall use the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans and for liquidity expenses. It is currently expected that Zhantuo Real Estate will use all the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans. As at the Latest Practicable Date, the Group has extended shareholder’s loans in a total amount of approximately RMB3,130 million to Zhantuo Real Estate for the development of the Project. Financing from financial institutions for repayment of shareholder’s loans can reduce the Project’s occupation of funds of the Group, allowing the Group to rationally allocate its resources, improve its funding utilization efficiency, and meet the Group’s development and financial needs for other development

LETTER FROM THE BOARD

projects. Sinochem Finance has been providing financial services to the Group for many years and can offer reliable and stable finance resource and mid-term and long-term credit line for the Group. Before the entering into of the Loan Agreement and the Mortgage Agreement, Zhantuo Real Estate obtained quotations from three financial institutions, including Sinochem Finance and commercial banks. As compared with the offers from commercial banks, the amount, interest rate and other terms and conditions of the Loan provided by Sinochem Finance are more favorable to Zhantuo Real Estate than those offered by commercial banks.

The Directors (including the independent non-executive Directors) consider that the Loan Agreement and the Mortgage Agreement are entered into by the Group on normal commercial terms after arm's length negotiations, and the terms of the transaction under the Loan Agreement and the Mortgage Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As Mr. CHENG Yong and Ms. CHEN Aihua are employees of Sinochem Holdings, they are regarded as having material interests in the transaction under the Loan Agreement and the Mortgage Agreement and have abstained from voting on the Board resolution to approve the transaction contemplated under the Loan Agreement and the Mortgage Agreement.

Implications under the Listing Rules

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 38.40% of the total number of issued Shares, and is therefore a connected person of the Company. As Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation and Sinochem Capital, both of which are indirect subsidiaries of Sinochem Holdings, Sinochem Finance is a connected person of the Company. The provision of secured Loan by Sinochem Finance to Zhantuo Real Estate constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios applicable to the secured Loan exceed 5%, the transaction under the Loan Agreement and the Mortgage Agreement is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Loan provided by Sinochem Finance under the Loan Agreement is secured by the mortgage provided by Zhantuo Real Estate under the Mortgage Agreement, the Loan Agreement and the Mortgage Agreement are interdependent and linked, and therefore the provision of secured Loan under the Loan Agreement and the Mortgage Agreement will be submitted to the EGM as one resolution for approval by the Independent Shareholders.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW FRAMEWORK LEASE AGREEMENT

Reference is made to the announcement of the Company dated 28 December 2021 in relation to the Existing Framework Lease Agreement entered into between the Company (on behalf of the Group, as lessor) and Sinochem Holdings (for itself and on behalf of its associates, as lessees) on the same date. The Existing Framework Lease Agreement will expire on 31 December 2024.

The Board announces that on 7 May 2024, the Company entered into the New Framework Lease Agreement with Sinochem Holdings to extend the lease term to 31 December 2033, and to set annual caps for the three years ending 31 December 2026 under the New Framework Lease Agreement. The Existing Framework Lease Agreement will be terminated and replaced by the New Framework Lease Agreement upon the New Framework Lease Agreement coming into effect.

Principal Terms of the New Framework Lease Agreement

Date:	7 May 2024
Parties:	(a) The Company (on behalf of the Group, as lessor) (b) Sinochem Holdings (for itself and on behalf of its associates, as lessees)
Leased Properties:	The relevant units of Xicheng Jinmao Centre, Chemsunny World Trade Centre, Royal International Mansion, Shanghai Jin Mao Tower, Changsha Jin Mao Tower and Nanjing International Centre, as well as other buildings or properties legally owned or to be owned by the Group for leasing. The lessees may, according to their future needs, increase, decrease or adjust the leased area and location of the Leased Properties during the term of the New Framework Lease Agreement.
Term:	From the date of approval by the Independent Shareholders at the EGM to 31 December 2033. The Existing Framework Lease Agreement will be terminated and replaced by the New Framework Lease Agreement upon the New Framework Lease Agreement coming into effect. For the avoidance of doubt, if the New Framework Lease Agreement is not approved by the Independent Shareholders, the parties will continue to conduct transactions in accordance with the Existing Framework Lease Agreement and within the original annual cap for 2024 thereunder.

LETTER FROM THE BOARD

Rentals, Property Management Fees and Other Fees: The rentals, property management fees of the relevant units and other fees being various sundry charges actually incurred (including but not limited to parking space rentals, car-park management fees, parking fees, water, electricity and gas charges, telephone tariffs, overtime air-conditioning fees, maintenance and catering fees, etc., where applicable) shall be set out in the relevant individual lease agreements and shall be paid by the lessees according to the provisions of the individual lease agreements.

Usage: Office premises

Pricing Basis

The rentals, property management fees and other fees of the relevant units of the Leased Properties will be determined through arm's length negotiations between the Group and Sinochem Holdings and its associates based on the prevailing market rates and on normal commercial terms. When determining the prevailing market rates, the relevant subsidiaries of the Company will make reference to the historical fees paid by the lessees for the relevant leases and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas.

Historical Figures

The total rentals, property management fees and other fees received by the Group from Sinochem Holdings and its associates for the two years ended 31 December 2023 and the three months ended 31 March 2024 were as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2023		For the year ending 31 December 2024	For the three months ended 31 March 2024
	<i>Approx.</i> <i>(RMB million)</i>		<i>Approx.</i> <i>(RMB million)</i>		<i>Approx.</i> <i>(RMB million)</i>	<i>Approx.</i> <i>(RMB million)</i>
	<i>Annual cap</i>	<i>Historical amount</i>	<i>Annual cap</i>	<i>Historical amount</i>	<i>Original annual cap under the Existing Framework Lease Agreement</i>	<i>Historical amount</i>
Rentals, property management fees and other fees received by the Group	582.25	416.61	654.14	409.31	733.45	105.19

The Company expects that the total rentals, property management fees and other fees received and to be received by the Group from Sinochem Holdings and its associates during the period from 1 January 2024 to the date of the EGM will not exceed the original annual cap for the year ending 31 December 2024 under the Existing Framework Lease Agreement.

LETTER FROM THE BOARD

Annual Caps

The Company estimates the annual caps for the rentals, property management fees and other fees to be received by the Group in respect of the Leased Properties under the New Framework Lease Agreement for the three years ending 31 December 2026 as follows:

	For the year ending 31 December 2024 <i>(RMB million)</i>	For the year ending 31 December 2025 <i>(RMB million)</i>	For the year ending 31 December 2026 <i>(RMB million)</i>
Estimated annual caps	529.04	593.85	662.62

The Directors have taken into account the following principal factors in estimating the above annual caps:

- (a) The Directors have considered the historical transaction amounts for the two years ended 31 December 2023 and the three months ended 31 March 2024 under the Existing Framework Lease Agreement;
- (b) Leased Properties include buildings or properties legally owned or to be owned by the Group for leasing. As at the date of the New Framework Lease Agreement, the details of the properties available for leasing by the Group to Sinochem Holdings and its associates are as follows:

Properties available for leasing	Addresses	Gross floor area <i>(square meters)</i>
Xicheng Jinmao Centre	A2 Fuxingmenwai Avenue, Xicheng District, Beijing, the PRC	49,066
Chemsunny World Trade Centre	28 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC	194,530
Royal International Mansion	Building 17, No. 2 Xitieying Middle Road, Fengtai District, Beijing, the PRC	50,638

LETTER FROM THE BOARD

Properties available for leasing	Addresses	Gross floor area (square meters)
Shanghai Jin Mao Tower	88 Century Avenue, Pudong New Area, Shanghai, the PRC	292,475
Changsha Jin Mao Tower	392 Meixi Lake Road, Yuelu District, Changsha, Hunan Province, the PRC	149,523
Nanjing International Centre	South Tower, 201 Central Road, Gulou District, Nanjing, Jiangsu Province, the PRC	186,100

- (c) As at 31 March 2024, the total leased gross floor area under all existing individual lease agreements is approximately 88,314 square meters. Pursuant to the New Framework Lease Agreement, the lessees may, according to their future needs, increase, decrease or adjust the leased area of the Leased Properties during the term of the New Framework Lease Agreement. Along with the business development of Sinochem Holdings and its associates, their demand for office space may further increase. It is expected that Sinochem Holdings and its associates will increase the leased gross floor area of the Leased Properties by up to 3% for each of the three years from 2024 to 2026;
- (d) Taking into consideration the previous market rental adjustments of commercial properties of the same or similar quality in the proximity of the Leased Properties, and assuming that all individual lease agreements will be renewed based on the prevailing market rates upon expiration, the Directors estimate that there will be an annual upward adjustment of not more than 10% to the rentals of the relevant units of the Leased Properties for each of the three years from 2024 to 2026;
- (e) In view of the fact that the relevant property management entities may adjust the property management fees due to cost increase and taking into account the rate of increase in property management cost in recent years, the Directors estimate that there will be an annual upward adjustment of 12% to the property management fees for each of the three years from 2024 to 2026;
- (f) The other fees are various sundry charges actually incurred under the individual lease agreements. The Directors estimate that there will be an annual upward adjustment of 8% to the other fees for each of the three years from 2024 to 2026 based on the previous market price adjustments and the changing needs of the lessees; and
- (g) The Directors, after making the above adjustments, make an additional buffer of an annual increase of 15% of the estimated amount of the rentals, property management fees and other fees.

LETTER FROM THE BOARD

Internal Control Procedures

The Company has adopted adequate internal control procedures to ensure that the terms of the Group's transactions with Sinochem Holdings and its associates under the New Framework Lease Agreement are fair and reasonable and not prejudicial to the interests of the Company and the Independent Shareholders, including:

- Prior to entering into any individual lease agreement, the assets management department of the relevant subsidiary of the Company will collect information on the historical fees paid by Sinochem Holdings and its associates in respect of the Leased Properties and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas, and conduct cross-checks against the prices offered by the Group to independent third parties for the Leased Properties of similar location, view, size or floor level, to ensure that the prices offered to Sinochem Holdings and its associates are no less favorable to the Group than those offered to independent third parties for similar Leased Properties;
- Having obtained various reference prices, the general manager of the relevant subsidiary of the Company will determine the rentals and fees for the relevant units, which will then be reported to the general manager of the assets management department of the Company;
- The assets management department of the Company will regularly monitor the implementation of the continuing connected transactions contemplated under the New Framework Lease Agreement and keep track of the aggregate transaction amounts under the New Framework Lease Agreement on a monthly basis, to ensure that the pricing principles and annual caps contained therein are complied with;
- The independent non-executive Directors of the Company will conduct an annual review of the continuing connected transactions under the New Framework Lease Agreement and provide an annual confirmation as to whether these transactions are conducted on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- The external auditors of the Company will also conduct an annual review of the continuing connected transactions under the New Framework Lease Agreement, including the pricing policies and the annual caps.

LETTER FROM THE BOARD

Reasons for and Benefits of the Entering into of the New Framework Lease Agreement

The Company is of the view that the lease of the Leased Properties to Sinochem Holdings and its associates at the prevailing market rates can secure long-term tenants and bring stable income to the Group. By managing all existing and future individual leasing relationship in respect of the Leased Properties under one framework agreement, regardless of the location of the Leased Properties, the Group can streamline and optimize the regulation and control of the leasing relationship with Sinochem Holdings and its associates.

The Directors (including the independent non-executive Directors) consider that the New Framework Lease Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the transactions under the New Framework Lease Agreement and the relevant annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. As Mr. CHENG Yong and Ms. CHEN Aihua are employees of Sinochem Holdings, they are regarded as having material interests in the transactions under the New Framework Lease Agreement and have abstained from voting on the Board resolution to approve the transactions under the New Framework Lease Agreement.

Implications under the Listing Rules

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 38.40% of the total number of issued shares of the Company, and hence a connected person of the Company. Accordingly, the transactions under the New Framework Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions under the New Framework Lease Agreement exceeds 5%, the transactions under the New Framework Lease Agreement are subject to the reporting, announcement, circular, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the lease term of the New Framework Lease Agreement is more than three years, pursuant to Rule 14A.52 of the Listing Rules, Red Sun Capital, as the independent financial adviser in respect of the continuing connected transactions under the New Framework Lease Agreement, has set out its explanation of the reasons for the term of the New Framework Lease Agreement being longer than three years and confirmed that it is normal business practice for agreements of this type to be of such duration. For details, please refer to the section headed "Letter from Red Sun Capital – 3. Our analysis on the principal terms of the New Framework Lease Agreement and work performed on the internal control procedures – 3.1 Our analysis on the term of the New Framework Lease Agreement in excess of three years" set out on pages 50 to 51 of this circular.

LETTER FROM THE BOARD

INFORMATION REGARDING THE PARTIES

The Company is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. The Company is principally engaged in city operations, property development, services and building technology, commercial leasing, retail operations and hotel operations.

Zhantuo Real Estate, an indirect wholly-owned subsidiary of the Company, is principally engaged in the real estate development in the PRC.

Sinochem Holdings is the ultimate controlling shareholder of the Company. It is a large-scale chemical enterprise which operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance. The sole shareholder of Sinochem Holdings is the SASAC.

Sinochem Finance is a financial service company regulated by the People's Bank of China and the National Financial Regulatory Administration. It is committed to providing synergized settlement, financing and financial management and financial consulting services to Sinochem Holdings and its associates. Sinochem Finance is ultimately owned by Sinochem Holdings.

EGM

A notice convening the EGM to be held at Salon III-IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 19 June 2024 at 9:40 a.m. is set out on pages 66 to 68 of this circular. At the EGM, ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps).

In accordance with the requirements of the Listing Rules, any votes of Shareholders at any general meeting shall be taken by way of poll. Accordingly, the chairman of the meeting will at the EGM demand, pursuant to Article 58(1) of the articles of association of the Company, that votes on the ordinary resolutions set out in the notice of the EGM be taken by way of poll.

In view of Sinochem Holdings' interests in the Loan Agreement, the Mortgage Agreement and the New Framework Lease Agreement, Sinochem Hong Kong (being an indirect subsidiary of Sinochem Holdings, and the immediate controlling shareholder of the Company holding approximately 38.40% of the total number of issued Shares as at the Latest Practicable Date) is required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps).

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend at the EGM, they are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the Loan Agreement, the Mortgage Agreement and the New Framework Lease Agreement are entered into by the Group in its ordinary and usual course of business after arm's length negotiations, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps).

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei, has been formed to advise the Independent Shareholders in respect of (i) the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder, and (ii) the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps). Opus Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder. Red Sun Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps).

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders; (ii) the letter from Opus Capital set out on pages 22 to 39 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction under the Loan Agreement and the Mortgage Agreement; (iii) the letter from Red Sun Capital set out on pages 40 to 60 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions under the New Framework Lease Agreement; and (iv) the additional information set out in the appendix to this circular.

Yours faithfully,

For and on behalf of the Board of
China Jinmao Holdings Group Limited
ZHANG Zenggen
Chairman



China Jinmao Holdings Group Limited
中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

30 May 2024

To: the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
UNDER THE LOAN AGREEMENT AND THE
MORTGAGE AGREEMENT
AND
CONTINUING CONNECTED TRANSACTIONS
UNDER THE NEW FRAMEWORK LEASE AGREEMENT

We refer to the circular of the Company dated 30 May 2024 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed to advise the Independent Shareholders as to whether the Loan Agreement, the Mortgage Agreement and the New Framework Lease Agreement are entered into by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Opus Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the Mortgage Agreement and the transaction contemplated thereunder. Red Sun Capital has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Lease Agreement and the transactions contemplated thereunder (including the annual caps).

Having considered the terms of the Loan Agreement, the Mortgage Agreement and the New Framework Lease Agreement, and the respective advice of Opus Capital and Red Sun Capital, the independent financial advisers to us and the Independent Shareholders, we consider that the Loan Agreement, the Mortgage Agreement and the New Framework Lease

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Agreement are entered into by the Company in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions set out in the notice of the EGM.

Yours faithfully,
the Independent Board Committee of
China Jinmao Holdings Group Limited
SU Xijia
SUEN Man Tak
GAO Shibin
ZHONG Wei
Independent Non-executive Directors

LETTER FROM OPUS CAPITAL

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

30 May 2024

To: *the Independent Board Committee and the Independent Shareholders of China Jinmao Holdings Group Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION UNDER THE LOAN AGREEMENT AND THE MORTGAGE AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 May 2024 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

BACKGROUND

As stated in the Letter from the Board, reference is made to the announcement of the Company dated 26 April 2024, that Zhantuo Real Estate, an indirect wholly-owned subsidiary of the Company, as borrower, entered into the Loan Agreement with Sinochem Finance, as lender, pursuant to which Sinochem Finance agreed to provide the Loan in a total principal amount of RMB1,500,000,000 to Zhantuo Real Estate.

As a security for its repayment obligations under the Loan Agreement, Zhantuo Real Estate entered into the Mortgage Agreement with Sinochem Finance on the same date, pursuant to which Zhantuo Real Estate agreed to mortgage the Properties to Sinochem Finance.

LETTER FROM OPUS CAPITAL

Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 38.40% of the total number of issued shares of the Company, and is therefore a connected person of the Company. As Sinochem Finance is owned as to 37% by Sinochem Holdings and as to 63% in aggregate by Sinochem Corporation and Sinochem Capital, both of which are indirect subsidiaries of Sinochem Holdings, Sinochem Finance is a connected person of the Company. The provision of secured Loan by Sinochem Finance to Zhantuo Real Estate constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios applicable to the secured Loan exceed 5%, the transaction under the Loan Agreement and the Mortgage Agreement is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Loan provided by Sinochem Finance under the Loan Agreement is secured by the mortgage provided by Zhantuo Real Estate under the Mortgage Agreement, the Loan Agreement and the Mortgage Agreement are interdependent and linked, and therefore the provision of secured Loan under the Loan Agreement and the Mortgage Agreement will be submitted to the EGM as one resolution for approval by the Independent Shareholders.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Su Xijia, Mr. Suen Man Tak, Mr. Gao Shibin and Mr. Zhong Wei, has been established to advise the Independent Shareholders on: (i) whether the entering into of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how to vote on the resolution concerning the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder at the EGM. Our appointment as the Independent Financial Adviser in this respect has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of (i) Jinmao Property Services Co., Limited, a subsidiary of the Company, on the continuing connected transactions in relation to a property management services framework agreement; (ii) the Company, on the continuing connected transactions and major transactions under two financial services framework agreements; and (iii) the Company, on the continuing connected transaction and major transaction in respect of amendments to a financial services framework agreement and change in maximum daily deposit balance, details of which are set out in the circular of Jinmao Property Services Co., Limited dated 24 November 2022 as well as the circulars of the Company dated 7 December 2022 and 12 April 2024 respectively (collectively, the “**Past Appointments**”). The relevant transactions under the Past Appointments are independent to the transaction contemplated under the Loan Agreement and the Mortgage Agreement.

LETTER FROM OPUS CAPITAL

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company, Sinochem Finance, Sinochem Holdings, Zhantuo Real Estate or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Past Appointments, we have not: (i) acted as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fees paid or payable (as the case may be) to us in connection with the Past Appointments and this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Sinochem Finance, Sinochem Holdings, Zhantuo Real Estate or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Loan Agreement;
- (ii) the Mortgage Agreement;
- (iii) the annual reports of the Company for the year ended 31 December (“**FY**”, which is also applicable to the year ending 31 December) 2023 (the “**2023 Annual Report**”); and
- (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and continued to be so up to the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

LETTER FROM OPUS CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided to us by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the Circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Parties

1.1. The Company

The Company is a large-scale developer and operator of quality real estate projects in the PRC. The Company is the platform enterprise of Sinochem Holdings in the development of real estate business. The Company is principally engaged in city operations, property development, services and building technology, commercial leasing, retail operations and hotel operations.

1.2. Zhantuo Real Estate

Zhantuo Real Estate, an indirect wholly-owned subsidiary of the Company, is principally engaged in the real estate development in the PRC.

1.3. Sinochem Holdings

Sinochem Holdings is the ultimate controlling shareholder of the Company. It is a large-scale chemical enterprise which operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance. The sole shareholder of Sinochem Holdings is the SASAC.

LETTER FROM OPUS CAPITAL

1.4. Sinochem Finance

Sinochem Finance is a financial service company regulated by the People's Bank of China and the National Financial Regulatory Administration. It is committed to providing synergized settlement, financing and financial management and financial consulting services to Sinochem Holdings and its associates. Sinochem Finance is ultimately owned by Sinochem Holdings.

2. Financial information of the Group

Review of financial performance

The following is a summary of the consolidated financial information of the Group for each of FY2022 and FY2023 respectively, as extracted from the 2023 Annual Report:

Table 1: Highlights of the financial results of the Group

	Audited	
	FY2023 (RMB'000)	FY2022 (RMB'000)
Revenue	72,403,613	82,991,372
– City operations and property development	62,781,871	74,708,319
– Commercial leasing and retail operations	1,802,291	1,550,988
– Hotel operations	2,080,434	1,153,874
– Jinmao services	2,704,412	2,436,035
– Others	4,345,223	4,713,650
Gross profit	9,021,481	13,145,620
Finance costs	(3,013,873)	(2,711,121)
Profit/(loss) attributable to the Shareholders	(6,896,644)	1,984,083

Source: the 2023 Annual Report

During FY2023, the Group recorded revenue of approximately RMB72,403.6 million, representing a decrease of approximately 12.8% compared to RMB82,991.4 million for FY2022. The decrease in revenue was mainly attributable to the decrease of approximately 16.0% in the revenue of city operation and property development of the Group from approximately RMB74,708.3 million for FY2022 to approximately RMB62,781.9 million for FY2023, which was mainly due to the decrease in sales properties delivered and settled as compared with FY2022.

The gross profit of the Group was approximately RMB9,021.5 million for FY2023, representing a decrease of approximately 31.4% from approximately RMB13,145.6 million for FY2022. The decrease in gross profit was mainly attributable to the decrease in revenue of city operation and property development of the Group.

LETTER FROM OPUS CAPITAL

The Group recorded loss attributable to the Shareholders of approximately RMB6,896.6 million for FY2023, as compared to a profit attributable to the Shareholders of approximately RMB1,984.1 million for FY2022. The decrease was mainly due to (i) the impact of the downturn in the real estate industry; (ii) the provision for impairment of properties under development and properties held for sales of the Group and certain associates and joint ventures of the Group during FY2023; and (iii) the decrease in revenue and gross profit margin of certain property development projects of the Group and the decrease in the amount of land development income.

Review of financial positions

The following is a summary of the financial positions of the Group as at 31 December 2022 and 31 December 2023, as extracted from the 2023 Annual Report:

Table 2: Highlights of the financial positions of the Group

	Audited	
	As at 31 December 2023 (RMB'000)	As at 31 December 2022 (RMB'000)
Non-current assets	219,967,817	230,423,143
Current assets	187,151,384	191,472,496
Non-current liabilities	121,191,680	120,750,083
Current liabilities	176,090,404	188,458,816
Equity attributable to the Shareholders	39,291,296	47,445,427
Current Ratio ^(Note 1)	1.06	1.02
Gearing Ratio ^(Note 2)	73%	64%

Source: the 2023 Annual Report

Notes:

1. Current ratio represents total current assets divided by total current liabilities.
2. Gearing ratio represents net debt (i.e. total interest-bearing bank and other borrowings less other financial assets, restricted bank balances and cash and cash equivalents) to the adjusted capital (i.e. total equity less amounts due to the immediate holding company).

The non-current assets of the Group mainly comprised of property, plant and equipment, properties under development, investment properties, investments in joint ventures, investment in associates and land under development. The total non-current assets decreased from approximately RMB230,423.1 million as at 31 December 2022 by approximately 4.5% to approximately RMB219,967.8 million as at 31 December 2023. The decrease was primarily attributable to the decrease in properties under development and due from related parties of approximately RMB7,832.6 million.

LETTER FROM OPUS CAPITAL

The current assets of the Group mainly consisted of properties under development, properties held for sale, prepayments, other receivable and other assets, due from related parties and cash and cash equivalents. The total current assets decreased from approximately RMB191,472.5 million as at 31 December 2022 to approximately RMB187,151.4 million as at 31 December 2023, representing a slight decrease by approximately 2.3%. The decrease was mainly due to a combination of factors being: (i) the decrease in properties under development and cash and cash equivalents of approximately RMB16,501.5 million; and (ii) the increase of properties held for sales and prepayment, other receivables and other assets of approximately RMB11,723.5.

Based on the above, the Group had total assets of approximately RMB407,119.2 million as at 31 December 2023, representing a decrease of approximately 3.5% as compared to the position as at 31 December 2022.

The major components of the current liabilities of the Group as at 31 December 2023 were trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and due to related parties. The total current liabilities decreased from approximately RMB188,458.8 million as at 31 December 2022 to approximately RMB176,090.4 million as at 31 December 2023, representing a decrease by approximately 6.6%. The decrease was mainly due to the decrease in interest-bearing bank and other borrowings of approximately RMB2,684.8 million.

The major components of the non-current liabilities of the Group as at 31 December 2023 were mainly interest-bearing bank and other borrowings, deferred tax liabilities and due to related parties. The Group remained the relatively stable level in its non-current liabilities from approximately RMB120,750.1 million as at 31 December 2022 to approximately RMB121,191.7 million as at 31 December 2023. Such relatively stable level was largely due to a combination of factors being: (i) the reduction in due to related parties of approximately RMB6,768.9 million; and (ii) the increase of approximately RMB7,399.1 million in interest-bearing bank and other borrowings.

The current ratio of approximately 1.06 time as at 31 December 2023, which registered a slight increase as compared to that as at 31 December 2022 of approximately 1.02 times. The gearing ratio of the Group increased from approximately 64% as at 31 December 2022 to approximately 73% as at 31 December 2023, which was mainly due to the increase in net debt (i.e. interest-bearing bank and other borrowings).

As a result of a combination of movements in total assets and total liabilities of the Group outlined above, the equity attributable to the Shareholders recorded a decrease of approximately 17.2% from approximately RMB47,445.4 million as at 31 December 2022 to approximately RMB39,291.3 million 31 December 2023.

LETTER FROM OPUS CAPITAL

3. Reasons for and benefits of the entering into of the Loan Agreement and the Mortgage Agreement

As stated in the Letter from the Board, pursuant to the Loan Agreement, Zhantuo Real Estate shall use the funds borrowed under the Loan Agreement for the repayment of shareholder's loans and for liquidity expenses. It is currently expected that Zhantuo Real Estate will use all the funds borrowed under the Loan Agreement for the repayment of shareholder's loans. As at the Latest Practicable Date, the Group has extended shareholder's loans in a total amount of approximately RMB3,130 million to Zhantuo Real Estate for the development of the Project. Financing from financial institutions for repayment of shareholder's loans can reduce the Project's occupation of funds of the Group, allowing the Group to rationally allocate its resources, improve its funding utilization efficiency, and meet the Group's development and financial needs for other development projects. Sinochem Finance has been providing financial services to the Group for many years and can offer reliable and stable finance resource and mid-term and long-term credit line for the Group. Before the entering into of the Loan Agreement and the Mortgage Agreement, Zhantuo Real Estate obtained quotations from three financial institutions, including Sinochem Finance and commercial banks. As compared with the offers from commercial banks, the amount, interest rate and other terms and conditions of the Loan provided by Sinochem Finance are more favorable to Zhantuo Real Estate than those offered by commercial banks.

4. Other financing alternatives to the Loan

Upon enquiry, the Management advised that the Group had considered alternative methods, including but not limited to borrowings from banks or other financial institutions, equity financing such as by way of placing, rights issue, open offer and direct subscription of new shares of the Company, for raising sufficient funds before entering into of the Loan Agreement and the Mortgage Agreement.

The success and fund-raising size of equity financings such as placing, share subscription, rights issue and/or open offer, substantially depend on the macro-economic sentiments and the specific micro-economic assessment of the financial performance and financial position of the subject company. Given the current negative market sentiments towards the Chinese property industry and the abovementioned recent financial performance and financial position of the Group, equity financing was first ruled out by the Management. The Management expects that it would be fairly difficult, if not challenging, to attract investors and/or Shareholders to participate in equity financings of the Company in the near term.

Moreover, on the basis that the Company would be required to undergo a relatively lengthy process to (i) identify suitable placing agent(s) and/or underwriter(s) and negotiate terms agreeable to the Company; and (ii) prepare the requisite compliance and legal documentation (such as placing agreement(s), underwriting agreement(s), announcement(s), circulars(s), prospectus(es) and so on), meaning that an equity financing would be generally more time-consuming compared to that of debt financing.

LETTER FROM OPUS CAPITAL

With equity financing out of the equation, the Management opted for debt financing and narrowed down to borrowings from banks or other financial institutions. We are given to understand that before the entering into of the Loan Agreement and the Mortgage Agreement, Zhantuo Real Estate obtained quotations from three financial institutions, including Sinochem Finance and commercial banks. As compared with the offers from commercial banks, the amount, interest rate and other terms and conditions of the Loan provided by Sinochem Finance are more favorable to Zhantuo Real Estate than those offered by commercial banks. We also note, from the Past Appointment with the Company, that Sinochem Finance has been providing financial services to the Group for many years, and has an in-depth understanding of the Group's business and development needs. With the support and financing backing from Sinochem Holdings (being its controlling shareholder), Sinochem Finance can offer reliable and stable finance resource and mid-term and long-term credit line for the Group, therefore optimizing the funding structure of the Group.

All in all, we are of the view the entering into of the Loan Agreement and the Mortgage Agreement will (i) reduce the Project's occupation of funds of the Group, allowing the Group to rationally allocate its resources, improve its funding utilization efficiency, and meet the Group's development and financial needs for other development projects; (ii) not incur a dilution effect on the shareholding of the existing Shareholders; and (iii) demonstrate the confidence and continuous financial support to the Group from Sinochem Holdings or its subsidiaries, the ultimate controlling shareholder of the Company. Based on the above, we agreed with the Management and consider the entering into of the Loan Agreement and the Mortgage Agreement is the most feasible and suitable financing method to the Group to date.

5. Principal terms of the Loan Agreement

Principal terms of the Loan Agreement are set out below:

Date:	26 April 2024
Parties:	(a) Zhantuo Real Estate (an indirect wholly-owned subsidiary of the Company, as borrower) (b) Sinochem Finance (as lender)
Total principal amount:	RMB1,500,000,000, to be drawn down in two tranches. It is expected that Zhantuo Real Estate will draw down no less than RMB1,080,000,000 by 28 June 2024, and draw down the remaining principal amount of the Loan by 30 August 2024.

Sinochem Finance will issue a written confirmation to Zhantuo Real Estate at the time of release of each tranche, setting out the amount, interest rate and drawdown date of each tranche.

LETTER FROM OPUS CAPITAL

- Interest rate:** The interest rate for each tranche of the Loan shall be determined on the basis of, and shall not be higher than, the five-year loan prime rate (the “**Five-year LPR**”) published by the National Interbank Funding Center for the most recent month prior to the drawdown date of such tranche. On such basis, the interest rate for the first tranche of the Loan is provisionally set at 2.4% per annum and will be conclusively confirmed by both parties prior to the drawdown date of the first tranche.
- Sinochem Finance has the right to adjust the interest rate on a quarterly basis by reference to the Five-year LPR of the most recent month before the first natural day of the first month of each quarter, provided that the adjusted interest rate shall not be higher than the Five-year LPR of the most recent month. If Zhantuo Real Estate does not accept the adjustment of the interest rate, it shall repay the full amount of the Loan by the end of the quarter.
- Term:** Subject to the approval by the Independent Shareholders at the EGM, the Loan Agreement has a term of 12 years commencing from 24 June 2024. Each tranche of the Loan will mature on the expiry date of the Loan Agreement.
- Purpose:** Zhantuo Real Estate shall use the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans and for liquidity expenses. It is currently expected that Zhantuo Real Estate will use all the funds borrowed under the Loan Agreement for the repayment of shareholder’s loans as further described under the section headed “3. Reasons for and benefits of the entering into of the Loan Agreement and the Mortgage Agreement” as set out in this letter above.
- Repayment:** Within ten years from the drawdown date of the first tranche of the Loan, 21 June and 21 December (or the next business day if such dates are not business days) of each year shall be the repayment dates. On each repayment date, Zhantuo Real Estate shall repay RMB25,000,000 to Sinochem Finance (or the full amount if the outstanding principal of the Loan is less than RMB25,000,000). Upon maturity of the Loan, Zhantuo Real Estate shall repay the remaining principal amount of the Loan to Sinochem Finance in one lump sum.
- Zhantuo Real Estate shall pay the accrued interest on each tranche of the Loan to Sinochem Finance on a quarterly basis.

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Zhantuo Real Estate may, by serving a prior notice of five business days to Sinochem Finance and upon obtaining the consent from Sinochem Finance, repay the Loan and any interest accrued thereon, in whole or in part, prior to the maturity date.

Security: The Loan shall be secured by the mortgage in respect of the Properties provided by Zhantuo Real Estate under the Mortgage Agreement.

6. Principal terms of the Mortgage Agreement

Principal terms of the Mortgage Agreement are set out below:

Date: 26 April 2024

Parties: (a) Zhantuo Real Estate (as mortgagor)
(b) Sinochem Finance (as mortgagee)

Collateral: As a security for its repayment obligations under the Loan Agreement, Zhantuo Real Estate agreed to mortgage the Properties to Sinochem Finance.

The Properties are the six office buildings and underground garage developed by Zhantuo Real Estate on the land on which the Project is located. The Project is located at No. 7 Huiquan Street, Chaoyang District, Beijing with a site area of 38,100 square meters and a total gross floor area of 102,251.78 square meters. The Properties are currently vacant, and are intended to be held by the Group for sale and leasing. The book value of the Properties as at 31 December 2023 was RMB3,072,282,771.

The preliminary appraised value of the Properties as at 31 December 2023 was RMB3,099,288,804 (the “**Preliminary Appraised Value**”). Assets approach was adopted for the appraisal of four buildings that are intended for sale, and income approach was adopted for the appraisal of two buildings that are intended to be held by the Group for leasing.

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Sinochem Finance has engaged an independent valuer to determine the fair value of the Properties (the “**Final Appraised Value**”). If the Final Appraised Value is lower than the Preliminary Appraised Value, Sinochem Finance shall have the right to reduce the principal amount of the Loan to be released to Zhantuo Real Estate by an amount of not more than the difference between the Preliminary Appraised Value and the Final Appraised Value. The Final Appraised Value has not been determined by the independent valuer as at the Latest Practicable Date, and will be finalized before the drawdown date of the first tranche of the Loan, i.e. before 28 June 2024. If the Final Appraised Value differs materially from the Preliminary Appraised Value, the Company will make further announcement in due course.

Maximum amount of guarantee:	The maximum amount of guarantee under the Mortgage Agreement is RMB1,500,000,000, including the outstanding principal of the Loan under the Loan Agreement, and any interests, default interests, compensations, liquidated damages and any other expenses incurred by Sinochem Finance for the realization of its claims.
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Pursuant to the Civil Code of the PRC, if the debtor fails to perform its repayment obligations or other circumstances agreed by the parties for the enforcement of mortgage occur, the mortgagee may negotiate with the mortgagor for the enforcement of mortgage, and be paid off by converting the value of the mortgaged property into money or by the proceeds acquired through an auction or sale of the mortgaged property. If the mortgagee and the mortgagor cannot reach an agreement on the enforcement of mortgage, the mortgagee may seek a court judgment to auction or sell the mortgaged property. After the mortgaged property is converted into money, or auctioned or sold, the part of proceeds therefrom in excess of the amount of the debt shall belong to the mortgagor. Zhantuo Real Estate (as mortgagor) and Sinochem Finance (as mortgagee) shall comply with the above requirements on the enforcement of mortgage under the Civil Code of the PRC.

7. Analysis of the principal terms of the Loan Agreement and the Mortgage Agreement

In assessing the fairness and reasonableness of the principal terms of the Loan Agreement and the Mortgage Agreement, we have identified, on a best effort basis, based on information extracted from the website of the Stock Exchange, ten comparable transactions in relation to the loan/mortgage agreements (the “**Comparable Loans**”) which (i) the shares of the lender and/or the borrower are listed on the Stock Exchange; (ii) each of the terms to maturity or the renewed/extended terms of the respective loans was at least one year or more; (iii) each of the respective loans was secured by assets/properties; (iv) each of the respective loans did not have any convertible terms whereby the principal amounts could be connected into shares of the relevant companies; and (v) each of the respective loans was announced between 27 January 2024 and 26 April 2024, being a three-month period prior to and include the date of the Loan

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Agreement and the Mortgage Agreement (i.e. 26 April 2024). We consider the Comparable Loans are a fair and representative sample for the purpose of our analysis on the bases that (i) we are particularly concerned with comparing the key terms of the Comparable Loans which were secured by assets/properties regardless what kind of assets/properties were provided as security as long as there were relevant terms regarding provision of collateral/security/pledge by the borrower(s) as a protective measure for lender(s) in case of default by the borrower(s); (ii) regardless of which kind of assets/properties, loan-to-security value ratios of the Comparable Loans can be calculated to evaluate the relative value of the security provided by the borrowers to the lenders; and (iii) the terms to maturity or the renewed/extended terms of the Comparable Loans would vary but so long as they provide an overall indication of the market terms to maturity of the Comparable Loans (i.e. the market convention of the typical duration of a secured loan). A summary of principal terms of the Comparable Loans is set forth in the table below:

Table 3: Principal terms of the Comparable Loans

Announcement date	Company name (stock code)	Term to maturity/ renewed or extended term (Years) (Note 2)	Interest rate Security (Annually)		Loan-to-Security Ratio (times) (Note 1)
19 April 2024	Termbray Industries International (Holdings) Limited (93.HK)	20.0	12.00%	(i) a legal charge/mortgage of a residential property; and (ii) a legal charge/mortgage of a car parking space	Not disclosed
15 April 2024	Ingdan, Inc. (400.HK)	3.0	3.80%	pledge of the borrower's interest in a partnership	Not disclosed
8 April 2024	Legend Upstar Holdings Limited (459.HK)	1.0	10.00%	a first legal charge/mortgage over two residential properties	0.63

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Announcement date	Company name (stock code)	Term to maturity/ renewed or extended term (Years) (Note 2)	Interest rate Security (Annually)	Loan-to-Security Ratio (times) (Note 1)	
5 April 2024	Legend Upstar Holdings Limited (459.HK)	1.0	11.00%	(i) a first legal charge/mortgage over one residential property; and (ii) a first legal charge/mortgage over one car parking space	0.61
2 April 2024	Legend Upstar Holdings Limited (459.HK)	1.0	13.50%	(i) a first legal charge/mortgage over one residential property; and (ii) a first legal charge/mortgage over one car parking space	0.52
2 April 2024	Legend Upstar Holdings Limited (459.HK)	1.0	11.40%	(i) a first legal charge/mortgage over one residential property; and (ii) a first legal charge/mortgage and rental assignment over one residential building	0.37
7 March 2024	Hengxin Technology Ltd. (1085.HK) (Note 3)	1.0	4.90%	49% equity interest of the borrower	Not disclosed
5 March 2024	Rich Goldman Holdings Limited (70.HK)	10.0	20.14%	a first legal charge of a residential property owned by the borrower	0.23

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Announcement date	Company name (stock code)	Term to maturity/ renewed or extended term <i>(Years)</i> <i>(Note 2)</i>	Interest rate <i>(Annually)</i>	Security	Loan-to-Security Ratio (times) <i>(Note 1)</i>
5 March 2024	Rich Goldman Holdings Limited (70.HK)	10.0	20.14%	a first legal charge of a residential property owned by the borrower	0.24
20 February 2024	Legend Upstar Holdings Limited (459.HK)	1.0	10.67%	a first legal charge/ mortgage and rental assignment in respect of two residential properties	0.55
	Maximum	20.0	20.14%		0.63
	Minimum	1.0	3.80%		0.23
	Median	1.0	11.20%		0.52
	Average	4.9	11.76%		0.45
26 April 2024	The Company	12.0	2.40%	Mortgage of six office buildings and underground garage developed by mortgagor	0.48 <i>(Note 4)</i>

Source: website of the Stock Exchange

Notes:

1. Loan-to-security value ratio(s) of the Comparable Loans (the “**Loan-to-Security Ratio(s)**”) is calculated by dividing the principal amount of the respective loan of Comparable Loans by the relevant aggregate value of the respective security(ies) as disclosed in the respective announcements.
2. For announcements regarding renewal/extension of loan, the renewed term or extended term is set out below.
3. According to the announcement of Hengxin Technology Ltd. dated 7 March 2024, there were two loan extension agreements of which the lender, the borrower and the security were the same.
4. The Loan-to-Security Ratio of the Loan is calculated by dividing the principal amount of the Loan (i.e. RMB1,500,000,000) by the Preliminary Appraised Value of the Properties (i.e. RMB3,099,288,804).

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(i) Term

As shown in Table 3 above, the terms to maturity of the Comparable Loans ranged from 1.0 year to 20.0 years, with a median of 1.0 year and an average of approximately 4.9 years. The term of the Loan is 12.0 years, which is within the range yet significantly higher than both the average and median terms to maturity of the Comparable Loans. We consider that the term to maturity of the Loan is a favourable feature relative to those of the Comparable Loans.

(ii) Interest rate

As shown in Table 3 above, the interest rates of the Comparable Loans ranged from 3.80% to 20.14%, with a median of approximately 11.20% and an average of approximately 11.76%. The interest rate of the Loan of approximately 2.40% is significantly lower than both the average and median interest rates of the Comparable Loans and even lower than the lower bound of the interest rates of the Comparable Loans. We consider that the interest rate of the Loan is also a favourable feature relative to those of the Comparable Loans.

(iii) Security

According to the Mortgage Agreement, as a security for its repayment obligations under the Loan Agreement, Zhantuo Real Estate agreed to mortgage the Properties to Sinochem Finance. The Preliminary Appraised Value of the Properties was RMB3,099,288,804, and Sinochem Finance has engaged an independent valuer to determine the Final Appraised Value of the Properties. Pursuant to the terms of the Mortgage Agreement, if the Final Appraised Value is lower than the Preliminary Appraised Value, Sinochem Finance shall have the right to reduce the principal amount of the Loan to be released to Zhantuo Real Estate by an amount of not more than the difference between the Preliminary Appraised Value and the Final Appraised Value. The Final Appraised Value has not been determined by the independent valuer as at the Latest Practicable Date, and will be finalized before the drawdown date of the first tranche of the Loan, i.e. before 28 June 2024.

As shown in Table 3 above, eight out of ten of the Comparable Loans were secured by mortgage or legal charge over properties of the borrowers and two of the Comparable Loans was secured by equity/partnership interest of the borrower. We consider that it is a common market practice for requiring the borrowers to provide collateral of properties as securities for the loans. In addition, the Loan-to-Security Ratios of the Comparable Loans ranged from 0.23 times to 0.63 times, with a median of approximately 0.52 times and an average of approximately 0.45 times. The Loan-to-Security Ratio of the Loan of approximately 0.48 times is within the range and slightly higher than the average but slightly lower than the median of the Loan-to-Security Ratios of the Comparable Loans.

Having considered that (i) it is a common market practice for requiring the borrowers to provide collateral of properties as securities for the loans; and (ii) the Loan-to-Security Ratio of the Loan of approximately 0.48 times is within the range of the Loan-to-Security Ratios of

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the Comparable Loans and hovers around the median and average Loan-to-Security Ratios of the Comparable Loans, we consider that the provision of the collateral of the Properties as a security of the Loan is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above, we are of the view that the principal terms of the Loan Agreement and Mortgage Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

8. Potential financial effects of the entering into of the Loan Agreement and the Mortgage Agreement

Net asset value

According to the 2023 Annual Report, the audited net asset value of the Group as at 31 December 2023 was approximately RMB109,837.1 million. The entering into of the Loan Agreement and the Mortgage Agreement is not expected to have any material effect on the net asset value of the Group save for the interest expenses to be accrued at each of the future financial reporting period end dates.

Earnings

Apart from the interest expenses arising from the Loan Agreement, the entering into of the Loan Agreement and the Mortgage Agreement is not expected to have any impact on the Company's earnings.

Gearing and working capital

Pursuant to the Loan Agreement, Zhantuo Real Estate shall use the funds borrowed under the Loan Agreement for the repayment of shareholder's loans and for liquidity expenses. According to the Letter from the Board, it is currently expected that Zhantuo Real Estate will use all the funds borrowed under the Loan Agreement for the repayment of shareholder's loans. As mentioned in the section headed "2. Financial information of the Group" of this letter, the Group's gearing ratio was approximately 73% as at 31 December 2023 and the Group's current ratio was approximately 1.06 as at 31 December 2023. Given that the Loan drawn down will be used to repay shareholder's loans, it is expected that the gearing ratio of the Group would not materially deviate from its initial position following the drawdown of the Loan. The working capital and current ratio of the Group, on the other hand, is expected to increase as the drawdown of the Loan with a term of 12 years would improve the short-term liquidity of the Group.

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OPINION AND RECOMMENDATION

In view of the above principal factors and reasons, we considered that:

- (i) the entering into of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

We, therefore, recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM in relation to the Loan Agreement, the Mortgage Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

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Set out below is the full text of the letter from Red Sun Capital, the independent financial adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated thereunder the New Framework Lease Agreement, including the Annual Caps, for the purpose of inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

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30 May 2024

To: the Independent Board Committee and the Independent Shareholders of China Jinmao Holdings Group Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW FRAMEWORK LEASE AGREEMENT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Lease Agreement and the transactions contemplated thereunder (together the “**Continuing Connected Transactions**”) (including the respective annual cap for the three years ending 31 December 2026 (the “**Annual Caps**”), details of which are contained in the letter from the Board (the “**Letter from the Board**”) as set out in the circular to the Shareholders dated 30 May 2024 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Annual Caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the announcement of the Company dated 28 December 2021 in relation to, among others, details of the Existing Framework Lease Agreement. As the Existing Framework Lease Agreement will expire on 31 December 2024, the Company (on behalf of the Group, as the lessor) entered into a New Framework Lease Agreement with Sinochem Holdings (for itself and on behalf of its associates, as the lessees) to extend the lease term to 31 December 2033, and set the Annual Caps for three years ending 31 December 2026 under the New Framework Lease Agreement. The Existing Framework Lease Agreement will be terminated and replaced by the New Framework Lease Agreement upon the New Framework Lease Agreement coming into effect. In this connection, the Company issued an announcement dated 7 May 2024 (the “**Announcement**”) setting out the relevant information.

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As set out in the Letter from the Board, Sinochem Holdings is the ultimate controlling shareholder of the Company, indirectly holding approximately 38.40% of the total number of issued shares of the Company, and hence a connected person of the Company. Accordingly, the transactions under the New Framework Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps for the continuing connected transactions under the New Framework Lease Agreement exceeds 5%, the transactions under the New Framework Lease Agreement are subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held to seek the approval of the Independent Shareholders on, among other things, the entering into of the New Framework Lease Agreement and the transactions contemplated thereunder (including the respective annual cap for the three years ending 31 December 2026).

As set out in the Letter from the Board, as Mr. Cheng Yong and Ms. Chen Aihua are employees of Sinochem Holdings, they are regarded as having material interests in the transactions under the New Framework Lease Agreement and have abstained from voting on the Board resolution to approve the transactions under the New Framework Lease Agreement. In view of Sinochem Holdings' interests in the New Framework Lease Agreement, Sinochem Hong Kong (being an indirect subsidiary of Sinochem Holdings, and the immediate controlling shareholder of the Company holding approximately 38.40% of the total number of issued Shares as at the Latest Practicable Date) is required to abstain and shall abstain from voting on the ordinary resolutions to be proposed at the EGM to approve the New Framework Lease Agreement and the transactions contemplated thereunder (including the Annual Caps).

II. THE INDEPENDENT BOARD COMMITTEE

The Board comprises of four executive Directors, namely, Mr. Zhang Zenggen, Mr. Tao Tianhai, Mr. Zhang Hui and Ms. Qiao Xiaojie, four non-executive Directors, namely, Mr. Cheng Yong, Ms. Chen Aihua, Mr. An Hongjun and Ms. Wang Wei, and four independent non-executive Directors, namely, Mr. Su Xijia, Mr. Suen Man Tak, Mr. Gao Shibin and Mr. Zhong Wei.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Su Xijia, Mr. Suen Man Tak, Mr. Gao Shibin and Mr. Zhong Wei has been established to advise the Independent Shareholders in relation to the New Framework Lease Agreement and the transactions contemplated thereunder (including the Annual Caps). Red Sun Capital has been appointed by the Board with the approval of the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM RED SUN CAPITAL

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company or any relevant parties in connection with the New Framework Lease Agreement. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the New Framework Lease Agreement.

Save for this appointment as the independent financial adviser, Red Sun Capital did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, Sinochem Holdings, their respective shareholders and group companies, and the Leased Properties contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and Sinochem Holdings made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or

LETTER FROM RED SUN CAPITAL

to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Company (including the Leased Properties), Sinochem Holdings and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New Framework Lease Agreement and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

As set out in the Letter from the Board, the Company is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. The Company is principally engaged in city operations, property development, services and building technology, commercial leasing, retail operations and hotel operations.

The following sets out the financial information of the Group for the years ended 31 December 2021, 2022 and 2023 as extracted from the annual report of the Group for the year ended 31 December 2023 (the “**2023 Annual Report**”) and the annual report of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”), respectively:

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Summary of the consolidated statement of comprehensive income of the Group extracted from the 2023 Annual Report and 2022 Annual Report

	For the year ended 31 December		
	2023	2022	2021
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Revenue	72,403,613	82,991,372	90,059,934
Cost of sales	(63,382,132)	(69,845,752)	(73,302,309)
Gross profit	9,021,481	13,145,620	16,757,625
(Loss)/profit for the year			
attributable to:			
– owners of the Company	(4,858,349)	5,220,894	7,704,831
– non-controlling interests	(6,896,644)	1,984,083	4,689,944
	2,038,295	3,236,811	3,014,887

Financial performance for the year ended 31 December 2023 (the “FY2023”) and the year ended 31 December 2022 (the “FY2022”)

As set out in the 2023 Annual Report, the Group’s revenue decreased by approximately RMB10,587.8 million or 12.8% from approximately RMB82,991.3 million for FY2022 to approximately RMB72,403.6 million for FY2023. Such decrease was mainly attributable to the decrease in revenue generated from city operations and property development from approximately RMB74,708.3 million for FY2022 to approximately RMB62,781.9 million for FY2023. For FY2023, loss attributable to owners of the Company amounted to approximately RMB6,896.6 million, as compared to profit attributable to owners of the Company which amounted to approximately RMB1,984.1 million for FY2022.

Financial performance for the year ended 31 December 2022 (the “FY2022”) and the year ended 31 December 2021 (the “FY2021”)

As set out in the 2022 Annual Report, the Group’s revenue decreased by approximately RMB7,068.6 million or 7.8% from approximately RMB90,059.9 million for FY2021 to approximately RMB82,991.4 million for FY2022. Such decrease was mainly attributable to the decrease in revenue generated from city operations and property development from approximately RMB82,641.6 million for FY2021 to approximately RMB74,708.3 million for FY2022. For FY2022, profit attributable to owners of the Company amounted to approximately RMB1,984.1 million, as compared to profit attributable to owners of the Company which amounted to approximately RMB4,690.0 million for FY2021.

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Summary of the consolidated statement of financial position of the Group extracted from the 2023 Annual Report and the 2022 Annual Report

	As at 31 December		
	2023	2022	2021
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Non-current assets	219,967,817	230,423,143	206,091,016
Current assets	187,151,384	191,472,496	205,911,288
Non-current liabilities	121,191,680	120,750,083	201,244,879
Current liabilities	176,090,404	188,458,816	103,963,797
Equity attributable to the owners of the Company	39,291,296	47,445,427	49,961,349

Financial position as at 31 December 2023 and 31 December 2022

Total assets of the Group as at 31 December 2023 amounted to approximately RMB407,119.2 million, representing a decrease of approximately 3.5% as compared to approximately RMB421,895.6 million as at 31 December 2022. Total assets of the Group as at 31 December 2023 primarily comprised of (i) properties under development, which amounted to approximately RMB81,163.8 million, representing a decrease of approximately 4.7% as compared to approximately RMB85,145.0 million as at 31 December 2022; (ii) properties under development in current portion, which amounted to approximately RMB49,567.3 million, representing a decrease of approximately 17.2% as compared to approximately RMB59,899.5 million as at 31 December 2022; and (iii) investment properties, which amounted to approximately RMB37,299.2 million, representing an increase of approximately 0.6% as compared to approximately RMB37,088.7 million as at 31 December 2022.

As at 31 December 2023, total liabilities of the Group amounted to approximately RMB297,282.1 million, representing a decrease of approximately 3.9% as compared to approximately RMB309,208.9 million as at 31 December 2022. Total liabilities of the Group as at 31 December 2023 primarily comprised of (i) interest-bearing bank and other borrowings in non-current portion, which amounted to approximately RMB103,516.9 million, representing an increase of approximately 7.7% as compared to approximately RMB96,117.8 million as at 31 December 2022; (ii) other payables and accruals, which amounted to approximately RMB72,501.3 million, representing a decrease of approximately 5.6% as compared to approximately RMB79,981.7 million as at 31 December 2022; and (iii) due to related parties, which amounted to approximately RMB44,295.5 million, representing a decrease of approximately 2.6% as compared to approximately RMB45,484.3 million as at 31 December 2022.

As at 31 December 2023, the equity attributable to owners of the Company amounted to approximately RMB39,291.3 million, representing a decrease of approximately RMB8,154.1 million or 17.2% as compared to approximately RMB47,445.4 million as at 31 December 2022.

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Financial position as at 31 December 2022 and 31 December 2021

Total assets of the Group as at 31 December 2022 amounted to approximately RMB421,895.6 million, representing an increase of approximately 2.4% as compared to approximately RMB412,002.3 million as at 31 December 2021. Total assets of the Group as at 31 December 2022 primarily comprised of (i) properties under development in non-current portion, which amounted to approximately RMB85,145.0 million, representing an increase of approximately 1.7% as compared to approximately RMB83,696.6 million as at 31 December 2021; (ii) properties under development in current portion, which amounted to approximately RMB59,899.5 million, representing a decrease of approximately 2.0% as compared to approximately RMB61,127.6 million as at 31 December 2021; and (iii) cash and cash equivalents, which amounted to approximately RMB37,089.2 million, representing an increase of approximately 19.4% as compared to approximately RMB31,050.6 million as at 31 December 2021.

As at 31 December 2022, total liabilities of the Group amounted to approximately RMB309,208.9 million, representing an increase of approximately 1.3% as compared to approximately RMB305,208.7 million as at 31 December 2021. Total liabilities of the Group as at 31 December 2022 primarily comprised of (i) interest-bearing bank and other borrowings in non-current portion, which amounted to approximately RMB96,117.8 million, representing an increase of approximately 17.3% as compared to approximately RMB81,946.9 million as at 31 December 2021; (ii) other payables and accruals, which amounted to approximately RMB79,981.7 million, representing a decrease of approximately 23.0% as compared to approximately RMB103,811.2 million as at 31 December 2021; and (iii) due to related parties, which amounted to approximately RMB45,484.3 million, representing an increase of approximately 16.7% as compared to approximately RMB38,966.2 million as at 31 December 2021.

As at 31 December 2022, the equity attributable to owners of the Company amounted to approximately RMB47,445.4 million, representing a decrease of approximately RMB2,515.9 million or 5.0% as compared to approximately RMB49,961.3 million as at 31 December 2021.

2. Information of the Sinochem Holdings

With reference to the Letter from the Board, Sinochem Holdings is the ultimate controlling shareholder of the Company. It is a large-scale chemical enterprise which operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance. The sole shareholder of the Sinochem Holdings is the SASAC.

3. Overview of the PRC industry landscape

Based on preliminary gross domestic product data¹ published by the National Bureau of Statistics of China in February 2024 and April 2024, for the year ended 31 December 2023, the gross domestic product (“GDP”) of the PRC recorded a growth of approximately 5.2% compared to the corresponding prior year, while the GDP of the PRC for the first quarter ended 31 March 2024 recorded a growth of approximately 5.3% compared to the corresponding period in the prior year (比上年同期增長).

We also noted the strict implementation of the three red lines* (三條紅線) from around the second half of 2020 by the PRC government on the PRC real estate development industry², which was one of the core policy directives for the property development industry issued by the PRC government at the relevant time. Subsequently in November 2022, The People’s Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) jointly issued the announcement titled “Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market*” (關於做好當前金融支持房地產市場平穩健康發展工作的通知)³ in relation to (i) ensure stable and orderly real estate financing* (保持房地產融資平穩有序); (ii) proactively carry out “guarantee delivery of vacant possession” related financial services* (積極做好“保交樓”金融服務); (iii) proactively cooperate on risk management of real estate development enterprises in difficulties* (積極配合做好受困房地產企業風險處置); (iv) protect the legal rights and interests of residential property financial consumers* (依法保障住房金融消費者合法權益); (v) adjust part of the financial management policies in stages* (階段性調整部分金融管理政策); and (vi) provide greater financial support on leasing of residential properties* (加大住房租賃金融支持力度).

Accordingly, the development of the PRC property market continues to be influenced by PRC government policies at a national and regional level, which is intended to promote sustainable and healthy long-term development of the property development industry, the then prevailing market environment as well as the overall economic condition of the PRC.

1 GDP data for 2023 and the first quarter of 2024 as published by National Bureau of Statistics, the PRC (source: www.stats.gov.cn/sj/zxfb/202402/t20240228_1947915.html, and www.stats.gov.cn/sj/zxfb/202404/t20240417_1954640.html)

2 PRC government published article in relation to finance and land related policies dated 1 March 2021 (source: www.gov.cn/xinwen/2021-03/01/content_5589400.htm)

3 Announcement of Provision of Financial Support for the Stability and Healthy Development of the Real Estate Market* 《關於做好當前金融支持房地產市場平穩健康發展工作的通知》 jointly published by The People’s Bank of China* (中國人民銀行) and China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) dated 23 November 2022 (source: www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1082913generaltype=0)

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VI. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of entering into the New Framework Lease Agreement

We have summarised the following reasons for and benefits of entering into the New Framework Lease Agreement from the Letter from the Board.

The Company is of the view that the lease of the Leased Properties to Sinochem Holdings and its associates at the prevailing market rates can secure long-term tenants and bring stable income to the Group. By managing all existing and future individual leasing relationship in respect of the Leased Properties under one framework agreement, regardless of the location of the Leased Properties, the Group can streamline and optimise the regulation and control of the leasing relationship with Sinochem Holdings and its associates.

In view of that, (i) the Group has on-going business relationship with Sinochem Holdings, and has leased the relevant units of Leased Properties to Sinochem Holdings pursuant to the Existing Framework Lease Agreement; (ii) the Company is principally engaged in five business segments, one of which being commercial leasing and retail operations. As the transactions contemplated under the New Framework Lease Agreement will contribute revenue towards the commercial leasing and retail operations segment, the Continuing Connected Transactions are a furtherance of the Group's principal business; and (iii) the Continuing Connected Transactions and the Annual Caps, if approved, should facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner by managing all existing and future individual leasing relationship in respect of the Leased Properties under one framework agreement, without the need for the Company to seek Independent Shareholders' approval on a transaction-by-transaction basis, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company and its shareholders as a whole.

2. Principal terms of the New Framework Lease Agreement

The following principal terms of the New Framework Lease Agreement has been extracted from the Letter from the Board:

- Date:** 7 May 2024
- Parties:**
- (a) The Company (on behalf of the Group, as the lessor); and
 - (b) Sinochem Holdings (for itself and on behalf of its associates, as the lessees)

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Leased Properties: The relevant units of Xicheng Jinmao Centre, Chemsunny World Trade Centre, Royal International Mansion, Shanghai Jin Mao Tower, Changsha Jin Mao Tower and Nanjing International Centre, as well as other buildings or properties legally owned or to be owned by the Group for leasing.

The lessees may, according to their future needs, increase, decrease or adjust the leased area and location of the Leased Properties during the term of the New Framework Lease Agreement.

Term: From the date of approval by the Independent Shareholders at the EGM to 31 December 2033. The Existing Framework Lease Agreement will be terminated and replaced by the New Framework Lease Agreement upon the New Framework Lease Agreement coming into effect.

For the avoidance of doubt, if the New Framework Lease Agreement is not approved by the Independent Shareholders, the parties will continue to conduct transactions in accordance with the Existing Framework Lease Agreement and within the original annual cap for 2024 thereunder.

Rentals, property management fees and other fees: The rentals, property management fees of the relevant units and other fees being various sundry charges actually incurred (including but not limited to parking space rentals, car-park management fees, parking fees, water, electricity and gas charges, telephone tariffs, overtime air-conditioning fees, maintenance and catering fees, etc., where applicable) shall be set out in the relevant individual lease agreements and shall be paid by the lessees according to the provisions of the individual lease agreements.

Usage: Office premises

Pricing basis

The rentals, property management fees and other fees of the relevant units of the Leased Properties will be determined through arm's length negotiations between the Group and Sinochem Holdings and its associates based on the prevailing market rates and on normal commercial terms. When determining the prevailing market rates, the relevant subsidiaries of the Company will make reference to the historical fees paid by the lessees for the relevant leases and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas.

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3. Our analysis on the principal terms of the New Framework Lease Agreement and work performed on the internal control procedures

3.1 Our analysis on the term of the New Framework Lease Agreement in excess of three years

We noted from the Letter from the Board that the Company entered into a New Framework Lease Agreement with Sinochem Holdings to extend the lease term to 31 December 2033, and set the Annual Caps for three years ending 31 December 2026 under the New Framework Lease Agreement.

Given the lease term of the New Framework Lease Agreement is more than three years, pursuant to Rule 14A.52 of the Listing Rules, we, as the independent financial adviser, have set out our explanation of the reasons for the term of the New Framework Lease Agreement being longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

In this connection, we have considered that the following reasons and factors based on our research, information provided by the Management as well as publicly accessible information:

- (i) Sinochem Holdings is a large-scale chemical enterprise which operates in eight business sectors covering life science, materials science, basic chemicals, environmental science, rubber and tire, machinery and equipment, city operations, and industrial finance;
- (ii) the Company is a large-scale developer and operator of quality real estate projects in the PRC, and the platform enterprise of Sinochem Holdings in the development of real estate business. The Company is principally engaged in city operations, property development, services and building technology, commercial leasing, retail operations and hotel operations, and the transactions contemplated under the New Framework Lease Agreement will contribute revenue towards the commercial leasing and retail operations segment of the Company;
- (iii) as part of the Group's commercial leasing and retail operations, the leasing of the Leased Properties to Sinochem Holdings and its associates at prevailing market rates, can contribute towards a higher occupancy rate in the subject Leased Properties, secure reputable long-term tenants and generate stable income to the Group;
- (iv) by managing all existing and future individual lease agreement with Sinochem Holdings and its associates in respect of the Leased Properties under one framework agreement, the Group can streamline the regulation and manage its leasing relationship with Sinochem Holdings and its associates, which would be more efficient to the Group in terms of regulatory and administrative procedures given it has to comply with the relevant Listing Rules;

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- (v) as set out in the Letter from the Board, the rentals, property management fees and other fees of the relevant units of the Leased Properties will be determined through arm's length negotiations between the Group and Sinochem Holdings and its associates based on the prevailing market rates and on normal commercial terms. When determining the prevailing market rates, the relevant subsidiaries of the Company will make reference to the historical fees paid by the lessees for the relevant leases and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas;
- (vi) as advised by the Management, it is not uncommon for the Group to offer long-term leases of over three years with connected parties and independent third parties. In this connection, we have obtained and reviewed samples of lease contract for the leasing of properties entered into between members of the Group and connected parties/independent third parties and noted the contract terms ranging from approximately one year to six years; and
- (vii) we have identified and reviewed 10 market lease transactions (the "**Market Lease Transactions**") based on the following selection criteria, namely (a) market lease transactions entered into by listed companies on the Stock Exchange; (b) such transactions are related to the leasing of commercial or other properties; and (c) these leases were valid and effective as at the Latest Practicable Date, (together the "**Market Lease Selection Criteria**"). Given the Market Lease Transactions were selected based on the Market Lease Selection Criteria, in particular, these are transactions entered into by other listed companies, we therefore consider the samples to be fair and representative. Based on the Market Lease Transactions, the relevant contract terms ranged from approximately three years to 20 years. In this connection, the duration of the New Framework Lease Agreement, being less than 10 years, of which the term under individual lease agreements may be less than the aforesaid duration, but in any event would not have a lease term beyond 31 December 2033 under the New Framework Lease Agreement. On this basis, such falls within the range of the Market Lease Transactions.

Having considered the above factors and our analysis and findings above, we are of the view that the New Framework Lease Agreement in excess of three years is reasonable and it is normal business practice for agreements of these types to be of such duration.

3.2 Our analysis and work performed on the principal terms of the New Framework Lease Agreement

As set out in the Letter from the Board, from the date of approval by the Independent Shareholders at the EGM to 31 December 2033. The Existing Framework Lease Agreement will be terminated and replaced by the New Framework Lease Agreement upon the New Framework Lease Agreement coming into effect. For the avoidance of doubt, if the New Framework Lease Agreement is not approved by the Independent Shareholders, the parties will continue to conduct transactions in accordance with the Existing Framework Lease Agreement and within the original annual cap for 2024 thereunder.

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The Leased Properties under the New Framework Lease Agreement, included, among others, (i) Xicheng Jinmao Centre (西城金茂中心) at A2 Fuxingmenwai Avenue, Xicheng District, Beijing, the PRC; (ii) Chemsunny World Trade Centre (凱晨世貿中心) at 28 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC; (iii) Royal International Mansion (佑安國際大廈) at Building 17, No. 2 Xitieying Middle Road, Fengtai District, Beijing, the PRC; (iv) Shanghai Jin Mao Tower (上海金茂大廈) at 88 Century Avenue, Pudong New Area, Shanghai, the PRC; (v) Nanjing International Centre (南京國際中心) at South Tower, 201 Central Road, Gulou District, Nanjing, Jiangsu Province, the PRC; and (vi) Changsha Jin Mao Tower (長沙金茂大廈) at 392 Meixi Lake Road, Yuelu District, Changsha, Hunan Province, the PRC.

As advised by the Management, the rentals under the New Framework Lease Agreement payable by the lessee to the lessor will be determined through arm's length negotiations between the Group and Sinochem Holdings and its associates based on the prevailing market rates of similar types of properties in the surrounding area and on normal commercial terms. With a view to determine whether the rentals under the New Framework Lease Agreement are fair and reasonable, we have carried out the following work.

With a view to assess the reasonableness of the rental rates, we have obtained and reviewed market rental data compiled by the Company during the period from 1 January 2023 and up to the Latest Practicable Date. We have also obtained (i) eight samples of individual lease agreements entered into by the Company with connected parties under the Existing Framework Lease Agreement, being the lease agreements, with the highest and lowest rental per square metre of each of the four subject properties, entered into by the Company with Sinochem Holdings and its associates under the Existing Framework Lease Agreement, details of which are set out in the announcement of the Company dated 28 December 2021; and (ii) eight samples of lease agreement entered into by the Company with independent third parties as well as market information on rental rates for eight units of the relevant properties of a comparable nature, the abovementioned 16 samples (the “**Rental Rates Market Comparables**”) are selected based on the following selection criteria, namely, (a) the leases of the same property and/or similar adjacent properties in terms of usage and grading; and (b) the subject lease was entered into during the year ended/ending 31 December 2023 and 2024 (up to the Latest Practicable Date) and/or the rental rates for units available for lease during the year ending 31 December 2024 (up to the Latest Practicable Date) (together the “**Rental Rates Market Comparable Selection Criteria**”). Given the Rental Rates Market Comparables were selected based on the Rental Rates Market Comparable Selection Criteria, we therefore consider the samples to be fair and representative. We also discussed with the Management and noted that when determining the rental rates under the respective lease agreements, where appropriate, factors such as, market rates and conditions at the material time, total area to be leased under the subject lease agreement, occupancy/vacancy rate of the subject property at the relevant time, duration of the lease, background and profile of the tenant, may be considered.

In this connection, we have reviewed the range of rental rate per leasable square metre (“**sq.m.**”) per month of similar type and grade of properties in the same district of the relevant Leased Properties as well as the average rental rates under leases entered into with independent

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third parties for units in the respective Leased Properties (the “**Comparable Market Rental Rate(s)**”) and compared such against the average rent per leasable sq.m. per month payable for the relevant Leased Properties under the Existing Framework Lease Agreement (the “**Connected Rental Rates**”), and we noted that the Connected Rental Rates was not less favourable than the relevant Comparable Market Rental Rate.

In addition, the Management advised that the rent payable under the Existing Framework Lease Agreement payable by the lessee, being connected persons to the Company, to the lessor varied from a monthly, quarterly or semi-annual basis (each a “**Rental Period**”). Based on our work performed, we noted that the lease payments for a given Rental Period may be made in advance or in arrears (the “**Payment Terms**”).

In this connection, we have conducted market research on payment terms under tenancy/leasing/rental agreements, these lease transactions were selected based on the following criteria, namely, (i) entered into by issuers listed on the Stock Exchange, which included both connected or non-connected transactions; (ii) the relevant agreement of which was in effect as at the date of the Announcement; (iii) the leased properties were located in the PRC, including Hong Kong (together the “**Payment Terms Market Comparables Selection Criteria**”). Based on our market research, which we have identified nine transactions, the payment terms under the identified tenancy/leasing/rental agreements as specified in the subject transaction announcement ranged from rent payable, in part or in whole, one month in advance to 12 months in arrears (the “**Market Payment Terms**”). As these market transactions were identified based on the Payment Terms Market Comparables Selection Criteria, we therefore consider the samples to be fair and representative. Given the Payment Terms are in line with the Market Payment Terms, we consider the Payment Terms to be on normal commercial terms.

3.3 Internal control procedures and corporate governance measures

We noted from the Letter from the Board that the Company has adopted the following internal control procedures to ensure that the terms of the Group’s transactions with Sinochem Holdings and its associates under the New Framework Lease Agreement are fair and reasonable and not prejudicial to the interests of the Company and the Independent Shareholders:

- (i) prior to entering into any individual lease agreement, the assets management department of the relevant subsidiary of the Company will collect information on the historical fees paid by Sinochem Holdings and its associates in respect of the Leased Properties and the market rentals, property management fees and other fees of similar types of properties in the surrounding areas, and conduct cross-checks against the prices offered by the Group to independent third parties for the Leased Properties of similar location, view, size or floor level, to ensure that the prices offered to Sinochem Holdings and its associates are no less favorable to the Group than those offered to independent third parties for similar Leased Properties;

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- (ii) having obtained various reference prices, the general manager of the relevant subsidiary of the Company will determine the rentals and fees for the relevant units, which will then be reported to the general manager of the assets management department of the Company;
- (iii) the assets management department of the Company will regularly monitor the implementation of the continuing connected transactions contemplated under the New Framework Lease Agreement and keep track of the aggregate transaction amounts under the New Framework Lease Agreement on a monthly basis, to ensure that the pricing principles and annual caps contained therein are complied with;
- (iv) the independent non-executive Directors of the Company will conduct an annual review of the continuing connected transactions under the New Framework Lease Agreement and provide an annual confirmation as to whether these transactions are conducted on normal commercial terms or better, and according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (v) the external auditors of the Company will also conduct an annual review of the continuing connected transactions under the New Framework Lease Agreement, including the pricing policies and the annual caps.

We have performed the following work and analysis in relation to the relevant internal control procedures to govern the Continuing Connected Transactions. Prior to entering into potential connected transactions between the Group and any connected person(s) of the Company pursuant to the New Framework Lease Agreement, various internal departments of the Company will review and approve the relevant terms of the subject lease agreement. In this connection, we have obtained and reviewed the internal documents for transactions contemplated under the Existing Framework Lease Agreement which involved, among others, the relevant review and approval procedures for the subject connected transactions by the respective approval personnel from the Group. We also noted that with a view to ensure that the transactions pursuant to the New Framework Lease Agreement are conducted on normal commercial terms, the relevant personnel of the Group shall review and ensure the transactions contemplated under the New Framework Lease Agreement are conducted in accordance with the relevant terms of the New Framework Lease Agreement.

Furthermore, as set out in the preceding section, we have obtained and reviewed the market research conducted by the Company showing a comparison of the relevant market rental rates and/or rental rates in the subject properties to ensure that the rental rates with connected parties are in line with prevailing market rates.

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In addition, we have obtained and reviewed the records setting out the independent non-executive Directors' view on the continuing connected transactions conducted by the Group during the year ended 31 December 2023 that these transactions were conducted in the ordinary and usual course of business of the Group, on normal commercial terms and the terms were fair and reasonable and in the interests of shareholders of the Company as a whole.

On this basis, we considered that the effective implementation of the aforesaid internal control procedures shall ensure that the terms of the Continuing Connected Transactions under the New Framework Lease Agreement to be fair and reasonable.

4. Basis and rationale for determining the annual caps under the New Lease Framework Agreement

The historical transaction amount and utilisation rate under the Existing Framework Lease Agreement was based on the amount paid by the lessees (i.e. the Sinochem Holdings and its associates) to the lessor (i.e. the Company), details of which are set out below:

	For the year ended		For the three
	31 December		months ended
	2022	2023	31 March
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	2024
			<i>(RMB' million)</i>
Rentals, property management fees and other fees received by the Group	416.61	409.31	105.19 ^(Note 1) <i>(Annualised amount: 420.76)^(Note 2)</i>
Annual cap	582.25 ^(Note 3)	654.14 ^(Note 3)	733.45 ^(Note 3)
Utilisation rate (%)	71.6%	62.6%	14.3% <i>(57.4%, based on the annualised amount)</i>

Notes:

- (1) The transaction amount represents the total rentals, property management fees and other fees received by the Group for the three months ended 31 March 2024.
- (2) The annualised amount is based on the transaction amount recorded by the Group for the three months ended 31 March 2024, but such does not purport the actual transaction amount for the year ending 31 December 2024.
- (3) The amount represents the annual caps for the transactions contemplated under the Existing Framework Lease Agreement.

As set out in the Letter from the Board, the Company expects that the total rentals, property management fees and other fees received and to be received by the Group from Sinochem Holdings and its associates during the period from 1 January 2024 to the date of the EGM will not exceed the original annual cap for the year ending 31 December 2024 under the Existing Framework Lease Agreement.

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The estimated annual caps for the subject properties comprises rental, property management fees and other fees payable by the lessees to the lessor pursuant to the New Lease Framework Agreement are set out below:

	For the year ended 31 December		
	2024	2025	2026
	(RMB' million)	(RMB' million)	(RMB' million)
Estimated annual cap	529.04 (<i>the “2024 Annual Cap”</i>)	593.85 (<i>the “2025 Annual Cap”</i>)	662.62 (<i>the “2026 Annual Cap”</i>)

The Directors have taken into account the following principal factors in estimating the above annual caps:

- (i) the historical transaction amounts for the two years ended 31 December 2023 and the three months ended 31 March 2024 under the Existing Framework Agreement;
- (ii) Leased Properties include buildings or properties legally owned or to be owned by the Group for leasing. As at the date of the New Framework Lease Agreement, properties available for leasing by the Group to Sinochem Holdings and its associates included Xicheng Jinmao Centre (西城金茂中心), Chemsunny World Trade Centre (凱晨世貿中心) and Royal International Mansion (佑安國際大廈) in Beijing, Shanghai Jin Mao Tower (上海金茂大廈) in Shanghai, Nanjing International Centre (南京國際中心) in Nanjing and Changsha Jin Mao Tower (長沙金茂大廈) in Changsha, further details of which are set out under the section headed “Annual Caps” in the Letter from the Board;
- (iii) as at 31 March 2024, the total leased gross floor area under all existing individual lease agreements is approximately 88,314 square meters. Pursuant to the New Framework Lease Agreement, the lessees may, according to their future needs, increase, decrease or adjust the leased area of the Leased Properties during the term of the New Framework Lease Agreement. Along with the business development of Sinochem Holdings and its associates, their demand for office space may further increase. It is expected that Sinochem Holdings and its associates will increase the leased gross floor area of the Leased Properties by up to 3% for each of the three years from 2024 to 2026;
- (iv) taking into consideration the previous market rental adjustments of commercial properties of the same or similar quality in the proximity of the Leased Properties, and assuming that all individual lease agreements will be renewed based on the prevailing market rates upon expiration, the Directors estimate that there will be an annual upward adjustment of not more than 10% to the rentals of the relevant units of the Leased Properties for each of the three years from 2024 to 2026;

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- (v) in view of the fact that the relevant property management entities may adjust the property management fees due to cost increase and taking into account the rate of increase in property management cost in recent years, the Directors estimate that there will be an annual upward adjustment of 12% to the property management fees for each of the three years from 2024 to 2026;
- (vi) the other fees are various sundry charges actually incurred under the individual lease agreements. The Directors estimate that there will be an annual upward adjustment of 8% to the other fees for each of the three years from 2024 to 2026 based on the previous market price adjustments and the changing needs of the lessees; and
- (vii) the Directors, after making the above adjustments, make an additional buffer of an annual increase of 15% of the estimated amount of the rentals, property management fees and other fees.

Our analysis on the 2024 Annual Cap

We noted from the Management that the 2024 Annual Cap is estimated based on the aggregate rentals, property management fees and other fees (the “**Aggregate Transaction Amount**”) payable by the lessee(s) to the lessor under the existing lease agreements entered into and potential lease agreements to be entered into with the Sinochem Holdings and its associates under the New Framework Lease Agreement for the Leased Properties, comprising the relevant units of Xicheng Jinmao Centre (西城金茂中心), Chemsunny World Trade Centre (凱晨世貿中心), Royal International Mansion (佑安國際大廈) in Beijing, Shanghai Jin Mao Tower (上海金茂大廈) in Shanghai, Nanjing International Centre (南京國際中心) in Nanjing and Changsha Jin Mao Tower (長沙金茂大廈) in Changsha as well as other buildings or properties legally owned or to be owned by the Group for leasing currently or in the future.

In this connection, we obtained an annual cap schedule for the Annual Caps prepared by the Management (the “**Annual Cap Schedule**”) and noted that it is estimated that the Aggregate Transaction Amount in relation to Chemsunny World Trade Centre will be the largest out of the Leased Properties, contributing in the region of 50% of the 2024 Annual Cap, followed by the Royal International Mansion and Xicheng Jinmao Centre, both of which are located in Beijing, and Shanghai Jin Mao Tower in Shanghai, the Aggregate Transaction Amount of each of the abovementioned three properties is estimated to be in the region of 11%, 9% and 7% of the 2024 Annual Cap, respectively. On this basis, the Management estimated that the Aggregate Transaction Amount in relation to the aforesaid four Leased Properties will contribute to over 75% of the 2024 Annual Cap.

With a view to assess the reasonableness of the above basis, we have (i) assessed the location of the four Leased Properties, in particular, (a) each of the Chemsunny World Trade Centre and Xicheng Jinmao Centre are located in the Xicheng District, being a commercial district in or around the second ring road of Beijing; (b) Royal International Mansion is located in the Fengtai District, which is situated in the southwest of the city of Beijing; and (c) Shanghai Jin Mao Tower is located at Pudong New Area, being one of the prime areas in

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Shanghai. As such, each of the aforesaid four Lease Properties are located in first tier PRC city and/or prime commercial districts; (ii) considered the respective gross floor area of the aforesaid four Leased Properties as set out under the section headed “Annual Caps” in the Letter from the Board, which ranged from not less than 49,000 sq.m. (Xicheng Jinmao Centre) to in the region of 292,000 sq.m. (Shanghai Jin Mao Tower) and reviewed the range of rental per sq.m., property management fee per sq.m. as well as other fees under existing lease agreements for each of the subject four Leased Properties; and (iii) taken into account that the Management advised that based on the existing lease agreements entered into with the Sinochem Holdings and its associates for the relevant units in the aforesaid four Leased Properties, the annual Aggregate Transaction Amount already amounted to approximately RMB414.3 million with potential lease agreements in discussion with the Sinochem Holdings and its associates which may contribute up to an additional RMB1.2 million during the year ending 31 December 2024, together such accounted for close to 80% of the 2024 Annual Cap. It is also noted that the aforesaid has not taken into consideration any potential lease agreements with Sinochem Holdings and its associates for the aforesaid four properties or other Lease Properties which may subsequently become available during the year ending 31 December 2024. In this connection, we reviewed the 2023 Annual Report and noted under the section headed “Management Discussion and Analysis – General Overview” that the Group holds 382 projects of city operations, property development, commercial leasing and retail operations and hotel operations, with an area yet to be delivered of approximately 83.60 million square metres (the “**Potential Projects**”). We understand from the Management that certain of the Potential Projects may become available for leasing during the year ending 31 December 2024.

Our analysis on the 2025 Annual Cap and the 2026 Annual Cap

It is noted that the 2025 Annual Cap of RMB593.85 million, represents a year-on-year increase of approximately 12.3% (the “**2025 Annual Cap Growth Rate**”) from the 2024 Annual Cap of RMB529.04 million, the 2026 Annual Cap of RMB662.62 million represents a year-on-year increase of approximately 11.6% (the “**2026 Annual Cap Growth Rate**”) from the 2025 Annual Cap.

We have performed the following analysis and considered factors as set out below in assessing the reasonableness of the 2025 Annual Cap and the 2026 Annual Cap, including, among others, (i) as set out in the 2023 Annual Report, the Group has five business segments, namely, (a) city operations and property development; (b) commercial leasing and retail operations; (c) hotel operations; (d) services provided through Jinmao Property Services Co., Limited; and (e) others, and that the transactions contemplated under the New Lease Framework Agreement falls within the scope of the Group’s commercial leasing and retail operations business segment. In this connection, we have reviewed the 2023 Annual Report and noted that the Group recorded revenue of approximately RMB1,551.0 million and RMB1,802.3 million from its commercial leasing and retail operations business segment for the year ended 31 December 2022 and 2023, respectively. Such represents a year-on-year increase of approximately 16.2%, being higher than each of the 2025 Annual Cap Growth Rate and the 2026 Annual Cap Growth Rate, respectively; (ii) we noted from the 2023 Annual Report that

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the occupancy rate for each of the Xicheng Jinmao Centre, Jin Mao Tower (office portion) and Nanjing Xuanwu Lake Jinmao Plaza Phase 1 (office portion) was approximately 85.9%, 87.6% and 64.8% during the year ended 31 December 2023, respectively. In this connection, the leasing of additional units/space by Sinochem Holdings and its associates in these properties in the future should increase the subject occupancy rate and generate extra revenue for the Group; (iii) based on the research conducted on the consumer price index* (居民消費價格指數)⁴ (the “CPI”) in the PRC in the past five years period (between 2019 and 2023) as published by the National Bureau of Statistics of the PRC and the PRC government, the CPI has recorded a year-on-year increase during the aforesaid five year period, thus the 2025 Annual Cap and 2026 Annual Cap also need to take into account upward adjustment in rental, property management fees and other fees such as various sundry charges; (iv) we also understand from the Management that certain of the Potential Projects may become available for leasing during the year ending 31 December 2025 and 2026, respectively; and (v) the Annual Caps should have sufficient flexibility to cater for the potential increase in demand arising from leasing additional units/space to the Sinochem Holdings and its associates in the existing leased properties and/or other buildings or properties of the Group at the material time.

Having considered the above factors and analysis, we are of the view that the basis of the Annual Caps to be fair and reasonable.

VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the New Framework Lease Agreement;
- (ii) the transactions contemplated under the New Framework Lease Agreement is a furtherance and continuance of the Group’s existing principal businesses and shall broaden the revenue base of the Group;
- (iii) the services contemplated under the New Framework Lease Agreement shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the internal control procedures, so that the terms of the transactions contemplated thereunder shall be no less favourable to the Group than similar transactions conducted with independent third parties to the Group under the same conditions; and
- (iv) the basis for determining the Annual Caps is reasonable, details of which are set out under the section headed “4. Basis and rationale for determining the annual caps under the New Lease Framework Agreement” in this letter above,

⁴ CPI data from 2019 to 2022 (source: data.stats.gov.cn/easyquery.htm?cn=C01&zlb=A0902&sj=2022e), and CPI date for 2023 (source: www.gov.cn/zhengce/202401/content_6925714.htm)

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we are of the view that the transactions contemplated under the New Framework Lease Agreement, are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the New Lease Framework Agreement (including the Annual Caps) at the EGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 17 years of experience in the corporate finance industry.

* *for identification purposes only*

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

2.1 Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company or their respective associates had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules:

Interests in the Shares or underlying shares of the Company

Name of Director	Capacity	No. of Shares held	No. of underlying shares held (Note 1)	Percentage of issued share capital of the Company (Note 2)
Mr. ZHANG Zenggen	Beneficial owner	3,800,000	–	0.028%
Mr. TAO Tianhai	Beneficial owner	7,700,000	2,000,000 (Long Position)	0.072%
Mr. ZHANG Hui	Beneficial owner	6,484,000	2,000,000 (Long Position)	0.063%
Ms. QIAO Xiaojie	Beneficial owner	4,500,000	1,334,000 (Long Position)	0.043%

Note 1: This refers to underlying shares covered by share options granted, such options being unlisted physically settled equity derivatives.

Note 2: This represents the percentage of the aggregate long positions in Shares and underlying shares to the total number of issued Shares of the Company as at the Latest Practicable Date.

Interest in the debentures of an associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Amount of debentures held	Aggregate principal amount of debentures	Type of debentures
Mr. ZHANG Hui	Franshion Brilliant Limited	Beneficial owner	US\$1,000,000	US\$500,000,000	4.250% guaranteed senior notes due 2029 (<i>Note 1</i>)
	Franshion Brilliant Limited	Beneficial owner	US\$300,000	US\$600,000,000	3.200% guaranteed senior notes due 2026 (<i>Note 2</i>)

Note 1: This refers to the guaranteed senior notes issued by Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, on 23 July 2019, which are freely transferable and non-convertible into shares.

Note 2: This refers to the guaranteed senior notes issued by Franshion Brilliant Limited on 9 April 2021, which are freely transferable and non-convertible into shares.

2.2 Substantial shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person (other than the Directors and chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which (i) were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or (ii) were required, pursuant to section 336 of the SFO, to be recorded in the register of the Company referred to therein, or (iii) had already been notified to the Company and the Stock Exchange:

Name of substantial Shareholder	Long/short Position	Capacity/nature of Interests	No. of Shares Held	Percentage of issued share capital of the Company
Sinochem Hong Kong	Long position	Beneficial owner	5,183,735,902	38.40%
Sinochem Corporation	Long position	Interest of controlled corporation (<i>Note 1</i>)	5,183,735,902	38.40%
Sinochem Group Co., Ltd. ("Sinochem Group")	Long position	Interest of controlled corporation (<i>Note 1</i>)	5,183,735,902	38.40%
Sinochem Holdings	Long position	Interest of controlled corporation (<i>Note 1</i>)	5,183,735,902	38.40%

Name of substantial Shareholder	Long/short Position	Capacity/nature of Interests	No. of Shares Held	Percentage of issued share capital of the Company
Ping An Life Insurance Company of China, Ltd. (“Ping An Life”)	Long position	Beneficial owner	1,787,077,435	13.24%
Ping An Insurance (Group) Company of China, Ltd. (“Ping An”)	Long position	Interest of controlled corporation (Note 2)	1,787,077,435	13.24%
New China Life Insurance Company Ltd.	Long position	Beneficial owner	1,237,625,138	9.17%
	Long position	Interest of controlled corporation (Note 3)	3,150,000	0.02%
UBS Group AG	Long position	Interest of controlled corporation (Note 4)	722,784,587	5.35%

Note 1: Sinochem Holdings holds the entire equity interest in Sinochem Group, which in turn holds 98% equity interest in Sinochem Corporation. Sinochem Corporation holds the entire equity interest in Sinochem Hong Kong. For the purpose of the SFO, Sinochem Holdings, Sinochem Group and Sinochem Corporation are all deemed to be interested in the Shares beneficially owned by Sinochem Hong Kong.

Note 2: Ping An holds 99.51% equity interest in Ping An Life. For the purpose of the SFO, Ping An is deemed to be interested in 1,787,077,435 Shares beneficially owned by Ping An Life.

Note 3: New China Life Insurance Company Ltd. controls a chain of corporations including New China Asset Management Company Limited, New China Asset Management (Hong Kong) Limited, New China Capital International Management Limited and New China Capital Management Limited. For the purpose of the SFO, New China Life Insurance Company Ltd. is deemed to be interested in 3,150,000 Shares beneficially owned by New China Capital Management Limited.

Note 4: UBS Group AG is deemed to have interests in the Shares held by UBS Asset Management (Americas) LLC, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Shanghai) Limited, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS Asset Management (UK) Limited, UBS Asset Management Life Limited, UBS AG, UBS Switzerland AG and Credit Suisse AG, and such companies are subsidiaries of UBS Group AG.

Note 5: On 6 August 2019, Sinochem Hong Kong delivered 1,787,077,435 Shares to Ping An Life pursuant to a placing and subscription agreement dated 26 July 2019. Ping An Life is granted a pre-emptive right to off-market transfers and is thus deemed to be interested in the Shares held by Sinochem Hong Kong by virtue of s.317 of the SFO, and Sinochem Hong Kong is deemed to be interested in the Shares held by Ping An Life by virtue of s.317 of the SFO.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the following Directors are also employees of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of substantial shareholder of the Company	Position in the substantial shareholder of the Company
Mr. CHENG Yong	Sinochem Holdings	Director of the human resources department
Ms. CHEN Aihua	Sinochem Holdings Sinochem Group Sinochem Corporation	Director of the audit department Supervisor Chairman of the board of supervisors
Ms. WANG Wei	Ping An Life	Risk specialist in the investment management team of the investment management centre

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their close associates (as defined in the Listing Rules) had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under the Listing Rules.

7. OTHER ARRANGEMENTS INVOLVING DIRECTORS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2023 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualifications
Opus Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, an independent financial adviser
Red Sun Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, an independent financial adviser

As at the Latest Practicable date, each of Opus Capital and Red Sun Capital:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 May 2024 and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2023 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

A copy of each of the Loan Agreement, the Mortgage Agreement and the New Framework Lease Agreement is available on the HKEx news website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.chinajinmao.cn) from the date of this circular up to and including the date of the EGM.

NOTICE OF EGM



China Jinmao Holdings Group Limited 中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Jinmao Holdings Group Limited (the “**Company**”) will be held at Salon III-IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Wednesday, 19 June 2024 at 9:40 a.m. or any adjournment thereof to consider and, if thought fit, pass the following resolutions as ordinary resolutions (with or without modifications):

ORDINARY RESOLUTIONS

1. “THAT:

- (a) the Loan Agreement and the Mortgage Agreement (as defined and described in the circular to the shareholders of the Company dated 30 May 2024 (the “**Circular**”), the copies of which have been produced to the EGM marked “A” and initialled by the Chairman of the EGM for the purpose of identification) and the transaction contemplated thereunder^(Note 1) be and are hereby approved, ratified and confirmed; and
- (b) any director of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Loan Agreement and the Mortgage Agreement and any transaction contemplated thereunder, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the such director, in the interests of the Company and its shareholders as a whole.”

2. “THAT:

- (a) the New Framework Lease Agreement (as defined and described in the Circular, a copy of which has been produced to the EGM marked “B” and initialled by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF EGM

- (b) the proposed annual caps in relation to the transactions contemplated under the New Framework Lease Agreement as described in the Circular be and are hereby approved, ratified and confirmed; and
- (c) any director of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the New Framework Lease Agreement and any transaction contemplated thereunder, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the such director, in the interests of the Company and its shareholders as a whole.”

By order of the Board
China Jinmao Holdings Group Limited
ZHANG Zenggen
Chairman

Hong Kong, 30 May 2024

NOTICE OF EGM

Notes:

- (1) As the Loan (as defined and described in the Circular) provided by Sinochem Finance Co., Ltd. under the Loan Agreement is secured by the mortgage provided by Beijing Zhantuo Real Estate Co., Ltd. under the Mortgage Agreement, the Loan Agreement and the Mortgage Agreement are interdependent and linked, and therefore the transaction under the Loan Agreement and the Mortgage Agreement is submitted to the EGM as one resolution.
- (2) The register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 June 2024.
- (3) Any member entitled to attend and vote at the EGM or any adjournment thereof convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (4) In case of joint holders of any share, any one of such joint holders may vote at the EGM or any adjournment thereof, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM in person or by proxy, then one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (5) In order to be valid, the form of proxy completed in accordance with the instructions printed thereon, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of that power or authority) must be deposited at the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof.
- (6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (7) If typhoon signal no. 8 or above remains hoisted or a black rainstorm warning signal or "extreme conditions caused by a super typhoon" announced by the Government of Hong Kong is in force at 7:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the Company's website at www.chinajinmao.cn and the HKEx news website at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the Directors of the Company are Mr. ZHANG Zenggen (Chairman), Mr. TAO Tianhai, Mr. ZHANG Hui and Ms. QIAO Xiaojie as Executive Directors; Mr. CHENG Yong, Ms. CHEN Aihua, Mr. AN Hongjun and Ms. WANG Wei as Non-executive Directors; and Mr. SU Xijia, Mr. SUEN Man Tak, Mr. GAO Shibin and Mr. ZHONG Wei as Independent Non-executive Directors.