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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.  
IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

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

If you have sold or transferred all your units in CMC REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Securities and Futures Commission of Hong Kong, Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents in this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents in this Circular.

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## **China Merchants Commercial Real Estate Investment Trust**

*(a Hong Kong collective investment scheme authorized under section 104  
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*  
**(Stock Code: 01503)**

**Managed by  
China Merchants Land Asset Management Co., Limited**

### **(1) CONTINUING CONNECTED PARTY TRANSACTIONS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS**

**Independent Financial Adviser  
to the Independent Board Committee, the Independent Unitholders and the Trustee**

**ALTUS CAPITAL LIMITED**

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A letter to the Unitholders is set out on pages 8 to 25 of this Circular. A letter from the Independent Board Committee containing its advice to the Independent Unitholders is set out on pages 26 to 27 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee is set out on pages 28 to 49 of this Circular.

A notice convening the EGM to be held at 11:00 a.m. on Wednesday, 29 December 2021, at JW Marriott Ballroom (Salon 1-3), Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages N-1 to N-3 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Hong Kong Unit Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for the holding of 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 and, in such event, the form of proxy shall be deemed to be revoked.

#### **PRECAUTIONARY MEASURES FOR THE EGM**

Please see page 1 of this Circular for measures being taken to prevent and control the spread of the COVID-19 at the EGM, including:

- limit the number of attendees of the EGM as may be necessary to avoid over-crowding
- compulsory temperature screening/checks
- submission of health declaration form
- mandatory wearing of surgical face masks at all times
- no distribution of food and beverage

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. CMC REIT reminds Unitholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

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## PRECAUTIONARY MEASURES FOR THE EGM

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In light of the escalation in COVID-19 infections worldwide and the heightened requirements for the prevention and control of its spreading, the Manager would like to encourage Unitholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy as an alternative to attending the EGM in person. Unitholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising their voting rights.

The form of proxy is enclosed with this Circular and can otherwise be downloaded from the website of CMC REIT (<http://www.cmcreit.com>) or from HKEXnews (<http://www.hkexnews.hk>). To be valid, the form of proxy must be deposited at the Hong Kong Unit Registrar of CMC REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof.

The Manager will implement the following precautionary measures at the EGM:

- seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Unitholders to attend the EGM;
- compulsory temperature screening/checks;
- every Unitholder or proxy is required to: (i) fill in a health declaration form at the reception; and (ii) bring and wear surgical face masks before they are permitted to enter the venue, and at all times during their attendance of the EGM. No surgical face masks will be provided at the venue. Any person who refuses to follow the aforesaid requirements will not be admitted to the venue; and
- no food and beverage will be served.

The Manager will monitor the situation and reserves the right to take further measures as appropriate. Unitholders and proxies attending the EGM are advised to arrive at the EGM venue early as the precautionary measures may cause delay in the registration process. The Manager seeks the understanding and cooperation of Unitholders and proxies to minimise the risk of community spread of COVID-19.

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## DEFINITIONS

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*In this Circular, the following definitions shall apply throughout unless otherwise stated:*

2019 CPT Waiver	means the waiver from strict compliance with Chapter 8 of the REIT Code granted by the SFC in respect of the CM Continuing CPTs, as described in the Offering Circular.
associate	has the meaning ascribed to it under the REIT Code.
Audit Committee	means the audit committee of the Manager.
Board	means the board of Directors.
Chairman	means the chairman of the Board.
CM Connected Persons Group	means connected persons of CMC REIT by virtue of their relationships with the Manager or Eureka (being a Substantial Unitholder).
CM Continuing CPTs	means the CM Tenancies and the Operations and Property Management Transactions.
CM Leasing Framework Agreement	means the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the CMC REIT Group) and Eureka setting out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024.
CM Tenancies	has the meaning ascribed to it under section 2.1 of this Circular.
CMC REIT	means China Merchants Commercial Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO.
CMC REIT Group	means CMC REIT and its subsidiaries.
CMC REIT's Properties	means the properties owned by CMC REIT from time to time, whether held directly through the Trustee or indirectly through one or more SPVs or joint venture entities (where applicable).
CMG	means China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC.

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## DEFINITIONS

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CML	means China Merchants Land Limited (招商局置地有限公司), a company incorporated in the Cayman Islands, and whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00978).
CML Cities	means cities where CML has its property business including Chongqing, Foshan, Guangzhou, Nanjing, Jurong and Xi'an.
CMSK	means China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a company incorporated in the PRC, and whose shares are listed on the Shenzhen Stock Exchange (stock code: 001979.SZ).
connected person	has the meaning ascribed to it under the REIT Code.
Cyberport Building	means 數碼大廈, an office building complex technically zoned for industrial use located at No. 1079, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.
Director(s)	means the director(s) of the Manager.
EGM	means an extraordinary general meeting of the Unitholders to be convened on Wednesday, 29 December 2021 at JW Marriott Ballroom (Salon 1-3), Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong.
EGM Notice	means the notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the Ordinary Resolutions to be proposed at the EGM.
Eureka	means Eureka Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CMSK.
Existing Properties	means (i) New Times Plaza; (ii) Cyberport Building; (iii) Technology Building; (iv) Technology Building 2; and (v) Garden City Shopping Centre, and "Existing Property" means any one of them.
Garden City Shopping Centre	means 花園城, a shopping centre located at No. 1086, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.

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## DEFINITIONS

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Greater Bay Area	means the integrated economic and business hub which includes the cities of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing.
Hong Kong	means the Hong Kong Special Administrative Region of the PRC.
Hong Kong Stock Exchange	means the Stock Exchange of Hong Kong Limited.
Independent Board Committee	means the independent committee of the Board established to advise the Independent Unitholders on the CM Continuing CPTs.
Independent Financial Adviser	means Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO.
Independent Non-executive Director(s)	means the independent non-executive director(s) of the Manager.
Independent Unitholders	means Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.7F of the REIT Code.
Latest Practicable Date	means 7 December 2021, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
Listing Rules	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or modified from time to time (modified as appropriate pursuant to 2.26 of the REIT Code).
Manager	means China Merchants Land Asset Management Co., Limited, in its capacity a manager of CMC REIT.
New Times Plaza	means 新時代廣場, an office building located at No. 1, Taizi Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC.

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## DEFINITIONS

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Offering Circular	means the offering circular of CMC REIT dated 28 November 2019.
Onshore Manager Subsidiary	means China Merchants Land Enterprise Management Consulting (Shenzhen) Co., Ltd (招商局置地企業管理諮詢(深圳)有限公司), a company incorporated in the PRC and a direct wholly-owned subsidiary of the Manager and an indirect wholly-owned subsidiary of CML.
Operations and Property Management Framework Agreement	means the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the CMC REIT Group) and Eureka setting out the framework terms governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024.
Operations and Property Management Transactions	has the meaning ascribed to it under section 2.1 of this Circular.
Operations Management Agreement	means the operations management agreement dated 22 November 2019 entered into between the Operations Manager and the PRC Property Companies relating to the provision of certain operations management services in respect of the Existing Properties.
Operations Management Services	has the meaning ascribed to it under section 2.2.2 of this Circular.
Operations Manager	means China Merchants Shekou Enterprise Management (Shenzhen) Co., Ltd.* (招商蛇口企業管理(深圳)有限公司), a company established in the PRC and is indirectly owned as to 51.16% by CMSK as at the Latest Practicable Date.
Ordinary Resolution	means a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders registered as holding together not less than 10% of Units for the time being in issue and outstanding.

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## DEFINITIONS

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PRC	means The People's Republic of China excluding, for the purposes of this Circular only (unless otherwise expressly specified), Hong Kong, Macao and Taiwan.
PRC Property Companies	means the respective direct owners of the Existing Properties, and "PRC Property Company" means any one of them.
Property Management Agreements	means the property management agreements dated 22 November 2019 entered into between the Property Manager and each of the PRC Property Companies relating to the provision of certain property management services in respect of the Existing Properties.
Property Management Services	has the meaning ascribed to it under section 2.2.2 of this Circular.
Property Manager	means Shenzhen China Merchants Property Holding Management Co., Ltd.* (深圳招商物業管理有限公司), a company incorporated in the PRC and is indirectly owned as to 51.16% by CMSK as at the Latest Practicable Date.
Register of Unitholders	means the register of Unitholders.
REIT	means real estate investment trust.
REIT Code	means the Code on Real Estate Investment Trusts issued by the SFC (as amended, supplemented or otherwise modified for the time being) or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
RMB	means Renminbi, the lawful currency of the PRC.
SFC	means the Securities and Futures Commission of Hong Kong.
SFO	means the Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.



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## DEFINITIONS

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SPV	means a special purpose vehicle.
Substantial Unitholder	means a Unitholder who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Unitholders.
Technology Building	means 科技大廈, an office building complex technically zoned for industrial use located at No. 1067, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.
Technology Building 2	means 科技大廈二期, an office building complex technically zoned for industrial use located at No. 1057, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.
Trust Deed	means the trust deed dated 15 November 2019 between the Trustee (in its capacity as trustee of CMC REIT) and the Manager constituting CMC REIT, as amended by any supplemental deed.
Trustee	means DB Trustees (Hong Kong) Limited, the trustee of CMC REIT.
Unit	means a unit of CMC REIT.
Unitholder	means any person registered as holding a Unit.
%	per cent or percentage.

\* *For identification purpose only*

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LETTER TO THE UNITHOLDERS

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**China Merchants Commercial Real Estate Investment Trust**

*(a Hong Kong collective investment scheme authorized under section 104  
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*  
**(Stock Code: 01503)**

**Managed by**  
**China Merchants Land Asset Management Co., Limited**

***Directors of the Manager:***

*Chairman and Non-executive Director*

Mr. HUANG Junlong

*Executive Director*

Mr. GUO Jin

*Non-executive Directors*

Ms. LIU Ning

Mr. YU Zhiliang

*Independent Non-executive Directors*

Mr. LIN Hua

Mr. LIN Chen

Ms. WONG Yuan Chin, Tzena

***Registered Office of the Manager:***

Room 2603 to 2606, 26/F,

China Merchants Tower, Shun Tak Centre,

Nos. 168-200 Connaught Road Central,

Hong Kong

10 December 2021

To: The Unitholders of CMC REIT

Dear Sir/Madam,

**(1) CONTINUING CONNECTED PARTY TRANSACTIONS  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND  
CLOSURE OF REGISTER OF UNITHOLDERS**

**1. INTRODUCTION**

Reference is made to the announcement of CMC REIT dated 9 December 2021 in relation to the CM Continuing CPTs. The purposes of this Circular are to provide you with information in respect of the matters requiring Unitholders' approval and to serve the EGM Notice.

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## LETTER TO THE UNITHOLDERS

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### 2. CONTINUING CONNECTED PARTY TRANSACTIONS

#### 2.1. Background

At the time of authorisation of CMC REIT in 2019, the Manager had applied for, and the SFC had granted, waivers (the “**2019 CPT Waiver**”) from strict compliance with Chapter 8 of the REIT Code in respect of certain continuing connected party transactions of CMC REIT. Details of the 2019 CPT Waiver, which is due to expire on 31 December 2021, are more particularly set out in the section headed “Connected Party Transactions — Waivers for Certain Connected Party Transactions and Connected Persons” in the Offering Circular.

On 4 December 2020, the REIT Code was revised to, *inter alia*, broadly align the requirements applicable to connected party transactions of REITs with the requirements for companies listed on the Hong Kong Stock Exchange. Following the changes to the REIT Code, save as otherwise provided in the REIT Code or the guidelines issued by the SFC from time to time, all connected party transactions of REITs will be regulated with reference to the requirements applicable to listed companies under Chapter 14A of the Listing Rules to the extent appropriate and practicable, including whether certain connected party transactions are continuing connected party transactions, available exemptions and the conditions thereof and the unitholders’ approval, disclosure, reporting, annual review and other requirements. All pre-existing waivers shall continue to apply until expiry according to their terms or until otherwise modified or revoked.

Since the 2019 CPT Waiver is due to expire on 31 December 2021, the continuing connected party transactions of CMC REIT which are the subject of the 2019 CPT Waiver will, upon such expiry, be regulated with reference to Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code).

The categories of such continuing connected party transactions are as follows:

- (a) as part of the CMC REIT Group’s ordinary and usual course of business, leasing transactions have been, or will from time to time be, conducted between members of the CM Connected Persons Group and members of the CMC REIT Group in respect of CMC REIT’s Properties (the “**CM Tenancies**”); and
- (b) as part of the CMC REIT Group’s ordinary and usual course of business, members of the CM Connected Persons Group and members of the CMC REIT Group have entered into, or will from time to time enter into or renew, the transactions for the provisions of the Operations Management Services and the Property Management Services in respect of CMC REIT’s Properties (including the Operations Management Agreement and the Property Management Agreements) (the “**Operations and Property Management Transactions**”). A single annual cap is set for the Operations and Property Management Transactions since these transactions are of a similar expenditure nature. As the CM Connected Persons Group may modify the delegation arrangement as a matter of its own internal group organisation, a single annual cap would afford such flexibility without any prejudice to CMC REIT and the Unitholders.

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## LETTER TO THE UNITHOLDERS

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### 2.2. CM Continuing CPTs with the CM Connected Persons Group

#### 2.2.1. CM Leasing Framework Agreement

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, and having regard to the regular, ordinary and ongoing nature of the CM Tenancies, on 9 December 2021, CMC REIT (through the Manager) entered into the CM Leasing Framework Agreement with Eureka, which sets out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024. The CM Leasing Framework Agreement is conditional upon the passing of Ordinary Resolution No. 1. Eureka is obliged thereunder to procure the relevant member of the CM Connected Persons Group to enter into the relevant written agreement in the manner contemplated under the CM Leasing Framework Agreement. Eureka has the requisite authority to procure such performance by each member of the CM Connected Persons Group and is an entity of substance in the event of any non-compliance.

The principal terms of the CM Leasing Framework Agreement are as follows:

Parties:	(1) The Manager (for and on behalf of the CMC REIT Group) (2) Eureka
Purpose and description:	To set out the framework terms governing tenancies entered or to be entered into between a member of the CMC REIT Group (as lessor) on the one hand and a member of the CM Connected Persons Group (as lessee) on the other hand in respect of any of CMC REIT's Properties during the term of the CM Leasing Framework Agreement.  The relevant members of the CMC REIT Group and CM Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.
Term:	Three (3) years from 1 January 2022 up to 31 December 2024.
Pricing policy:	The rent chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity).

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## LETTER TO THE UNITHOLDERS

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To ensure that each transaction under the CM Leasing Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the parties agree that the Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of CMC REIT for each CM Tenancy before it is first entered into or if and when it is renewed.

### *2.2.2. Operations and Property Management Framework Agreement*

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, and having regard to the regular, ordinary and ongoing nature of the Operations and Property Management Transactions, on 9 December 2021, CMC REIT (through the Manager) entered into the Operations and Property Management Framework Agreement with Eureka, which sets out the framework terms governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024. The Operations and Property Management Framework Agreement is conditional upon the passing of Ordinary Resolution No. 2. Eureka is obliged thereunder to procure the relevant member of the CM Connected Persons Group to enter into the relevant written agreement in the manner contemplated under the Operations and Property Management Framework Agreement. Eureka has the requisite authority to procure such performance by each member of the CM Connected Persons Group and is an entity of substance in the event of any non-compliance.

The principal terms of the Operations and Property Management Framework Agreement are as follows:

Parties: (1) The Manager (for and on behalf of the CMC REIT Group)  
(2) Eureka

Purpose and description: To set out the framework terms governing the Operations and Property Management Transactions during the term of the Operation and Property Management Framework Agreement.

The relevant members of the CMC REIT Group and the CM Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole, which shall be no less favourable than those offered or available from independent third parties.

Term: Three (3) years from 1 January 2022 up to 31 December 2024.

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## LETTER TO THE UNITHOLDERS

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Scope of services: (1) *Operations Management Services*

The operations management services shall include, among other things:

- (i) leasing services, including managing the signing of new and renewed tenancy agreements and acting as the leasing agent in participating in negotiation of terms with tenants;
- (ii) marketing services, including executing the marketing strategies approved by the Manager and executing advertising, marketing and publicity programmes in respect of CMC REIT's Properties;
- (iii) tenancy development and management services, including finding potential tenants, tenant evaluation, monitoring the financial status of tenants, rent collection, tenant relationship management, handling renewals of tenancy agreements and providing value-added services to tenants;
- (iv) leasing advisory services, including advising on the rent level and other commercial terms of the tenancy agreements;
- (v) implementing the engineering and remodelling plans in respect of CMC REIT's Properties as approved by the Manager, including being responsible for matters relating to such plans, such as design, request for tender, construction and quality inspection, and supervising the day-to-day maintenance and upkeep of CMC REIT's Properties;
- (vi) performance evaluation of CMC REIT's Properties and reporting to the Onshore Manager Subsidiary;
- (vii) working with the other professional service providers to maintain the income generating capability of CMC REIT's Properties;

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## LETTER TO THE UNITHOLDERS

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(viii) account management and document support services, including bank account maintenance and archiving of tenancy related documents and other contracts; and

(ix) information technology support.

(2) *Property Management Services*

The Property Management Services shall include, among other things, maintenance, repair and upkeep of common areas and facilities, supervising the renovation works carried out at CMC REIT's Properties, garbage collection and hygiene services, fire safety services, car park management and building security services.

Pricing policy: The fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by other service providers for properties of similar size and with similar attributes.

Other contractual provisions: Certain contractual provisions are included to provide that:

(i) each relevant member of the CM Connected Persons Group will at all times act in the best interests of CMC REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable property manager providing similar management services would use in providing such management services for comparable commercial properties in the relevant location of the PRC;

(ii) each relevant member of the CM Connected Persons Group will strictly adhere to the reporting lines approved by the Manager in accordance with the provisions of the separate written operations management agreements and/or property management agreements, such that such member of the CM Connected Persons Group will act in accordance with the sole directions of the Manager;

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## LETTER TO THE UNITHOLDERS

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- (iii) each relevant member of the CM Connected Persons Group will implement the annual business plan and budget approved by the Manager every year and use their respective best endeavours to achieve the revenue targets in such approved annual business plan and budget; and
- (iv) if leasing or marketing opportunities in relation to any of CMC REIT's Properties become available, which the relevant member of the CM Connected Persons Group acting reasonably and in good faith considers are or are likely to be in competition with CMSK, such member of the CM Connected Persons Group will refer all such opportunities to the Manager for vetting and confirmation before proceeding with such opportunities.

To ensure that each transaction under the Operations and Property Management Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the parties agree that the Manager shall arrange for an independent opinion on the terms of each such transaction to be issued by the then prevailing principal valuer of CMC REIT before the transaction is first entered into or if and when it is renewed. The principal valuer shall assess whether the terms of each such transaction are fair and reasonable with reference to the prevailing market rates and terms for similar services provided by professional operations management and property management service providers for properties of similar size and with similar attributes and on normal commercial terms.

The principal valuer, being a consulting firm specialising in valuation advisory on various asset classes including real estates and equity securities with proven track record, has the source data with regard to the actual fees chargeable and terms provided by various service providers in relation to operations management services or property management services in major cities of the PRC from time to time. Such information covers market data in Nanshan District, Shenzhen where the Existing Properties are located and are within a 12-month period prior to the transaction is first entered into or if and when it is renewed. The person who will be responsible for providing the independent opinion in this respect would also possess adequate years of experience in valuation and corporate advisory industry. As such, the Manager considers that (i) the principal valuer is a competent and an appropriate party to assess the fees chargeable and terms under each of the Operations and Property Management Transactions in the future; (ii) the source data being the actual transactions of the prevailing market rates and terms are sufficient reference; (iii) a 12-month period (prior to the transaction is first entered into or if and when it is renewed) is fair and reasonable as such service contracts are still valid and operating; and (iv) the principal valuer who possesses the industry data as described above will be in an appropriate position to do the required assessment.



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## LETTER TO THE UNITHOLDERS

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### 2.3. Historical Transaction Amounts and Annual Caps

#### (a) *CM Tenancies*

The table below sets out the aggregate historical transaction amounts received by the CMC REIT Group from the CM Connected Persons Group in respect of the CM Tenancies of the Existing Properties for the two years ended 31 December 2019 and 2020 and the 10 months ended 31 October 2021, as well as the maximum aggregate annual amount to be received by CMC REIT Group from the CM Connected Persons Group in respect of such CM Tenancies for each of the three years ending 31 December 2022, 2023 and 2024:

Historical Transaction Amounts (approximate)			Annual Caps		
For the year ended 31 December 2019	For the year ended 31 December 2020	For the 10 months ended 31 October 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(audited)</i>	<i>(RMB)</i> <i>(unaudited)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
5,716,000	85,053,000	88,118,000	114,200,000	122,194,000	130,748,000

The proposed new annual caps for the CM Tenancies for the three years ending 31 December 2022, 2023 and 2024 have been determined by reference to a base amount and assuming a: (a) 3% increase in rent per square metre each year, to cater for possible increases in the prevailing market rate; (b) 5% increase in total rental area for the year ending 31 December 2022 and 4% increase in total rental area for the two years ending 31 December 2023 and 2024, to cater for possible new CM Tenancies which may be entered into during the term of the CM Leasing Framework Agreement. The base amount has been determined by annualising the historical CM Tenancies amounts received from the CM Connected Persons Group for the 10 months ended 31 October 2021 and based on an aggregate area of 47,711 square metres which were leased to the CM Connected Persons Group as at 31 October 2021.

#### (b) *Operations and Property Management Transactions*

The table below sets out the aggregate historical transaction amounts paid by the CMC REIT Group to the CM Connected Persons Group in respect of the Operations and Property Management Transactions of the Existing Properties for each of the two years ended 31 December 2019 and 2020 and the 10 months ended 31 October 2021, as well as the maximum aggregate annual amount to be paid by CMC

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## LETTER TO THE UNITHOLDERS

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REIT Group to the CM Connected Persons Group in respect of the Operations and Property Management Transactions for each of the three years ending 31 December 2022, 2023 and 2024:

Historical Transaction Amounts (approximate)			Annual Caps		
For the year ended 31 December 2019 <i>(RMB)</i> <i>(audited)</i>	For the year ended 31 December 2020 <i>(RMB)</i> <i>(audited)</i>	For the 10 months ended 31 October 2021 <i>(RMB)</i> <i>(unaudited)</i>	For the year ending 31 December 2022 <i>(RMB)</i>	For the year ending 31 December 2023 <i>(RMB)</i>	For the year ending 31 December 2024 <i>(RMB)</i>
6,361,000	64,399,000	59,369,000	82,987,000	89,610,000	91,814,000

As disclosed in the Offering Circular, operations management fees are based on monthly rental income and capital expenditure (specifically, 5% of monthly rental income and 2.5% of semi-annual capital expenditure for refurbishment and renovation), while property management fees are based on a percentage of certain property management fees and charges collected from tenants (specifically, 12% of the aggregate fees and charges (except air-conditioning charges and promotional fees) and car parking fees collected each month) (except in respect of Garden City Shopping Centre where such fee is currently fixed at RMB650,000 per annum).

The proposed new annual caps for the Operations and Property Management Transactions for the three years ending 31 December 2022, 2023 and 2024 have been determined by reference to a base amount and assuming: (a) (in respect of operations management) the same increases in rent per square metre and total rental area which were assumed in connection with the CM Tenancies above, and in respect of the two years ending 31 December 2022 and 2023, additional fees in respect of scheduled capital expenditure payments; and (b) (in respect of property management) the same increase in total rental area which was assumed in connection with the CM Tenancies and further assuming a 5% increase in property management fees per year to cater for possible increases in expenses taking into account inflationary pressures on costs and wages.

The base amount has been determined by annualising the historical Operations and Property Management Transactions amounts payable to the CM Connected Persons Group for the 10 months ended 31 October 2021 and based on an aggregate area of 47,711 square metres which were leased to the CM Connected Persons Group as at 31 October 2021.

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## LETTER TO THE UNITHOLDERS

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### **2.4. Reasons for and Benefits of the Transactions**

The CMC REIT Group is principally engaged in real estate investment for property income. The CM Tenancies are in the ordinary and usual course of business of the CMC REIT Group and will contribute towards the occupancy rate of, and property income generated by, CMC REIT's Properties.

The Manager is responsible under the Trust Deed and the REIT Code for ensuring that CMC REIT's Properties are professionally managed. Since the initial public offering of CMC REIT, the Operations Manager and the Property Manager have been appointed to operate, maintain and manage the Existing Properties under the overall management and supervision of the Manager. The Manager regularly monitors and reviews the performance of the Operations Manager and the Property Manager, and is satisfied that they will continue to provide professional services with efficient and effective management. The Manager expects that the CMC REIT Group will continue to enter into the Operations and Property Management Transactions with the CM Connected Persons Group to ensure business continuity and efficiency. While the Operations Management Services and the Property Management Services are presently performed by the Operations Manager and the Property Manager, respectively, some or all services may be delegated to other members of the CM Connected Persons Group based on its own internal group organisation. Notwithstanding such potential nominal changes, the Manager would expect the same service level standards and operational consistency associated with CMSK. Therefore, the same reasons and benefits for continuing the appointments of the Operations Manager and the Property Manager would apply to any appointment of any other member of the CM Connected Persons Group to provide the same services.

### **2.5. Regulatory Implications**

As at the Latest Practicable Date, Eureka (being a Substantial Unitholder holding 400,332,310 Units representing approximately 35.49% of the Units then in issue) was a connected person of CMC REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Accordingly, the CM Tenancies under the CM Leasing Framework Agreement and the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement constitute connected party transactions of CMC REIT.

As more than one of the applicable percentage ratios calculated in respect of the annual caps applicable to the CM Tenancies under the CM Leasing Framework Agreement exceed 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Therefore, such CM Tenancies are conditional upon the passing of Ordinary Resolution No. 1.

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## LETTER TO THE UNITHOLDERS

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As the highest applicable percentage ratio calculated in respect of the annual caps applicable to the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Therefore, such Operations and Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 2.

As Mr. Huang Junlong, Ms. Liu Ning and Mr. Yu Zhiliang, each a non-executive Director, hold positions in CMSK and/or its associates, in order to avoid any actual or potential conflict of interest, each of them had abstained from voting at the relevant Board resolution approving the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement and the annual caps applicable thereto.

### **2.6. Internal Controls**

The Manager has established an internal control system intended to ensure that connected party transactions between the CMC REIT Group and its connected persons are monitored and that these are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, among other things, all connected party transactions must be carried out at arm's length, on normal commercial terms and in the best interests of Unitholders.

The Manager maintains a register to record all connected party transactions which are entered into by members of the CMC REIT Group and the bases, including, where appropriate, any quotations from independent third parties, independent valuations and expert opinion obtained to support such bases, on which they are entered into. The Manager is also required to incorporate into its internal audit plan a review of all connected party transactions entered into by members of the CMC REIT Group. As a general rule, the Manager will demonstrate to the Audit Committee that all connected party transactions are carried out at arm's length, on normal commercial terms and in the interests of Unitholders.

### **2.7. Review and Reporting**

The CM Continuing CPTs will be subject to the following review and reporting processes pursuant to paragraph 8.7A of the REIT Code and Rules 14A.55 to 14A.59, Rule 14A.71 and Rule 14A.72 of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code):

#### ***2.7.1. Annual review by the Independent Non-executive Directors***

The independent non-executive Directors shall review the CM Continuing CPTs annually, and confirm in CMC REIT's annual report for the relevant financial year whether such transactions have been entered into:

- (i) in the ordinary and usual course of business of CMC REIT;

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## LETTER TO THE UNITHOLDERS

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- (ii) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to CMC REIT than terms available to or from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreements and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

### *2.7.2. Auditors' review procedures*

In respect of each relevant financial year, the Manager shall engage and agree with the auditors of CMC REIT to perform certain review procedures on the CM Continuing CPTs. The auditors shall then report to the Manager in the auditors' report of CMC REIT on the factual findings based on the work performed by them, confirming whether anything has come to their attention that causes them to believe that any such transaction:

- (i) has not been approved by the board of directors of the Manager (including the approval of all of the independent non-executive Directors);
- (ii) was not, in all material respects, in accordance with the pricing policies of CMC REIT;
- (iii) was not entered into, in all material respects, in accordance with the terms of the relevant agreement; and
- (iv) has exceeded its applicable annual cap amount.

The Manager shall provide a copy of the auditor's report to the SFC at least 10 business days before the bulk printing of the annual report of CMC REIT.

### *2.7.3. Auditor's access to books and records*

The Manager shall allow, and shall procure the counterparty to the CM Continuing CPTs to allow, the auditors and the independent non-executive Directors sufficient access to their respective records for the purpose of reporting on such transactions.

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## LETTER TO THE UNITHOLDERS

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### *2.7.4. Notification to the SFC*

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in sections 2.7.1. and/or 2.7.2. of this Circular above. The SFC may require the Manager to re-comply with the announcement and Unitholders' approval requirements and may impose additional conditions.

### *2.7.5. Annual reports*

A brief summary of each Connected Transaction containing the information specified in Rules 14A.71 and 14A.72 of the Listing Rules shall be included in CMC REIT's annual reports.

## **2.8. Information on the Parties**

CMC REIT is a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO. CMC REIT is a REIT formed to primarily own and invest in high quality income-generating commercial properties in the PRC (including Hong Kong and Macao but excluding the CML Cities), focusing on: (i) the Greater Bay Area (other than Foshan and Guangzhou, being two of the CML Cities), which is where the Existing Properties are situated; and (ii) Beijing and Shanghai. CMC REIT is managed by the Manager whose key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of CMC REIT's Properties.

The Manager is an indirect wholly-owned subsidiary of CML. The Manager has the general power of management over the assets of CMC REIT and the Manager's main responsibility is to manage the assets of CMC REIT for the benefit of the Unitholders.

As at the Latest Practicable Date, Eureka is a wholly-owned subsidiary of CMSK and each of the Operations Manager and the Property Manager is indirectly owned as to 51.16% by CMSK. CMSK is a reputable state-owned enterprise listed on the Shenzhen Stock Exchange (stock code: 001979.SZ) and one of the flagship subsidiaries of CMG. CMSK has been actively developing, selling and managing various types of properties in the PRC.

## **3. VOTING AT THE EGM**

Pursuant to the Trust Deed and the REIT Code, at any meeting, a resolution put to the vote of the meeting shall be decided on a poll (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be decided by a show of hands) and the result of the poll (or a show of hands in the circumstances above) shall be deemed to be the resolution of the meeting. The proposed Ordinary Resolutions will be decided on a poll at the EGM.

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## LETTER TO THE UNITHOLDERS

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Pursuant to the Trust Deed and the REIT Code, any Unitholder who has a material interest in any resolution and that interest is different from that of all other Unitholders shall abstain from voting in respect of such resolution, and shall not be counted in the quorum for the EGM.

Members of the CM Connected Persons Group are, or may from time to time become, parties to the CM Tenancies and/or the Operations and Property Management Transactions and as such have a material interest in Ordinary Resolutions No. 1 and 2 to approve the CM Tenancies and the Operations and Property Management Transactions, respectively, which is different from that of other Unitholders.

Accordingly, to the extent that any member of the CM Connected Persons Group is a Unitholder, such person will be required to abstain from voting on Ordinary Resolutions No. 1 to 2. As at the Latest Practicable Date, Eureka held 400,332,310 Units representing approximately 35.49% of the Units in issue and accordingly, shall abstain from voting on Ordinary Resolutions No. 1 and 2.

Mr. Yu Zhiliang, a non-executive Director, also holds positions in CMSK and/or its associates. In order to avoid any actual or potential conflict of interest, Mr. Yu will abstain from voting on Ordinary Resolutions No. 1 to 2.

Save for Eureka and Mr. Yu Zhiliang, as at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, the Manager was unaware of any other Unitholders that were required to or will abstain from voting at the EGM on Ordinary Resolutions No. 1 to 2 to approve the CM Continuing CPT.

#### **4. VIEWS AND RECOMMENDATIONS**

##### **4.1. Continuing Connected Party Transactions**

As stated in section 2.5 of this Circular above, Independent Unitholders' approval is required for the entry into of the CM Tenancies under the CM Leasing Framework Agreement and the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement, and the proposed annual caps applicable thereto.

Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee (comprising all of the Independent Non-executive Directors) has been established by the Board to advise the Independent Unitholders on the matters thereunder. Pursuant to Rule 14A.44 of the Listing Rules, the Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee, the Independent Unitholders and the Trustee on the matters relating to the CM Continuing CPTs under Rule 14A.45 of the Listing Rules.

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## LETTER TO THE UNITHOLDERS

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### *4.1.1. Independent Financial Adviser*

The Independent Financial Adviser has confirmed that it is of the view that:

- (a) the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of CMC REIT and the Unitholders as a whole; and
- (b) each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

Your attention is drawn to the Letter from the Independent Financial Adviser set out in Appendix II to this Circular which contains the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion).

### *4.1.2. Independent Board Committee*

The Independent Board Committee, having taken into account the opinion and recommendation of the Independent Financial Adviser, is of the view that:

- (i) the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of CMC REIT and the Unitholders as a whole; and



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## LETTER TO THE UNITHOLDERS

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- (ii) each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Unitholders vote at the EGM in favour of Ordinary Resolutions No. 1 to 2 to approve the CM Tenancies, Operations and Property Management Transactions and the proposed annual caps applicable thereto respectively.

Your attention is drawn to the Letter from the Independent Board Committee set out in Appendix I to this Circular which contains the Independent Board Committee's opinion and recommendation.

### **4.1.3. Board**

The Board (including the Independent Non-executive Directors, but excluding the Directors who have abstained from voting on the relevant Board resolution as set out in section 2.5. of this Circular) considers that the CM Tenancies and the Operations and Property Management Transactions form an integral part of the normal operations of CMC REIT. In particular, the Operations Manager and the Property Manager have been important delegates of the Manager since the listing of CMC REIT in relation to the management of the Existing Properties.

The Board considers that:

- (i) the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement and the proposed annual caps thereof for the three years ending 31 December 2022, 2023 and 2024 are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole;
- (ii) each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement is on normal commercial terms and the transactions thereunder will be carried out on an arm's length basis; and
- (iii) each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement is consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed.

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## LETTER TO THE UNITHOLDERS

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The Board therefore recommends that the Independent Unitholders vote in favour of the Ordinary Resolutions No. 1 and 2 to approve the CM Continuing CPTs and the proposed annual caps applicable thereto at the EGM.

### *4.1.4. Trustee*

Based and in sole reliance on: (a) the opinion of the Board in this letter and the information and assurances provided by the Manager; (b) the Letter from the Independent Board Committee set out in Appendix I to this Circular; and (c) the Letter from the Independent Financial Adviser set out in Appendix II to this Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (i) has no objection to the entering into of each CM Continuing CPT;
- (ii) is of the view that each CM Continuing CPT is consistent with CMC REIT's investment objectives and strategy, and in compliance with the REIT Code and the Trust Deed; and
- (iii) is of the view that each CM Continuing CPT is on normal commercial terms, fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

The Trustee's confirmation is being furnished for the sole purpose of complying with 8.7D of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the CM Continuing CPTs or of any statements or information made or disclosed in this Circular. The Trustee has not made any assessment of the merits or impact of the CM Continuing CPTs, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who have any doubts as to the merits or impact of the CM Continuing CPTs, to consider the Letter from the Independent Financial Adviser and seek their own financial or other professional advice.

## **5. EGM AND CLOSURE OF REGISTER OF UNITHOLDERS**

The EGM will be held at 11:00 a.m. on Wednesday, 29 December 2021 or any adjournment thereof, at JW Marriott Ballroom (Salon 1-3), Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, for the purpose of considering and, if thought fit, passing with or without amendments, the Ordinary Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-3 to this Circular.

The Register of Unitholders will be closed from Thursday, 23 December 2021 to Wednesday, 29 December 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the EGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Hong Kong Unit

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## LETTER TO THE UNITHOLDERS

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Registrar of CMC REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Wednesday, 22 December 2021.

Unitholders whose names appear on the Register of Unitholders on Wednesday, 29 December 2021 are entitled to attend and vote at the EGM. You will find enclosed with this Circular the EGM Notice (please refer to pages N-1 to N-3 to this Circular) and a form of proxy for use for the EGM.

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Hong Kong Unit Registrar of CMC REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding the EGM. 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 and, in such event, the form of proxy shall be deemed to be revoked.

Yours faithfully,  
By order of the board of directors of  
**China Merchants Land Asset Management Co., Limited**  
(in its capacity as manager of China Merchants Commercial Real Estate  
Investment Trust)  
**Mr. HUANG Junlong**  
*Chairman of the Manager*



## China Merchants Commercial Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorized under section 104  
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: 01503)**

**Managed by  
China Merchants Land Asset Management Co., Limited**

10 December 2021

To: The Independent Unitholders of CMC REIT

Dear Sir/Madam,

### **CONTINUING CONNECTED PARTY TRANSACTIONS OF CMC REIT**

We have been appointed as members of the Independent Board Committee to advise you on the CM Continuing CPTs, details of which are set out in the Letter to the Unitholders in the Circular from the Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed by the Manager to advise us, the Independent Unitholders and the Trustee on the CM Continuing CPTs. Details of the Independent Financial Adviser's opinion and recommendation (including the reasons for its opinion, the key assumptions made and the factors that it has taken into consideration in forming the opinion) are set out in the Letter from the Independent Financial Adviser, the text of which is contained in the Circular.

Having taken into account the opinion and recommendation of the Independent Financial Adviser, we concur with such opinion and recommendation and are satisfied that:

- (a) the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as the Independent Unitholders are concerned and in the interests of CMC REIT and the Unitholders as a whole; and

- (b) each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

Accordingly, we recommend that the Independent Unitholders vote at the EGM in favour of Ordinary Resolutions No. 1 to 2 to approve the CM Continuing CPTs, and the proposed annual caps applicable thereto respectively.

Yours faithfully,  
Independent Board Committee  
**China Merchants Land Asset Management Co., Limited**  
(in its capacity as manager of  
China Merchants Commercial Real Estate Investment Trust)

**Mr. LIN Hua**  
*Independent*  
*Non-executive Director*

**Mr. LIN Chen**  
*Independent*  
*Non-executive Director*

**Ms. WONG Yuan Chin, Tzena**  
*Independent*  
*Non-executive Director*

*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the proposed continuing connected party transactions under the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement respectively, which have been prepared for the purpose of incorporation in this circular.*

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**Altus Capital Limited**

21 Wing Wo Street

Central

Hong Kong

10 December 2021

*To the Independent Board Committee, the Independent Unitholders and the Trustee*

**China Merchants Commercial Real Estate Investment Trust**

Room 2603 to 2606, 26/F

China Merchants Tower

Shun Tak Centre

Nos. 168-200 Connaught Road Central

Hong Kong

Dear Sir and Madam,

## CONTINUING CONNECTED PARTY TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee in respect of the proposed continuing connected party transactions under the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement respectively, details of which are set out in the “Letter to the Unitholders” contained in the circular of CMC REIT dated 10 December 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

### CM Leasing Framework Agreement

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, and having regard to the regular, ordinary and ongoing nature of the CM Tenancies, on 9 December 2021, CMC REIT (through the Manager) entered into the CM Leasing Framework Agreement with Eureka, which sets out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024. The CM Leasing Framework Agreement is conditional upon the passing of Ordinary Resolution No. 1. Eureka is obliged thereunder to procure the relevant member of the CM Connected

Persons Group to enter into the relevant written agreement in the manner contemplated under the CM Leasing Framework Agreement. Eureka has the requisite authority to procure such performance by each member of the CM Connected Persons Group and is an entity of substance in the event of any non-compliance.

### **Operations and Property Management Framework Agreement**

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, and having regard to the regular, ordinary and ongoing nature of the Operations and Property Management Transactions, on 9 December 2021, CMC REIT (through the Manager) entered into the Operations and Property Management Framework Agreement with Eureka, which sets out the framework terms governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024. The Operations and Property Management Framework Agreement is conditional upon the passing of Ordinary Resolution No. 2. Eureka is obliged thereunder to procure the relevant member of the CM Connected Persons Group to enter into the relevant written agreement in the manner contemplated under the Operations and Property Management Framework Agreement. Eureka has the requisite authority to procure such performance by each member of the CM Connected Persons Group and is an entity of substance in the event of any non-compliance.

### **REGULATORY IMPLICATIONS**

As at the Latest Practicable Date, Eureka (being a Substantial Unitholder holding 400,332,310 Units representing approximately 35.49% of the Units then in issue) was a connected person of CMC REIT within the meaning of Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Accordingly, the CM Tenancies under the CM Leasing Framework Agreement and the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement constitute connected party transactions of CMC REIT.

As more than one of the applicable percentage ratios calculated in respect of the annual caps applicable to the CM Tenancies under the CM Leasing Framework Agreement exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Therefore, such CM Tenancies are conditional upon the passing of Ordinary Resolution No. 1.

As the highest applicable percentage ratio calculated in respect of the annual caps applicable to the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement exceeds 5%, such transactions and the proposed annual caps applicable thereto are subject to the Independent Unitholders' approval, announcement, reporting, annual review and other requirements under the REIT Code and/or Chapter 14A of the Listing Rules (modified as appropriate pursuant to 2.26 of the REIT Code). Therefore, such Operations and Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 2.

As Mr. Huang Junlong, Ms. Liu Ning and Mr. Yu Zhiliang, each a non-executive Director, holds positions in CMSK and/or its associates, in order to avoid any actual or potential conflict of interest, each of them had abstained from voting at the relevant Board resolution approving the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement and the annual caps applicable thereto.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the Independent Non-executive Directors, namely Mr. Lin Hua, Mr. Lin Chen and Ms. Wong Yuan Chin, Tzena, has been established to consider the CM Continuing CPTs (including the respective proposed annual caps) and to give advice and recommendation to the Independent Unitholders as to (a) whether the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of CMC REIT and the Unitholders as a whole; and (b) whether each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

#### **THE INDEPENDENT FINANCIAL ADVISER**

Altus Capital Limited is independent of CMC REIT, the Trustee, the Manager, each of the substantial holders of CMC REIT and each of the relevant parties with respect to the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement. Apart from normal professional fees payable to us in connection with this appointment and other similar engagements, no arrangements exist whereby we will receive any fees or benefits from the abovementioned parties.

As the independent financial adviser to the Independent Board Committee, the Trustee and the Independent Unitholders, our role is to give an independent opinion to the Independent Board Committee, the Independent Unitholders and the Trustee as to:

- (a) whether the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of CMC REIT and the Unitholders as a whole;



- (b) whether each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole; and
- (c) how the Independent Unitholders should vote in respect of the Ordinary Resolutions No. 1 and 2 to approve the CM Continuing CPTs and the proposed annual caps applicable thereto respectively.

We have not acted as independent financial adviser or financial adviser of CMC REIT in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the CM Continuing CPTs (including the respective proposed annual caps) is at market level and not conditional upon successful passing of the Ordinary Resolution(s) to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of CMC REIT.

#### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the CM Leasing Framework Agreement; (ii) the Operations and Property Management Framework Agreement; (iii) the annual reports of CMC REIT for the years ended 31 December 2019 and 2020 (the **"2019 Annual Report"** and **"2020 Annual Report"**); (iv) the interim report of CMC REIT for the six months ended 30 June 2021 (the **"2021 Interim Report"**); (v) the Trust Deed; and (vi) other information as set out in the Circular. In addition to reviewing the abovementioned documents, we have had discussions with the management of the Manager (the **"Management"**).

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Directors and the Management. We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be up to the date of the EGM. The Directors and the Management collectively and individually accept full responsibility for such statements, information, opinions and representations, including particulars given in compliance with the Listing Rules and the REIT Code for the purpose of giving information with regards to CMC REIT. The Directors and the Management, having made all reasonable enquiries, confirm 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions and representations provided to us untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of CMC REIT.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the principal factors and reasons as set out below:

### 1. Background information of CMC REIT, the Manager and Eureka

CMC REIT is a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO. CMC REIT is a REIT formed to primarily own and invest in high quality income-generating commercial properties in the PRC (including Hong Kong and Macao but excluding the CML Cities) focusing on: (i) the Greater Bay Area (other than Foshan and Guangzhou, being two of the CML Cities), which is where the Existing Properties are situated; and (ii) Beijing and Shanghai. CMC REIT is managed by the Manager whose key investment objectives are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of CMC REIT's Properties.

The Manager is an indirect wholly-owned subsidiary of CML. The Manager has the general power of management over the assets of CMC REIT and the Manager's main responsibility is to manage the assets of CMC for the benefit of the Unitholders.

As at the Latest Practicable Date, Eureka is a wholly-owned subsidiary of CMSK and each of the Operations Manager and the Property Manager is indirectly owned as to 51.16% by CMSK. CMSK is a reputable state-owned enterprise listed on the Shenzhen Stock Exchange (stock code: 001979.SZ) and one of the flagship subsidiaries of CMG. CMSK has been actively developing, selling and managing various types of properties in the PRC.

Set out below is a summary of the Existing Properties.

(unaudited)	New Times Plaza	Cyberport Building	Technology Building	Technology Building 2	Garden City Shopping Centre	Overall occupancy rate
Location	Nanshan District, Shenzhen City, Guangdong Province, the PRC					
Premises	Grade A office building	Office building complexes			Shopping centre	
Gross floor area (square metres)	87,337	40,435	41,579	42,531	50,497	
Occupancy rate as at 30 September 2021 (%)	91.9	73.3	100.0	81.3	88.4	87.6%
Occupancy rate as at 30 June 2021 (%)	88.6	76.7	100.0	79.5	89.0	87.1%
Occupancy rate as at 31 December 2020 (%)	91.9	72.9	83.7	74.4	91.5	84.3%
Rental income for the six months ended 30 June 2021 ("1H 2021") (RMB million)	62.0	20.7	26.2	24.3	47.8	
Rental income for the year ended 31 December 2020 ("FY2020") (RMB million)	115.4	34.9	42.8	40.9	78.5	

As shown from the table above, under the management of the Operations Manager, the overall occupancy rate of the Existing Properties increased from 31 December 2020 to 30 September 2021.

According to 2021 Interim Report, the rental rate of all Existing Properties increased during the same period due to an increase in demand for office space and retail properties associated with the economic rebound. As a combined effect of changes in occupancy rate and rental rate, for illustration purpose, the rental income of each of the Existing Properties for 1H 2021 increased by approximately 7.5% to 22.4% as compared to that of each of the Existing Properties for FY2020 in annualised terms. As advised by the Management, the occupancy rate or rental income of the Existing Properties are not affected by cyclical or seasonal factors.

## 2. Reasons for and benefits of the CM Continuing CPTs

### 2.1 *The CM Leasing Framework Agreement*

The CMC REIT Group is principally engaged in real estate investment for property income. According to the 2020 Annual Report and the 2021 Interim Report, rental income amounted to approximately RMB312.5 million and RMB180.9 million, respectively. The Manager's key objectives for CMC REIT are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of CMC REIT's Properties.

Members of the CM Connected Persons Group have been leasing certain properties from the CMC REIT Group prior to the listing of the CMC REIT in December 2019, and these properties have been occupied by members of the CM Connected Persons Group for office space under the 2019 CPT Waiver. As advised by the Management, as at 31 October 2021, CM Connected Persons Group leased 20 premises from the CMC REIT Group with an aggregate gross floor area of approximately 47,711 square metres under the CM Tenancies, representing approximately 18.2% of the total gross floor area of the Existing Properties.

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, given the fact that certain tenancies between members of the CM Connected Persons Group will go beyond the expiry of the 2019 CPT Waiver, the CM Leasing Framework Agreement will allow the CM Tenancies to continue to contribute towards the occupancy rate of, and the property income generated by, the CMC REIT's Properties. We have discussed with the Manager and noted that the Manager considers that the entering into of the CM Leasing Framework Agreement will provide flexibility to the CMC REIT Group provided that the CM Tenancies are carried out in the ordinary and usual course of business of the CMC REIT Group and on normal commercial terms.

Having considered that:

- (i) the 2019 CPT Waiver will expire on 31 December 2021 and the purpose of the CM Leasing Framework Agreement is to set out the framework terms governing the terms of the CM Tenancies for a three-year period from 1 January 2022 to 31 December 2024;
- (ii) the leasing of properties is the major source of income of CMC REIT Group and the CM Tenancies will contribute towards the occupancy rate of, and the property income generated by, CMC REIT's Properties; and
- (iii) the CM Leasing Framework Agreement will continue to provide flexibility to the CMC REIT Group to transact with CM Connected Persons Group in an efficient manner,

we are of the view that the CM Tenancies as contemplated under the CM Leasing Framework Agreement (i) are conducted in the ordinary and usual course of business of CMC REIT and consistent with the investment objectives and strategy of CMC REIT; and (ii) are in the interests of CMC REIT and the Unitholders as a whole.

## *2.2 The Operations and Property Management Framework Agreement*

The Manager's key objectives for CMC REIT are to provide Unitholders with stable distributions, sustainable and long-term distribution growth, and enhancement in the value of CMC REIT's Properties. The Manager is responsible under the Trust Deed and the REIT Code for ensuring that CMC REIT's Properties are professionally managed. Since the initial public offering of CMC REIT in December 2019, the Operations Manager and the Property Manager had been appointed to operate, maintain and manage the Existing Properties under the overall management and supervision of the Manager.

In order to maintain the quality and standard of service of CMC REIT, the Manager has to identify service providers (i.e. operations manager or property manager) which possess the necessary experience and team support. The Manager regularly monitors and reviews the performance of the Operations Manager and the Property Manager, and are satisfied that they will continue to provide professional services with efficient and effective management. We also noted that the key personnel of the Operations Manager and the Property Manager have at least five years of experience to operate as the Operations Manager and the Property Manager. According to the quarterly report of China Merchants Property Operation & Service Co., Ltd. (stock code: 001914.SZ), the holding company of the Property Manager and the Operations Manager, as at 30 September 2021, it managed over 215 million square metres of properties in over 100 cities in the PRC.

To ensure business continuity and efficiency, the Manager expects that the CMC REIT Group will continue to enter into the Operations and Property Management Transactions with the CM Connected Persons Group given stability of such managers helps to maintain the quality and standard of the Existing Properties as well as the confidence and loyalty of the tenants. In view of such background, and given that (i) CMSK is a reputable state-owned enterprise listed on the Shenzhen Stock Exchange (stock code: 001979.SZ) and one of the flagship subsidiaries of CMG; and (ii) the operation scale of China Merchants Property Operation & Service Co., Ltd. as mentioned above; it is in the interests of the CMC REIT and the Unitholders to continue to engage members of the CM Connected Persons Group as operations manager and property manager. While the Operations Management Services and the Property Management Services are presently performed by the Operations Manager and the Property Manager, respectively, some or all services may be delegated to other members of the CM Connected Persons Group based on its own internal group organisation. Notwithstanding such potential nominal changes, the Manager would expect the same service level standards and operational consistency associated with CMSK. Therefore, the same reasons and benefits for continuing the appointments of the Operations Manager and the

Property Manager would apply to any appointment of any other member of the CM Connected Persons Group to provide the same services.

Having considered that:

- (i) the 2019 CPT Waiver will expire on 31 December 2021 and that the Manager expects that the CMC REIT Group will continue to enter into the Operations and Property Management Transactions with CM Connected Persons Group to ensure business continuity and efficiency;
- (ii) the purpose of the Operations and Property Management Framework Agreement is to set out the framework terms governing the terms of the Operations and Property Management Transactions for a three-year period from 1 January 2022 to 31 December 2024;
- (iii) the scope of services under the Operations and Property Management Framework Agreement are the same as the existing continuing connected party transactions under 2019 CPT Waiver; and
- (iv) the entering into of the Operations and Property Management Framework Agreement will give flexibility to the CMC REIT Group to transact with the CM Connected Persons Group in an efficient manner,

we are of the view that the Operations and Property Management Transactions as contemplated under the Operations and Property Management Framework Agreement (i) are conducted in the ordinary and usual course of business of CMC REIT and consistent with the investment objectives and strategy of CMC REIT; and (ii) are in the interests of CMC REIT and the Unitholders as a whole.

### **3. Analysis of the terms of the CM Leasing Framework Agreement**

#### ***3.1 Principal terms of the CM Leasing Framework Agreement***

Principal terms of the CM Leasing Framework Agreement are set out in the paragraph headed “2.2.1. CM Leasing Framework Agreement” in the “Letter to the Unitholders” contained in the Circular.

#### ***3.2 Pricing policy of the CM Leasing Framework Agreement***

Under the CM Leasing Framework Agreement, the CMC REIT’s Properties will be leased to members of the CM Connected Persons Group from the relevant parties of the CMC REIT Group. Pursuant to the CM Leasing Framework Agreement, the rent chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity). The Manager confirmed that the CM Tenancies will be conducted in the ordinary and usual course of business of the CMC REIT Group and the terms of such transactions will be determined on normal commercial terms.

In assessing the fairness and reasonableness of the rental and terms under the CM Leasing Framework Agreement, we noted that the rental and the terms under the existing individual tenancy agreements had been determined with reference to the then prevailing market rates and terms (which were based on an independent valuation conducted by the then prevailing principal valuer of CMC REIT for each of such transaction before it was first entered into or if and when it is renewed).

As an internal control measure, to ensure that each transaction under the CM Leasing Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the parties of the CM Leasing Framework Agreement agree that the Manager shall arrange for an independent valuation to be conducted by the then prevailing principal valuer of CMC REIT for each CM Tenancy before it is first entered into or if and when it is renewed. (the “**Rental Policy**”).

With regard to the terms of individual agreements of the existing CM Tenancies, we had conducted the following work done:

- (i) We have obtained from the Manager a schedule of all existing leasing transactions valid as at 31 October 2021 between CMC REIT and the CM Connected Persons Group, and selected ten sample tenancy agreements on a random basis which covers 50% of the number of existing tenancy agreements entered into between CMC REIT and the CM Connected Persons Group valid as at 31 October 2021. Given the 50% sample coverage and the duration of tenancy of certain samples will last beyond 2021, we are of the view that the selected samples are fair and reasonable representatives.

We have also obtained the relevant tenancy agreements between the CMC REIT Group and independent third parties in respect of properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity).

Based on the above samples, we noted that:

- (a) the rental per square metre offered to the CM Connected Persons are no less favourable to CMC REIT than those offered to independent third parties; and
- (b) the other terms of the tenancy agreements, including deposit, payment terms, duration of tenancy and rent free period of the tenancy agreements entered between the CMC REIT Group and the CM Connected Persons Group are no less favourable than those between the CMC REIT Group and independent third parties.



- (ii) We have obtained and reviewed the independent opinions prepared by the then prevailing principal valuer of CMC REIT for the ten sample tenancy agreements, and noted from the independent opinions that (a) the rental payable is fair and reasonable and within the general range of the market rental of comparable properties in a similar location prevailing at the commencement of the respective CM Tenancy; (b) the respective CM Tenancy is on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market terms and conditions; and (c) the respective CM Tenancy is on terms that are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

We further understood from the Management that for all existing CM Tenancies between CMC REIT and CM Connected Persons Group, respective independent opinion had been obtained from the then prevailing principal valuer of CMC REIT.

The Rental Policy is part of the internal control manual of the CMC REIT and, as confirmed by the Management, will be adhered to during the terms of the CM Leasing Framework Agreement from 2022 to 2024. As such, we believe the CM Tenancies (i) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (ii) are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

### 3.3 *Section conclusion*

Having considered that:

- (i) the terms offered to the CM Connected Persons Group was no less favourable to CMC REIT than those offered to the independent third parties; and
- (ii) the CM Tenancies were carried out in accordance with the Rental Policy, whereby such policy will provide sufficient control measure on CMC REIT Group when leasing the CMC REIT's Properties to the CM Connected Persons Group in the future,

we are of the view that (i) the terms of the CM Leasing Framework Agreement are fair and reasonable as far as the Independent Unitholders are concerned; (ii) the CM Tenancies: (a) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (b) are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.



#### 4. Analysis of the key terms of the Operations and Property Management Framework Agreement

##### 4.1 *Principal terms of the Operations and Property Management Framework Agreement*

Principal terms of the Operations and Property Management Framework Agreement are set out in the paragraph headed “2.2.2. Operations and Property Management Framework Agreement” in the “Letter to the Unitholders” contained in the Circular.

##### 4.2 *Pricing policy of the Operations and Property Management Framework Agreement*

Pursuant to the Operations and Property Management Framework Agreement, the fees chargeable for such transactions shall be based on the then prevailing market rates for similar services provided by other service providers for properties of similar size and with similar attributes.

##### *Internal control policy*

As an internal control measure, to ensure that each transaction under the Operations and Property Management Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, the parties of the Operations and Property Management Framework Agreement agree that the Manager shall arrange for an independent opinion on the terms of each such transaction to be issued by the then prevailing principal valuer of CMC REIT before the transaction is first entered into or if and when it is renewed. Going forward, the Manager will engage the principal valuer (before the transaction is first entered into or if and when it is renewed), who has the industry data as described below, to assess whether the terms of each of the Operations and Property Management Transactions are fair and reasonable with reference to the prevailing market rates and terms for similar services (be it operations management services or property management services) provided by professional operations management and property management service providers for properties of similar size with similar attributes and on normal commercial terms.

As (i) the principal valuer, being a consulting firm specialising in valuation advisory on various asset classes including real estates and equity securities with proven track record, has the source data with regard to the actual fees chargeable and terms provided by various service providers in relation to operations management services or property management services in major cities of the PRC from time to time (in particular for the purpose of the Manager, such information will cover market data in Nanshan District, Shenzhen City where the Existing Properties are located and are within a 12-month period prior to the transaction is first entered into or if and when it

is renewed); and (ii) the person who will be responsible for providing the independent opinion in this respect should also possess adequate years of experience in valuation and corporate advisory industry, we therefore believe (i) the principal valuer is a competent and an appropriate party to assess the fees chargeable and terms under each of the Operations and Property Management Transactions in the future; (ii) the source data being the actual transactions of the prevailing market rates and terms are sufficient reference; (iii) a 12-month period (prior to the transaction is first entered into or if and when it is renewed) is fair and reasonable as such service contracts are still valid and operating; and (iv) the principal valuer who possesses the industry data as described above will be in an appropriate position to do the required assessment.

Having considered (i) the Operations and Property Management Framework Agreement is to set out the framework terms governing the Operations and Property Management Transactions from 2022 to 2024; and (ii) the internal control policy as set out in this section above, we are of the view that the pricing policy of the Operations and Property Management Framework Agreement is fair and reasonable.

#### **4.3 *Other contractual obligations***

Certain contractual provisions are included to provide that:

- (i) each relevant member of the CM Connected Persons Group will at all times act in the best interests of CMC REIT and exercise a reasonable standard of care, skill, prudence and diligence under the circumstances then prevailing that a reputable property manager providing similar management services would use in providing such management services for comparable commercial properties in the relevant location of the PRC;
- (ii) each relevant member of the CM Connected Persons Group will strictly adhere to the reporting lines approved by the REIT Manager in accordance with the provisions of the separate written operations management agreements and/or property management agreements, such that members of the CM Connected Persons Group will act in accordance with the sole directions of the REIT Manager;
- (iii) each relevant member of the CM Connected Persons Group will implement the annual business plan and budget approved by the REIT Manager every year and use their respective best endeavours to achieve the revenue targets in such approved annual business plan and budget; and

- (iv) if leasing or marketing opportunities in relation to any of CMC REIT's Properties become available, which the relevant member of the CM Connected Persons Group acting reasonably and in good faith considers are or are likely to be in competition with CMSK, such member of the CM Connected Persons Group will refer all such opportunities to the REIT Manager for vetting and confirmation before proceedings with such opportunities.

Having considered the above contractual provisions, we are of the view that the above contractual provisions mainly set out obligations of the CM Connected Persons Group and are therefore in the interests of CMC REIT and the Unitholders as a whole.

#### **4.4 Section conclusion**

Having considered that:

- (i) the pricing policy of the Operations and Property Management Framework Agreement is fair and reasonable; and
- (ii) the contractual provisions are in the interests of CMC REIT and the Unitholders as a whole,

we are of the view that (i) the terms of the Operations and Property Management Framework Agreement are fair and reasonable as far as the Independent Unitholders are concerned; and (ii) the Operations and Property Management Transactions (a) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (b) are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

## 5. Historical transactions amounts and annual caps of the CM Leasing Framework Agreement

The historical aggregate transaction amounts received by the CMC REIT Group from the CM Connected Persons Group in respect of the CM Tenancies of the Existing Properties for the two years ended 31 December 2019 and 2020 and the ten months ended 31 October 2021, as well as the maximum aggregate annual amount to be received by CMC REIT Group from the CM Connected Persons Group in respect of such CM Tenancies for each of the three years ending 31 December 2022, 2023 and 2024 are as follows:

For the year ended 31 December 2019	Historical Transaction Amounts ( <i>approximate</i> )			Annual Caps		
	For the year ended 31 December 2020	For the ten months ended 31 October 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024	
(RMB) ( <i>audited</i> )	(RMB) ( <i>audited</i> )	(RMB) ( <i>unaudited</i> )	(RMB)	(RMB)	(RMB)	
5,716,000 ( <i>Note</i> )	85,053,000	88,118,000	114,200,000	122,194,000	130,748,000	

*Note:* Rental income derived from CMC Connected Persons Group for the period from 15 November 2019 to 31 December 2019.

As set out in the “Letters to the Unitholders”, the proposed new annual caps in respect of the CM Tenancies are determined by reference to a base amount and assuming:

- (1) 3% increase in rent per square metre each year, to cater for possible increases in the prevailing market rate; and
- (2) 5% increase in total rental area for the year ending 31 December 2022 and 4% increase in total rental area for the years ending 31 December 2023 and 2024, to cater for possible new CM Tenancies which may be entered into during the term of the CM Leasing Framework Agreement.

The base amount has been determined by annualising the historical CM Tenancies amounts received from the CM Connected Persons Group for the ten months ended 31 October 2021 and based on an aggregate area of 47,711 square metres which were leased to the CM Connected Persons Group as at 31 October 2021.

To assess the fairness and reasonableness of the proposed new annual caps of the CM Leasing Framework Agreement, we have discussed with the Management regarding the principal factors CMC REIT Group has taken into account in deriving the proposed new annual caps. Set out below are our work done in this regard:

- (i) We have reviewed a calculation schedule prepared by the Management in relation to the proposed new annual caps for the three years ending 31 December 2024 and noted that the calculation method of proposed new annual caps of CM Tenancies are consistent with Management's representation.
- (ii) We have discussed with the Management and understood that certain existing tenants from CM Connected Persons Group (i) have been long-term tenant of CMC REIT Group before the listing of CMC REIT in December 2019; and (ii) intend to continue to lease the relevant CMC REIT's Properties for the three years ending 31 December 2024.
- (iii) To assess the 3% increase in rent per square metre each year, to cater for possible increases in the prevailing market rate, we have conducted the following review:
  - (a) We have reviewed the independent opinion prepared by the principal valuer of CMC REIT and noted that it is of the view that the 3% estimated increase in rental is fair and reasonable taking into account (a) the historical growth in transaction amounts of the CM Tenancies; (b) recent fluctuations of rental level in the PRC; and (c) rental escalation terms in certain existing tenancies.

Regarding the recent fluctuation of rental level, we have obtained and reviewed the data of rental level provided by Cushman & Wakefield, an international property consultancy firm, and noted that the average rental for office space in Nanshan District, Shenzhen, where all the CMC REIT's Properties are located, increased by approximately 2.8% and 0.7% during the second and the third quarter of 2021.

Regarding the rental escalation terms in existing tenancies, we have reviewed ten sample tenancy agreements between CMC REIT and the CM Connected Persons Group (as disclosed in paragraph headed "3.2 Pricing policy of the CM Leasing Framework Agreement" in this letter above) and noted that the rental will increase by 3% to 5% per year.

- (b) We have reviewed the average rental rate of the Existing Properties as disclosed in the announcement of CMC REIT on 18 October 2021 and noted that the average rental rate of each Existing Properties as at 30 September 2021 had increased 2.2% to 14.9% from those as at 31 December 2020.

As such, we are of a view that an annual increase of 3% in rental per square metre as a basis of the proposed new annual caps is fair and reasonable.

- (iv) To assess the fairness and reasonableness of the 4 to 5% estimated increase in total rental area for the three years ending 31 December 2024, we understood from the Management that the estimated increase in total rental area is intended to cater for any additional tenancies to be entered into by the CM Connected Persons Group with CMC REIT. We noted that CMSK is a reputable state-owned enterprise listed on the Shenzhen Stock Exchange (stock code: 001979.SZ). We also noted the total rental area leased to CM Connected Persons Group increased from 46,423 square metres as at 31 December 2020 to 47,711 square metres as at 31 October 2021, representing an approximately 3% increase during a 10-month period.

In addition, as advised by the Management, the CM Connected Persons Group has indicated their intention and budgeted to lease more areas from CMC REIT in the coming three years. According to the Management, given the budget is an annual process of relevant members of the CM Connected Persons Group, the Management believes and we concur such information is a fair and reasonable source to support the proposed new annual caps.

As such, we are of the view that the 4 to 5% estimated increase in total rental area is fair and reasonable.

Based on the above analysis, we believe that the bases and assumptions of deriving (i) a 3% increase in rent per square metre each year; and (ii) 5% increase in total rental area for the year ending 31 December 2022 and 4% increase in total rental area for the years ending 31 December 2023 and 2024 are fair and reasonable. Having considered the determination basis of the proposed new annual caps of the CM Tenancies and our work done set out above, we are of the view that the proposed new annual caps of the CM Tenancies and the basis of arriving at the same are fair and reasonable.

## 6. Historical transactions amounts and annual caps of the Operations and Property Management Framework Agreement

The historical aggregate transaction amounts paid by the CMC REIT Group to the CM Connected Persons Group in respect of the Operations and Property Management Transactions for the two financial years ended 31 December 2019 and 2020 and the ten months ended 31 October 2021 are as follows:

Historical Transaction Amounts (approximate)			Annual Caps		
	For the year	For the ten	For the year	For the year	For the year
For the year ended	ended	months ended	ending	ending	ending
31 December 2019	31 December 2020	31 October	31 December 2022	31 December 2023	31 December 2024
(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
(audited)	(audited)	(unaudited)			
6,361,000					
(Note)	64,399,000	59,369,000	82,987,000	89,610,000	91,814,000

Note: Operations management fee and property management fee paid to CMC Connected Persons Group for the period from 15 November 2019 to 31 December 2019.

As set out in the “Letters to the Unitholders” contained in the Circular, a single annual cap is set for Operations and Property Management Transactions since these transactions are of a similar expenditure nature. As the CM Connected Persons Group may modify the delegation arrangement as a matter of its own internal group organisation, a single annual cap would afford such flexibility without any prejudice to CMC REIT and the Unitholders. The proposed new annual caps for the Operations and Property Management Transactions for the three years ending 31 December 2022, 2023 and 2024 have been determined by reference to a base amount and assuming

- (i) (in respect of operations management) the same increases in rent per square metre and total rental area which were assumed in connection with the CM Tenancies above, and in respect of the two years ending 31 December 2022 and 2023 additional fees in respect of scheduled capital expenditure payments; and
- (ii) (in respect of property management) the same increase in total rental area which was assumed in connection with the CM Tenancies and further assuming with a 5% increase in property management fees per year to cater for possible increases in expenses taking into account inflationary pressures on costs and wages.

The base amount has been determined by annualising the historical Operations and Property Management Transactions amounts payable to the CM Connected Persons for the ten months ended 31 October 2021 and based on an aggregate area of 47,711 square metres which were leased to the CM Connected Persons Group as at 31 October 2021.

To assess the fairness and reasonableness of the proposed new annual caps under the Operations and Property Management Framework Agreement, we have reviewed the basis of determining the annual caps and discussed with the Management regarding the principal factors CMC REIT Group has taken into account in arriving at the proposed new annual caps. Set out below our work done in this regard:

- (i) We have obtained and reviewed the calculation workings of the Manager in relation to the proposed new annual caps for the three years ending 31 December 2024 and noted that the calculation method of the proposed new annual caps of CM Tenancies are consistent with Management's representation. As the same increases in rent per square metre and total rental area are assumed as those for the CM Tenancies, please refer to our analysis on the fairness and reasonableness set out in the paragraph headed "6. Historical transactions amounts and annual caps of the CM Leasing Framework Agreement" in this letter above;
- (ii) We understood the Management has also estimated (a) the budgeted amounts payable to the operations manager arising from the planned refurbishment and renovation of the Existing Properties; and (b) a 5% increase in property management fees per year to cater for possible increases in expenses taking into account inflationary pressures on costs and wages.
  - (a) Regarding the budgeted amounts payable to the operations manager arising from the planned refurbishment and renovation of the Existing Properties, we understood from the Management that the budgeted amounts are approximately RMB10 million which will only be payable as to approximately RMB5 million in each of 2022 and 2023. Set out below is a breakdown of such fees for the Existing Properties:

CMC REIT's Properties	Budgeted amounts payable to the operations manager <i>(RMB million)</i>
New Times Plaza	1.9
Cyberport Building	1.1
Technology Building	0.6
Technology Building 2	0.5
Garden City Shopping Centre	5.9
	<hr/>
<b>Total</b>	<b>10.0</b>
	<hr/> <hr/>



- (b) Regarding the 5% increase in property management fees per year to cater for possible increases in expenses taking into account inflationary pressures on costs and wages, we have reviewed the historical property management fees for the year ended 31 December 2020 and the ten months ended 31 October 2021 as set out below:

	<b>FY2020</b> <i>(RMB million)</i> <i>(audited)</i>	<b>For the ten months ended 31 October 2021</b> <i>(RMB million)</i> <i>(unaudited)</i>
Property management fee	48.8 <i>(Note)</i>	44.1

*Note:* As disclosed in the 2020 Annual Report.

According to the table above, for illustration purpose, the property management fee based on the aggregate amount for the ten months ended 31 October 2021 had increased by approximately 8.4% as compared to FY2020 in annualised terms.

In addition, according to the data published by Shenzhen Statistics Bureau, we noted that the average wage of Shenzhen in 2020 had increased by approximately 9% as compared to 2019.

Having considered the increase in historical transaction amount in property management fee, we are of the view that the 5% increase in property management fees per year to cater for possible increases in expenses taking into account inflationary pressures on costs and wages is fair and reasonable.

Having reviewed the above determination basis of the proposed new annual caps of the Operations and Property Management Transactions and our work done set out above, we are of the view that that the proposed new annual caps and the basis of arriving at the same are fair and reasonable.

## **7. Internal control measures**

As set out in the “Letter to the Unitholders” contained in the Circular, the Manager has established an internal control system intended to ensure that connected party transactions between the CMC REIT Group and its connected persons, including the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, are monitored and that such transactions are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, among other things, all connected party transactions

must be carried out at arm's length, on normal commercial terms and in the best interests of Unitholders. Below are the main internal control measures taken by the Manager.

### *7.1 Annual review by Independent Non-executive Directors and auditors*

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the Independent Non-executive Directors and auditor of CMC REIT will conduct annual review and issue confirmations regarding the continuing connected transactions of CMC REIT Group each year. We have discussed with the Management and reviewed the 2019 Annual Report, the 2020 Annual Report and CMC REIT's auditor's report on continuing connected party transactions for FY2020, and noted that (i) the independent non-executive Directors and the auditors of CMC REIT Group had reviewed the continuing connected party transactions under the CM Leasing Framework Agreement, the Operations Management Agreement and the Property Management Agreement during such years and provided the relevant confirmations; and (ii) the annual caps under the 2019 CPT Waiver has never been exceeded up to the Latest Practicable Date.

### *7.2 Monthly review of transaction amount by the accounting department of the CMC REIT Group*

We understood from the Management that the accounting department of the CMC REIT Group will monitor monthly the actual transaction amount contemplated under the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement to ensure the proposed new annual caps will not be exceeded, in particular, if the CM Tenancies and/or the Operations and Property Management Transactions exceeds 90% of the relevant annual caps, the head of compliance will be informed by the accounting department of the CMC REIT Group. We have obtained four reports of the last month for each of the latest four quarters and noted that all samples are adhered to such internal control procedure.

### *7.3 Quarterly review of counterparties of transactions*

We understood from the Management that the Manager will randomly pick ten transaction counterparties who are flagged as independent third parties each quarter to verify they are not connected persons. We have obtained four sample checks record on each of the latest four quarters and noted that the relevant internal control measures have been adhered to. Therefore, we are of the view that appropriate internal control procedures are in place to prevent the proposed new annual caps from being exceeded.

Since all the samples were selected on a random basis and covered the latest four quarters, we are of the view that such samples are fair and reasonable representative.

Based on the above, the Directors believe and we concur that CMC REIT Group has effective internal procedures in place to continue to monitor the CM Continuing CPTs, and to ensure that such transactions will continue to be conducted in accordance with the terms under the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement and on normal commercial terms.

## RECOMMENDATION

Having considered the above principal factors, we are of the view that:

- (i) the terms of each of the CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement, and the basis for the CM Tenancies and the Operations and Property Management Transactions (including the proposed new annual caps and the basis of arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and are in the interests of CMC REIT and the Unitholders as a whole; and
- (ii) each of the CM Tenancies and the Operations and Property Management Transactions: (i) is conducted in the ordinary and usual course of business of the CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed; (ii) will be conducted on terms which are and will be at arm's length and on normal commercial terms; and (iii) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we also recommend, the Independent Unitholders to vote in favour of the Ordinary Resolutions No. 1 and 2 to approve the CM Continuing CPTs and the proposed annual caps applicable thereto respectively.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Jeanny Leung**  
*Executive Director*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

**(A) RESPONSIBILITY STATEMENT**

This Circular, for which the Manager and 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 CMC REIT. The Manager and 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.

**(B) EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice contained in this Circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	A corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in any member of the CMC REIT Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the CMC REIT Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the most recent published audited financial statements of CMC REIT were made up) been acquired or disposed of by or leased to the CMC REIT Group, or were proposed to be acquired or disposed of by or leased to the CMC REIT Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular, with the inclusion therein of the references to its name and its opinion and recommendation in the form and context in which they appear.

The Letter from the Independent Financial Adviser is given as of the date of this Circular for incorporation herein.

**(C) NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Manager and the Directors were not aware of any material adverse change in the financial or trading position of the CMC REIT Group since 31 December 2020 (being the date to which the most recent published audited financial statements of CMC REIT were made up).

**(D) DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Manager, the following persons had interests or short positions in the Units, underlying Units and debentures of CMC REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Manager and the Hong Kong Stock Exchange pursuant to the provisions of Part XV of the SFO as deemed to be applicable by virtue of Schedule 3 to the Trust Deed, or which were recorded in the register required to be kept by the Manager pursuant to Schedule 3 to the Trust Deed, are as follow:

**Directors**

<b>Name of Director</b>	<b>Number of Units</b>	<b>Approximate percentage of interests (%)</b>
Huang Junlong	Nil	–
Guo Jin	160,000	0.01
Liu Ning	Nil	–
Yu Zhiliang	160,000	0.01
Lin Hua	Nil	–
Lin Chen	Nil	–
Wong Yuan Chin, Tzena	Nil	–

**Senior Executives**

<b>Name of Senior Executive</b>	<b>Number of Units</b>	<b>Approximate percentage of interests (%)</b>
Zhong Ning	32,000	0.00
Choo Chong Yao, Patrick	Nil	–
Zhang Zhe	Nil	–
Chen Yan	Nil	–

**Substantial Unitholders**

<b>Name of Substantial Unitholder</b>	<b>Capacity in which Units are held</b>	<b>Interests in Units</b>	<b>Approximate percentage of interests (%)</b>
China Merchants Group Limited	Through controlled corporation	400,332,310 (L)*	35.49
China Merchants Shekou Industrial Zone Holdings Company Limited	Through controlled corporation	400,332,310 (L)*	35.49
Eureka Investment Company Limited	Beneficial owner	400,332,310 (L)*	35.49
HSBC International Trustee Limited	Trustee	146,798,000 (L)*	13.02
CWL Assets (PTC) Limited	Trustee	146,198,000 (L)*	12.96
K. Wah Properties (Holdings) Limited	Through controlled corporation	146,198,000 (L)*	12.96
Polymate Co., Ltd.	Through controlled corporation	146,198,000 (L)*	12.96
Premium Capital Profits Limited	Beneficial owner	146,198,000 (L)*	12.96
Star II Limited	Through controlled corporation	146,198,000 (L)*	12.96
Pacific Asset Management Co., Ltd.	Investment manager	137,192,000 (L)*	12.16

\* (L) – Long position

**(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESSES**

Mr. Huang Junlong, Ms. Liu Ning and Mr. Yu Zhiliang, each a non-executive Director, hold positions in CMSK and/or its associates. The principal activities of CMSK include property development, investment and management, which may compete with CMC REIT's business.

Save as disclosed in this Circular, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had since 31 December 2020 (being the date to which the most recent published audited financial statements of CMC REIT were made up) been acquired or disposed of by or leased to the CMC REIT Group, or were proposed to be acquired or disposed of by or leased to the CMC REIT Group;
- (b) none of the Directors were materially interested in any subsisting contract or arrangement which was significant in relation to the business of the CMC REIT Group taken as a whole; and
- (c) none of the Directors or their close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the CMC REIT Group, or had or may have had any other conflicts of interest with the CMC REIT Group pursuant to Rule 8.10 of the Listing Rules.

**(F) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the CMC REIT Group which does not expire or is not determinable by the employer within one (1) year without payment of compensation (other than statutory compensation).

**(G) INSPECTION OF DOCUMENTS**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and CMC REIT (<http://www.cmcreit.com>) for a period of 14 days from the date of this Circular:

- (a) the CM Leasing Framework Agreement;
- (b) the Operations and Property Management Framework Agreement;

- (c) the letter from the Independent Board Committee to the Independent Unitholders, the text of which is set out in pages 26 to 27 of this Circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Unitholders, the text of which is set out in pages 28 to 49 of this Circular;
- (e) the written consent of the Independent Financial Adviser referred to in paragraph headed “Expert and consent” in this appendix; and
- (f) this Circular.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as CMC REIT continues to be in existence.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### China Merchants Commercial Real Estate Investment Trust

*(a Hong Kong collective investment scheme authorized under section 104  
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock Code: 01503)**

**Managed by  
China Merchants Land Asset Management Co., Limited**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “EGM”) of the unitholders (the “Unitholders”) of China Merchants Commercial Real Estate Investment Trust (“CMC REIT”) will be held at JW Marriott Ballroom (Salon 1-3), Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 29 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 10 December 2021 (the “Circular”).

#### ORDINARY RESOLUTIONS

**1. Ordinary Resolution No. 1:**

“THAT:

- (a) the CM Leasing Framework Agreement, the CM Tenancies under the CM Leasing Framework Agreement and the proposed annual caps applicable thereto for the three years ending 31 December 2022, 2023 and 2024, be and are hereby approved, confirmed and ratified; and
- (b) the Manager, any Director, the Trustee and any authorised signatory of the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing the CM Leasing Framework Agreement and all such documents as may be required) as the Manager, such Director, the Trustee and/or such authorised signatory of the Trustee, as the case may be, may consider desirable, expedient or necessary or in the interest of CMC REIT to implement or give effect to all matters contemplated and/or authorised in paragraph (a) of this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 2. Ordinary Resolution No. 2:

“THAT:

- (a) the Operations and Property Management Framework Agreement, the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement and the proposed annual caps applicable thereto for the three years ending 31 December 2022, 2023 and 2024, be and are hereby approved, confirmed and ratified; and
- (b) the Manager, any Director, the Trustee and any authorised signatory of the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing the Operations and Property Management Framework Agreement and all such documents as may be required) as the Manager, such Director, the Trustee and/or such authorised signatory of the Trustee, as the case may be, may consider desirable, expedient or necessary or in the interest of CMC REIT to implement or give effect to all matters contemplated and/or authorised in paragraph (a) of this resolution.”

By order of the board of directors of  
**China Merchants Land Asset Management Co., Limited**  
(as manager of China Merchants Commercial Real Estate  
Investment Trust)  
**Mr. HUANG Junlong**  
*Chairman of the Manager*

Hong Kong, 10 December 2021

*Notes:*

1. A unitholder entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint no more than two proxies to attend in its/his/her stead. Any unitholder being a corporation may by resolution of its directors (or other governing body) authorize any person to act as its representative at any meeting of unitholders and a person so authorized shall at such meeting be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise as if it were an individual unitholder. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under the common seal, or under the hand of an officer or attorney so authorized in accordance with its constitutional documents. The person appointed to act as proxy or corporate representative need not be a unitholder.
2. In order to be valid, an instrument of proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at CMC REIT’s Unit Registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours 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 and, in such event, the form of proxy shall be deemed to be revoked.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. Where there are joint registered unitholders of a unit, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint registered unitholders and for this purpose, seniority shall be determined by the order in which the name stands in the register of unitholders in respect of such unit.
4. The register of unitholders of CMC REIT will be closed from Thursday, 23 December 2021 to Wednesday, 29 December 2021, both days inclusive, during which period no transfer of units will be effected. In order to qualify for attending and voting (as the case may be) at the EGM, all unit certificates with completed transfer forms must be lodged with CMC REIT's Unit Registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 December 2021.
5. To safeguard the health and safety of Unitholders and to prevent the spreading of COVID-19, the Manager will implement the following precautionary measures at the EGM:
  - (i) seating at the EGM will be arranged so as to reduce interaction between participants. As a result, there will be limited capacity for Unitholders to attend the EGM;
  - (ii) compulsory temperature screening/checks;
  - (iii) every Unitholder or proxy is required to: (i) fill in a health declaration form at the reception; and (ii) bring and wear surgical face masks before they are permitted to enter the venue, and at all times during their attendance of the EGM. No surgical face masks will be provided at the venue. Any person who refuses to follow the aforesaid requirements will not be admitted to the venue; and
  - (iv) no food and beverage will be served.

To the extent permitted under law, the Manager reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

Due to the constantly evolving COVID-19 situation in Hong Kong, the unitholders are urged to check the respective websites of CMC REIT and The Stock Exchange of Hong Kong Limited for future announcements (if any) on the arrangements of the EGM.
6. If a black rainstorm warning, signal or a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at any time between 8:00 a.m. and 11:00 a.m. on Wednesday, 29 December 2021, the EGM will be rescheduled. The Manager will publish an announcement on the website of CMC REIT (<http://www.cmcreit.com>) or from HKEXnews (<http://www.hkexnews.hk>) to notify Unitholders of the arrangement of the rescheduled meeting.