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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of CMC REIT.*



## **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**

### **ANNOUNCEMENT**

- (1) MAJOR AND CONNECTED PARTY TRANSACTIONS OF CHINA MERCHANTS COMMERCIAL REAL ESTATE INVESTMENT TRUST RELATING TO THE PURCHASE OF 51% OF A COMPANY, REPRESENTING A 46.41% EFFECTIVE INTEREST IN A PROPERTY IN BEIJING, PRC**
- (2) CONTINUING CONNECTED PARTY TRANSACTIONS AND**
- (3) EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS**

**Financial Adviser to the Manager**

**CMS**  **招商證券國際**

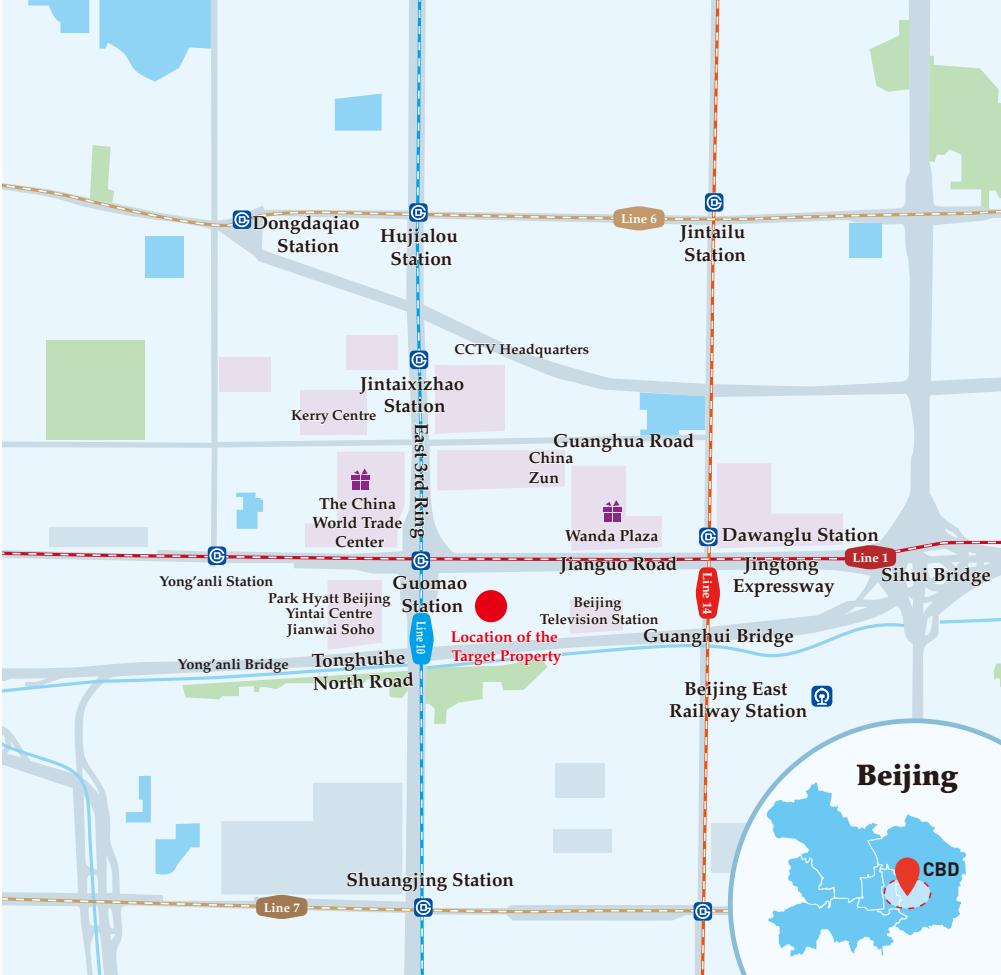
**Independent Financial Adviser to the Independent Board Committee of the Manager, the Independent Unitholders and the Trustee**

 **SOMERLEY CAPITAL LIMITED**

#### **Acquisition of the Target Property**

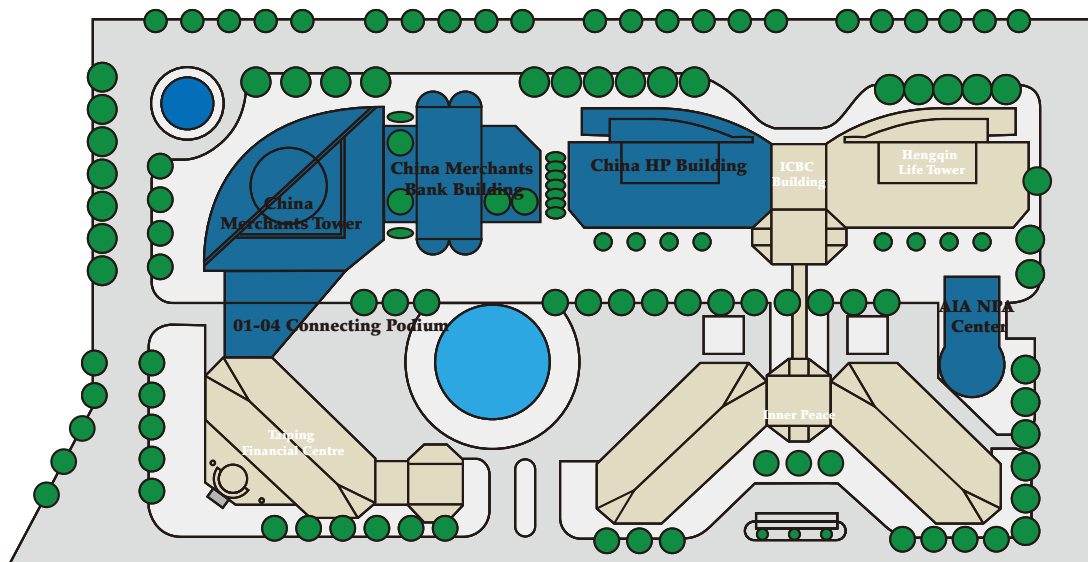
On 13 June 2022, the Purchaser, the Vendor and the Warrantor entered into the Sale and Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Target Shares, representing 51% of the equity interest in the Target Company. The Target Company is the indirect holding company of the PRC Subsidiary, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property. The Target Shares represent a 46.41% effective interest in the PRC Subsidiary and the Target Property.

China Merchants Tower, AIA NPA Center, the 01-04 Connecting Podium, China Merchants Bank Building, China HP Building, Hengqin Life Tower, Inner Peace, ICBC Building and Taiping Financial Centre collectively constitute the development known as Onward Science & Trade Center (招商局航華科貿中心). Onward Science & Trade Center is a 320,000 sq.m. integrated property development, consisting of 4 office towers and 2 apartment buildings as well as the podium. The development was completed in 1998 and begun operations by 1999. The development has been partially sold by the PRC Subsidiary over the years, resulting in dispersed ownership between itself and other owners.



The Target Property comprises the following units of the development known as Onward Science & Trade Center (招商局航華科貿中心) located at 108, 108A, 108B, 110, 112, 116, 118, 118A and 118B Jianguo Road, Chaoyang District, Beijing, PRC:

- (a) 15 office/multi-function units (being Grade A offices) and 3 commercial units at the 34-storey office building known as the “China Merchants Tower”;
- (b) 1 commercial unit (1st to 4th floor, 101) at the 4-storey commercial building known as the “AIA NPA Center”;
- (c) 1 commercial unit (1st floor, 101) of the connecting podium known as the “01-04 Connecting Podium”, connecting China Merchants Tower and Taiping Financial Centre;
- (d) 1 commercial unit (1st to 3rd floor, 101) at the 3-storey commercial building known as the “China Merchants Bank Building”;
- (e) 2 commercial units (3rd floor, 301 and 4th floor, 401) at the 18-storey office building known as “China HP Building”; and
- (f) 528 underground car park spaces and 3 underground commercial units variously located at the Hengqin Life Tower, AIA NPA Center, Inner Peace, ICBC Building, China HP Building, China Merchants Bank Building, China Merchants Tower, 01-04 Connecting Podium and the Taiping Financial Centre.



Plan view of Onward Science & Trade Center

- Greenery
- Part of the Target Property
- Not part of the Target Property

*Note:* The underground car park spaces and underground commercial units variously located at Hengqin Life Tower, AIA NPA Center, Inner Peace, ICBC Building, China HP Building, China Merchants Bank Building, China Merchants Tower, the 01-04 Connecting Podium and Taiping Financial Centre are not reflected in this plan view.

The Agreed Property Value of RMB2,700,000,000, being the asset value of the Target Property agreed by the parties, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents a discount of approximately 1.1% to the Appraised Value (being RMB2,730,000,000) as at 31 March 2022. In November 2021, CMSK (the holding company of the Vendor) acquired 80% of the interest in the Vendor from its joint venture partner (being an independent third party) for a consideration amount of RMB2,097,600,000. In 1994, the PRC Subsidiary acquired the land use rights underlying the development known as Onward Science & Trade Center (招商局航華科貿中心) from Beijing Municipal Bureau of Housing for certain consideration, 20% of which is equivalent to RMB78,958,000. The agreed value of the Target Property for the acquisition in November 2021 of 80% of the interest in the Vendor was an amount equivalent to the Agreed Property Value of RMB2,700,000,000.

### **Consideration**

The purchase consideration for the Acquisition shall be equal to the Initial Consideration (being RMB1,341,537,262), and subject to either of the following payments after the Completion Date: (a) if the Adjusted NAV (as set out in the Completion Statement) is higher than RMB88,467,262 (being the Initial Adjusted NAV), the Purchaser shall pay the difference to the Vendor; or (b) if the Adjusted NAV (as set out in the Completion Statement) is lower than RMB88,467,262, the Vendor shall pay the difference to the Purchaser, in each case as set out in the Completion Statement.

The Manager shall finance the Consideration using cash drawn down from the New Facility.

The gearing ratio of CMC REIT is expected to increase from 29.2% (as disclosed in its annual report for the year ended 31 December 2021) to approximately 33.1% immediately following Completion, assuming: (i) completion of the Acquisition; and (ii) HKD1,640,823,462 (equivalent to approximately RMB1,341,537,262) drawn from the New Facility based on the consideration of the Target Shares as at 31 December 2021. Such ratio is below the 50% limit permitted under the REIT Code.

## **Reasons for and Benefits of the Acquisition**

- The Acquisition is expected to improve the DPU to existing Unitholders.
- The Acquisition is expected to geographically diversify CMC REIT's asset portfolio, which is currently concentrated in the Shekou area of Shenzhen. Following the Acquisition, the fair market value of CMC REIT's portfolio is expected to increase by 40.0%, based on the fair value as at 31 December 2021 for CMC REIT's existing properties. The total assets for CMC REIT would exceed RMB10 billion.
- The growing strength of the Beijing economy as one of the growing international business centres in the world is likely to provide high demand in office rental units.
- The Target Property is a commercial building strategically located in Guomao CBD in the Chao Yang District of Beijing, the PRC's capital city.
- The Target Property has been undergoing major refurbishment and renovation since 2019 and this was largely completed at the end of 2021. The remaining work, mainly mechanical and engineering upgrades, is expected to be completed by the first half of 2022. The average rent of the Target Property is below the market rent, and over 50% of the Leases will expire by 2024. These factors together are likely to lead to a rental uplift after the first new leasing cycle and contribute to higher revenue. Further details will be set out in the Circular.
- The Target Property has a solid tenant profile with over 80% of its tenants in the finance and banking sector and the professional services sector. The extensive and well-diversified tenants base will yield high average monthly rent, boosting and stabilising CMC REIT's income stream in the long term.
- The Target Property consists of commercial and office units, which commercial units are currently mostly leased out to corporate tenants for business use. As advised by the Market Consultant, the average retail rent in CBD was around RMB400-700 per sq.m. per month in Q4 2021, which is higher than the average rent of RMB326.83 per sq.m. per month of the Target Property in March 2022. The Manager is of the view that the commercial units of the Target Property would provide flexibility for CMC REIT to better cater to market need and adjust the tenant mix, thereby unlocking the rental uplift potential.
- By virtue of the Vendor retaining 49% of its interest in the Target Company post-Acquisition, the Purchaser benefits from having its interest aligned with CMSK (being the holding company of the Vendor), which has a sizeable local presence in Beijing and requisite experience in managing the Target Property. CMSK currently operates 3 office projects located in different districts in Beijing, totalling over 220,000 sq.m of gross floor area. CMSK also has a nationwide presence and is able to provide a wide range of tenant resources to the Target Property.

- The acquisition of a 51% interest in the Target Company would also reduce the immediate financial burden on CMC REIT that would otherwise be associated with the acquisition of 100% interest in the Target Company, and the Acquisition is expected to result in a gearing ratio within the 50.0% borrowing limit under the REIT Code. CMC REIT retains a right of first offer to purchase the remaining 49% interest in the Target Property under the terms of the Shareholders' Agreement.

### **Implications under the REIT Code and the Trust Deed**

#### *Connected Party Transaction*

Each of (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders' Agreement and the transactions contemplated thereunder, constitute a connected party transaction of CMC REIT under paragraph 8.5 of the REIT Code. As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and the Trust Deed, each of the connected party transactions above (being the Transaction Matters Requiring Approval) is subject to the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

#### *Major Transaction*

As the highest applicable percentage ratio in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Deed exceeds 25% but is less than 100%, the Acquisition and the transactions contemplated under the Sale and Purchase Deed constitute a major transaction of CMC REIT under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code), is subject to the reporting, announcement, Circular and Unitholders' approval requirements under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Unitholders' approval by way of Ordinary Resolution under the REIT Code and the Trust Deed.

*Connected party transactions in respect of the Indebtedness to Vendor Group*

As the Vendor is a subsidiary of the Warrantor and the subsidiaries of the Vendor are also subsidiaries of the Warrantor, members of the Vendor Group are associates of the Warrantor and therefore connected persons of CMC REIT. The Indebtedness to Vendor Group shall therefore, from the date of Completion, constitute connected party transactions of CMC REIT under paragraph 8.5 of the REIT Code. As the loan constituting the Indebtedness to Vendor Group is conducted on normal commercial terms or better and is not secured by the assets of the Group, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code, in particular Rule 14A.90) and the Trust Deed, it is exempt from the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). However, the Manager, taking the view that the Indebtedness to Vendor Group and the Acquisition are linked to each other and part and parcel of the same proposal, will seek Independent Unitholders' approval of the Indebtedness to Vendor Group under the same Ordinary Resolution to approve the (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders' Agreement and the transactions contemplated thereunder.

On 9 December 2021, CMC REIT (through the Manager) entered into the Existing 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 Tenancies under the Existing CM Leasing Framework Agreement constitute continuing connected transactions of CMC REIT and they (together with the annual caps applicable thereto) were approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021. As mentioned in section F.1 headed "Continuing Connected Party Transactions" – "Background" below, the Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and the new CM Tenancies in respect of the Target Property, and the CM Tenancies in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder. As such, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will not cover the CM Tenancies under the Existing CM Leasing Framework Agreement (together with the annual caps applicable thereto).

### *Continuing Connected Transactions*

On 13 June 2022, CMC REIT (through the Manager) entered into the Amended and Restated Operations and Property Management Framework Agreement with Eureka, which sets out the framework terms governing the Operations and Property Management Transactions (including the Property Management Agreement with the Property Manager and the Operations Management Agreement with the Operations Manager in respect of the Target Property) for the period from 1 January 2022 to 31 December 2024, and which is conditional upon the passing of Ordinary Resolution No. 2 in the EGM Notice. As Eureka is a connected person of CMC REIT for the reasons set out in section A.1 headed “The Acquisition” – “Overview of the Acquisition”, the Operations and Property Management Transactions under the Amended and Restated Operations and Property Management Framework Agreement constitute connected party transactions of CMC REIT.

As the highest applicable percentage ratio calculated in respect of the annual caps applicable to the Operations and Property Management Transactions under the Amended and Restated 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 the REIT Code). Therefore, such Operations and Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 2.

CMC REIT (through the Manager) will separately seek Independent Unitholders’ approval by way of Ordinary Resolution No. 2 to approve the Amended and Restated Operations and Property Management Agreement and the proposed Revised Annual Caps applicable thereto. Should such approval be obtained at the EGM, the Revised Annual Caps applicable to the Amended and Restated Operations and Property Management Framework Agreement will replace the existing annual caps applicable for the Operations and Property Management Transactions under the Existing Operations and Property Management Framework Agreement. Conversely, if such approval is not obtained at the EGM, the Existing Operations and Property Management Framework Agreement and the existing annual caps thereunder will continue to apply until 31 December 2024.

### **Circular**

The Circular containing, among other things: (a) a letter from the Board to the Unitholders containing details of, among others, the Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders in relation thereto; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation thereto; (d) the Accountant’s Report of the Target Group; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer’s Property Valuation Report; (g) the Market Consultant’s Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on 14 June 2022.

**Completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions, which includes Unitholders’ approval being obtained at the EGM for the Acquisition. Accordingly, the Acquisition may or may not complete. Unitholders, as well as any prospective investors of CMC REIT, are therefore advised to exercise caution when dealing in the Units.**



## A. THE ACQUISITION

### 1. Overview of the Acquisition

On 13 June 2022, the Purchaser, the Vendor and the Warrantor entered into the Sale and Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Target Shares, representing 51% of the equity interest in the Target Company. The Target Company is the indirect holding company of the PRC Subsidiary, which in turn is the registered legal owner of the land use rights and current ownership rights underlying the Target Property, being multiple units in Onward Science & Trade Center (招商局航華科貿中心), located in Guomao CBD, Chaoyang, Beijing, PRC. The Target Shares represent a 46.41% effective interest in the PRC Subsidiary and the Target Property.

The purchase consideration for the Acquisition shall be equal to RMB1,341,537,262, and subject to an adjustment to either: (a) add the amount of the Final Payment (if the Adjusted NAV is higher than RMB88,467,262); or (b) subtract the amount of the Final Payment (if the Adjusted NAV is lower than RMB88,467,262), in each case as set out in the Completion Statement (the “**Consideration**”).

The Agreed Property Value of RMB2,700,000,000, being the asset value of the Target Property agreed by the parties, has been arrived at on a willing buyer/seller and arm’s length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents a discount of approximately 1.1% to the Appraised Value (being RMB2,730,000,000) as at 31 March 2022, and represents an estimated net property yield of 3.9% based on the Target Property’s total monthly rent (being RMB8,860,000) as at 31 March 2022. In November 2021, CMSK (the holding company of the Vendor) acquired 80% of the interest in the Vendor from its joint venture partner (being an independent third party) for a consideration amount of RMB2,097,600,000. In 1994, the PRC Subsidiary acquired the land use rights underlying the development known as Onward Science & Trade Center (招商局航華科貿中心) from Beijing Municipal Bureau of Housing for certain consideration, 20% of which is equivalent to RMB78,958,000. The agreed value of the Target Property for the acquisition in November 2021 of 80% of the interest in the Vendor was an amount equivalent to the Agreed Property Value of RMB2,700,000,000.

The Purchaser shall settle the Consideration using cash.

The Warrantor owns more than 10% of the Units and therefore is a substantial holder of CMC REIT. The Vendor is a subsidiary of the Warrantor, and therefore is an associate of the Warrantor. As a result, the Warrantor and the Vendor are each 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 the REIT Code).

Accordingly, each of (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders’ Agreement and the transactions contemplated thereunder, constitute connected party

transactions of CMC REIT under paragraph 8.5 of the REIT Code. As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and the Trust Deed, each of the connected party transactions above is subject to the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

As the highest applicable percentage ratio in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Deed exceeds 25% but is less than 100%, the Acquisition and the transactions contemplated under the Sale and Purchase Deed constitute a major transaction of CMC REIT under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code), is subject to the reporting, announcement, Circular and Unitholders' approval requirements under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Unitholders' approval by way of an Ordinary Resolution under the REIT Code and the Trust Deed.

As the Vendor is a subsidiary of the Warrantor and the subsidiaries of the Vendor are also subsidiaries of the Warrantor, members of the Vendor Group are associates of the Warrantor and therefore connected persons of CMC REIT. The Indebtedness to Vendor Group shall therefore, from the date of Completion, constitute connected party transactions of CMC REIT under paragraph 8.5 of the REIT Code. As the loan constituting the Indebtedness to Vendor Group is conducted on normal commercial terms or better and is not secured by the assets of the Group, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code, in particular Rule 14A.90) and the Trust Deed, it is exempt from the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). However, the Manager, taking the view that the Indebtedness to Vendor Group and the Acquisition are linked to each other and part and parcel of the same proposal, will seek Independent Unitholders' approval of the Indebtedness to Vendor Group under the same Ordinary Resolution to approve the (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders' Agreement and the transactions contemplated thereunder.

On 9 December 2021, CMC REIT (through the Manager) entered into the Existing 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 Tenancies under the Existing CM Leasing Framework Agreement constitute continuing connected transactions of CMC REIT and they (together with the annual caps applicable thereto) were approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021. As mentioned in section F.1 headed "Continuing Connected Party Transactions" – "Background" below, the Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and the new

CM Tenancies in respect of the Target Property, and the CM Tenancies in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder. As such, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will not cover the CM Tenancies under the Existing CM Leasing Framework Agreement (together with the annual caps applicable thereto).

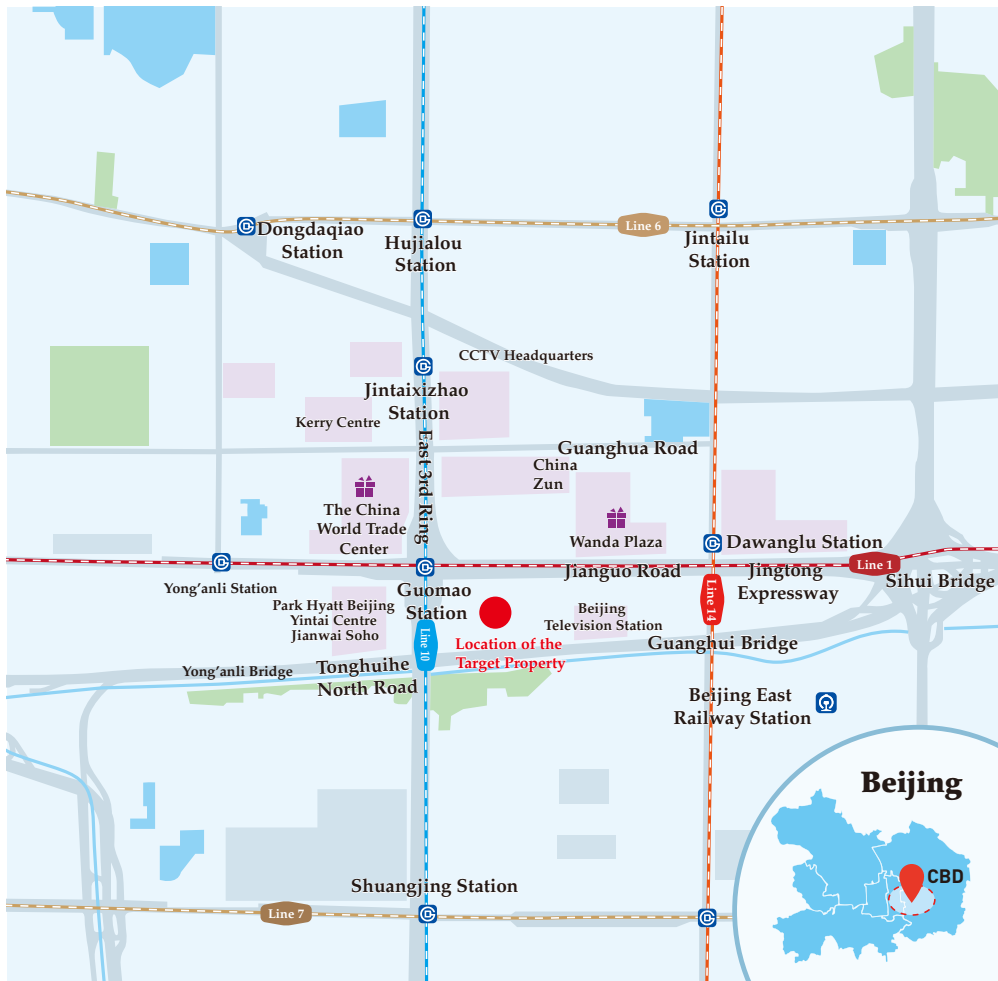
On 13 June 2022, CMC REIT (through the Manager) entered into the Amended and Restated Operations and Property Management Framework Agreement with Eureka, which set out the framework terms governing the Operations and Property Management Transactions (including the Property Management Agreement with the Property Manager and the Operations Management Agreement with the Operations Manager in respect of the Target Property) for the period from 1 January 2022 to 31 December 2024, and which is conditional upon the passing of Ordinary Resolution No. 2 in the EGM Notice. As Eureka is a connected person of CMC REIT, the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement constitute connected party transactions of CMC REIT.

As the highest applicable percentage ratio calculated in respect of the annual caps applicable to the Operations and Property Management Transactions under the Amended and Restated 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 the REIT Code). Therefore, such Operations and Property Management Transactions are conditional upon the passing of Ordinary Resolution No. 2.

## 2. Key Information on the Target Property

### 2.1 Description

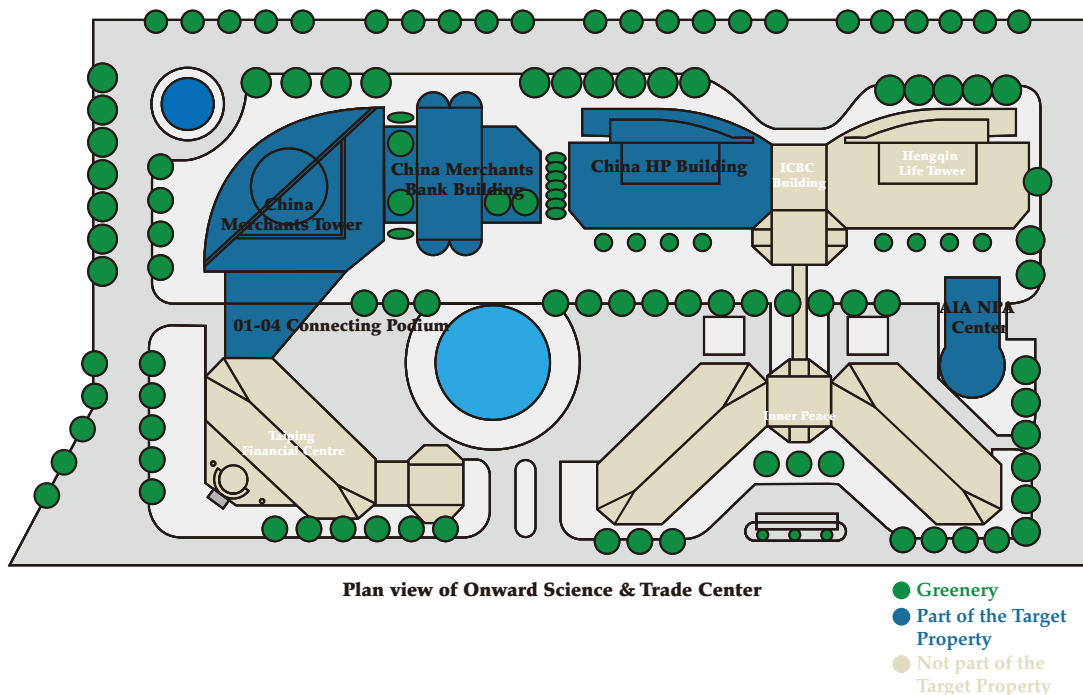
China Merchants Tower, AIA NPA Center, the 01-04 Connecting Podium, China Merchants Bank Building, China HP Building, Hengqin Life Tower, Inner Peace, ICBC Building and Taiping Financial Centre collectively constitute the development known as Onward Science & Trade Center (招商局航華科貿中心). Onward Science & Trade Center is a 320,000 sq.m. integrated property development, consisting of 4 office towers and 2 apartment buildings as well as the podium. The development was completed in 1998 and begun operations by 1999. The development has been partially sold by the PRC Subsidiary over the years, resulting in dispersed ownership between itself and other owners.



The Target Property comprises the following units of the development known as Onward Science & Trade Center (招商局航華科貿中心):

- (a) 15 office/multi-function units (being Grade A offices) and 3 commercial units of the 34-storey office building at 118 Jianguo Road, Chaoyang District, Beijing, PRC known as “China Merchants Tower” (the “**China Merchants Tower**”);
- (b) 1 commercial unit (1st to 4th floor, 101) of the 4-storey commercial building at 108A Jianguo Road, Chaoyang District, Beijing, PRC known as “AIA NPA Center” (“**AIA NPA Center**”);
- (c) 1 commercial unit (1st floor, 101) of the 3-storey commercial building at 118A Jianguo Road, Chaoyang District, Beijing, PRC (“**01-04 Connecting Podium**”), connecting China Merchants Tower and Taiping Financial Centre;
- (d) 1 commercial unit (1st to 3rd floor, 101) of the 3-storey commercial building at 116 Jianguo Road, Chaoyang District, Beijing, PRC known as “China Merchants Bank Building” (“**China Merchants Bank Building**”);
- (e) 2 commercial units (3rd floor, 301 and 4th floor, 401) of the 18-storey office building at 112 Jianguo Road, Chaoyang District, Beijing, PRC known as “China HP Building” (“**China HP Building**”); and

- (f) 528 underground car park spaces and 3 underground commercial units variously located at the office building at 108 Jianguo Road, Chaoyang District, Beijing, PRC known as “Hengqin Life Tower” (“**Hengqin Life Tower**”), AIA NPA Center, the serviced apartment at 108B Jianguo Road, Chaoyang District, Beijing, PRC known as “Inner Peace” (“**Inner Peace**”), the commercial building at 110 Jianguo Road, Chaoyang District, Beijing, PRC known as “ICBC Building” (“**ICBC Building**”), Block 02, Block R2, Block 01, Block M2 and the office building at 118B Jianguo Road, Chaoyang District, Beijing, PRC known as “Taiping Financial Centre” (“**Taiping Financial Centre**”).



*Note:* The underground car park spaces and underground commercial units variously located at Hengqin Life Tower, AIA NPA Center, Inner Peace, ICBC Building, China HP Building, China Merchants Bank Building, China Merchants Tower, the 01-04 Connecting Podium and Taiping Financial Centre are not reflected in this plan view.

Simplified charts showing the property holding structure of the Target Property as at the Latest Practicable Date and immediately after Completion are contained in sections A.3 and A.4 headed “Holding structure of the Target Property before Completion” and “Expected holding structure of the Target Property after Completion” in this announcement.

## 2.2 Key information

The table below sets out certain key information on the Target Property as at 31 March 2022, unless otherwise indicated.

Portion	Approximate Gross Floor Area (sq.m.)	Approximate Gross Rentable Area (sq.m.)	Expiry of Land Use Right <sup>(1)</sup>
Commercial			
(Level 1 to Level 4 of China HP Building, China Merchants Bank Building, AIA NPA Center and 01-04 Connecting Podium, excluding Level 4 of China Merchants Tower)	15,020.24	15,020.24	28 August 2034
Multi-function/Office			
(Level 4, Level 9 to Level 14, Levels 18, 19, 29, 30 and Level 32 to Level 34 of China Merchants Tower)	21,856.81	21,856.81	28 August 2044
Commercial			
(Basement mezzanine level of Target Property**)	3,946.94	3,946.94	28 August 2044
528 car parking spaces in basement**	7,546.27	N/A	28 August 2044
<b>Total:</b>	<b>48,370.26</b>	<b>40,823.99</b>	

\*\* Variously located at Hengqin Life Tower, AIA NPA Center, Inner Peace, ICBC Building, China HP Building, China Merchants Bank Building, China Merchants Tower, the 01-04 Connecting Podium and Taiping Financial Centre

Average rent (RMB/sq.m./month) for the month of March 2022 <sup>(2)</sup>	RMB326.83 (based on gross rented area)
Occupancy rate as at 31 March 2022 <sup>(3)</sup>	66.4%
Total monthly rent as at 31 March 2022 <sup>(4)</sup>	RMB8,860,000, representing an estimated net property yield of 3.9%
Appraised Value as at 31 March 2022	RMB2,730,000,000

*Notes:*

- (1) As advised by the Manager's PRC Legal Adviser, JunHe LLP, according to the Law of the People's Republic of China on Administration of Urban Real Estate, if the land user intends to continue to use the land upon expiry of the use term, such user shall file an application for extension at least one year prior to expiry of the use term, the approval shall be granted except that the land needs to be expropriated for social public interest. Upon approval on extension, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. As such, as advised by JunHe LLP, unless the government plans to expropriate the land due to public interest, there will not be any material legal impediment for extension of the land use right.
- (2) Average rent per leased sq.m. is based on rental income.
- (3) Occupancy rate calculated based on leased gross rentable area over total gross rentable area.
- (4) Total monthly rent is exclusive of management fee and value-added tax.

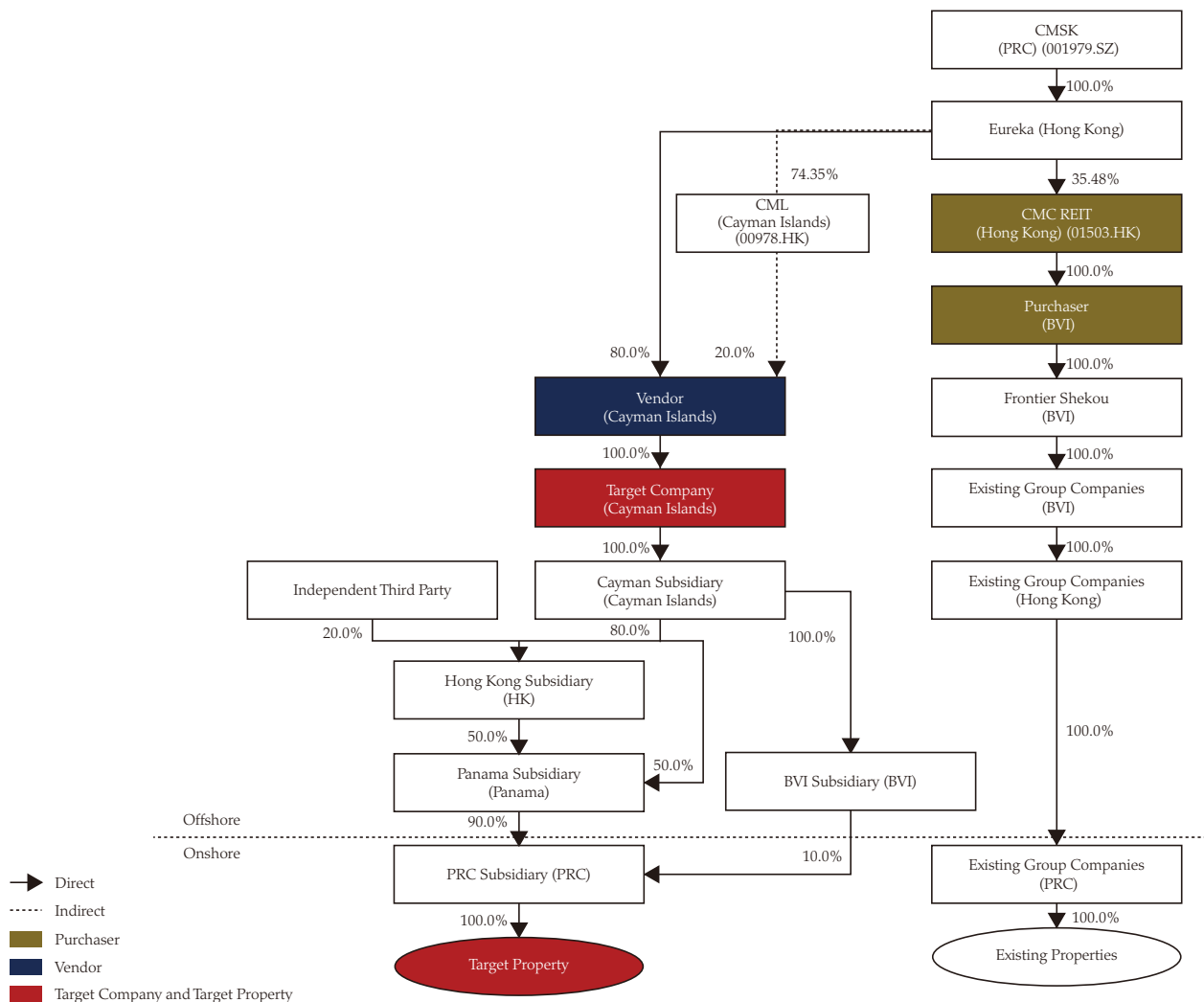
The following table contains certain financial information of the Target Company for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with the International Financial Reporting Standards:

	<b>For the year ended 31 December 2019 (RMB'000)</b>	<b>For the year ended 31 December 2020 (RMB'000)</b>	<b>For the year ended 31 December 2021 (RMB'000)</b>
Revenue	142,529	130,449	118,900
Fair value (loss)/gain of investment property	245,000	(68,845)	2,656
Profit/(loss) before income tax	354,898	27,889	85,909
Profit/(loss) attributable to owners of the Target Company	234,480	(5,418)	54,506



### 3. Holding structure of the Target Property before Completion

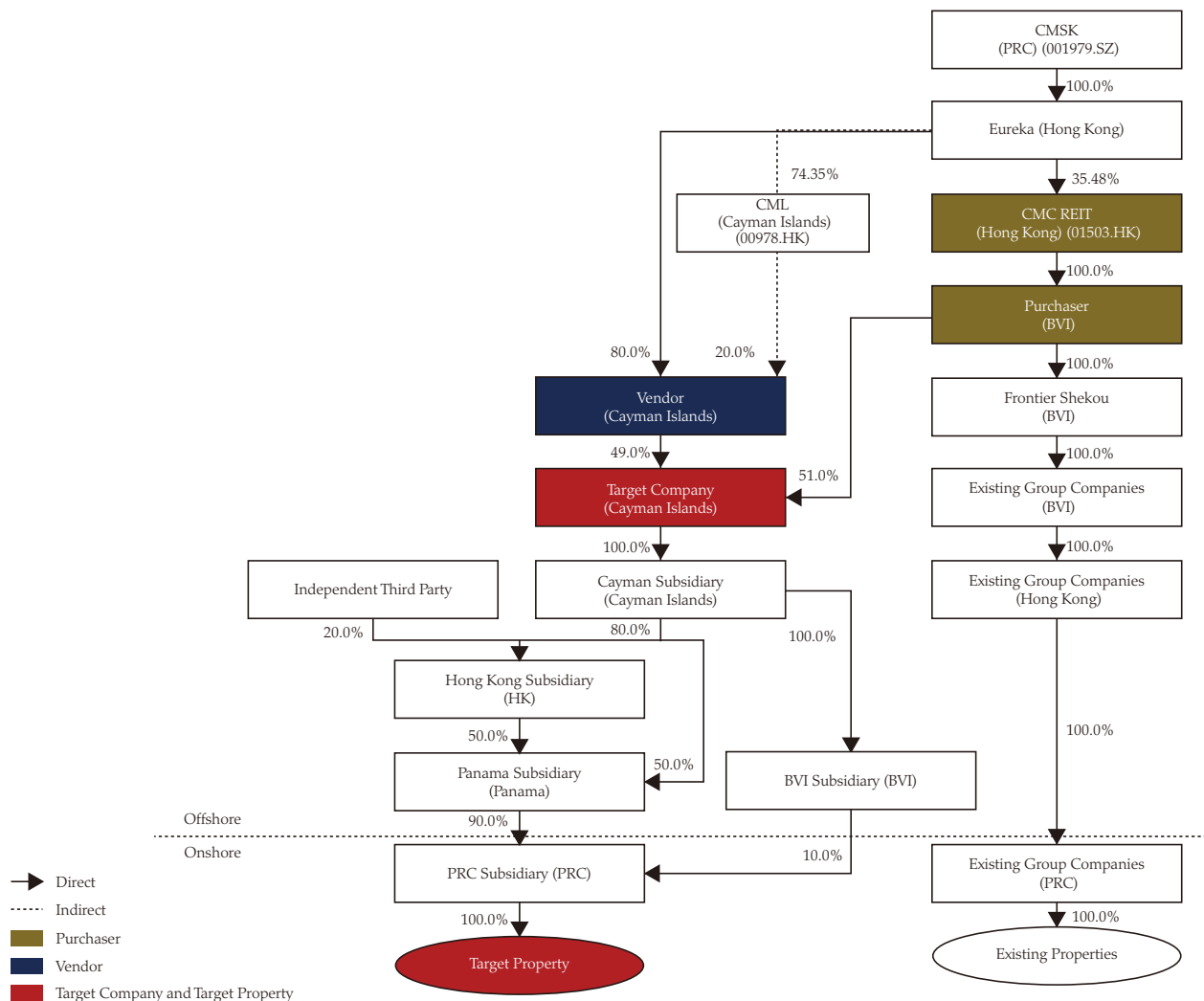
The expected holding structure of the Target Property immediately before Completion is as follows:



To the best of the knowledge, information and belief of the Manager as at the Latest Practicable Date, the Target Company, Cayman Subsidiary, BVI Subsidiary, Hong Kong Subsidiary, Panama Subsidiary and PRC Subsidiary will, immediately prior to Completion: (i) have the principal business activity of investment holding in the Target Property; (ii) not hold any other investment properties other than the Target Property or operate any other businesses; and (iii) not have any employees.

#### 4. Expected holding structure of the Target Property after Completion

The expected holding structure of the Target Property immediately after Completion is as follows:



## 5. 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, 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.

The Vendor is a limited partnership formed in accordance with the laws of the Cayman Islands and its principal business activity is investment holding. 80% of its interests is directly held by the Warrantor and the other 20% is indirectly held by CML. CML is listed on the Hong Kong Stock Exchange (stock code: 00978.HK), and it is indirectly owned as to 74.35% by the Warrantor. The Warrantor is a direct wholly-owned subsidiary of CMSK and each of the Operations Manager and the Property Manager is an indirect subsidiary of 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.

## 6. Sale and Purchase Deed

### 6.1 General

On 13 June 2022, the Purchaser, the Vendor and the Warrantor entered into the Sale and Purchase Deed, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Target Shares, representing 51% of the equity interest in the Target Company.

### 6.2 Consideration and payment terms for the Acquisition

The purchase consideration for the Acquisition is equal to the Initial Consideration, adjusted by the Final Payment.

The “**Initial Consideration**” is RMB1,341,537,262, being an amount equal to (i) 46.41% of the Agreed Property Value *plus*; (ii) the Initial Adjusted NAV.

The Initial Adjusted NAV of RMB88,467,262 is an amount equal to 51% of the net asset value of the Company attributable to the Seller as at 31 December 2021 based on the Accountants' Report, disregarding the following assets and liabilities: (a) the value of the Property; (b) the property, plant and equipment of the Group; (c) the deferred tax liability in relation to accelerated tax depreciation and change in fair value of investment properties; and (d) the Assignable Payables.

Please refer to the unaudited pro forma financial information of the Enlarged Group to be set out in the Circular, for a detailed illustration of the computation of the Initial Consideration.

As the Initial Consideration is provisionally based on the Initial Adjusted NAV of the Company as at 31 December 2021, the parties to the Sale and Purchase Deed have agreed to make either of the following payments after the Completion Date ("**Final Payment**"):

- (a) if the Adjusted NAV (as set out in the Completion Statement) is higher than RMB88,467,262 (being the Initial Adjusted NAV), the Purchaser shall pay the difference to the Vendor; and
- (b) if the Adjusted NAV (as set out in the Completion Statement) is lower than RMB88,467,262, the Vendor shall pay the difference to the Purchaser.

The "**Adjusted NAV**" means an amount equal to the net asset value of the Target Company attributable to the Target Shares, determined based on the Completion Statement, disregarding the following assets and liabilities: (i) the value of the Target Property; (ii) the property, plant and equipment of the Target Group; (iii) the deferred tax liability in relation to accelerated tax depreciation and change in fair value of investment properties; and (iv) the Assignable Payables. The Agreed Property Value of RMB2,700,000,000, being the asset value of the Target Property agreed by the parties, has been arrived at on a willing buyer/seller and arm's length transaction basis after taking into account the quality and historic performance of the Target Property. The Agreed Property Value represents a discount of approximately 1.1% to the Appraised Value (being RMB2,730,000,000) as at 31 March 2022, and represents an estimated net property yield of 3.9% based on the Target Property's total monthly rent (being RMB8,860,000) as at 31 March 2022.

Pursuant to the Sale and Purchase Deed, the Consideration shall be paid in the following manner:

- (a) on the Deferred Payment Date, the Purchaser shall pay to the Vendor an amount equal to (i) the Initial Consideration; minus (ii) the Bulletin 7 Withholding Amount (the "**Initial Payment**"); and
- (b) within ten Business Days after agreement or determination of the Completion Statement make the Final Payment.

At Completion, the Purchaser shall deliver to the Vendor a scanned copy of the fully executed commitment letter pursuant to which the Purchaser is or will be entitled to obtain, subject to the terms and conditions therein, the Acquisition Loan. For the avoidance of doubt, the timing of the payment of the Initial Payment shall not affect the Completion.

All amounts payable under the Sale and Purchase Deed shall be paid in HKD.

### 6.3 *Bulletin 7 Withholding Amount*

The sale of the Target Shares by the Vendor to the Purchaser constitutes an indirect transfer of PRC taxable properties undertaken by non-resident enterprises under Bulletin 7. Under the Sale and Purchase Deed, the Purchaser shall withhold the estimated amount of the enterprise income tax payable under Bulletin 7 in connection with the transfer of the Target Shares (the “**Bulletin 7 Withholding Amount**”) from the consideration payable to the Vendor.

Upon the Purchaser’s receipt from the Vendor of a copy of the tax payment notice(s) (if any) chopped by the bank designated by the relevant PRC tax authority evidencing the payment of the amount of the taxes payable by the Vendor arising out of or relating to the sale of the Transfer Shares and verification of the same by the Purchaser, the Purchaser shall transfer an amount equal to the Bulletin 7 Withholding Amount to the Vendor.

### 6.4 *Conditions Precedent*

Completion will be subject to the satisfaction of the following conditions (collectively, the “**Conditions**”):

- (1) there being no material damage to the Target Property, no compulsory acquisition or resumption of the Target Property and no notice of such intention received from any governmental authority;
- (2) no material breach of any warranties of the Vendor and Warrantor under the Sale and Purchase Deed which, in the opinion of the Purchaser and/or the Manager (in its capacity as manager of CMC REIT), will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of CMC REIT or on the Target Property, in each case taken as a whole;
- (3) all third party and corporate approvals (including any governmental approvals) required to consummate the Completion having been obtained;
- (4) (a) the outstanding principal and accrued interest under the Existing Vendor Facilities and the Existing Group Facilities having been fully repaid;

- (b) the unsecured interest-free loan agreements having been entered into between the relevant member of the Vendor Group and the Panama Subsidiary on terms satisfactory to the Purchaser in accordance with the Sale and Purchase Deed;
  - (c) the Offshore Permitted Encumbrances having been terminated, released and discharged at no cost to the Purchaser and no additional cost of Target Group other than the repayment of the loans and/or the facilities secured by the Offshore Permitted Encumbrances; and
  - (d) all Encumbrance Discharge Filings having been submitted to the relevant PRC government authorities at no cost to the Purchaser and no additional cost to the Target Group other than the repayment of the loans and/or the facilities secured by the Onshore Permitted Encumbrances;
- (5) the Purchaser having entered into the definitive agreements of the Acquisition Loan for the Acquisition upon terms and conditions satisfactory to the Purchaser in its sole discretion; and
- (6) the resolutions approving the Transaction Matters Requiring Approval having been passed by the Independent Unitholders at the EGM.

The Purchaser may waive any of the Conditions (other than the Conditions in paragraphs (1), (2) and (6) above) by notice in writing to the Vendor (subject to compliance with the REIT Code, the Listing Rules and other applicable laws, rules and regulations).

### *6.5 Completion*

Completion shall take place on the 5th Business Day after the satisfaction or waiver of all the Conditions, or such other date as may be agreed by the Purchaser and the Vendor in writing. Subject to the Conditions being satisfied (or waived, as the case may be), the Manager expects Completion to take place around the second quarter of 2022. As soon as practicable following Completion, the Manager will issue an announcement to inform Unitholders that Completion has occurred. In the event that any of the Conditions have not been fulfilled or waived prior to the Long Stop Date, then the Purchaser shall not be bound to proceed with the Acquisition and the Sale and Purchase Deed shall cease to have any effect.

### *6.6 Representations, Warranties and Indemnities*

The Sale and Purchase Deed contains customary representations and warranties given by the Vendor and Warrantor (as co-warrantors) in respect of the Target Group.

It also sets out certain limitations on the liability of the Vendor and Warrantor (as co-warrantors) in respect of any breach of the warranties, including:

- (a) a limitation period of three (3) years from the Completion Date for all claims made under the warranties (other than claims relating to fundamental warranties and tax, in which case the limitation period is seven years from the Completion Date);
- (b) a limitation amount of the Consideration for all claims relating to warranties; and
- (c) a minimum per claim threshold for claims relating to the warranties of 0.05% of the amount of the Consideration, with such claims only being recoverable from the Vendor and Warrantor if the aggregate amount recoverable in respect of all such claims exceeds 0.2% of the amount of the Consideration (upon which the Vendor and Warrantor will be liable for the entire amount).

Furthermore, the Sale and Purchase Deed contains customary indemnities and, in particular, the Vendor and the Warrantor have irrevocably undertaken, on a joint and several basis, to indemnify CMC REIT, the Purchaser, the Manager and the Target Group, to the fullest extent permissible by law, for any losses (on a full indemnity basis) which any one of them may suffer in respect of the non-compliance of the Target Property with any applicable PRC law, including but not limited to:

- (a) losses incurred in connection with discrepancy of the real estate ownership certificate and the actual condition of the Target Property due to any construction exceeding approved plans, including any administrative penalties in respect of the construction exceeding approved plans and the leasing out of such non-compliant areas of the Target Property;
- (b) losses incurred due to lack of approval of the owners of the Target Property in connection with the lease of certain public areas of the Target Property to tenants for private use, including any fines, confiscation of income and other penalties;
- (c) losses incurred in connection with any fine or repossession or rectification order officially issued by the competent government authority relating to a non-conforming use of the Target Property, including:
  - (i) losses resulting from the early termination of non-conforming Leases in accordance with their terms and pursuant to PRC law, where such termination is required in order to comply with such repossession or rectification order; and

- (ii) subject to the Loss in Value Limitation, any consequential reduction in the value of the Target Property as a direct consequence of complying with the repossession or rectification order officially issued by the competent government authority, as determined by the then principal valuer of CMC REIT (the “**Loss in Value**”);
  - (d) losses incurred in connection with any non-compliance or lack of required permits, certificates or qualifications in connection with the construction and development of the Target Property; and
  - (e) losses incurred in connection with the non-registration of the Leases
- (the “**Target Property Indemnity**”).

The Target Property Indemnity shall be subject to the following limitations:

- (a) the Vendor and the Warrantor shall be under no liability in respect of any claim under the Target Property Indemnity unless notice of such claim shall have been served upon the Vendor and the Warrantor prior to the expiry of the land use rights of the Target Property;
  - (b) where CMC REIT, the Purchaser and/or the Manager makes a claim under the Target Property Indemnity for any losses suffered by any member of the Target Group, the liability of the Vendor and the Warrantor in respect of such claim shall be limited to a pro rata proportion (based on the Purchaser’s proportionate interest in the Target Group) of the loss; and
  - (c) the liability of the Vendor and the Warrantor in respect of any claim made pursuant to paragraph (c)(ii) above of the Target Property Indemnity shall not exceed the amount equivalent to the product of:
    - (i) the ratio of (1) the Loss in Value, to (2) the most recent property valuation of the Target Property issued by the then principal valuer of CMC REIT prior to the reduction in the value of the Target Property;
    - (ii) multiplied by a pro rata proportion (based on the Purchaser’s proportionate interest in the Target Group) of the Agreed Property Value
- (such amount, the “**Loss in Value Limitation**”).

Each of the Vendor and the Warrantor has undertaken to the Purchaser and shall ensure that the Vendor and the Warrantor will maintain net assets in excess of the Consideration for so long as the Target Property Indemnity is in force.



Taking into consideration:

- (1) the abovementioned warranty and indemnity coverage from the Vendor which the Manager considers to be fair and reasonable, on normal commercial terms after arm's length negotiations and the best terms available to the Purchaser in the circumstances, and are in the interests of CMC REIT and the Unitholders as a whole;
- (2) the guarantee by the Warrantor in respect of the Vendor's obligations under the Sale and Purchase Deed;
- (3) the satisfactory results of the Manager's due diligence review in respect of the Target Group and the Target Property; and
- (4) the Manager's PRC Legal Adviser's opinion set out in sections A.8 and D.3 below,

the Manager is satisfied that the interests of CMC REIT and the Unitholders as a whole in respect of potential claims are adequately and sufficiently protected.

Investors should note that the Sale and Purchase Deed contains certain limitations of the amounts which can be claimed against the Vendor, and accordingly, the Purchaser may not be able to fully recover all claims against the Vendor under the Sale and Purchase Deed.

#### *6.7 Pre-Completion and Post-Completion Undertakings*

Prior to the Completion:

- (a) the Vendor shall repay the outstanding principal and accrued interest under the Existing Vendor Facilities;
- (b) the Vendor shall procure a member of the Vendor Group to provide to the Panama Subsidiary the loan constituting the Indebtedness to Vendor Group and the Panama Subsidiary shall fully repay the outstanding amount under the Mingyuan Dalian Bank Loan I and the Mingyuan Dalian Bank Loan II prior to the Completion;
- (c) the Vendor shall procure the PRC Subsidiary to fully repay the outstanding principal and accrued interest under the Onshore Decoration Loan prior to the Completion;
- (d) the Vendor shall repay the relevant member of the Target Group the outstanding amount owing by the Vendor to such member of the Target Group prior to the Completion; and

- (e) the Vendor and the Warrantor shall ensure that:
  - (i) the Offshore Permitted Encumbrances have been terminated, released and discharged at no cost to the Purchaser and no additional cost to the Target Group other than the repayment of the loans and/or the facilities secured by the Offshore Permitted Encumbrances; and
  - (ii) all Encumbrance Discharge Filings have been submitted to the relevant PRC government authorities, in each case at no cost to the Purchaser and no additional cost to the Group other than the repayment of the loans and/or the facilities secured by the Onshore Permitted Encumbrances.

#### 6.8 *Vendor's tax obligations*

As advised by the Manager's tax adviser, the obligation to pay PRC Enterprise Income Tax under the China Indirect Transfer Rules for the Vendor's sale of the Target Company Shares should be borne by the Vendor with the Purchaser only having a withholding obligation.

The Manager understands from its tax adviser that in respect of the Acquisition: (i) the Vendor should first make its tax filing to the relevant PRC tax authority; and (ii) the relevant PRC tax authority should then assess the amount of tax payable.

Pursuant to the Sale and Purchase Deed, the Vendor shall at its own expense, as soon as possible and in any event no later than 30 days after the date of the Sale and Purchase Deed, truly, accurately and completely report all relevant information on the Acquisition to the relevant PRC tax authority in accordance with the China Indirect Transfer Rules. The Vendor shall: (a) promptly follow-up with the relevant PRC tax authority in respect of its assessments to and payments of tax on the Acquisition and submit all documents that may be requested by the relevant PRC tax authority to be submitted by the Vendor in connection with the Acquisition; and (b) promptly keep the Purchaser and the Manager informed of the foregoing.

The Vendor shall: (a) settle and pay in full the taxes payable by it arising out of or relating to the Acquisition within such period of time required by applicable law, rules and regulations as applied by the relevant PRC tax authority; and (b) provide the Purchaser with a copy of the tax payment notice(s) (if any) chopped by the bank designated by the relevant PRC tax authority evidencing the payment of the amount of such taxes payable.

The Manager's tax adviser has provided advice to the Manager in respect of the estimated amount of indirect enterprise income tax payable under PRC Enterprise Income Tax Law and the China Indirect Transfer Rules in respect of the Vendor's sale of the Target Shares. In view of the above and the advice from its tax adviser, the Manager is of the view that the protection provided

by the Vendor in respect of tax obligations under PRC Enterprise Income Tax Law and the China Indirect Transfer Rules, including the Bulletin 7 Withholding Amount, is sufficient and that the interests of the Unitholders are adequately protected.

## 7. Shareholders' Agreement

### 7.1 General

On 13 June 2022, the Purchaser, the Vendor (being the “**Shareholders**”) and the Target Company entered into a shareholders' agreement (the “**Shareholders' Agreement**”) in relation to the Target Company, to take effect from Completion. The principal terms of the Shareholders' Agreement are summarised in this section A.7.

### 7.2 Board appointment rights

The Board of directors of the Target Company shall consist of up to three directors, two of whom shall be appointed by CMC REIT (through the Purchaser) and the remaining one of whom shall be appointed by the Vendor. The quorum for Board meetings of the Target Company shall be two directors, comprising at least one director nominated for appointment by each Shareholder. The Board chairman shall be nominated by the Purchaser and not have a casting vote.

### 7.3 Reserved matters

Resolutions of the board directors shall be passed by a simple majority of the votes cast by the directors, save for the following matters that require unanimous approval of each shareholder (the “**Reserved Matters**”):

#### Corporate

- (a) Any alteration to the Target Company's articles of association or to the memorandum of association or the articles of association of any other Target Group member;
- (b) Any change in the share capital of the Target Company which results in any change to the equity proportion of the shareholders (i.e. the number of Shares held by the relevant shareholder calculated on a fully diluted basis and expressed as a proportion of the issued share capital of the Company on a fully-diluted basis (the “**Equity Proportion**”)) (or to the authorised or issued share capital of any other Target Group member), or the creation or grant of any option, warrant, right or other interest to subscribe for or acquire any share in the capital of the Target Company which results in any change to the Equity Proportion of the shareholders or other securities or any share capital, of any Group Member;

- (c) Any reorganisation, redemption or buy-back of, or any change in any of the rights attaching to, the share capital, shares, loan notes or other securities of any Target Group member, or any amalgamation, merger, demerger or other corporate reconstruction of any Target Group member however effected which results in any change to the Equity Proportion of the Shareholders;
- (d) The registration of any person as a Shareholder or a shareholder of any Target Group member (whether by way of subscription or transfer) other than as permitted by the Sale and Purchase Deed;

#### Accounting and financial

- (e) The appointment or removal of the auditors of the Target Company;
- (f) Any alteration to the Target Group's accounting reference date (or financial year end) or, other than as required by law or relevant accounting principles;

#### Commercial

- (g) Any material change in the nature, scope or geographical area of the business carried on by the Target Group;
- (h) The cessation of any business operation of the Target Group;
- (i) Any arrangement for any assignment, sale, transfer or disposal of the whole, or substantially the whole, of the business or assets of any Target Group member;
- (j) Other than in the ordinary course of business, any arrangement for any assignment, sale, transfer or disposal of any material asset, or related group of assets of any Target Group member (whether by a single transaction or a series of transactions) having a net book value in excess of HKD one (1) million (or its equivalent) in aggregate;
- (k) Any acquisition or subscription by any Target Group member of any part of the share capital, shares or other securities, or of the business or assets, of any company or other person;
- (l) Any participation in, or termination of any participation in, any partnership, profit sharing arrangement or joint venture by any Target Group member;
- (m) The formation or disposal of any subsidiary of any undertaking wholly owned or controlled by the Target Company, or the setting up or closing down of any branch or office of any Target Group member;

- (n) Other than in the ordinary course of business, the making of any loan or advance by any Target Group member or the creation, renewal or extension of any borrowing of any Target Group member, in each case in excess of HKD one (1) million (or its equivalent);
- (o) The creation or issue by any Target Group member of any mortgage, fixed or floating charge, debenture or loan notes (whether secured or unsecured), lien (other than a lien arising by operation of law or in the ordinary course of business) or any other encumbrance over the whole or any part of the business, or over any material asset, of any Target Group member;
- (p) The giving by any Target Group member of any guarantee, security or indemnity;
- (q) Any acquisition, purchase, sale, transfer, disposal, lease, licence or entering into occupation of any land or other property;
- (r) Other than in the ordinary course of business, the approval of any obligation of any Target Group member which could involve the payment by it, in cash or otherwise, of amounts in excess of HKD one (1) million (or its equivalent) in aggregate in any 12-month period;
- (s) Any major decision relating to the conduct (including the settlement) of any legal, arbitration or other dispute resolution proceedings with a potential liability or claim in excess of HKD one (1) million (or its equivalent), which are material in the context of the business carried on by the Target Group, to which any Target Group member is a party;

#### Employment

- (t) The determination of the remuneration, if any, of the directors of any Target Group member and other senior management of the Target Group;

#### Insolvency

- (u) Unless otherwise expressly provided for in the Sale and Purchase Deed, the taking of any step to:
  - (i) wind up or dissolve the Target Company or any other Target Group member;
  - (ii) obtain an administration order in respect of the Target Company or any other Target Group member;
  - (iii) apply or invite any person to appoint a receiver or receiver and manager of the whole or any part of the business or assets of the Target Company or any other Target Group member;

- (iv) present a petition or convene a meeting convened for the bankruptcy, winding-up, recovery or similar proceedings (including a general agreement with any creditor) of the Target Company or any Target Group member;
- (v) propose or make any arrangement, compromise or composition with, or any assignment for the benefit of, the Target Group's creditors generally, or enter into any agreement for or in connection with the rescheduling, restructuring or readjustment of any material part of the indebtedness of the Target Company or any other Target Group member; or
- (vi) do anything similar or analogous to those steps referred to in paragraphs (z)(i) to (z)(v) of this section A.7.3 headed "Reserved Matters", in any jurisdiction.

#### *7.4 Right of first offer*

Neither Shareholder shall transfer the shares of the Target Company ("**Shares**"), unless it has first made an offer to the other Shareholder to purchase all (but not some) of such Shares, and the other Shareholder declines to accept such offer. Such restriction on disposal shall not apply to a transfer by either Shareholder to its affiliates. The transferee of any permitted transfer of Shares shall enter into a deed of adherence to become bound by the Shareholders' Agreement.

#### *7.5 Default*

If a Shareholder (a) becomes insolvent; or (b) breaches certain provisions of the Shareholders' Agreement in relation to restrictions on transfer of Shares (such Shareholder, the "**Affected Shareholder**"), the other Shareholder may exercise an option to purchase some or all of the Shares held by the Affected Shareholder at the price as agreed by the Shareholders or failing such agreement the fair market value of such Shares determined in accordance with the Shareholders' Agreement. The Affected Shareholder, however, shall not be obliged to make a partial sale of its Shareholder Instruments.

#### *7.6 Joint ownership arrangements*

- (a) Acquisition of a 51% interest in the Target Company

To the best of its knowledge and belief and based on information currently available to the Manager, the Manager will be able to (through its interest in the Target Company, and having regard to the Reserved Matters in the Shareholders' Agreement as stated in section A.7.3 headed "Reserved matters" which do not impinge on the following matters):

- (a) manage and maintain the Target Property;

- (b) exercise the day-to-day management and operation of the Target Property free from interference, control or restriction;
- (c) independently carry out asset enhancement work to the Target Property; and
- (d) direct the PRC Subsidiary to exercise all rights as owner of the Target Property, for example, to sell, mortgage, occupy and lease out the Target Property without interference, in each case subject to applicable PRC laws and permits.

Based on the foregoing, the Manager is of the view that after Completion, CMC REIT will have “majority ownership and control” of the Target Property under paragraph 7.5(aa) of the REIT Code, and thereby meets such requirement. The Manager is of the view, and the Reporting Accountants agree, that the entities of the Target Group will, post-Completion, be accounted for as subsidiaries of the Group. In addition, the Manager is of the view that the Acquisition of a 51% interest in the Target Company and entry into the Shareholders’ Agreement with the Vendor is in the best interests of Unitholders by allowing CMC REIT to:

- (1) nominate two out of three directors of the Target Company, whose decisions will generally be made by simple majority in accordance with the terms of the Shareholders’ Agreement. For more details, please refer to section A.7.3 headed “Reserved matters”;
- (2) leverage on the Vendor’s local market expertise attributable to its sizeable presence in Beijing, as well as its familiarity with the Target Property;
- (3) mitigate risks associated with managing CMC REIT’s obligations and liabilities pertaining to the Target Property limited to its proportionate interests in accordance with the terms of the Shareholders’ Agreement; and
- (4) reduce the immediate financial burden on CMC REIT that would otherwise be associated with the acquisition of the entire interest in the Target Company.

Accordingly, the Manager is of the view that the Purchaser entering into the Shareholders’ Agreement and becoming joint venture partners with the Vendor will be in the interest of CMC REIT and the Unitholders as a whole.

The Hong Kong Legal Adviser to the Manager has advised the Manager that subject to due execution of the Sale and Purchase Deed and Completion, the Shareholders’ Agreement and the joint ownership arrangements thereunder (which are governed by Hong Kong law) will be legal, valid, binding and enforceable under Hong Kong law.

(b) Minority interest in the Hong Kong Subsidiary

As shown by the expected holding structure of the Target Property after Completion in section A.4 headed “Expected holding structure of the Target Property after Completion”, the Cayman Subsidiary holds 80% of the interest in the Hong Kong Subsidiary, and CCCC Industrial Investment Holding (HK) Company Limited (“CCCC HK”) holds the remaining 20%. CCCC HK has been a shareholder of the Hong Kong Subsidiary since the latter’s incorporation, with no transactional history with CMC REIT in relation to the Target Property (the Cayman Subsidiary having acquired its shares in the Hong Kong Subsidiary from a previous shareholder and not from CCCC HK). CCCC HK is an indirect wholly-owned subsidiary of China Communications Construction Group Corporation Limited (中國交通建設集團有限公司), which is a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC. Both CCCC HK and China Communications Construction Group Corporation Limited (中國交通建設集團有限公司) are independent third parties with no relationship to any connected persons of CMC REIT. The Manager is of the view that notwithstanding that CMC REIT will not be able to acquire 100% in the Hong Kong Subsidiary, the Acquisition of the 80% interest in the Hong Kong Subsidiary held by the Cayman Subsidiary (with the 51% interest in the Target Company to be acquired representing a 40.8% effective interest in the Hong Kong Subsidiary) is still in the interest of the Unitholders, the Independent Unitholders and CMC REIT as a whole as CMC REIT will be able to, via the Cayman Subsidiary nominate three directors of the Hong Kong Subsidiary and CCCC HK will be able to nominate one director, and decisions of the Board will be made by a majority of two-thirds of all directors. There is no shareholders’ agreement or other similar document regulating the rights and obligations of the shareholders of the Hong Kong Subsidiary, and no reserved matters otherwise requiring the approval of the minority shareholder or any nominee director.

## 8. Arm’s Length Terms and Due Diligence Review

Each of the Sale and Purchase Deed and the Shareholders’ Agreement have been entered into by the parties thereto on normal commercial terms (including in respect of those terms relating to limitation of liability) following arm’s length negotiations.

The Manager has conducted, and is satisfied with the results of, due diligence in respect of the Target Group and the Target Property (including the Leases), and no material irregularities or material non-compliance issues have been noted. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code (including the Practice Note on Overseas Investments by SFC-authorized REITs) and the Manager’s compliance manual. In view of the foregoing, and having regard to the advice of its PRC legal adviser in section D.3 headed “Ownership”, the Manager is of the view that CMC REIT will immediately upon Completion hold (through the Purchaser and the Target Group) good, marketable, legal and beneficial title in the Target Property. In addition, the PRC Legal Adviser



has also confirmed that all necessary licences and consents required for conducting the PRC Subsidiary's current business and operation in the location where the Target Property is located have been obtained by the PRC Subsidiary.

As part of the due diligence carried out by the Manager in respect of the Target Property, the Manager outsourced to an independent professional engineering company the work of carrying out an inspection and a survey of the Target Property, and the Manager is satisfied with such work and its results. The inspection revealed that both the building and structural fabrics, as well as the building services installations of the Target Property, were maintained in good condition with only minor rectification works required to be carried out.

### *8.1 Construction exceeding approved plans*

Based on the Manager's due diligence, certain premises of the development known as Onward Science & Trade Center (招商局航華科貿中心), where the units of the Target Property are located, have exceeded approved plans.

Based on the advice of the Manager's PRC Legal Adviser:

- (a) the PRC Subsidiary had in 1999 received certain administrative penalties in respect of the Target Property, which was fully paid. The Beijing Bureau of Land Resources recognised the ownership of the PRC Subsidiary in respect of the 48,370.26 sq.m. of gross floor area shown on the real estate ownership certificates (不動產權證書) for the Target Property, and the PRC Subsidiary was permitted by such authority to continue the use of such gross floor area;
- (b) the real estate ownership certificate (不動產權證書) for China Merchants Bank Building indicates China Merchants Bank Building is a building with three floors whereas the building in reality has four floors. Notwithstanding this, the actual total gross floor area of China Merchants Bank Building of 6,143 sq.m is identical to that as indicated on its real estate ownership certificate (不動產權證書). The 4th floor of China Merchants Bank Building has been leased to an independent third party tenant for commercial and office use; and
- (c) In respect of AIA NPA Center, the previous tenant constructed an unauthorised mezzanine floor within the space of the original 4th floor by partitioning the space of the original 4th floor into two parts, being the space of the current 4th floor and that of the current 5th floor. Under PRC law, the entire space of the original 4th floor (being both the space of the current 4th floor and that of the current 5th floor) is wholly owned by the PRC Subsidiary. However, the PRC Subsidiary has not been issued with a real estate ownership certificate (不動產權證書) in respect of the gross floor area of the current 5th floor. The PRC Subsidiary did not receive rent from the previous tenant in respect of the current 5th floor, and it is currently vacant. As advised by the Vendor, there is therefore no operation, management or maintenance cost incurred in relation to the 5th floor of the AIA NPA Center. Any liability to compensate for losses arising out of the toppling or collapse

etc. of the 5th floor of the AIA NPA Center will fall on the PRC Subsidiary, and any such losses will be covered by the representations and warranties given by the Vendor and Warrantor (as co-warrantors) in respect of the Target Group (as described in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities”).

As advised by the PRC Legal Adviser, according to the PRC Urban Planning Law (《城市規劃法》) in force at the material time, for construction that is executed without a building planning permit (建設工程規劃許可證) or that is not in compliance with such permit, the competent authority may order rectification of the construction within a specified time and impose a fine. In addition, the competent authority may also order the demolishing of the non-compliant construction within a specified time or confiscate the income from such construction. According to the PRC Urban and Rural Planning Law (《城鄉規劃法》) currently in force, for construction that is executed not in accordance with a building planning permit (建設工程規劃許可證), the competent authority may order rectification of the construction within a specified time and impose a fine, and may also order confiscate the construction or the income from such construction. In relation to the 5th floor of the AIA NPA Center, any order by the competent authority to demolish the non-compliant area will be issued to the PRC Subsidiary. The cost for demolishing the non-compliant area pursuant to any such order is estimated to be no more than RMB 1 million, and this would be covered by the indemnity provided by the Vendor (as described in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities”).

In respect of the leasing by the PRC Subsidiary of the non-compliant areas, the PRC Legal Adviser has further advised that according to the Administrative Measures for Leasing of Commodity Housing (商品房屋租賃管理辦法), where non-compliant areas have been leased out, the competent authority may order rectification within a specified time and impose a fine of up to RMB5,000 or between one to three times the unlawful gains from such areas (but which fine shall not exceed RMB30,000). The relevant tenancy agreement may also be deemed to be invalid.

Therefore, there is a risk that the PRC Subsidiary may be subject to administrative penalties in respect of (i) the constructed areas at China Merchants Bank Building and AIA NPA Center that have exceeded approved plans (including potential orders issued by the competent authority to demolish the non-compliant area on the 5th floor of AIA NPA Center); and (ii) the leasing out of such non-compliant area at China Merchants Bank Building, and the tenancy agreement in respect of the non-compliant area at China Merchants Bank Building may be invalid.

The Manager does not consider the above to pose a material risk to CMC REIT because:

- (i) real estate ownership certificates (不動產權證書) have been issued in respect of the 48,370.26 sq.m. of gross floor area of the Target Property owned by the PRC Subsidiary;

- (ii) the non-compliant area on the 5th floor of AIA NPA Center has not been leased out, does not form part of the gross floor areas of the units constituting the Target Property, is not included in the accounts of the PRC Subsidiary and has not been included in the valuation for the Acquisition; and
- (iii) the PRC Subsidiary has not received any notices, orders, enquiries, investigations or administrative penalties, nor has it ever been required to rectify or pay penalties, as a result of the above non-compliances since the Target Company began operations in 1999.

Furthermore, with regard to the above and the indemnity provided by the Vendor (as described in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities”) which covers any losses incurred in connection with the discrepancy of the real estate ownership certificate and the actual condition of the Target Property due to any construction exceeding approved plans (including any administrative penalties in respect of the construction exceeding approved plans and the leasing out of such non-compliant areas of the Target Property), the Manager does not consider this issue to pose a material risk to CMC REIT. The Manager is of the view that the above non-compliances are immaterial non-compliances which are not expected to have a material adverse impact on the financial condition and business of CMC REIT.

The valuation of the Target Property by the Independent Property Valuer is based on the gross floor area indicated on the Real Estate Title Ownership Certificates Nos. 0110616, 0123244, 0123245, 0123246, 0123247 and 0123183 (不動產權證書) issued in respect of the Target Property, which gross floor area includes the area of the 4th floor of China Merchants Bank Building as well as the other areas mentioned in paragraph 8.1(a) above in respect of which the PRC Subsidiary has previously paid fines. In respect of the 5th floor of AIA NPA Center, as it is not included in the Real Estate Ownership Certificates (不動產權證書) issued in respect of the Target Property, we have not taken into account such area and disregarded the rental income (if any) generated by the 5th floor of AIA NPA Center.

## 8.2 *Leasing of public areas without authorisation*

According to the documents and written confirmations provided by the PRC Subsidiary, and permits relating to the development known as Onward Science & Trade Center (招商局航華科貿中心), the PRC Subsidiary has leased out certain public areas of the development (with a gross floor area of 572.67 sq.m.) to tenants for the private use but has not provided any resolutions of the owners of the relevant building of the development where such public areas are located in general meeting approving such leasing of public areas.

According to the PRC Legal Adviser:

- (i) if the construction unit of a property disposes of the title or right of use of the owner of public works or public facilities of a property without authority, the competent authority may impose a fine of between RMB50,000 and RMB200,000, and the construction unit may also have to compensate the relevant owner for losses suffered; and
- (ii) for any change of use of common areas or municipal public services facilities of a property without informing the property services provider and subsequently obtaining a resolution of the owners of the development approving the change of use, or uses common areas or municipal public services facilities for business operations without obtaining prior approval of the relevant owners, owners in general meeting and the property services provider, the competent authority may issue a warning, impose a fine of between RMB50,000 and RMB200,000 and confiscate the income generated from such areas for use in the repair and maintenance of the common areas and municipal public services facilities or as directed by the owners' in general meeting.

As the PRC Subsidiary has not been able to provide relevant procedural documents such as a resolution of the owners of the development in general meeting, there is a risk that the PRC Subsidiary has not obtained the approval of the owners of the development for its use of the public areas and may therefore be subject to relevant administrative penalties.

The Manager does not consider the above to pose a material risk to CMC REIT because:

- (i) such area being leased out accounts for a very small portion of the revenue of the Target Company; and
- (ii) the Project the PRC Subsidiary has not received any notices, orders, enquiries, investigations or administrative penalties, nor has it ever been required to rectify or pay penalties, as a result of the above non-compliances since the Target Company began operations in 1999.

Furthermore, with regard to the above and the indemnity provided by the Vendor (as described in section A.6.6 headed "Sale and Purchase Deed" – "Representations, Warranties and Indemnities") which covers any losses incurred due to lack of approval of the owners of the Target Property in connection with the lease of certain public areas of the Target Property to tenants for private use (including any fines, confiscation of income and other penalties), the Manager does not consider this issue to pose a material risk to CMC REIT.

The public areas in question do not form part of the Target Property, are not included in the Real Estate Ownership Certificates (不動產權證書) issued in respect of the Target Property and the Independent Property Valuer has in its valuation of the Target Property disregarded the rental income (if any) generated by such public areas.

### 8.3 *Non-registration of Leases*

As at the Latest Practicable Date, the PRC Subsidiary has not been able to provide the registration documents for the Leases in respect of the Target Property. According to the documents and written explanations provided by the PRC Subsidiary, it is a term in all of the Leases that the relevant lessee shall register the relevant Lease; as such, the PRC Subsidiary only assists the lessees in the registration process and it is also not able to ascertain if every lessee has completed the relevant Lease registration.

As advised by the PRC Legal Adviser, according to the Administrative Measures for Leasing of Commodity Housing (《商品房屋租賃管理辦法》), a fine of RMB1,000 to RMB10,000 shall be imposed on the PRC Subsidiary if it fails to rectify the situation within a prescribed time limit upon notification by the competent authority. It is presently unclear whether such fine applies to each unregistered Lease on a per-Lease basis. Assuming a separate fine applies to each unregistered Lease, the Manager considers that the maximum aggregate amount of penalty payable by the PRC Subsidiary in respect of such unregistered Leases if the PRC Subsidiary fails to rectify the situation within the prescribed time limit is approximately RMB380,000.

If some or all of the Leases have indeed not been registered, there is a risk that the PRC Subsidiary, as the lessor under the Leases, may be subject to the relevant administrative penalties.

As advised by the PRC Legal Adviser, the non-registration of the Leases would not adversely affect the validity or binding effect of such Leases or adversely affect the PRC Subsidiary's legal title to the Target Property. The PRC Subsidiary has not been required to rectify or pay penalties in respect of unregistered Leases as at the Latest Practicable Date. In addition, the Vendor has provided an indemnity (as described in section A.6.6 headed "Sale and Purchase Deed" – "Representations, Warranties and Indemnities") which covers any losses incurred in respect of the non-compliance of the Target Property with any applicable PRC law. Having regard to the above, the Manager does not consider the above to pose a material risk to CMC REIT.

## 9. Fees and Charges

### 9.1 General

The estimated total fees and charges payable by CMC REIT in relation to the Acquisition (the “**Total Fees and Charges**”) are approximately HKD26,000,000 and consists of the Acquisition Fee, the Other Acquisition Fees and Expenses and the Trustee’s Additional Fee. Details of these fees and their amounts are set out in sections A.9.2 to A.9.4 below. The HKD equivalent of the Initial Consideration of RMB1,341,537,262 (being approximately HKD1,640,823,462) plus the Total Fees and Charges (being approximately HKD26,000,000) is approximately HKD1,667,000,000.

### 9.2 Acquisition Fee

On Completion, the Manager will be entitled under the Trust Deed to receive an acquisition fee of RMB13,415,373, which is equal to 1% of the Initial Consideration (the “**Acquisition Fee**”). The Acquisition Fee shall be paid to the Manager in the form of cash in HKD based on the then prevailing exchange rate. The HKD equivalent of the Acquisition Fee is approximately HKD16,408,235.

### 9.3 Other Acquisition Fees and Expenses

CMC REIT incurred or is expected to incur other estimated fees and expenses in connection with the Acquisition (including advisory fees, professional fees, upfront fee of the New Facility and stamp duty), which is anticipated to be approximately HKD9,300,000 (“**Other Acquisition Fees and Expenses**”). The Other Acquisition Fees and Expenses are one-off transaction expenses of a non-recurring nature in connection with the Acquisition.

### 9.4 Trustee’s Additional Fee

Pursuant to the Trust Deed, the Trustee is entitled to charge additional fees for duties undertaken by the Trustee which are of an exceptional nature or otherwise outside the scope of the Trustee’s normal duties in the ordinary course of normal day-to-day business operations of CMC REIT. The Trustee has agreed with the Manager that it will charge CMC REIT a one-time additional fee based on the time and costs incurred by it for duties undertaken by the Trustee in connection with the Acquisition, with such additional fee expected to be HKD100,000 (the “**Trustee’s Additional Fee**”).

## 9.5 Ongoing Fees

After Completion, pursuant to the Trust Deed and in addition to the fees payable to the Manager and Trustee in respect of the Existing Properties:

- (a) the Manager will be entitled under the Trust Deed to receive management fees attributable to the Target Group comprising: (i) a base fee of 10.0% per annum of the Base Fee Distributable Income (as defined in the Trust Deed); and (ii) a variable fee of 25.0% per annum of the difference in distributions per Unit in a financial year compared to the preceding financial year multiplied by the weighted average number of Units in issue for such financial year, save that no such variable fee shall accrue or be payable from the listing date of CMC REIT to 31 December 2022; and
- (b) the Trustee will be entitled under the Trust Deed to receive fees of between 0.0150% to 0.0250% per annum of the value of the Deposited Property, which may be increased from time to time to a maximum cap of 0.06% per annum of the value of the Deposited Property. The total fees payable to the Trustee in respect of the Deposited Property is subject to a minimum amount of RMB56,000 per month.

## B. FINANCING OF THE ACQUISITION

The Manager shall finance the Consideration using cash drawn down from the New Facility.

The intended financing structure is determined taking into consideration, among other things, CMC REIT's working capital sufficiency, optimal level of gearing after Completion and financing cost.

### 1. Facilities to be taken out by CMC REIT

#### 1.1 General

At Completion, the Target Group will have entered into a loan constituting the Indebtedness to Vendor Group, which will be assumed and continue to be owed by CMC REIT (through the Panama Subsidiary) after Completion.

In addition, the Manager shall draw down from the New Facility at Completion to finance the Consideration to be paid by the Purchaser to the Vendor under the Sale and Purchase Deed.

## *1.2 Indebtedness to Vendor Group*

Prior to Completion, the Vendor shall procure a member of the Vendor Group to provide an interest-free and unsecured loan to the Panama Subsidiary in the amount of the outstanding principal and accrued interest under the Mingyuan Dalian Bank Loan I and the Mingyuan Dalian Bank Loan II on terms satisfactory to the Purchaser (the “**Indebtedness to Vendor Group**”) and the Panama Subsidiary shall fully repay such outstanding amount under the Mingyuan Dalian Bank Loan I and the Mingyuan Dalian Bank Loan II prior to Completion.

The total outstanding amount under this loan from the Vendor Group to the Target Group is expected to be approximately RMB119,000,000 at Completion.

As the loan constituting the Indebtedness to Vendor Group is conducted on normal commercial terms or better and are not secured by the assets of the Group, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code, in particular Rule 14A.90) and the Trust Deed, it is exempt from the reporting, announcement, Circular and Independent Unitholders’ approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). However, the Manager, taking the view that the Indebtedness to Vendor Group and the Acquisition are linked to each other and part and parcel of the same proposal, will seek Independent Unitholders’ approval of the Indebtedness to Vendor Group under the same Ordinary Resolution to approve the (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders’ Agreement and the transactions contemplated thereunder. The views of the Board (including the INEDs), the Independent Financial Adviser, the Independent Board Committee and the Trustee in respect of the Indebtedness to Vendor Group will be set out in the Circular.

## *1.3 New Facility*

The Manager has entered into a commitment letter with the Banks for the provision of a Hong Kong dollar denominated offshore loan facility for an amount of up to the Hong Kong dollar equivalent of RMB1,400,000,000 (the “**New Facility**”), on which the Manager shall draw down to finance the Consideration. Each of the Trustee, Frontier Shekou, Existing Group Companies (BVI) and Existing Group Companies (Hong Kong) will provide an unconditional and irrevocable guarantee in favour of the Banks in respect of the New Facility.

In addition, the Manager has already received a bank term sheet for a refinancing facility of up to RMB3,900,000,000 to refinance the New Facility and the Existing CMC REIT Group Facilities. Further details regarding the abovementioned commitment letter, the New Facility and the proposed refinancing facility will be set out in the Circular.



## **2. Gearing Ratio**

The gearing ratio of CMC REIT is expected to increase from 29.2% (as disclosed in its annual report for the year ended 31 December 2021) to approximately 33.1% immediately following Completion, assuming: (i) completion of the Acquisition; and (ii) HKD1,640,823,462 (equivalent to approximately RMB1,341,537,262) drawn down from the New Facility based on the consideration of the Target Shares as at 31 December 2021.

Such ratio is below the 50% limit permitted under the REIT Code.

## **C. REASONS FOR AND BENEFITS OF THE ACQUISITION**

### **1. DPU accretive acquisition**

The Acquisition is expected to improve the DPU to existing Unitholders. Further details of the pro forma financial effects of the Acquisition on the DPU for the year ended 31 December 2021, as if the Acquisition was completed on 1 January 2021 and CMC REIT had held and operated the Target Property through to 31 December 2021, will be set out in the Circular.

### **2. Geographical diversification and enlargement of portfolio scale**

The Acquisition is expected to geographically diversify CMC REIT's asset portfolio, which is currently concentrated in the Shekou area of Shenzhen. Post completion of the Acquisition, the attributable fair value of the properties of CMC REIT located in Shenzhen would decline from 100.0% to 71.4% based on the fair value as at 31 December 2021 for CMC REIT's existing properties.

The Acquisition in Beijing would embark a start to CMC REIT's expansion from Shenzhen to other top tier cities in the PRC. The Acquisition is also expected to broaden CMC REIT's tenant base to reputable domestic and multi-national corporations.

Following the Acquisition, the fair market value of CMC REIT's portfolio is expected to increase by 40.0%, based on the fair value as at 31 December 2021 for CMC REIT's existing properties. The total assets for CMC REIT would exceed RMB10 billion.

### **3. Capture high office demand opportunity in the most vibrant city in China**

Based on the Market Consultant's Report, Beijing's GDP reached approximately RMB4.03 trillion in 2021, increasing by 11.4% over the previous year at comparable prices. More than 4,500 foreign-invested enterprises have been established in Beijing, with over 15 billion USD foreign direct investment introduced. The growing strength of the Beijing economy as one of the growing international business centres in the world is likely to provide high demand in office rental units.

#### **4. Prestigious location of Guomao CBD**

The Target Property is a commercial building strategically located in Guomao Central Business District (“CBD” or “Guomao CBD”) in the Chao Yang District of Beijing, the PRC’s capital city. Guomao CBD is one of the most prestigious international business districts in PRC, home to the world’s leading business in the financial, media, information technology, consulting and service industries.

The Target Property is directly connected to one of Beijing’s main roads, Jianguo Road (also known as the east extension of Changan Road), and is within walking distance from Guomao Station, which is one of the busiest interchange stations in Beijing.

#### **5. Newly refurbished office building with rental uplift potential after 1st new leasing cycle**

The Target Property has been undergoing major refurbishment and renovation since 2019 and this was largely completed at the end of 2021. The remaining work, mainly mechanical and engineering upgrades, is expected to be completed by the first half of 2022. The average rent of the Target Property is below the market rent, and over 50% of the Leases will expire by 2024. These factors together are likely to lead to a rental uplift after the first new leasing cycle and contribute to higher revenue. Further details will be set out in the Circular.

#### **6. Extensive and well-diversified tenants base, stable income**

The Target Property has a solid tenant profile with over 80% of its tenants in the finance and banking sector and the professional services sector. The extensive and well-diversified tenants base will yield high average monthly rent, boosting and stabilising CMC REIT’s income stream in the long term.

#### **7. Rental uplift potential from retail leasing**

The Target Property consists of commercial and office units, which commercial units are currently mostly leased out to corporate tenants for business use. As advised by the Market Consultant, the average retail rent in CBD was around RMB400-700 per sq.m. per month in Q4 2021, which is higher than the average rent of RMB326.83 per sq.m. per month of the Target Property in March 2022. The Manager is of the view that the commercial units of the Target Property would provide flexibility for CMC REIT to better cater to market need and adjust the tenant mix, thereby unlocking the rental uplift potential.

#### **8. Reduction of risk**

Balanced against the benefits arising from the diversification of CMC REIT’s portfolio and tenant base, the Manager is also of the view that acquiring a 51% (and not 100%) interest in the Target Company mitigates risks associated with managing the Target Property and limits CMC REIT’s obligations and liabilities pertaining to the Target Property to its proportionate interest in the Target Company.

By virtue of the Vendor retaining 49% of its interest in the Target Company post-Acquisition, the Purchaser benefits from having its interest aligned with CMSK (being the holding company of the Vendor), which has a sizeable local presence in Beijing and requisite experience in managing the Target Property. CMSK currently operates 3 office projects located in different districts in Beijing, totalling 220,000 sq.m of gross floor area. CMSK also has a nationwide presence and is able to provide a wide range of tenant resources to the Target Property.

The acquisition of a 51% interest in the Target Company would also reduce the immediate financial burden on CMC REIT that would otherwise be associated with the acquisition of 100% interest in the Target Company, and the Acquisition is expected to result in a gearing ratio within the 50.0% borrowing limit under the REIT Code.

CMC REIT retains a right of first offer to purchase the remaining 49% interest in the Target Property under the terms of the Shareholders' Agreement. For more details, please refer to section A.7 headed "Shareholders' Agreement".

## **D. INFORMATION ON THE TARGET PROPERTY**

### **1. The Property**

For key information concerning the Target Property, please refer to section A.2 above.

### **2. Property Valuation**

Cushman & Wakefield Limited, the current principal valuer of CMC REIT, has been appointed as the Independent Property Valuer to appraise the value of the Target Property for the purpose of the Acquisition. The Appraised Value of the Target Property (as assessed by the Independent Property Valuer as at 31 March 2022) was RMB2,730,000,000. The Agreed Property Value represents a discount of approximately 1.1% to the Appraised Value (being RMB2,730,000,000 as at 31 March 2022). In November 2021, CMSK (the holding company of the Vendor) acquired 80% of the interest in the Vendor from its joint venture partner (being an independent third party) for a consideration amount of RMB2,097,600,000. In 1994, the PRC Subsidiary acquired the land use rights underlying the development known as Onward Science & Trade Center (招商局航華科貿中心) from Beijing Municipal Bureau of Housing for certain consideration, 20% of which is equivalent to RMB78,958,000. The agreed value of the Target Property for the acquisition in November 2021 of 80% of the interest in the Vendor was an amount equivalent to the Agreed Property Value of RMB2,700,000,000.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation approach with cross-checking against the market comparison approach. The income approach values the capacity of the Target Property on a market basis by capitalising the existing rental of all lettable units of the Target Property for the unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at 31 March 2022.

Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at 31 March 2022, which is in turn capitalised for the unexpired term of the relevant land use rights under which the Target Property is held. The summation of the capitalised value of the term rental for the currently leased portion, the capitalised value of the reversion market rental as appropriately deferred for the currently leased portion and the capitalised value of the currently vacant portion provides the market value of the Target Property. The market comparison approach values the Target Property by making reference to comparable sales evidence, of property with similar characteristics as the Target Property as available in the relevant market.

According to the advice of the PRC Legal Adviser, certain premises of the development where the Target Property is located have exceeded approved plans, being:

- (i) the 4th floor of China Merchants Bank Building, which has been leased to tenants;
- (ii) the 5th floor of AIA NPA Center, which is vacant; and
- (iii) other areas, in respect of which the PRC Subsidiary has previously paid fines for such non-conforming use and parts of which have now been leased to tenants.

The valuation by the Independent Property Valuer is based on the gross floor area indicated on the Real Estate Title Ownership Certificates Nos. 0110616, 0123244, 0123245, 0123246, 0123247 and 0123183 (不動產權證書) issued in respect of the Target Property, which gross floor area includes the area of the 4th floor of China Merchants Bank Building as well as the other areas mentioned above in respect of which the PRC Subsidiary has previously paid fines. In respect of the 5th floor of AIA NPA Center, as it is not included in the Real Estate Ownership Certificates (不動產權證書) issued in respect of the Target Property, the Independent Property Valuer has not taken into account such area and disregarded the rental income (if any) generated by the 5th floor of AIA NPA Center.

In addition, according to the advice of the PRC Legal Adviser, the PRC Subsidiary has leased out certain public areas of the development to tenants for private use but has not provided any resolutions of the owners of the relevant building of the development where such public areas are located in general meeting approving such leasing of public areas. These areas do not form part of the Target Property, are not included in the Real Estate Ownership Certificates (不動產權證書) issued in respect of the Target Property and the Independent Property Valuer has disregarded the rental income (if any) generated by such public areas.

As the Appraised Value only relates to the valuation of the Target Property, it does not take into account the financing and shareholding structure of the Target Property and is not equivalent to the value of the Target Group. Accordingly, the parties have agreed to adjust the Target Property Price in the manner described in section A.6.2 headed “Consideration and payment terms for the Acquisition” in this announcement.

### **3. Ownership**

CMC REIT will not directly hold the Target Property. Instead, the Target Property will be held on trust for CMC REIT by the Trustee in accordance with the provisions of the Trust Deed. More specifically, the Trustee will, through the Purchaser, hold CMC REIT’s 51% interest in the Target Company. The Target Company is the indirect holding company of the PRC Subsidiary, which is the registered legal owner of the land use rights and current building ownership rights underlying the Target Property.

The PRC Legal Adviser of the Manager, JunHe LLP, has advised that the PRC Subsidiary has legally obtained the state-owned land use rights in respect of the Target Property and that it is the registered legal user of the land use rights and the registered legal owner of the building ownership rights underlying the Target Property. The PRC Subsidiary has legal ownership of the Target Property and can legally and beneficially own, use, occupy, transfer and lease out the Target Property in accordance with the relevant PRC laws and the relevant land grant contract (subject to the terms of mortgages and existing Leases). The PRC Legal Adviser of the Manager has also advised that the PRC Subsidiary is the sole owner of the building ownership rights underlying the Target Property and that such rights are free from encumbrances other than the Property Mortgage. In relation to the land use rights underlying the buildings where the Target Property is located, the PRC Legal Adviser has advised that the PRC Subsidiary is not the sole user of such land use rights as the rights are jointly owned by the PRC Subsidiary and other unit owners of the buildings where the Target Property is located, but that this would not affect the rights of the PRC Subsidiary in relation to the Target Property set out in the paragraph below (including the ability to, during the term of the relevant land use right, legally and beneficially own, use, occupy, transfer (including sell, exchange or transfer by way of gift), lease out or mortgage the Target Property).

Based on the above, the PRC Legal Adviser of the Manager is of the view that the PRC Subsidiary can, during the term of the relevant land use right, legally and beneficially own, use, occupy, transfer (including sell, exchange or transfer by way of gift), lease out or mortgage the Target Property or use it for other legal economic activities, in accordance with the relevant PRC laws and the relevant land grant contract free from encumbrances other than the Property Mortgage (subject to the terms of mortgages and existing Leases). Based on the above advice of the PRC Legal Adviser, the Manager is of the view, and the PRC Legal Adviser agrees, that CMC REIT will (through the PRC Subsidiary) have good, marketable, legal and beneficial title to the Target Property upon Completion.

According to the Law of the People's Republic of China on Administration of Urban Real Estate (中華人民共和國城市房地產管理法), if the land user intends to continue to use the land upon expiry of the use term (being 28 August 2034 in respect of the above-ground commercial portions of the Target Property and 28 August 2044 in respect of the multi-function/office portions, basement mezzanine commercial portions and basement car parking spaces of the Target Property), such user shall file an application for a land use right extension at least one year prior to expiry of the use term. The approval shall ordinarily be granted except when the land needs to be expropriated for social public interest. If the land use right extension is approved, a new land use right grant contract shall be signed and the land premium shall be paid according to the relevant regulations. For the reasons above, the PRC Legal Adviser of the Manager has advised that a land user may extend the land use right in accordance with PRC laws and administrative regulations and there will not be any material legal impediment for extension of the land use right unless the government plans to expropriate the land due to public interest. However, there can be no assurance that a land use right extension can always be obtained.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights and expropriate the land before the expiration of the term. In the event of any compulsory expropriation of property in the PRC, the amount of compensation to be awarded will be based on the open market value of a property and is assessed on the basis prescribed in the relevant law. If the Target Property is subsequently expropriated by the PRC Government, the level of compensation paid to CMC REIT pursuant to this basis of calculation may be less than the price which CMC REIT has paid or would have paid for the Target Property. In addition, the PRC government has the right to terminate long-term land use rights and withdraw early the land in the event the PRC Subsidiary fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts, in which case CMC REIT may not be entitled to any compensation.

The ability to make payments to the Panama Subsidiary and BVI Subsidiary may also be restricted by applicable laws and regulations that may restrict the repatriation in RMB out of the PRC. The Manager's PRC Legal Adviser has advised that there is no legal impediment on the remittance of dividends on retained earnings of the PRC Subsidiary out of the PRC to the Panama Subsidiary and BVI Subsidiary, provided that such remittance is made and tax-levied in accordance with the procedures set out under the relevant PRC laws and regulations, including but not limited to those laws on foreign investment, tax and foreign exchange and that such remittance is not made in breach of the terms of the New Facility. However, there is no assurance that new PRC regulations restricting RMB remittance into or out of the PRC will not be promulgated in the future.

## 4. Leases

### 4.1 *Terms and termination*

The Leases entered into for the Target Property are generally for terms ranging from three to five years, depending on factors such as the size of the leased premises, duration of the lease and lessee profile. Most Leases have fixed terms, but in some Leases the Lessees and the PRC Subsidiary as landlord have agreed on an optional term for renewal at the discretion of the tenants apart from the fixed term, in which case, the rental increase shall be re-determined through negotiation between both parties in accordance with the market conditions for commercial retail premises.

At the time of entering into a Lease, the Lessees are required to provide a non-interest-bearing security deposit, which is generally an amount equivalent to three months' rent and management fees. Security deposits do not bear interest. Most of the Lessees are required to pay their rents on a monthly basis or with a longer payment period depending on the negotiation by both parties, on or around the beginning of each payment period. Consistent with market practice, fitting-out periods during which no rent is payable, which vary depending on market conditions at the time of negotiation, lease terms and leased areas, are commonly granted to the tenants by the landlord.

Under the Leases, the Lessees are responsible for payment of property management fees, utilities and other outgoings. The Lessees are also responsible for repair costs and all other expenses relating to the interior of the premises, while the PRC Subsidiary as landlord is responsible for repair costs relating to the main building structure.

In the event that the premises or any part of it is damaged, destroyed or otherwise rendered unfit for use by fire, typhoon or other force majeure events other than as a result of the negligence or fault of the Lessees, according to most of the Leases, the PRC Subsidiary as landlord or the Lessees shall be entitled to terminate the relevant Leases upon serving prior written notice to the other party if the situation has not been rectified for more than three months after such event. The tenant may also suspend the payment of rent or reduce the rent according to the nature and extent of the damage sustained, until the damage is fully repaired or reinstated by the landlord, but the landlord is not obliged to repair or reinstate the damage. The Lessees are not permitted to assign or sublet the premises under the Leases, unless it is expressly agreed in the leases that they may assign or sublet the leased property to affiliated enterprises of the tenant or third parties after the landlord's consent is given.

The majority of the Leases do not enable the Lessees to terminate their Leases ahead of the scheduled expiration dates, unless the PRC Subsidiary as landlord delays in delivery of the premises or the premises have serious defects which render the premises unusable, in which case the Lessees may

terminate their Leases where the landlord fails to deliver or rectify those defects (as the case may be) within 30 days upon receiving Lessees' written notices. If a Lessee unilaterally terminates the Lease for reasons other than the ones mentioned above without the PRC Subsidiary's consent, such Lessee shall compensate the landlord for any costs, expenses, losses or damages sustained by the latter, including but not limited to any legal fees, loss of rent or other fees, which the landlord would otherwise be entitled to receive under the Lease but for the Lessee's unilateral termination thereof. The PRC Subsidiary is entitled to forfeit all the security deposit paid by such Lessee to offset costs, expenses, losses or damages referred to above and claim against such Lessee for any shortfall. In addition, the PRC Subsidiary has the right to terminate a Lease upon the occurrence of certain events, such as delay in rental payment beyond a specified period or agreed conditions of breach of covenants by the Lessee.

#### *4.2 CM Tenancies in respect of the Target Property*

As at the Latest Practicable Date, no Leases have been entered into between the PRC subsidiary and tenants who are members of the CM Connected Persons Group.

Any Leases that may be entered into between the PRC Subsidiary and tenants who are members of the CM Connected Persons Group in the future in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder. The Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and any new CM Tenancies in respect of the Target Property. For details regarding the Existing CM Leasing Framework Agreement and the annual caps applicable to the CM Tenancies thereunder, please refer to section F.2.1 headed "Framework Agreements" – "Existing CM Leasing Framework Agreement" and section F.3.1 headed "Historical Transaction Amounts and Annual Caps" – "CM Tenancies" in this announcement.

### **5. Management of the Target Property**

Upon Completion, the Target Property shall be managed pursuant to the following agreements, with the Manager supervising the same.

#### *5.1 Framework Agreements*

On 9 December 2021, the Manager entered into the Existing CM Leasing Framework Agreement with Eureka and on 13 June 2022 the Manager entered into the Amended and Restated Operations and Property Management Framework Agreement with Eureka. These framework agreements set out the terms and conditions and pricing policies governing the CM Tenancies and the Operations and Property Management Transactions which are either in place or to be entered into or renewed from time to time by CMC REIT (including those pertaining to the Target Property that will be held by CMC



REIT upon Completion). These framework agreements are or will be (as the case may be) for a term of three years from 1 January 2022 to 31 December 2024. The Amended and Restated Operations and Management Framework Agreement will be conditional upon the passing of the EGM Resolutions to approve the Matters Requiring Approval.

Each Framework Agreement requires the parties thereto procure the relevant contracting parties to the CM Tenancies and Operations and Property Management Transactions (as the case may be) to ensure that such transactions shall be entered into or otherwise conducted: (a) in writing; (b) on an arm's length basis and in the ordinary and usual course of business of CMC REIT; (c) on normal commercial terms or better (as defined under Rule 14A.06(26) of the Listing Rules) that are fair and reasonable and in the best interests of the Unitholders; (d) at the prevailing market rate for similar transactions; and (e) in compliance with the terms of such Framework Agreement and all applicable provisions of the REIT Code, the Listing Rules and the Trust Deed.

The Operations and Property Management Transactions will each be subject to and governed by the terms of the Amended and Restated Operations and Property Management Framework Agreement, as more particularly described in this section A.5.

## 5.2 *Operations Management Agreement*

At Completion, the PRC Subsidiary and the Operations Manager will enter into the Operations Management Agreement pursuant to which the Operations Manager agrees to provide the Operations Management Services in respect of the Target Property for a term of three years commencing from the Completion Date.

Under the Operations Management Agreement, the Operations Manager will be entitled to receive from the PRC Subsidiary (i) an amount equivalent to 5.0% of the monthly rental income of the PRC Subsidiary, payable on a quarterly basis; and (ii) an amount equivalent to 2.5% of the PRC Subsidiary's semi-annual capital expenditure for refurbishment and renovation of the Target Property, payable on a semi-annual basis. The Operations Manager will bear its operating costs and expenses and be subject to the ongoing supervision of the Manager and the Onshore Manager Subsidiary.

The Operations Manager is an indirect subsidiary of CMSK. It is therefore a member of the CM Connected Persons Group and a connected person of CMC REIT. If the Ordinary Resolution in respect of the Operations and Property Management Transactions under the Amended and Restated Operations and Property Management Framework Agreement and the proposed annual caps applicable thereto is approved by the Independent Unitholders at the EGM, the transactions to be carried out under the Property Management Agreement

will be subject to and in compliance with the Amended and Restated Operations and Property Management Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and Eureka on 13 June 2022, the details of which are set out in section F.2.2 headed “Framework Agreements” – “Amended and Restated Operations and Property Management Framework Agreement”.

### 5.3 *Property Management Agreement*

On Completion, the PRC Subsidiary and the Property Manager will enter into the Property Management Agreement pursuant to which the Property Manager will provide the Property Management Services in respect of the Target Property for a term of three years, which is automatically renewable unless either party notifies otherwise, commencing from the date of the Property Management Agreement.

Under the Property Management Agreement, for the Property Management Services rendered with respect to the Target Property, the Property Manager is entitled to be paid a monthly fee:

- (a) from the PRC Subsidiary of RMB10.79 per sq.m. of the Target Property (other than car park spaces) that is vacant;
- (b) from the PRC Subsidiary of RMB22.02 per sq.m in respect of 385.18 sq.m. of the Target Property owned and occupied by the PRC Subsidiary, representing 24% discount to the rate paid to the Property Manager by Lessees (see D.5.3(d) below);
- (c) from the PRC Subsidiary of 10% of rent collected in respect of basement hourly car park spaces; and
- (d) from each Lessee of RMB28.98 per sq.m. of the Target Property leased to such Lessee.

Pursuant to the Property Management Agreement, the Property Manager is subject to ongoing supervision by the Manager. The Property Manager is required to provide to the PRC Subsidiary an annual property management setting out the property management proposals and budget.

The Property Manager is an indirect subsidiary of CMSK. Similar to the Operations Manager, it is therefore a member of the CM Connected Persons Group and a connected person of CMC REIT. If the Ordinary Resolution in respect of the Operations and Property Management Transactions under the

Amended and Restated Operations and Property Management Framework Agreement and the proposed annual caps applicable thereto is approved by the Independent Unitholders at the EGM, the transactions to be carried out under the Property Management Agreement will be subject to and in compliance with the Amended and Restated Operations and Property Management Framework Agreement (including the Revised Annual Caps set out therein) entered into between the Manager and Eureka on 13 June 2022, the details of which are set out in section F.2.2 headed “Framework Agreements” – “Amended and Restated Operations and Property Management Framework Agreement”.

## **6. Competition**

According to the Market Consultant’s Report, the CBD area includes more than 33 high-quality office buildings including the Target Property. The CBD area holds the largest amount of supply for Grade-A office space in Beijing, totalling 3.4 million sq.m. as at the end of 2021.

There will be no new supply of office space in CBD in 2022, while a total 630,000 sq.m. of office space will be completed in 2023. In 2023, the building developed by Sino-ocean and HSBC will contribute 190,000 sq.m., while the development owned by China Investment Securities will supply 150,000 sq.m. to the market.

As a result of the pandemic and economic downturn in 2020, the vacancy rate of CBD Grade-A offices surged to 16.7%. Since early 2021, the office leasing activities in CBD has rebounded thanks to the rising demand from companies looking to take advantage of the more favourable leasing environment. According to the Market Consultant’s Report, leasing activity of CBD in 2022 is expected to increase amid the recovery of the domestic economy. It is likely that vacancy rates will remain at around 9% to 11% as new lettings will absorb new supply from business expansion. Economic recovery is expected to drive market sentiment, which would support a rebound of office rents by around 2% to 3% in 2022.

As one of the most developed business districts, there are multiple prestigious retail malls within the CBD, including Oriental Plaza, APM, Emperor Group Centre, SKP etc.. Although the major retail properties coming to market in the future mostly are located at the peripheral areas, such properties which are brand new and operated by well-known developers will exert further pressure over the retail market citywide.

In 2021, the Chinese government announced it will set up a stock exchange in Beijing and build it into a major base for innovative small and medium-sized enterprises. The policy is expected to drive office demand in CBD from such enterprises.

## E. FINANCIAL EFFECTS OF THE ACQUISITION

The Circular will contain information as to the impact of the Acquisition on the pro forma financial effects of the Acquisition on CMC REIT. In particular, it will contain information relating to:

- (a) the pro forma financial effects of the Acquisition on the DPU for the year ended 31 December 2021, as if the Acquisition was completed on 1 January 2021 and CMC REIT had held and operated the Target Property through to 31 December 2021; and
- (b) the pro forma financial effects of the Acquisition on the net asset value attributable to Unitholders per Unit as at 31 December 2021, as if the Acquisition was completed on 31 December 2021; and
- (c) the capitalisation of CMC REIT as at 31 December 2021 based on the Unaudited Pro Forma Financial Information of the Enlarged Group to be set out in the Circular, as if CMC REIT had completed the Acquisition on 31 December 2021.

Please refer to the Circular for the bases and assumptions used for the calculations, which will comply with the requirements of the REIT Code.

## F. CONTINUING CONNECTED PARTY TRANSACTIONS

### 1. Background

On 9 December 2021, in anticipation of the expiry of the waivers applied for by the Manager and granted by the SFC in 2019 from strict compliance with Chapter 8 of the REIT Code in respect of certain continuing party transactions of CMC REIT (the “**2019 CPT Waiver**”) on 31 December 2021 and in view of the revision of the REIT Code on 4 December 2020 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, CMC REIT (through the Manager) entered into the Existing CM Leasing Framework Agreement and the Existing Operations and Property Management Framework Agreement (the “**Existing Framework Agreements**”) which set out the framework terms governing the CM Tenancies and Operations and Property Management Transactions (as described in this section F.1 below) in relation to CMC REIT’s Properties. The Existing Framework Agreements and the annual caps thereunder were approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021.

- (a) As part of the Group’s ordinary and usual course of business, leasing transactions will from time to time be conducted between members of the CM Connected Persons Group and members of the Group in respect of CMC REIT’s Properties (the “**CM Tenancies**”)¹.

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<sup>1</sup> Currently, there are no existing CM Tenancies in respect of the Target Property but 2,141 sq.m. of the owner-occupied areas has been temporarily licensed by the PRC Subsidiary to a member of the CM Connected Persons Group for a monthly licence fee of RMB237,463.

- (b) As part of the Group’s ordinary and usual course of business, operations management and property management transactions have been, or will from time to time be, conducted between members of the CM Connected Persons Group and members of the Group in respect of CMC REIT’s Properties (the “**Operations and Property Management Transactions**”), including the Operations Management Agreement and Property Management Agreement to be entered into at Completion in respect of the Target Property. For further details of the Operations Management Agreement, please refer to sections D.5.2 and D.5.3 headed “Operations Management Agreement” and “Property Management Agreement” in this announcement.

If the Acquisition is completed, and assuming that CM Continuing CPTs in relation to the Target Property will be conducted with the CM Connected Persons Group, more continuing connected party transactions will arise, the nature of which is comparable to the existing CM Continuing CPTs governed by the Existing Framework Agreements.

The Acquisition will accordingly increase the scale of the CM Continuing CPTs with the CM Connected Persons Group. Accordingly, on 13 June 2022, CMC REIT (through the Manager) entered into the Amended and Restated Operations and Property Management Framework Agreement to provide for new monetary limits as approved by independent unitholders from time to time, in order to accommodate the Operations and Property Management Transactions in respect of the Target Property for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024, as described in section F.3.2 headed “Historical Transaction Amounts and Annual Caps” – “Operations and Property Management Transactions” below. The Revised Annual Caps increase the previous caps set in December 2021, to cover the new Operations and Property Management Transactions relating to the Target Property entered or to be entered into. Similar to the Existing Framework Agreements, each of the Amended and Restated Operations and Property Management Framework Agreement is for a term of three years from 1 January 2022 to 31 December 2024, and will be, together with the Operations and Property Management Transactions contemplated thereunder, regulated with reference to Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). The Manager would like to take the opportunity of the EGM for Unitholders to approve CMC REIT’s entering into of the Amended and Restated Operations and Property Management Framework Agreements as well as the Revised Annual Caps thereunder.

However, the Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and the new CM Tenancies in respect of the Target Property, and the CM Tenancies in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder.

## 2. Framework Agreements

### 2.1 Existing CM Leasing Framework Agreement

As mentioned in section F.1 headed “Continuing Connected Party Transactions” – “Background” above, the Manager entered into the Existing CM Leasing Framework Agreement with Eureka on 9 December 2021 to set out the framework terms (including the monetary limits) governing the CM Tenancies in respect of CMC REIT’s Properties for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024.

The annual caps governing the CM Tenancies in respect of CMC REIT’s Properties from time to time are described in section F.3.1 headed “Historical Transaction Amounts and Annual Caps” – “CM Tenancies” below. The principal terms of the Existing CM Leasing Framework Agreement as set out in the Circular for the CM Continuing CPTs EGM, are as follows:

Parties:	(1) The Manager (for and on behalf of the 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 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 Existing CM Leasing Framework Agreement.  The relevant members of the 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 for similar size and with similar attributes within the same building (or, if not available, within the vicinity).

To ensure that each transaction under the Existing CM Leasing Framework Agreement is entered into based on the then prevailing market rate and on normal commercial terms, 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 Amended and Restated Operations and Property Management Framework Agreement*

The Manager entered into the Amended and Restated Operations and Property Management Framework Agreement with Eureka on 13 June 2022 to amend and restate the Existing Operations and Property Management Framework Agreement dated 9 December 2021 to provide for new monetary limits as approved by independent unitholders from time to time, in order to accommodate the Operations and Property Management Transactions in respect of the Target Property for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 as described in section F.3.2 headed “Historical Transaction Amounts and Annual Caps” – “Operations and Property Management Transactions” below. The Amended and Restated Operations and Property Management Framework Agreement sets out the framework terms governing the Operations and Property Management Transactions in relation to both the Existing Properties and the Target Property. The Amended and Restated Operations and Property Management Framework Agreement and the Revised Annual Caps thereunder are subject to the passing of the EGM Resolutions to approve the Matters Requiring Approval. If the EGM Resolutions to approve the Matters Requiring Approval is not passed, the Operations and Property Management Transactions will continue to be subject to the existing annual caps for the years ending 31 December 2022, 2023 and 2024 under the Existing Operations and Property Management Framework Agreement as approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021.

Save for the maximum aggregate annual amounts to be paid by the Group to the CM Connected Persons Group in respect of the Operations and Property Management Transactions (see section F.3.2 below), the principal terms of the Amended and Restated Operations and Property Management Framework Agreement are identical to those of the Existing Operations and Property Management Framework Agreement, which have been set out in the Circular for the CM Continuing CPTs EGM, being:

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

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

The relevant members of the 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.



Scope of services: The following services will be provided by the CM Connected Persons Group to the Group in respect of CMC REIT's Properties:

**(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;
- (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 professional 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 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) 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 relevant members of the CM Connected Persons Group acting reasonably and in good faith consider are or are likely to be in competition with CMSK, the CM Connected Persons Group will refer all such opportunities to the REIT Manager for vetting and confirmation before the CM Connected Persons Group proceeds with such opportunities.

To ensure that each transaction under the Amended and Restated 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 estate and equity securities with proven track, 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 Chaoyang District, Beijing where the Target Property is located and in Nanshan District, Shenzhen where the Existing Properties are located and are within a 12-month period prior to the time 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 time 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.

### 3. Historical Transaction Amounts and Annual Caps

#### 3.1 CM Tenancies

The table below sets out the maximum aggregate annual amount to be received by the Group from the CM Connected Persons Group in respect of the CM Tenancies of CMC REIT's Properties from time to time for each of the three years ending 31 December 2022, 2023 and 2024, as approved by the Independent Unitholders at the CM Continuing CPTs EGM:

Historical transaction amounts (approximate)				Annual Caps	
For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
(RMB) (audited)	(RMB) (audited)	(RMB) (audited)	(RMB)	(RMB)	(RMB)
5,716,000	85,053,000	94,360,000	114,200,000	122,194,000	130,748,000

#### 3.2 Operations and Property Management Transactions

The table below sets out the aggregate historical transaction amounts paid by the Group to the CM Connected Persons Group in respect of the Operations and Property Management Transactions of the Existing Properties as well as the Target Property for the three years ended 31 December 2019, 2020 and 2021 (in respect of the Target Property, assuming Completion and it being held by CMC REIT from the start of such period), and the maximum aggregate annual amount to be paid by the Group to the CM Connected Persons Group in respect of such Operations and Property Management Transactions for each of the three years ending 31 December 2022, 2023 and 2024 (which maximum aggregate annual amounts in respect of the Operations and Property Management Transactions of the Existing Properties have already been approved by the Independent Unitholders at the CM Continuing CPTs EGM):

	Historical Transaction Amounts (approximate)				Annual Caps	
	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)	(RMB)	(RMB)	(RMB)
Existing Properties	6,361,000	64,399,000	74,571,800	82,987,000	89,610,000	91,814,000
Target Property	7,557,955	7,873,346	7,130,579	5,038,000	10,748,000	10,998,000
Enlarged Portfolio	13,918,955	72,272,346	81,702,379	88,025,000	100,358,000	102,812,000

The proposed annual caps for the Operations and Property Management Transactions for the Target Property for the three years ending 31 December 2022, 2023 and 2024 have been determined based on: (i) the projected fees for operations management services and property management services based on the agreed fees basis as stipulated under the Operations Management Agreement and Property Management Agreement; (ii) the assumption that the Acquisition will be completed by the second quarter of 2022; (iii) the projected rental income of the Target Property, which is projected based on (a) the rental income receivable in accordance with the existing Leases until their expiries; (b) the rental income based on current market rents to be generated from vacant units and those upon expiry of the Leases; (c) the occupancy rate of the office portion of the Target Property being expected to increase gradually and reach 95% by the end of 2022 and those of the commercial portion and carparking spaces expected to maintain at 95% and 50% throughout 2022 to 2024, respectively; (d) an annual rental increment of 3% for office and commercial units and no increment for car parking spaces; and (e) the assumption that the Manager will not assume any major capital expenditure on the Target Property in 2022 to 2024 as major refurbishment and renovation was nearly fully completed in 2021 (see section C.5 above).

In relation to the projected rental increment in (iii)(d) above, the Manager has reviewed the existing lease schedule of the Target Property and sample Leases and noted that (i) certain Leases for terms covering 2022 to 2024 have progressive rental rates; and (ii) the increment of 3% referred to in (iii)(d) above falls within the range of effective annual rental increment for the independent Leases of 2.0% to 6.7%.

In relation to the projected occupancy rate in (iii)(c) above, given (i) the occupancy of the office units had been over 95% in 2019 before renovation and refurbishment work and the COVID-19 pandemic; and (ii) the Target Property is expected to have improved and better conditions after renovation and refurbishment which is expected to complete in the first half of 2022, the Manager considers the projected occupancy rate of the office and commercial units of 95% to be fair and reasonable.

#### **4. Reasons for and Benefits of the Continuing Connected Party Transactions**

The 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 Group and will contribute towards the occupancy rate of, and property income generated by, CMC REIT's Properties (including the Target Property).

The Manager is responsible under the Trust Deed and the REIT Code for ensuring that CMC REIT's Properties (including the Target Property) are professionally managed. Since the initial public offering of CMC REIT, the Operations Manager and Shenzhen China Merchants Property Holding Management Co., Ltd. (深圳招商物業管理有限公司), an indirect subsidiary of CMSK (the "**Existing Properties 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 Existing Properties Property Manager, and are satisfied that they will continue to provide professional services with efficient and effective management. The Manager expects that the 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 for the Existing Properties are presently performed by the Operations Manager and the Existing Properties 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 organisations. Therefore, the same reasons and benefits for continuing the appointments of the Operations Manager and the Existing Properties Property Manager would apply to any appointment of any other member of the CM Connected Persons Group (including the Property Manager) to provide the same services.

## **5. Views relating to the CCPT Matters Requiring Approval**

### *5.1 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 G.4 of this announcement) considers that the Operations and Property Management Transactions contemplated under the Amended and Restated Operations and Property Management Framework Agreement form an integral part of the normal operations of CMC REIT.

The Board is of the view that:

- (i) the terms of the Amended and Restated Operations and Property Management Framework Agreement, and the basis for the Operations and Property Management Transactions thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole; and
- (ii) each of the Operations and Property Management Transactions contemplated under the Amended and Restated Operations and Property Management Framework Agreement:
  - (1) is and will be conducted in the ordinary and usual course of business of CMC REIT and consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed;
  - (2) is and will be conducted on terms which are and will be at arm's length and on normal commercial terms; and
  - (3) is fair and reasonable and in the interests of CMC REIT, and the Unitholders as a whole.

The Board therefore recommends that the Independent Unitholders vote at the EGM in favour of Ordinary Resolution No. 2 to approve the Operations and Property Management Transactions contemplated under the Amended and Restated Operations and Property Management Framework Agreement and the proposed Revised Annual Caps applicable thereto.

## 5.2 *Trustee*

Based and in sole reliance on: (a) the opinion of the Board in the “Letter to the Unitholders” appended to the Circular and the information and assurances provided by the Manager; (b) the Letter from the Independent Board Committee appended to the Circular; and (c) the Letter from the Independent Financial Adviser appended to the Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that:

- (i) the terms of the Amended and Restated Operations and Property Management Framework Agreement, and the basis for the Operations and Property Management Transactions thereunder (including the proposed Revised Annual Caps and the basis of arriving at the same) are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole;
- (ii) each of the Operations and Property Management Transactions contemplated under the Amended and Restated Operations and Property Management Framework Agreement:
  - (1) is consistent with the investment objectives and strategy of CMC REIT and in compliance with the REIT Code and the Trust Deed;
  - (2) is on normal commercial terms; and
  - (3) is fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole; and
- (iii) has no objection to the Manager proceeding with the Amended and Restated Operations and Property Management Framework Agreement and the Operations and Property Management Transactions thereunder (including the proposed Revised Annual Caps).

The Trustee’s confirmation is being furnished for the sole purpose of complying with section 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 Amended and Restated Operations and Property Management Framework Agreement, the CM Continuing CPTs contemplated thereunder and the proposed Revised Annual Caps applicable thereto or of any statements or information made or disclosed in this announcement and the Circular. The Trustee has not made any assessment of the merits or impact of the Amended and Restated Operations and Property Management Framework Agreement,

the CM Continuing CPTs contemplated thereunder and the proposed Revised Annual Caps applicable thereto, 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 Amended and Restated Operations and Property Management Framework Agreement, the CM Continuing CPTs contemplated thereunder and the proposed Revised Annual Caps applicable thereto, to consider the Letter from the Independent Financial Adviser as set out in the Circular and seek their own financial or other professional advice.

### *5.3 Independent Financial Adviser and Independent Board Committee*

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 CCPT Matters Requiring Approval. 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 CCPT Matters Requiring Approval under Rule 14A.45 of the Listing Rules.

The respective opinions of the Independent Financial Adviser and the Independent Board Committee with regard to the CCPT Matters Requiring Approval will be set out in the Circular.

## **G. IMPLICATIONS UNDER THE REIT CODE AND THE TRUST DEED**

### **1. Connected Party Transactions**

As at the date of this Announcement, the Warrantor owns more than 10% of the Units and therefore is a substantial holder of CMC REIT. CMSK is the holding company of the Warrantor, and the Vendor is a subsidiary of the Warrantor, and therefore the CMSK and the Vendor are each an associate of the Warrantor. As a result, the Warrantor, CMSK and the Vendor are each 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 the REIT Code).

Accordingly, (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed and (2) the execution of the Shareholders' Agreement and the transactions contemplated thereunder each constitute a connected party transaction of CMC REIT under paragraph 8.5 of the REIT Code.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5%, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and the Trust Deed, each of the connected party transactions above is subject to the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.



To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Banks and the Lessees are, as at the Latest Practicable Date, not connected persons of CMC REIT and are independent third parties.

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 potential conflict of interest, each of them had abstained from voting at the relevant Board resolution approving the Transaction Matters Requiring Approval.

## **2. Major transaction**

As the highest applicable percentage ratio in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Deed exceeds 25% but is less than 100%, the Acquisition and the transactions contemplated under the Sale and Purchase Deed constitute a major transaction of CMC REIT under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code), is subject to the reporting, announcement, Circular and Unitholders' approval requirements under Chapter 14 of the Listing Rules (modified as appropriate pursuant to the REIT Code) and will require Unitholders' approval by way of Ordinary Resolution under the REIT Code and the Trust Deed.

## **3. Connected party transaction in respect of the Indebtedness to Vendor Group**

As the Vendor and its subsidiaries are connected persons of CMC REIT, the Indebtedness to Vendor Group shall, from the date of Completion, constitute a connected party transaction of CMC REIT under paragraph 8.5 of the REIT Code. As the loan constituting the Indebtedness to Vendor Group is conducted on normal commercial terms or better and is not secured by the assets of the Group, pursuant to paragraph 8.7A of the REIT Code, Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code, in particular Rule 14A.90 thereof) and the Trust Deed, it is exempt from the reporting, announcement, Circular and Independent Unitholders' approval requirements under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code). The Manager, taking the view that the Indebtedness to Vendor Group and the Acquisition are linked to each other and part and parcel of the same proposal, will seek Independent Unitholders' approval of the Indebtedness to Vendor Group under the same Ordinary Resolution to approve the (1) the Acquisition and the transactions contemplated under the Sale and Purchase Deed; and (2) the execution of the Shareholders' Agreement and the transactions contemplated thereunder.

#### **4. Continuing connected party transactions**

On 9 December 2021, CMC REIT (through the Manager) entered into the Existing 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 Tenancies under the Existing CM Leasing Framework Agreement constitute continuing connected transactions of CMC REIT and they (together with the annual caps applicable thereto) were approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021. As mentioned in section F.1 headed “Continuing Connected Party Transactions” – “Background” above, the Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and the new CM Tenancies in respect of the Target Property, and the CM Tenancies in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder. As such, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will not cover the CM Tenancies under the Existing CM Leasing Framework Agreement (together with the annual caps applicable thereto).

On 13 June 2022, CMC REIT (through the Manager) entered into the Amended and Restated Operations and Property Management Framework Agreement with Eureka, which set out the framework terms governing the Operations and Property Management Transactions (including the Property Management Agreement with the Property Manager and the Operations Management Agreement with the Operations Manager in respect of the Target Property) for the period from 1 January 2022 to 31 December 2024, and which is conditional upon the passing of Ordinary Resolution No. 2 in the EGM Notice. As Eureka is a connected person of CMC REIT for the reasons set out in section A.1 headed “The Acquisition” – “Overview of the Acquisition”, the Operations and Property Management Transactions under the Amended and Restated Operations and Property Management Framework Agreement constitute connected party transactions of CMC REIT.

As the highest applicable percentage ratio calculated in respect of the annual caps applicable to the Operations and Property Management Transactions under the Amended and Restated 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 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 potential conflict of interest, each of them had abstained from voting at the relevant Board resolution approving the Amended and Restated Operations and Property Management Framework Agreement and the Revised Operations and Property Management Annual Caps applicable thereto.

## 5. EGM Resolutions

The Manager takes the view that each of the Transaction Matters Requiring Approval (including the Indebtedness to Vendor Group) are interdependent and linked to each other and part and parcel of a significant proposal. In particular, the Shareholders' Agreement only takes effect from Completion and will not be required but for the entry into the Sale and Purchase Deed. Accordingly, the Transaction Matters Requiring Approval (including the Indebtedness to Vendor Group) will be proposed under the same Ordinary Resolution.

As the Existing Operations and Property Management Framework Agreement and the existing annual caps thereunder do not expire until 31 December 2024 and no new annual caps would be needed if Completion does not take place, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be conditional on the passing of the EGM Resolution to approve the Transaction Matters Requiring Approval. Accordingly, if the EGM Resolution relating to the Transaction Matters Requiring Approval is not passed, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will be deemed as not having been passed.

For the avoidance of doubt, if the EGM Resolution relating to the Transaction Matters Requiring Approval is passed but the Ordinary Resolution in relation to the CCPT Matters Requiring Approval is not passed, the CM Continuing CPTs will continue to be subject to the existing annual caps for the years ending 31 December 2022, 2023 and 2024 under the Existing Framework Agreements, and if any of such annual caps is exceeded, or if there is any material change to the terms of such transactions, CMC REIT shall comply with all applicable requirements (including the announcement and Unitholders' approval requirements) under Chapter 14A of the Listing Rules (modified as appropriate pursuant to the REIT Code).

As mentioned in section F.1 headed "Continuing Connected Party Transactions" – "Background" above, the CM Tenancies under the Existing CM Leasing Framework Agreement (together with the annual caps applicable thereto) were approved by the Independent Unitholders at the CM Continuing CPTs EGM on 29 December 2021. The Manager will not be proposing increased annual caps or entering into a new framework agreement as a result of the Acquisition and the new CM Tenancies in respect of the Target Property, and the CM Tenancies in respect of the Target Property will be subject to the terms of the Existing CM Leasing Framework Agreement and the annual caps thereunder. As such, the Ordinary Resolution in relation to the CCPT Matters Requiring Approval will not cover the CM Tenancies under the Existing CM Leasing Framework Agreement (together with the annual caps applicable thereto).

Please refer to the EGM Notice to be published by the Manager to set out the proposed Ordinary Resolutions in relation to the Matters Requiring Approval (including the Indebtedness to Vendor Group).

## **6. Restrictions on voting**

Paragraphs 8.7F and 9.9(f) of the REIT Code and paragraph 3.2 of Schedule 1 to the Trust Deed provide that a Unitholder shall be prohibited from voting their Units at, or counted in the quorum for, a meeting at which they have a material interest in the business to be contracted and that interest is different from the interests of all other Unitholders.

Member of the CM Connected Persons Group are, or may from time to time become, counterparties to the Sale and Purchase Deed, the Shareholders' Agreement, the Amended and Restated Operations and Property Management Framework Agreement and the Operations and Property Management Transactions contemplated thereunder, and as such, are considered to have a material interest or deemed material interest in the EGM Resolutions to approve the Matters Requiring Approval, 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 the EGM Resolutions. Pursuant to the REIT Code and the Trust Deed, the Warrantor (being a member of the CM Connected Persons Group) has agreed to abstain, and procure that other members of the CM Connected Persons Group abstain, from voting on the EGM Resolutions.

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 the EGM Resolutions.

So far as the Manager is aware, as at the Latest Practicable Date, the parties mentioned above as needing to abstain from voting are interested or deemed to be interested in 400,492,310 Units representing approximately 35.51% of the Units in issue.

Save for the Warrantor and Mr. Yu Zhiliang, as at the Latest Practicable Date, to the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the Manager is unaware of any other Unitholder that is required to abstain from voting at the EGM in respect of any EGM Resolution.

## **7. Manager has discretion**

For the avoidance of doubt, given the Acquisition is dependent on the satisfaction of the Conditions (including, but not limited to, Purchaser having obtained financing for the Acquisition upon terms and conditions satisfactory to the Purchaser in its sole discretion and sufficient funds being available for the payment of the Consideration), Unitholders should note that the Manager may not proceed with the Acquisition if any of the Conditions are not satisfied or waived (as applicable) prior to the Long Stop Date.

## **H. VIEWS AND RECOMMENDATIONS**

### **1. Board**

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to the Transaction Matters Requiring Approval as described in this announcement, the Board (including the INEDs, but excluding the Directors who have abstained from voting on the relevant Board resolution as set out in section G.1 of this announcement), having taken into account the duties of the Manager under the Trust Deed and the REIT Code, considers that the Transaction Matters Requiring Approval (including the Indebtedness to Vendor Group) are:

- (i) in the ordinary and usual course of business of CMC REIT and consistent with the investment objectives and strategy of CMC REIT; and
- (ii) have been entered into on terms which are normal commercial terms at arm's length and are fair and reasonable so far as CMC REIT, the Independent Unitholders and the Unitholders are concerned, and in the interests of CMC REIT and the Unitholders as a whole.

The opinion of the Board in relation to the CCPT Matters Requiring Approval is set out at section F.5.1 "Views relating to the CCPT Matters Requiring Approval" – "Board" in this announcement.

Accordingly, the Directors recommend that the Independent Unitholders vote in favour of the EGM Resolutions in respect of the Matters Requiring Approval.

### **2. Trustee**

Based and in sole reliance on: (1) the opinion of the Board in the "Letter to the Unitholders" appended to the Circular and the information and assurances provided by the Manager; (2) the Letter from the Independent Financial Adviser; (3) the Letter from the Independent Board Committee; (4) the Independent Property Valuer's Valuation Report; and (5) the Market Consultant Report, in each case, as set out in the Circular, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code:

- (a) is satisfied that the Transaction Matters Requiring Approval (including the Indebtedness to Vendor Group) are:
  - (i) consistent with the investment objectives and strategy of CMC REIT;
  - (ii) on normal commercial terms; and
  - (iii) fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole; and
- (b) has no objection to the Manager proceeding with the Transaction Matters Requiring Approval (including the Indebtedness to Vendor Group).

The views of the Trustee in respect of the CCPT Matters Requiring Approval are set out at section F.5.2 “Views relating to the CCPT Matters Requiring Approval” – “Trustee” in this announcement.

The Trustee’s confirmation is being furnished for the sole purpose of complying with section 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 Matters Requiring Approval or of any statements or information made or disclosed in this announcement and the Circular. The Trustee has not made any assessment of the merits or impact of the Matters Requiring Approval (including the Indebtedness to Vendor Group), 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 Matters Requiring Approval (including the Indebtedness to Vendor Group), to consider the Letter from the Independent Financial Adviser and seek their own financial or other professional advice.

### **3. Independent Financial Adviser and Independent Board Committee**

The respective opinions of the Independent Board Committee and the Independent Financial Adviser with regard to the Transaction Matters Requiring Approval will be set out in the Circular.

## **I. ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all of the INEDs, has been established in accordance with Rule 14A.41 of the Listing Rules to advise the Independent Unitholders on the Matters Requiring Approval (including the Indebtedness to Vendor Group).

Somerley Capital Limited has been appointed as the Independent Financial Adviser of CMC REIT to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval (including the Indebtedness to Vendor Group). Such appointment has been approved by the Independent Board Committee pursuant to Rule 14A.44 of the Listing Rules.

## **J. OTHERS**

### **1. Circular**

The Circular containing, among other things: (a) a letter from the Board to the Unitholders containing details of, among others, the Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders in relation thereto; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation thereto; (d) the Accountant’s Report of the Target Company; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer’s Property Valuation Report; (g) the Market Consultant’s Report; and (h) the notice of the EGM, will be issued and despatched to the Unitholders on 14 June 2022.

## 2. Closure of register of Unitholders

In order to determine which Unitholders will qualify to attend and vote at the EGM, the Register of Unitholders will be closed for the period to be specified in the Circular during which no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than the date and time to be specified in the Circular.

## 3. Indicative timetable

Please see below an indicative timetable showing the key dates of the relevant events. An updated timetable will be set out in the Circular.

<b>Event</b>	<b>Date &amp; Time</b>
Date of issuance of the Circular	14 June 2022
Latest date and time for lodging transfers of Units to participate and vote in the EGM	24 June 2022 at 4:30 p.m.
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	To be specified in the Circular
Latest date and time for lodging proxy forms for the EGM	28 June 2022 at 11:00 a.m.
EGM Record Date	30 June 2022
Date of the EGM	On or before 30 June 2022 (the exact date and time to be specified in the Circular)
Completion of the Acquisition (if the approvals sought at the EGM are obtained)	The 5th Business Day after the satisfaction (or, where permitted, waiver) of all the Conditions, which are expected to be fulfilled or waived before the Long Stop Date

Further announcement(s) will be made by the Manager in relation to those events which are scheduled to take place after the EGM, including the poll results of the EGM and Completion of the Acquisition, as and when appropriate in accordance with applicable regulatory requirements.

#### 4. Responsibility statements of the Manager and the Directors

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this announcement misleading.

**Completion of the Acquisition is subject to and conditional upon satisfaction of the Conditions (as set out in section A.6.4 headed “Conditions Precedent” in this announcement), which includes Unitholders’ approval being obtained at the EGM for the Transaction Matters Requiring Approval, and accordingly, may or may not complete. Unitholders, as well as any prospective investors of CMC REIT, are advised to exercise caution when dealing in the Units.**

#### K. DEFINITIONS

In this announcement, the following definitions apply throughout unless otherwise stated. Also, where terms are defined and used in only one section of this document, those defined terms are not included in the table below:

“01-04 Connecting Podium”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Accountant’s Report”	the report to be issued by the Reporting Accountant regarding the Target Group, the text of which will be set out in the Circular
“Acquisition”	the proposed acquisition by the Purchaser from the Vendor of the Target Shares and the assignment of the Assigned Payables pursuant to the Sale and Purchase Deed
“Acquisition Fee”	the acquisition fee that the Manager is entitled to, as more particularly described in section A.9.2 headed “Acquisition Fee” in this announcement
“Acquisition Loan”	the secured term loan to be obtained by the Purchaser from the Banks or their respective affiliates to finance the Purchaser’s payment obligations for the Acquisition, being the New Facility
“Adjusted NAV”	has the same meaning ascribed to it in section A.6.2 headed “Consideration and payment terms for the Acquisition” in this announcement



“Agreed Property Value”	RMB2,700,000,000, which represents the asset value of the Target Property agreed by the Vendor and the Purchaser
“AIA NPA Center”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Amended and Restated Operations and Property Management Framework Agreement”	the framework agreement dated 13 June 2022 entered into by the Manager (on behalf of the Group) and Eureka setting out the terms and conditions and pricing policy governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024
“Annual Caps”	has the same meaning ascribed to it in section F.3 headed “Historical Amounts and Annual Caps” in this announcement
“Appraised Value”	the value of the Target Property as at 31 March 2022 as appraised by the Independent Property Valuer, being RMB2,730,000,000
“Assignable Payables” or “Payables”	the Target Company’s indebtedness to the Vendor (including the Declared Dividend), the amount of which is approximately RMB2,316,398,000 as at the date of the Sale and Purchase Deed. For the avoidance of doubt, the relevant member of the Target Group’s indebtedness to the relevant members of the Vendor Group arising from the loans to be provided by such members of the Vendor Group for the repayment of the outstanding principal and accrued interest under the Existing Group Facilities will remain outstanding after the Completion and will not be regarded as Assignable Payables
“Assigned Payables”	51% of the Assignable Payables
“associate”	has the meaning ascribed to this term in the REIT Code
“Banks”	DBS Bank Ltd., China Minsheng Banking Corp., Ltd and CMB Wing Lung Bank Limited
“Board”	the board of Directors

“Business Day”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9.00 a.m. and 5.00 p.m.) on which licensed banks are open for general business in Hong Kong and the PRC
“BVI Subsidiary”	Vast Joint Limited, a company incorporated in the BVI
“Cayman Subsidiary”	SA Venice II, a company incorporated in the Cayman Islands
“CBD”	has the same meaning ascribed in section C.4 headed “Reasons for and Benefits of the Acquisition” – “Prestigious Location of Guomao CBD” in this announcement
“CCCC HK”	has the same meaning ascribed to it in section A.7.6(b) headed “Shareholders’ Agreement” – “Joint ownership arrangements” – “Minority interest in the Hong Kong Subsidiary” in this announcement
“CCPT Matters Requiring Approval”	the Operations and Property Management Transactions under the Amended and Restated Operations and Property Management Framework Agreement and the proposed annual caps applicable thereto for the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024
“China HP Building”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“China Indirect Transfer Rules”	the tax notices issued by the PRC State Administration of Taxation, in respect of offshore indirect transfers of property of an “establishment or place” situated in PRC resident enterprises and any other property directly held by a non-resident enterprise and whose transfer results in enterprise income tax liability for the non-resident enterprise in accordance with the provisions of the <i>Enterprise Income Tax Law of the PRC</i> , including without limitation, the notice titled “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (State Administration of Taxation Bulletin 2015 No. 7 (國家稅務總局公告2015年第7號))”, as may be amended or supplemented from time to time, and including any similar or replacement law, and including any applicable laws in the PRC

“China Merchants Bank Building”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“China Merchants Tower”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Circular”	the circular to be despatched by the Manager to the Unitholders containing, among other things: (a) a letter from the Board to the Unitholders containing details of, among others, the Transaction Matters Requiring Approval; (b) a letter from the Independent Board Committee to Independent Unitholders in relation thereto; (c) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation thereto; (d) the Accountant’s Report of the Target Group; (e) the Unaudited Pro Forma Financial Information of the Enlarged Group; (f) the Independent Property Valuer’s Property Valuation Report; (g) the Market Consultant’s Report; and (h) the notice of the EGM
“CM Continuing CPTs”	the CM Tenancies and the Operations and Property Management Transactions
“CM Continuing CPTs EGM”	the Extraordinary General Meeting of CMC REIT held on 29 December 2021
“CM Connected Persons Group”	persons who are connected persons of CMC REIT by virtue of their relationships (including but not limited to directors, controlling entities, holding companies, subsidiaries or associates) with Eureka (being a substantial holder) or the Manager
“CM Tenancies”	has the same meaning ascribed to it in section F.1 headed “Continuing Connected Party Transactions” – “Background” in this announcement
“CMC REIT”	China Merchants Commercial Real Estate Investment Trust (招商局商業房托基金), a Hong Kong collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO
“CMC REIT’s Properties”	the properties owned by CMC REIT from time to time, whether held directly through the Trustee or indirectly through one or more special purpose vehicles or joint venture entities (where applicable)

“CMG”	China Merchants Group Limited (招商局集團有限公司), a company incorporated in the PRC, and a state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC and which is interested in 64.33% of the share capital of CMSK
“CML”	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”	cities where CML has its property business including Chongqing, Foshan, Guangzhou, Nanjing, Jurong and Xi’an
“CMSK”	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)
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Deed
“Completion Date”	the date on which Completion takes place, as more particularly described in section A.6.5 headed “Completion” in this announcement
“Completion Statement”	the report of the Target Group as at the close of business on the Completion Date, which will be prepared in accordance with the Sale and Purchase Deed
“Conditions”	the conditions precedent to Completion, as more particularly described in section A.6.4 headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to this term in the REIT Code
“Consideration”	has the same meaning ascribed to it in section A.1 headed “Overview of the Acquisition” in this announcement
“Cyberport Building”	數碼大廈, an office building complex technically zoned for industrial use located at No. 1079, Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC

“Declared Dividend”	the dividend declared by the Target Company to the Vendor during the year ended 31 December 2021 but not yet paid to the Vendor
“Deferred Payment Date”	the fifth (5th) Business Day following the fulfilment of all of the conditions subsequent under the definitive agreements of the Acquisition Loan (including but not limited to the completion of registration of the mortgage and/or pledge provided by the Purchaser to the lenders of the Acquisition Loan) or such other date as may be agreed by the Parties
“Deposited Property”	all the assets of CMC REIT, including the Existing Properties currently held in CMC REIT’s portfolio and, from and after Completion, the Target Property
“Directors”	the directors of the Manager
“DPU”	distribution per Unit
“EGM”	the extraordinary general meeting of Unitholders to be convened by and referred to in the EGM Notice
“EGM Notice”	the notice to be included in the Circular in respect of the EGM to consider and, if thought fit, approve the Matters Requiring Approval
“EGM Record Date”	the date of the EGM, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined
“EGM Resolutions”	the Ordinary Resolutions to be passed at the EGM, as will be set out in the EGM Notice and explained in the Circular
“Encumbrance Discharge Filings”	the documents, files, resolutions, approvals, consents and/or waivers for the release of the Onshore Permitted Encumbrances in satisfaction of all requirements under the applicable laws
“Enlarged Group”	means collectively, CMC REIT and the Target Group
“Enlarged Portfolio”	means the Existing Properties and, after Completion, the Target Property
“Eureka”	Eureka Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CMSK

“Existing CM Leasing Framework Agreement”	the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the Group) and Eureka setting out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024
“Existing CMC REIT Group Facilities”	the Existing CMC REIT Group Offshore Facility and the Existing CMC REIT Group Onshore Facility
“Existing CMC REIT Group Offshore Facility”	the term loan facility for up to the HKD equivalent of RMB2,400 million entered into between DBS Bank Ltd., Hong Kong Branch (as lender) and the Purchaser (as borrower) on 22 November 2019
“Existing CMC REIT Group Onshore Facility”	the term loan facility for up to RMB100 million entered into between DBS Bank (China) Ltd (as lender) and the Existing Group Companies (PRC) (other than Shenzhen Technology Building Real Estate Investment and Management Co., Ltd. (深圳市科大置業管理有限公司)) (as borrowers) on 22 November 2019
“Existing Framework Agreements”	the Existing CM Leasing Framework Agreement and the Existing Operations and Property Management Framework Agreement
“Existing Group Companies (BVI)”	Shekou Net Valley Technology Limited, Shekou Net Valley Technology 2 Limited, Shekou Net Valley Garden City Cyberport Limited, Shekou Garden City Limited, Shekou Times Limited
“Existing Group Companies (Hong Kong)”	Shekou Net Valley Technology (Hong Kong) Limited, Shekou Net Valley Technology 2 (Hong Kong) Limited, Shekou Net Valley Garden City Cyberport (Hong Kong) Limited, Shekou Garden City (Hong Kong) Limited and Shekou Times (Hong Kong) Limited
“Existing Group Companies (PRC)”	Shenzhen Shekou New Times Real Estate Investment and Management Co., Ltd. (深圳蛇口新時代置業管理有限公司), Shenzhen Cyberport Building Real Estate Investment and Management Co., Ltd. (深圳市數碼大廈置業管理有限公司), Shenzhen Technology Building Real Estate Investment and Management Co., Ltd. (深圳市科大置業管理有限公司), Shenzhen Technology Building 2 Real Estate Investment and Management Co., Ltd. (深圳市科大二期置業管理有限公司) and Shenzhen Garden City Real Estate Investment and Management Co., Ltd. (深圳市花園城置業管理有限公司)

“Existing Group Facilities”	the Mingyuan Dalian Bank Loan I, the Mingyuan Dalian Bank Loan II and the Onshore Decoration Loan
“Existing Operations and Property Management Framework Agreement”	means the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the 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
“Existing Properties”	the properties currently held by CMC REIT, being: (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
“Existing Properties Property Manager”	has the same meaning ascribed to it in section F.4 headed “Continuing Connected Party Transactions” – “Reasons for and Benefits of the Continuing Connected Party Transactions” in this announcement
“Existing Vendor Facilities”	the Vendor 2017 Offshore Facility and, the Vendor 2021 Offshore Facility
“Framework Agreements”	Existing CM Leasing Framework Agreement and Amended and Restated Operations and Property Management Framework Agreement
“Frontier Shekou”	Frontier Shekou Commercial Holdings Limited, a BVI business company incorporated in the BVI and the holding company of the Existing Group Companies (BVI), Existing Group Companies (Hong Kong) and Existing Group Companies (PRC)
“Framework Agreements”	Existing CM Leasing Framework Agreement and Amended and Restated Operations and Property Management Framework Agreement
“Garden City Shopping Centre”	花園城, a shopping centre located at No. 1086, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC
“Group”	CMC REIT and the companies or entities directly or indirectly held or controlled by CMC REIT, and “Group Company” means any one of them
“Guomao CBD”	has the same meaning ascribed in section C.4 headed “Reasons for and Benefits of the Acquisition” – “Prestigious Location of Guomao CBD” in this announcement

“Hengqin Life Tower”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“HK\$, HKD or Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Subsidiary”	Hong Kong Wahsheung Properties (Beijing) Limited 香港華商置業(北京)有限公司, a company incorporated in Hong Kong
“ICBC Tower”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Indebtedness to Vendor Group”	has the same meaning ascribed to it in section B.1.2 headed “Financing of the Acquisition” – “Facilities to be taken out by CMC REIT” – “Indebtedness to Vendor Group” in this announcement
“Independent Board Committee”	the independent committee established by the Board of the Manager to advise the Independent Unitholders on the Matters Requiring Approval, comprising Lin Hua, Lin Chen and Wong Yuan Chin, Tzena, being all of the independent non-executive Directors of the Manager
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the Matters Requiring Approval
“Independent Property Valuer”	Cushman & Wakefield Limited, the current principal valuer of CMC REIT
“Independent Property Valuer’s Property Valuation Report”	the valuation report dated 14 June 2022 issued by the Independent Property Valuer in respect of the Target Property, the text of which shall be set out in the Circular



“independent third party(ies)”	party(ies) which are not connected persons of CMC REIT
“Independent Unitholders”	Unitholders other than those who have a material interest in the relevant resolutions that is different from that of all other Unitholders, within the meaning of paragraphs 8.7F and 9.9(f) of the REIT Code, and who are entitled to vote at the EGM
“INED(s)”	independent non-executive Director(s)
“Initial Adjusted NAV”	means RMB88,467,262, being an amount equal to 51% of the net asset value of the Company attributable to the Vendor as at 31 December 2021, based on the management accounts of the Target Company, disregarding the following assets and liabilities: (i) the value of the Target Property; (ii) the property, plant and equipment of the Target Group; (iii) the deferred tax liability in relation to accelerated tax depreciation and change in fair value of investment properties; and (iv) the Assignable Payables
“Initial Consideration”	has the same meaning ascribed to it in section A.6.2 headed “Consideration and payment terms for the Acquisition” in this announcement
“Initial Payment”	has the same meaning ascribed to it in section A.6.2 headed “Consideration and payment terms for the Acquisition” in this announcement
“Inner Peace”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Latest Practicable Date”	10 June 2022, being the latest practicable date prior to the issue of this announcement for the purpose of ascertaining certain information contained in the Circular
“Leases”	the leases entered into between the PRC Subsidiary and the lessees of the Target Property
“Lessees”	the lessees under the Leases
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Long Stop Date”	the date six (6) months after the date of the Sale and Purchase Deed, or such later date as agreed by the Purchaser and the Vendor in writing
“Loss in Value”	has the same meaning ascribed to it in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities” in this announcement
“Loss in Value Limitation”	has the same meaning ascribed to it in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities” in this announcement
“Manager”	China Merchants Land Asset Management Co., Limited (in its capacity as the manager of CMC REIT), a company incorporated under the laws of Hong Kong
“Market Consultant”	Knight Frank Petty Limited
“Market Consultant’s Report”	the letter dated 14 June 2022 from the Market Consultant
“Matters Requiring Approval”	collectively, the Transaction Matters Requiring Approval and the CCPT Matters Requiring Approval
“Mingyuan Dalian Bank Loan I”	the working capital loan for a principal amount of the RMB75,000,000 entered into between the Panama Subsidiary (as borrower) and Bank of Dalian Co., Ltd. Shanghai Branch (as lender) on 10 December 2019
“Mingyuan Dalian Bank Loan II”	the working capital loan for a principal amount of the RMB45,000,000 entered into between the Panama Subsidiary (as borrower) and Bank of Dalian Co., Ltd. Shanghai Branch (as lender) on 24 December 2020
“New Facility”	has the same meaning ascribed to it in section B.1.3 headed “Facilities to be taken out by CMC REIT” in this announcement
“New Times Plaza”	新時代廣場, an office building located at No. 1, Taizi Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC;
“Offshore Permitted Encumbrances”	the share pledge of all the shares of the BVI Subsidiary and the Panama Subsidiary and 80% shares of the Hong Kong Subsidiary to China Minsheng Banking Corp., Ltd. Hong Kong Branch in connection with the Vendor 2017 Offshore Facility

“Onshore Decoration Loan”	the fixed asset loan agreement for a principal amount of RMB94,000,000 entered into between China Minsheng Bank Co., Ltd. Shanghai Branch (as lender) and the PRC Subsidiary (as borrower) on 25 November 2019
“Onshore Permitted Encumbrances”	(i) the property mortgage over the Target Property created in the interest of, and the pledge of all equity interest of the PRC Subsidiary to, China Minsheng Banking Corp., Ltd. Shanghai Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行) in connection with a term loan facility for a principal amount of RMB3,000,000,000 entered into between China Minsheng Banking Corp., Ltd. Shanghai Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行) (as lender) and the Vendor (as borrower) on 23 November 2017; (ii) the property mortgage over the Target Property created in the interest of China Minsheng Bank Corp., Ltd. Hong Kong Branch in connection with the Vendor 2017 Offshore Facility; (iii) the property mortgage over the Target Property created in the interest of China Minsheng Banking Corp., Ltd. Shanghai Branch (中國民生銀行股份有限公司上海分行) in connection with the Onshore Decoration Loan
“Operations and Property Management Transactions”	has the same meaning ascribed to it in section F.1 headed “Continuing Connected Party Transactions” – “Background” in this announcement
“Operations Management Agreement”	the operations management agreement to be entered into between the PRC Subsidiary and the Operations Manager at Completion, as more particularly described in section D.5.2 headed “Operations Management Agreement” in this announcement
“Operations Management Services”	has the same meaning ascribed to it in section F.2.2 headed “Amended and Restated Operations and Property Management Framework Agreement” in this announcement
“Operations Manager”	China Merchants Shekou Enterprise Management (Shenzhen) Co., Ltd.* (招商蛇口企業管理(深圳)有限公司) or another indirect subsidiary of CMSK in each case will be a member of the CM Connected Persons Group
“Ordinary Resolution”	a resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of the Units in issue

“Ordinary Resolution No. 2”	the Ordinary Resolution to approve the Amended and Restated Operations and Property Management Framework Agreement, the Operations and Property Management Transactions under the Amended and Restated Operations and Property Management Framework Agreement and the proposed annual caps applicable to the Operations and Property Management Transactions for the three years ending 31 December 2022, 2023 and 2024
“Other Acquisition Fees and Expenses”	has the same meaning ascribed to it in section A.9.3 headed “Other Acquisition Fees and Expenses” in this announcement
“Panama Subsidiary”	Ming Yuan Property (Hua Bei) Corporation (明源地產(華北)有限公司), a company incorporated in Panama
“PRC”	The People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Taiwan and the Macau Special Administrative Region
“PRC Subsidiary”	Onward Science & Trade Center Company Limited* (招商局航華科貿中心有限公司), a company incorporated in PRC and the registered legal owner of the Target Property
“Property Management Agreement”	the building management agreement to be entered into between the PRC Subsidiary and the Property Manager at Completion, as more particularly described in section D.5.3 headed “Property Management Agreement” in this announcement
“Property Management Services”	has the same meaning ascribed to it in section F.2.2 headed “Continuing Connected Party Transactions” – “Amended and Restated Operations and Property Management Framework Agreement” in this announcement
“Property Manager”	China Merchants Property Management (Beijing) Co., Ltd.* (北京招商局物業管理有限公司) or another indirect subsidiary of CMSK, which in each case will be a member of the CM Connected Persons Group

“Property Mortgage”	(i) the property mortgage over the Target Property created in the interest of China Minsheng Banking Corp., Ltd. Shanghai Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行) in connection with a term loan facility for a principal amount of RMB3,000,000,000 entered into between China Minsheng Banking Corp., Ltd. Shanghai Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行) (as lender) and the Vendor (as borrower) on 23 November 2017; (ii) the property mortgage over the Target Property created in the interest of China Minsheng Banking Corp., Ltd. Hong Kong Branch in connection with the Vendor 2017 Offshore Facility; and (iii) the property mortgage over the Target Property created in the interest of China Minsheng Banking Corp., Ltd. Shanghai Branch (中國民生銀行股份有限公司上海分行), in connection with the Onshore Decoration Loan
“Purchaser”	Treasure Supreme International Limited, a company incorporated in the British Virgin Islands and a SPV of CMC REIT that will directly hold the Target Shares
“REIT”	Real Estate Investment Trust
“REIT Code”	the Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being
“Reporting Accountant”	Deloitte Touche Tohmatsu
“Revised Annual Cap(s)”	the proposed revised annual cap amount(s) in respect of the Operations and Property Management Transactions for the three years ending 31 December 2022, 2023 and 2024 respectively, as set out in section F.3.2 headed “Continuing Connected Party Transactions” – “Historical Transaction Amounts and Annual Caps” – “Operations and Property Management Transactions” in this announcement
“RMB”	Renminbi, the official currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Sale and Purchase Deed”	the deed for the sale and purchase of 51% of the issued shares in the capital of the Target Company dated 13 June 2022 entered into between the Purchaser, the Vendor and the Warrantor
“Shareholders’ Agreement”	has the meaning ascribed to it in section A.7.1 headed “Shareholders’ Agreement” in this announcement
“SPV(s)”	special purpose vehicle(s) that is owned and controlled by CMC REIT in accordance with the REIT Code and the Trust Deed
“sq.m.”	square metre
“substantial holder”	has the meaning ascribed to this term in the REIT Code
“Taiping Financial Centre”	has the same meaning ascribed to it in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” in this announcement
“Target Company”	SA Venice I, an exempted company with limited liability incorporated under the laws of the Cayman Islands which wholly-owns the Cayman Subsidiary and is the indirect owner of the PRC Subsidiary
“Target Group”	collectively: (1) the Target Company; (2) the Cayman Subsidiary; (3) the BVI Subsidiary; (4) the Hong Kong Subsidiary; (5) Panama Subsidiary; and (6) the PRC Subsidiary, and each a “Target Group Company”
“Target Property”	certain units of the development known as Onward Science & Trade Center (招商局航華科貿中心) located at 108, 108A, 108B, 110, 112, 116, 118, 118A and 118B Jianguo Road, Chaoyang District, Beijing, PRC, with 48.370.26 sq.m. of gross floor area in total, as more particularly described in section A.2.1 headed “The Acquisition” – “Key Information on the Target Property” – “Description” of this announcement
“Target Property Indemnity”	has the same meaning ascribed to it in section A.6.6 headed “Sale and Purchase Deed” – “Representations, Warranties and Indemnities” in this announcement
“Target Shares”	51% of the issued shares of the Target Company

“Technology Building”	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”	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
“Total Fees and Charges”	the estimated total fees and charges payable by CMC REIT in relation to the Acquisition as more particularly described in section A.9 headed “Fees and Charges” in this announcement
“Transaction Documents”	collectively: (1) the Sale and Purchase Deed (details of which are set out in section A.6 headed “Sale and Purchase Deed” in this announcement); and (2) all other agreements that are to be executed or issued pursuant to the Sale and Purchase Deed
“Transaction Matters Requiring Approval”	the matters which require the approval of the Unitholders at the EGM being: (i) the Acquisition and the transactions contemplated under the Sale and Purchase Deed (including the Indebtedness to Vendor Group); and (ii) the execution of the Shareholders’ Agreement and the transactions contemplated thereunder
“Trust Deed”	the deed of trust constituting CMC REIT dated 26 July 2021 and entered into between the Trustee and the Manager, as the same may be amended and supplemented from time to time by any supplemental deed
“Trustee”	DB Trustees (Hong Kong) Limited, in its capacity as trustee of CMC REIT
“Trustee’s Additional Fee”	has the same meaning ascribed to it in section A.9.4 headed “Trustee’s Additional Fee” in this announcement
“Unaudited Pro Forma Financial Information of the Enlarged Group”	the unaudited pro forma statement of financial position of the Enlarged Group, the text of which shall be set out in the Circular
“Unit”	one undivided unit in CMC REIT
“Unit Registrar”	Tricor Investor Services Limited, in its capacity as the Hong Kong unit registrar of CMC REIT

“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Unitholder(s)”	any person registered as holding a Unit on the register of Unitholders of CMC REIT
“US\$, USD or US dollars”	United States dollars, the lawful currency of the United States of America
“Vendor”	Super Alliance Real Estate Partner L.P., a limited partnership formed according to the laws of the Cayman Islands
“Vendor Group”	the group of companies comprising the Vendor, any holding company from time to time of the Vendor and any subsidiary of the Vendor or of any such holding company but excluding each member of the Group
“Vendor 2017 Offshore Facility”	the term loan facility for a principal amount of RMB500,000,000 entered into between China Minsheng Banking Corp., Ltd. Hong Kong Branch (as lender) and the Vendor (as borrower) on 20 November 2017
“Vendor 2021 Offshore Facility”	the term loan facility for a principal amount of RMB2,993,000,000 entered into between among the Vendor (as borrower), the Warrantor (as guarantor) and China Minsheng Banking Corp., Ltd. Hong Kong Branch (as lender) on 23 November 2021
“Warrantor”	means Eureka Investment Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CMSK
“%”	per cent or percentage

\* For identification purpose only

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)  
**Huang Junlong**  
*Chairman of the Manager*

Hong Kong, 13 June 2022

*As at the date of this announcement, the directors of the Manager are Mr. Huang Junlong (Chairman and non-executive director); Mr. Guo Jin (executive director); Mr. Yu Zhiliang and Ms. Liu Ning (non-executive directors); and Mr. Lin Hua, Mr. Lin Chen and Ms. Wong Yuan Chin, Tzena (independent non-executive directors).*