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China Jinmao Holdings Group Limited

中國金茂控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00817)

POSSIBLE DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE REITS ON THE SHANGHAI STOCK EXCHANGE

PROPOSED SPIN-OFF

As disclosed in the Announcement dated 26 October 2023, the Proposed Spin-off involves the separate listing of the Project on the Shanghai Stock Exchange through the establishment of the REITs as a close-ended publicly-listed infrastructure securities investment fund. The Public Fund will indirectly hold the Project through the ABS and the Project Company, upon completion of the Proposed Spin-off.

The Board is pleased to announce that on 26 November 2023, the Shanghai Stock Exchange confirmed it has no objection in respect of the Proposed Listing, and the CSRC has approved the registration of the REITs.

LISTING RULES IMPLICATION

The Proposed Spin-off constitutes (i) a net acquisition of approximately 49% equity interest in the Project (excluding the 4/F fitness centre), which was completed in August 2023; (ii) a disposal of 100% equity interest in the Project Company; and (iii) a subscription of 34% of the Units in the Public Fund by the Company. As at the date of this announcement, the Company indirectly holds 100% of the equity interests of the Project through the Project Company. Based on the latest information available to the Company as at the date of this announcement, it is expected that the highest applicable percentage ratio in relation to the Proposed Spin-off calculated pursuant to Rule 14.07 of the Listing Rules will be more than 5% but less than 25%, as such the Proposed Spin-off may constitute a possible discloseable transaction for the Company and therefore may be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make further announcement(s) in relation to (among others) the final offer price and the net proceeds from the Proposed Spin-off as and when appropriate in accordance with the requirements of the Listing Rules.

Shareholders and potential investors should note that the Proposed Listing is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Public Offering will take place or as to when it may take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 26 October 2023 in relation to the Proposed Spin-off and separate listing of the REITs on the Shanghai Stock Exchange (the “**Announcement**”). Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement and the section headed “DEFINITIONS” in this announcement.

PROPOSED SPIN-OFF

As disclosed in the Announcement, the Proposed Spin-off involves the separate listing of the Project on the Shanghai Stock Exchange through the establishment of the REITs as a close-ended publicly-listed infrastructure securities investment fund.

The Board is pleased to announce that on 26 November 2023, the Shanghai Stock Exchange has confirmed it has no objection in respect of the Proposed Listing, and the CSRC has approved the registration of the REITs.

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, saved as otherwise disclosed in this announcement, each of the Public Fund Manager, the ABS Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Equity Transfer Agreement

Parties: (1) Shanghai Xingxiumao;
(2) the ABS Manager (on behalf of the ABS); and
(3) the Project Company.

To implement the Project Company Transfer, Shanghai Xingxiumao (as the transferor) entered into the Equity Transfer Agreement with the ABS Manager (as the transferee) on behalf of the ABS, pursuant to which Shanghai Xingxiumao agreed to sell, and the ABS Manager, on behalf of the ABS, agreed to acquire, the entire equity interest in the Project Company. The consideration of the Equity Transfer Agreement shall be based on the amount of funds raised through the Public Offering and having deducted (i) an amount reserved for the fees and expenses to be incurred in relation to the Public Fund, the ABS and the Project Company (including but not limited to expenses for preparation of closing audit and tax arising from the transaction); and (ii) the total liabilities as stated in the projected net asset financial statements of the Project Company as of 30 June 2023.

Completion

Subject to the fulfilment (or waiver in writing by the ABS Manager, on behalf of the ABS) of the following conditions, the ABS Manager, on behalf of the ABS, shall pay the total consideration for the Project Company Transfer in full to Shanghai Xingxiumao:

- (1) The ABS Manager and the Project Company having approved the transfer of the equity interest in the Project Company through effective internal resolution procedures;
- (2) Public Funds and ABS having been successfully established;
- (3) The ABS Manager, on behalf of the ABS, having been registered by the registration authority as a shareholder holding 100% of the equity interest of the Project Company;
- (4) The Equity Transfer Agreement having been signed and become effective;
- (5) Shanghai Xingxiumao having completed the completion obligations for the transfer of the equity interest in the Project Company in accordance with the Equity Transfer Agreement;
- (6) The necessary state-owned assets assessment and filing, state-owned assets transaction method approval and other state-owned assets supervision and management filing and approval procedures in relation to the equity transfer of the Project Company under the Equity Transfer Agreement having been completed;
- (7) The Project Company having obtained all consents or approvals if the laws, regulations or relevant agreements or contracts to which the Project Company is a party require the consent or approval of third parties when the Project Company changes its equity structure;
- (8) The representations and warranties made by Shanghai Xingxiumao remaining true, complete and effective, and the ABS Manager, on behalf of the ABS, not having discovered any actual or expected major circumstances that would prevent the continued performance or completion of the transactions under the Equity Transfer Agreement; and
- (9) Shanghai Xingxiumao not having violated any representations, warranties and undertakings under the Equity Transfer Agreement.

The Completion shall take place on the date of completion of the industrial and commercial registration for the Project Company Transfer. The Project Company shall engage an audit firm to conduct an audit of the Project Company as of Completion and procure the audit firm to issue an audit report of the Project Company as of Completion within 15 working days from the Completion. The total consideration for the Project Company Transfer shall be paid in full by the ABS Manager, on behalf of the ABS, to Shanghai Xingxiumao in cash within 5 working days after the issuance of the audit report of the Project Company as of Completion.

Conditions precedent to the Proposed Spin-off

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- (1) the total amount of Units offered by the REITs reaches 100% of the approved registration scale;
- (2) the offering size should be at least RMB200 million and there are at least 1,000 investors participating in the Public Offering;
- (3) the original holder of the equity interest of the Project Company or its related party under common control has subscribed in the strategic tranche as required;
- (4) the Units of the REITs offered to investors under the placing tranche, less the portion placed with strategic investors, shall not be less than 70% of the Public Offering;
- (5) there is no other circumstance leading to the failure of the Public Offering.

On 26 November 2023, the Shanghai Stock Exchange has confirmed it has no objection in respect of the Proposed Listing, and the CSRC has approved the registration of the REITs.

As disclosed in the Announcement, the Company has submitted the PN15 Application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off.

BASIS OF CONSIDERATION OF THE PROJECT COMPANY TRANSFER

The consideration for the Project Company Transfer will be determined based on the mechanism as set out in the subsection headed “Equity Transfer Agreement” under the section headed “PROPOSED SPIN-OFF” of this announcement, i.e. by reference to, among other things, the final offer price of the REITs, and will be ascertained upon completion of the Public Offering. The terms of the Project Company Transfer were determined based on arm’s length negotiations between the Company, the ABS Manager and the Public Fund Manager.

As at the date of this announcement, the offering amount, price range, and as a result, offer price, of the REITs have not been finalized. The offer price will be prudently and reasonably determined by the Public Fund Manager and the financial adviser to the REITs (i.e. CITIC) based on the median and weighted average of valid quotations, taking into account the situation in respect of the receipt of quotations.

The Company will make further announcement(s) after the offer price has been determined.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

Before completion of the Proposed Spin-off, the Project Company is an indirect wholly-owned subsidiary of the Company. The Company (through Shanghai Xingxiumao) will indirectly hold approximately 34% of the total number of Units in issue at the time of completion of the Proposed Listing. As such, the Project Company will no longer be a subsidiary of the Company and the accounts of the Project Company will cease to be consolidated into the accounts of the Company.

The overall impact on profit or loss that the Company expects to record from the Proposed Spin-off will include the difference between the consideration for the Project Company Transfer, which depends on, among other things, the offer price of the REITs, and the carrying value of the Project Company in the consolidated accounts of the Company, and the relevant transaction costs.

The actual amount of gain or loss as a result of the Proposed Spin-off will be assessed after its completion and will be subject to the review and final audit by the auditors of the Company.

USE OF PROCEEDS

According to the requirements of the regulations governing Infrastructure REITs in the PRC, over 90% of the net proceeds from the Public Offering (being the proceeds received by the REITs after deduction of the amounts to be used for repayment of relevant debts, payment of taxes, and subscription monies payable by the Company for participating in the strategic placing tranche in accordance with relevant rules) must be invested in infrastructure project construction.

Accordingly, the net proceeds from the Proposed Spin-off will be invested in the other shopping mall projects of the Company in accordance with the relevant guidelines for fundraising of the REITs. This initiative aims to revitalize the stock assets, establish a consumer-related infrastructure operation and management platform, enhance asset management capabilities and support the upgrading of the business of the Company.

INFORMATION ON THE PARTIES

The Company

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

The Public Fund Manager

The Public Fund Manager is primarily engaged in sales and raising of funds, asset management (including that in respect of specific clients) and other businesses as approved by the CSRC.

The ABS Manager

The ABS Manager is primarily responsible for establishing the ABS, managing the assets of the ABS and distributing proceeds to the ABS investors.

The Operations Management Agency

The Operations Management Agency is primarily engaged in property development, corporate management consulting, property management, paid parking lot operation, business consulting, marketing planning, etc.

The Project Company

The Project Company is an investment holding company incorporated in the PRC. As at the date of this announcement, it is the sole owner of the Project.

The Project

The underlying assets of the REITs will be the Project, Changsha Jinmao Mall of Splendor* (長沙金茂覽秀城). The Project is a large-scale shopping mall located in 1177 Huanhu Road, Meixi Lake, Yuelu District, Changsha, Hunan Province, the PRC developed by the Company. The construction of the Project was completed and has commenced operation in 2016. The Project has a gross floor area approximately 102,742 sq.m. and a leasable area of approximately 61,180 sq.m..

The net loss (before and after taxation) of the Project for the two years ended 31 December 2021 and 2022 based on its audited financial statements prepared under the PRC GAAP amounted to RMB16,617,700 and RMB16,269,000, respectively, which can be attributable to the Project's higher construction cost, higher annual depreciation and amortisation cost, and certain rental waiver granted to the tenants due to public health and hygiene incidents, despite the Project actually recorded a positive net operating cash flow from operations during the period.

The audited net asset value of the Project as at 30 June 2023 was approximately RMB1.12 billion before the completion of the Restructuring. In order to facilitate the issuance of the REITs, the Project Company underwent a capital restructuring during its establishment in April 2023 and the Restructuring. After the completion of the Restructuring, based on the projected net asset financial statements of the Project Company prepared in accordance with PRC GAAP as of 30 June 2023, the net asset value and the total liabilities of the Project Company were approximately RMB45,737,060.5 and RMB1.01 billion, respectively.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will be beneficial for both the Group and the REITs for the following reasons:

- (1) the Proposed Listing will provide an operating and listed financing platform for the Group for asset holding purpose. Upon completion of the Proposed Spin-off and the Proposed Listing, the REITs will become an independent listed platform in the Mainland, and can further raise funds through such platform to develop its asset holding business in the Mainland. Meanwhile, the Group (through the Operation Management Agency) will continue to operate and manage the Project via such platform and further strengthen the Group's asset operation capability through the operational arrangements and market comparison pressure after the Proposed Spin-off and Proposed Listing. It is in line with the Group's strategy of promoting the holding business to focus on boutique properties and improving the level of returns;
- (2) in the long run, the REITs can continue to acquire new and mature assets and the Group can also collect fees for the operation management services provided by the Operation Management Agency. The Company will continue to benefit from the business prospects and results of the REITs through stable return that it will receive in the form of distribution as a holder of the Units and the profit contribution of the Group will be enhanced from boutique property holding and asset operation and management;
- (3) the Project is a boutique property that the Group intends to focus on in the future. On the one hand, the Proposed Spin-off is an effective attempt by the Group in capital operation, it is also conducive to enhancing the market image and reputation of the Group and the Mall of Splendor Series of products, thereby assisting future business development and brand building of the Group; and
- (4) the Public Offering and establishment of the REITs and a separate listing in the Mainland can provide equity financing for the Group and effectively supplement the equity capital. On the one hand, it can effectively facilitate the reinvestment, development and construction of future holding assets, forming a closed-cycle of investment, operation and exit. On the other hand, it can also optimize the financial performance of the Group to a certain extent.

In view of the above, the Directors believe that the terms of the Proposed Spin-off are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

The Proposed Spin-off constitutes (i) a net acquisition of approximately 49% equity interest in the Project (excluding the 4/F fitness centre), which was completed in August 2023; (ii) a disposal of 100% equity interest in the Project Company; and (iii) a subscription of 34% of the Units in the Public Fund by the Company. As at the date of this announcement, the Company indirectly holds 100% of the equity interests of the Project through the Project Company. Based on the latest information available to the Company as at this announcement, it is expected that the highest applicable percentage ratio in relation to the Proposed Spin-off calculated pursuant to Rule 14.07 of the Listing Rules will be more than 5% but less than 25%, as such the Proposed Spin-off may constitute a possible discloseable transaction for the Company and therefore may be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Completion”	the completion of the Project Company Transfer
“Equity Transfer Agreement”	as part of documents required to be submitted in advance for receiving the no objection letter in respect of the Proposed Listing and the approval for registration of the REITs, the equity transfer agreement dated 23 November 2023 entered into between Shanghai Xingxiumao and the ABS Manager, on behalf of the ABS, in relation to the transfer of the entire equity interest in the Project Company
“PRC GAAP”	the PRC Generally Accepted Accounting Principles as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC
“Project Company Transfer”	the transfer of the Project Company from Shanghai Xingxiumao to the ABS Manager, on behalf of the ABS, for the Proposed Spin-off

“Public Offering”	the public offering of the Units
“Relevant Period Profit and Loss”	the net asset value as stated in the audit report of the Project Company as of Completion minus the net asset value as stated in the projected net asset financial statements of the Project Company as of 30 June 2023
“Restructuring”	the transfer of the entire interests in the Project from the subsidiaries of the Company to the Project Company, which is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

* *For identification purpose only*

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

Hong Kong, 28 November 2023

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