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China Merchants Commercial Real Estate Investment Trust

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

Managed by
China Merchants Land Asset Management Co., Limited

ANNOUNCEMENT

(1) CONTINUING CONNECTED PARTY TRANSACTIONS

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING AND

CLOSURE OF REGISTER OF UNITHOLDERS

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

ALTUS CAPITAL LIMITED

CONTINUING CONNECTED PARTY TRANSACTIONS

In anticipation of the expiry of the 2019 CPT Waiver on 31 December 2021, and having regard to the regular, ordinary and ongoing nature of the CM Tenancies and the Operations and Property Management Transactions, on 9 December 2021, CMC REIT (through the Manager) entered into: (i) the CM Leasing Framework Agreement with Eureka, which sets out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024; and (ii) the Operations and Property Management Framework Agreement with Eureka, which sets out the framework terms governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024.

The CM Leasing Framework Agreement and the Operations and Property Management Framework Agreement are conditional upon the passing of Ordinary Resolutions No. 1 and 2 respectively as set out in the Circular.

The Manager proposes to seek Independent Unitholders' approval by way of Ordinary Resolutions at the EGM to approve the CM Leasing Framework Agreement, the CM Tenancies under the CM Leasing Framework Agreement, the Operations and Property Management Framework Agreement, the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement and the proposed annual caps applicable thereto respectively for the three years ending 31 December 2022, 2023 and 2024.

NOTICE OF EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

Details of the above are more particularly set out in the Circular, which is expected to be despatched to the Unitholders on 10 December 2021.

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

The Register of Unitholders will be closed from Thursday, 23 December 2021 to Wednesday, 29 December 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the EGM.

1. CONTINUING CONNECTED PARTY TRANSACTIONS

1.1. Background

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

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

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

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

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

1.2. CM Continuing CPTs with the CM Connected Persons Group

1.2.1. CM Leasing Framework Agreement

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

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

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|--------------------------|--|
| Parties: | (1) The Manager (for and on behalf of the CMC REIT Group) |
| | (2) Eureka |
| Purpose and description: | To set out the framework terms governing tenancies entered or to be entered into between a member of the CMC REIT Group (as lessor) on the one hand and a member of the CM Connected Persons Group (as lessee) on the other hand in respect of any of CMC REIT's Properties during the term of the CM Leasing Framework Agreement. |

The relevant members of the CMC REIT Group and CM Connected Persons Group shall enter into separate written agreements on normal commercial terms to be negotiated on a case-by-case and at arm's length basis which are fair and reasonable and in the interests of CMC REIT and the Unitholders as a whole.

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

Pricing policy: The rent chargeable for such transactions shall be based on the then prevailing market rates for properties of similar size and with similar attributes within the same building (or, if not available, within the vicinity).

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

1.2.2. Operations and Property Management Framework Agreement

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

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

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

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

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

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

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

The operations management services shall include, among other things:

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

- (vii) working with the other professional service providers to maintain the income generating capability of CMC REIT's Properties;
- (viii) account management and document support services, including bank account maintenance and archiving of tenancy related documents and other contracts; and
- (ix) information technology support.

(2) Property Management Services

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

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

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

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

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

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

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

1.3. Historical Transaction Amounts and Annual Caps

(a) *CM Tenancies*

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

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

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

(b) *Operations and Property Management Transactions*

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

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

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

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

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

1.4. Reasons for and Benefits of the Transactions

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

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

1.5. Regulatory Implications

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

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

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

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

1.6. Internal Controls

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

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

1.7. Review and Reporting

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

1.7.1. Annual review by the Independent Non-executive Directors

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

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

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

1.7.2. Auditors' review procedures

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

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

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

1.7.3. Auditor's access to books and records

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

1.7.4. Notification to the SFC

The Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in sections 1.7.1 and/or 1.7.2 of this announcement above. The SFC may require the Manager to re-comply with the announcement and Unitholders' approval requirements and may impose additional conditions.

1.7.5. Annual reports

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

1.8. Information on the Parties

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

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

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

2. VIEWS AND RECOMMENDATIONS

2.1. Continuing Connected Party Transactions

As stated in section 1.5 of this announcement, Independent Unitholders' approval is required for the entry into of the CM Tenancies under the CM Leasing Framework Agreement and the Operations and Property Management Transactions under the Operations and Property Management Framework Agreement, and the proposed annual caps applicable thereto.

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

2.1.1. Independent Financial Adviser

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

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

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

2.1.2. Independent Board Committee

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

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

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

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

2.1.3. Board

The Board (including the Independent Non-executive Directors, but excluding the Directors who have abstained from voting on the relevant Board resolution as set out in section 1.5 of this announcement) considers that the CM Tenancies and the Operations and Property Management Transactions form an integral part of the normal operations of CMC REIT. In particular, the Operations Manager and the Property Manager have been important delegates of the Manager since the listing of CMC REIT in relation to the management of the Existing Properties.

The Board considers that:

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

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

2.1.4. *Trustee*

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

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

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

3. EGM AND CLOSURE OF REGISTER OF UNITHOLDERS

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

The Register of Unitholders will be closed from Thursday, 23 December 2021 to Wednesday, 29 December 2021 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the EGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Hong Kong Unit Registrar of CMC REIT, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Wednesday, 22 December 2021.

4. DEFINITIONS

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

2019 CPT Waiver	means the waiver from strict compliance with Chapter 8 of the REIT Code granted by the SFC in respect of the CM Continuing CPTs, as described in the Offering Circular.
associate	has the meaning ascribed to it under the REIT Code.
Audit Committee	means the audit committee of the Manager.
Board	means the board of Directors.
Chairman	means the chairman of the Board.
Circular	means the circular of CMC REIT which is expected to be despatched to the Unitholders on 10 December 2021.
CM Connected Persons Group	means connected persons of CMC REIT by virtue of their relationships with the Manager or Eureka (being a Substantial Unitholder).
CM Continuing CPTs	means the CM Tenancies and the Operations and Property Management Transactions.
CM Leasing Framework Agreement	means the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the CMC REIT Group) and Eureka setting out the framework terms governing the CM Tenancies for the period from 1 January 2022 to 31 December 2024.
CM Tenancies	has the meaning ascribed to it under section 1.1 of this announcement.
CMC REIT	means China Merchants Commercial Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO.
CMC REIT Group	means CMC REIT and its subsidiaries.
CMC REIT's Properties	means the properties owned by CMC REIT from time to time, whether held directly through the Trustee or indirectly through one or more SPVs or joint venture entities (where applicable).

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

Greater Bay Area	means the integrated economic and business hub which includes the cities of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing.
Hong Kong	means the Hong Kong Special Administrative Region of the PRC.
Hong Kong Stock Exchange	means the Stock Exchange of Hong Kong Limited.
Independent Board Committee	means the independent committee of the Board established to advise the Independent Unitholders on the CM Continuing CPTs.
Independent Financial Adviser	means Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO.
Independent Non-executive Director(s)	means the independent non-executive director(s) of the Manager.
Independent Unitholders	means Unitholders other than those who have a material interest in the relevant transactions within the meaning of paragraph 8.7F of the REIT Code.
Listing Rules	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or modified from time to time (modified as appropriate pursuant to 2.26 of the REIT Code).
Manager	means China Merchants Land Asset Management Co., Limited, in its capacity a manager of CMC REIT.
New Times Plaza	means 新時代廣場, an office building located at No. 1, Taizi Road, Nanshan District, Shenzhen City, Guangdong Province, the PRC.
Offering Circular	means the offering circular of CMC REIT dated 28 November 2019.
Onshore Manager Subsidiary	means China Merchants Land Enterprise Management Consulting (Shenzhen) Co., Ltd (招商局置地企業管理諮詢(深圳)有限公司), a company incorporated in the PRC and a direct wholly-owned subsidiary of the Manager and an indirect wholly-owned subsidiary of CML.

Operations and Property Management Framework Agreement	means the framework agreement dated 9 December 2021 entered into by the Manager (on behalf of the CMC REIT Group) and Eureka setting out the framework terms governing the Operations and Property Management Transactions for the period from 1 January 2022 to 31 December 2024.
Operations and Property Management Transactions	has the meaning ascribed to it under section 1.1 of this announcement.
Operations Management Agreement	means the operations management agreement dated 22 November 2019 entered into between the Operations Manager and the PRC Property Companies relating to the provision of certain operations management services in respect of the Existing Properties.
Operations Management Services	has the meaning ascribed to it under section 1.2.2 of this announcement.
Operations Manager	means China Merchants Shekou Enterprise Management (Shenzhen) Co., Ltd.* (招商蛇口企业管理(深圳)有限公司), a company established in the PRC and is indirectly owned as to 51.16% by CMSK as at the date of this announcement.
Ordinary Resolution	means a resolution of Unitholders proposed and passed by a simple majority of the votes of those present and entitled to vote in person or by proxy where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders registered as holding together not less than 10% of Units for the time being in issue and outstanding.
PRC	means The People’s Republic of China excluding, for the purposes of this announcement only (unless otherwise expressly specified), Hong Kong, Macao and Taiwan.
PRC Property Companies	means the respective direct owners of the Existing Properties, and “PRC Property Company” means any one of them.
Property Management Agreements	means the property management agreements dated 22 November 2019 entered into between the Property Manager and each of the PRC Property Companies relating to the provision of certain property management services in respect of the Existing Properties.

Property Management Services	has the meaning ascribed to it under section 1.2.2 of this announcement.
Property Manager	means Shenzhen China Merchants Property Holding Management Co., Ltd.* (深圳招商物業管理有限公司), a company incorporated in the PRC and is indirectly owned as to 51.16% by CMSK as at the date of this announcement.
Register of Unitholders	means the register of Unitholders.
REIT	means real estate investment trust.
REIT Code	means the Code on Real Estate Investment Trusts issued by the SFC (as amended, supplemented or otherwise modified for the time being) or, for the purpose of the Trust Deed, from time to time, including but not limited to by published practice statements or in any particular case, by specific written guidance issued or exemptions or waivers granted by the SFC.
RMB	means Renminbi, the lawful currency of the PRC.
SFC	means the Securities and Futures Commission of Hong Kong.
SFO	means the Securities and Futures Ordinance of Hong Kong (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being.
SPV	means a special purpose vehicle.
Substantial Unitholder	means a Unitholder who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Unitholders.
Technology Building	means 科技大廈, an office building complex technically zoned for industrial use located at No. 1067, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.
Technology Building 2	means 科技大廈二期, an office building complex technically zoned for industrial use located at No. 1057, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC.

Trust Deed	means the trust deed dated 15 November 2019 between the Trustee (in its capacity as trustee of CMC REIT) and the Manager constituting CMC REIT, as amended by any supplemental deed.
Trustee	means DB Trustees (Hong Kong) Limited, the trustee of CMC REIT.
Unit	means a unit of CMC REIT.
Unitholder	means any person registered as holding a Unit.
%	per cent or percentage.

* *For identification purpose only*

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

Hong Kong, 9 December 2021

As at the date of this announcement, the Board of the Manager comprises Mr. HUANG Junlong (Chairman), Mr. YU Zhiliang and Ms. LIU Ning as Non-executive Directors, Mr. GUO Jin as Executive Director, and Mr. LIN Hua, Mr. LIN Chen and Ms. Wong Yuan Chin, Tzena as Independent Non-executive Directors.