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方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產(中國)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

**MAJOR TRANSACTION
IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE HOTEL BUSINESS OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

*Independent Financial Adviser
to the Independent Board Committee and the Shareholders*



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 15 to 64 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Shareholders is set on page 65 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set on pages 66 to 88 of this circular.

19 June 2014

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EXPECTED TIMETABLE

Despatch of **BLUE** Application Forms to Qualifying Shareholders on or before Thursday, 19 June 2014

Latest time for completing electronic applications under the Online Preferential Offering service (**Blue Form eIPO** service) 11.30 a.m. on Tuesday, 24 June 2014

Latest time for (a) lodging **BLUE** Application Forms and (b) completing payment for **Blue Form eIPO** applications 12:00 noon on Tuesday, 24 June 2014

Announcement of the results of allocations in the Hong Kong Public Offering (including the Preferential Offering) on or before Monday, 30 June 2014

Dealings in the Share Stapled Units on the Stock Exchange expected to commence on Wednesday, 2 July 2014

All times refer to Hong Kong local time. Please note that the above tentative timetable depends on the final timetable of the Global Offering and therefore, it may be subject to further changes. Further announcement(s) will be made as and when necessary. For further details in respect of the timetable for the Global Offering, please refer to the timetable as set out in the Prospectus.

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“Actual EBITDA”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Shortfall Payments”</i> in the Letter from the Board
“Adjustments”	the items in respect of which adjustments are to be made to the consolidated statement of profit or loss of the JCIHL Group for the relevant financial year or the relevant distribution period, as further described in <i>“Objectives of the Jinmao Investments Group and Distributions — Group Distributable Income”</i> in the Letter from the Board
“Application Form(s)”	the application forms jointly issued by Jinmao Investments and JCIHL and to be used for applying for the Offer Share Stapled Units pursuant to the Hong Kong Public Offering and the Preferential Offering
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Assured Entitlement”	the entitlement of the Qualifying Shareholders to apply for the Reserved Share Stapled Units on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in the Company on the Record Date
“Authorised Business”	the authorised business of Jinmao Investments as prescribed in the Trust Deed, being: <ul style="list-style-type: none">(a) investing in JCIHL (including, without limitation, investment in securities and other interests in JCIHL);(b) the exercise of the Trustee-Manager’s powers, authorities and rights, and the performance of its duties and obligations, under the Trust Deed; and(c) anything or activity which is necessary or desirable for or in connection with the activities referred to in paragraphs (a) and/or (b) above
“Available Reserved Share Stapled Units”	has the meaning ascribed to it in <i>“Assured Entitlement — Basis of Allocation for Applications for Reserved Share Stapled Units”</i> in the Letter from the Board
“Beneficial Shareholder”	any beneficial owner of Shares whose Shares are registered, as shown in the register of members of the Company, in the name of a registered Shareholder on the Record Date

DEFINITIONS

“BLUE Application Form(s)”	the application form(s) to be sent to Qualifying Shareholders to subscribe for Reserved Share Stapled Units pursuant to the Preferential Offering
“Blue Form eIPO”	the application for Reserved Share Stapled Units to be issued in a Qualifying Shareholder’s own name by submitting applications online through the designated website of the Blue Form eIPO at www.eipo.com.hk
“Board”	the board of Directors
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Franshion Properties (China) Limited (方興地產(中國)有限公司), a company incorporated in Hong Kong with limited liability on 2 June 2004, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00817)
“Completed Hotels”	the six completed hotels which form part of the initial property portfolio of the JCIHL Group, comprising (a) Grand Hyatt Shanghai, (b) The Westin Beijing Chaoyang, (c) JW Marriott Hotel Shenzhen, (d) The Ritz-Carlton, Sanya, (e) Hilton Sanya Resort and Spa and (f) Hyatt Regency Chongming
“Controlling Interest”	has the meaning ascribed to it under “ <i>Other Arrangements in relation to the Proposed Spin-off — Business Delineation Measures — Hotel Arrangements</i> ” in the Letter from the Board
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution Guarantee”	has the meaning ascribed to it in “ <i>Other Arrangements in relation to the Proposed Spin-off — Distribution Guarantee</i> ” in the Letter from the Board
“Distribution Guarantee Amount”	has the meaning ascribed to it in “ <i>Other Arrangements in relation to the Proposed Spin-off — Distribution Guarantee</i> ” in the Letter from the Board

DEFINITIONS

“Distribution Shortfall Payment”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Distribution Guarantee”</i> in the Letter from the Board
“DTZ”	DTZ Debenham Tie Leung Limited
“EBITDA”	profit before tax, after deducting fair value gains on investment properties, bank interest income and other investment income, adding back depreciation, amortisation of intangible assets, recognition of prepaid lease payments less amount capitalised, finance costs, write-down of inventories to net realisable value and impairment of items of property, plant and equipment, and adjustment for foreign exchange differences, impairment/(reversal of impairment) of trade receivables and gain or loss on disposal of items of property, plant and equipment
“Excluded Amounts”	has the meaning ascribed to it in <i>“Objectives of the Jinmao Investments Group and Distributions — Group Distributable Income”</i> in the Letter from the Board
“Excluded Hotels”	has the meaning ascribed to it under <i>“Proposed Spin-off — Overview of the Business of the Group”</i> in the Letter from the Board
“FF&E Reserve”	the amount of reserves for furniture, fixtures and equipment
“Global Offering”	the Hong Kong Public Offering and the International Offering (including the Preferential Offering)
“Group”	the Company and its subsidiaries from time to time
“Group Distributable Income”	has the meaning ascribed to it in <i>“Objectives of the Jinmao Investments Group and Distributions — Group Distributable Income”</i> in the Letter from the Board
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Share Stapled Units”	the 60,000,000 Share Stapled Units initially being jointly offered by Jinmao Investments and JCIHL pursuant to the Hong Kong Public Offering (subject to reallocation)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Share Stapled Units to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in the Prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 18 June 2014 relating to the Hong Kong Public Offering entered into among the Trustee-Manager, JCIHL, the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters
“Hotel Arrangements”	has the meaning ascribed to it under “ <i>Other Arrangements in relation to the Proposed Spin-off — Business Delineation Measures — Hotel Arrangements</i> ” in the Letter from the Board
“Hotel Arrangements Deed”	the deed dated 13 June 2014 entered into between the Company and JCIHL relating to the Hotel Arrangements
“Hotel Management Agreements”	the hotel management agreements in respect of the Hotels which have been entered into with the Hotel Managers
“Hotel Managers”	(a) Hyatt of China Limited (the hotel manager of Grand Hyatt Shanghai), (b) Westin Hotel Management L.P. (the hotel manager of The Westin Beijing Chaoyang), (c) Shanghai Gingerroot Hotel Management Co., Ltd. (the hotel manager of JW Marriott Hotel Shenzhen), (d) The Ritz-Carlton International Management Company B.V. (the hotel manager of The Ritz-Carlton, Sanya), (e) Hilton Hotel Management (Shanghai) Co., Ltd. (the hotel manager of Hilton Sanya Resort and Spa), (f) Luxury Hotels (China) International Management of Hong Kong Limited (the hotel manager of Renaissance Beijing Wangfujing Hotel) and (g) Hyatt International Hotel Management (Beijing) Co., Ltd. (the hotel manager of Hyatt Regency Chongming and Grand Hyatt Lijiang) and each, a “ Hotel Manager ”

DEFINITIONS

“Hotels”	the eight hotels which form part of the initial property portfolio of the JCIHL Group, comprising (a) Grand Hyatt Shanghai, (b) The Westin Beijing Chaoyang, (c) JW Marriott Hotel Shenzhen, (d) The Ritz-Carlton, Sanya, (e) Hilton Sanya Resort and Spa, (f) Hyatt Regency Chongming, (g) Renaissance Beijing Wangfujing Hotel and (h) Grand Hyatt Lijiang
“Hotels Under Development”	the two hotels under renovation or construction and development which form part of the initial property portfolio of the JCIHL Group, comprising (a) Renaissance Beijing Wangfujing Hotel and (b) Grand Hyatt Lijiang
“Independent Board Committee”	the independent committee of the Board comprising Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu, all being independent non-executive Directors, established by the Company to consider the Proposed Spin-off and advise Shareholders on the Proposed Spin-off
“International Offer Share Stapled Units”	the 540,000,000 Share Stapled Units initially being jointly offered by Jinmao Investments and JCIHL pursuant to the International Offering (subject to reallocation) together with, where relevant, up to an additional 90,000,000 Share Stapled Units which may be sold by the Company pursuant to any exercise of the Over-allotment Option
“International Offering”	the offer of the International Offer Share Stapled Units (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement
“International Underwriters”	the underwriters to be named in the International Underwriting Agreement, being the underwriters of the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering to be entered into among the Trustee-Manager, JCIHL, the Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date

DEFINITIONS

“Investment Opportunity”	has the meaning ascribed to it in “ <i>Other Arrangements in relation to the Proposed Spin-off — Business Delineation Measures — Hotel Arrangements</i> ” in the Letter from the Board
“JCIHL”	Jinmao (China) Investments Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 18 January 2008 under the name of Wise Pine Limited, which changed its name to its present name and was registered by way of continuation in the Cayman Islands as an exempted company with limited liability on 21 March 2014 under the Cayman Companies Law
“JCIHL Group”	JCIHL and its subsidiaries, as if the Reorganisation had been completed
“JCIHL Independent Board Committee”	a committee comprising all the independent non-executive directors of JCIHL
“Jin Mao Advertising”	Shanghai Jin Mao Tower Advertising Company Limited (上海金茂大廈廣告有限公司), a company incorporated in the PRC with limited liability on 2 September 1998 and following the completion of the Reorganisation, an indirect wholly-owned subsidiary the Company
“Jin Mao Tower”	Jin Mao Tower, a mixed-use development comprising Grand Hyatt Shanghai and office, retail and tourist areas
“Jinmao Investments”	Jinmao Investments, a fixed single investment trust constituted pursuant to the Trust Deed and as if the Reorganisation had been completed
“Jinmao Investments Group”	Jinmao Investments and the JCIHL Group
“Joint Global Coordinators”	Deutsche Bank AG, Hong Kong Branch, Morgan Stanley Asia Limited, DBS Asia Capital Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Securities (Hong Kong) Limited
“Joint Registered Holders of Units”	such persons for the time being entered in the Units register as joint holders in respect of a Unit
“Joint Sponsors”	Deutsche Securities Asia Limited and Morgan Stanley Asia Limited
“Latest Practicable Date”	13 June 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication

DEFINITIONS

“Linked”	the matching and linking of each Unit with and to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of Jinmao Investments), so that the Registered Holder of the Unit has a beneficial interest in the specifically identified Ordinary Share and any transfer of the Unit also transfers the beneficial interest in the Ordinary Share in JCIHL, in accordance with the Trust Deed, and “Linking” shall be construed accordingly
“Listing”	the listing of the Share Stapled Units on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, 2 July 2014, on which the Share Stapled Units are first listed and from which dealings in the Share Stapled Units are permitted to take place on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange, as amended or supplemented from time to time
“Loan Facility”	has the meaning ascribed to it in <i>“The Reorganisation — Loan Facility”</i> in the Letter from the Board
“Maximum Offer Price”	HK\$5.65 per Offer Share Stapled Unit, being the maximum subscription price in the Offer Price Range
“Minimum Offer Price”	HK\$5.35 per Offer Share Stapled Unit, being the minimum subscription price in the Offer Price Range
“mixed-use development”	a development project which has different major uses, such as hotels, commercial, retail and/or residential uses
“Non-Qualifying Shareholders”	Shareholders whose names appeared in the register of members of the Company on the Record Date and whose addresses as shown in such register are in any of the Specified Territories and any Shareholders or Beneficial Shareholders at that time who are otherwise known by the Company to be resident in any of the Specified Territories

DEFINITIONS

“Offer Price”	the final offer price per Offer Share Stapled Unit (exclusive of brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) of not more than HK\$5.65 and expected to be not less than HK\$5.35, such price to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Company, the Trustee-Manager and JCIHL on or before the Price Determination Date
“Offer Price Range”	HK\$5.35 to HK\$5.65 per Offer Share Stapled Unit
“Offer Share Stapled Units”	the Hong Kong Offer Share Stapled Units, the Reserved Share Stapled Units and the International Offer Share Stapled Units, together with, where relevant, any additional Share Stapled Units which may be sold by the Company pursuant to any exercise of the Over-allotment Option
“Ordinary Share(s)”	ordinary share(s) with a par value of HK\$0.0005 each in the share capital of JCIHL conferring the rights set out in the articles of association of JCIHL
“Over-allotment Option”	the option expected to be granted by the Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Company may be required to sell, in aggregate, up to an additional 90,000,000 Share Stapled Units (representing not more than 15% of the number of Offer Share Stapled Units initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any
“Practice Note 15”	Practice Note 15 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, except where the context otherwise requires, references in this circular to the PRC or China exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Preference Share(s)”	preference share(s) with a par value of HK\$0.0005 each in the share capital of JCIHL conferring the rights set out in the articles of association of JCIHL

DEFINITIONS

“Preferential Offering”	the preferential offering to the Qualifying Shareholders of 80,000,000 Share Stapled Units (representing approximately 13.3% of the Share Stapled Units initially being offered under the Global Offering) as an Assured Entitlement, out of the Share Stapled Units being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in the Prospectus and in the BLUE Application Form
“Pre-IPO Dividend”	has the meaning ascribed to it in “ <i>The Reorganisation — Pre-IPO Dividend</i> ” in the Letter from the Board
“Price Determination Date”	the date, expected to be on or about 25 June 2014, on which the Offer Price will be determined and, in any event, not later than 30 June 2014
“Properties”	the initial property portfolio of the JCIHL Group, comprising Jin Mao Tower and the Hotels
“Proposed Spin-off”	the proposed spin-off and the separate listing of the Share Stapled Units on the Main Board of the Stock Exchange
“Prospectus”	the prospectus jointly issued by Jinmao Investments and JCIHL in connection with the Hong Kong Public Offering dated 19 June 2014
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Qualifying Shareholders”	the Shareholders whose names appeared in the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Friday, 13 June 2014, being the record date for determining the Assured Entitlement for Qualifying Shareholders to the Reserved Share Stapled Units
“Registered Holders of Units”	persons registered at the relevant time in the Units register as holders of Units, including persons so registered as Joint Registered Holders of Units; and the expression “ Registered Holder of a Unit ” and similar expressions shall be construed accordingly
“REIT”	real estate investment trust
“REIT Code”	the Hong Kong Code on Real Estate Investment Trusts published by the SFC, as amended or supplemented from time to time

DEFINITIONS

“Relevant Persons”	the Joint Global Coordinators, the joint bookrunners of the Global Offering, the Joint Sponsors to the Listing, the Underwriters, any of their or the Trustee-Manager’s or JCIHL’s respective directors, officers or representatives or any other person involved in the Global Offering
“Reorganisation”	the reorganisation of the JCIHL Group in preparation for the Listing, details of which are set out in “ <i>The Reorganisation</i> ” in the Letter from the Board
“Reserved Share Stapled Units”	the 80,000,000 Share Stapled Units being jointly offered by Jinmao Investments and JCIHL to Qualifying Shareholders pursuant to the Preferential Offering as an Assured Entitlement, which are to be allocated out of the Share Stapled Units being offered under the International Offering
“RevPAR”	revenue per available room, calculated as the total room revenue divided by the total number of room nights available for sale during the relevant period, which may not directly reflect the total rooms in inventory due to renovations or other considerations
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of the Company
“Share Stapled Units”	<p>the combination of the following securities or interests in securities which, subject to the provisions in the Trust Deed, can only be dealt with together and may not be dealt with individually or one without the others:</p> <ul style="list-style-type: none">(a) a Unit;(b) the beneficial interest in a specifically identified Ordinary Share which is Linked to a Unit and held by the Trustee-Manager as legal owner (in its capacity as trustee-manager of Jinmao Investments); and(c) a specifically identified Preference Share which is Stapled to a Unit

DEFINITIONS

“Share Stapled Units Borrowing Agreement”	the Share Stapled Units borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliate) and the Company
“Shareholders”	holder(s) of the Shares
“Sinochem Conglomerate”	Sinochem Group and its subsidiaries (excluding the Jinmao Investments Group and the Group)
“Sinochem Group”	Sinochem Group (中國中化集團公司), a state-owned enterprise established in the PRC on 11 August 1981, the ultimate controlling shareholder of the Company
“Sinochem Hong Kong”	Sinochem Hong Kong (Group) Company Limited (中化香港(集團)有限公司), a company incorporated in Hong Kong with limited liability on 1 December 1989 and an indirect subsidiary of Sinochem Group
“Shortfall Payment”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Shortfall Payments”</i> in the Letter from the Board
“Shortfall Payment Hotels”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Shortfall Payments”</i> in the Letter from the Board
“Shortfall Payment Period”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Shortfall Payments”</i> in the Letter from the Board
“Sommerley” or “Independent Financial Adviser”	Sommerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off
“Specified EBITDA”	has the meaning ascribed to it in <i>“Other Arrangements in relation to the Proposed Spin-off — Shortfall Payments”</i> in the Letter from the Board
“Specified Territories”	the PRC and the United States
“Stabilising Manager”	Deutsche Bank AG, Hong Kong Branch
“Stapled”	the means by which each Unit is attached to a specifically identified Preference Share so that one may not be dealt with without the other, in accordance with the Trust Deed, and “Stapling” shall be construed accordingly

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs published by the SFC, as amended from time to time
“Track Record Period”	the three years ended 31 December 2013
“Trust Deed”	the trust deed dated 13 June 2014 entered into by the Trustee-Manager and JCIHL to constitute Jinmao Investments
“Trust Distributable Income”	has the meaning ascribed to it in “ <i>Objectives of the Jinmao Investments Group and Distributions — Trust Distributable Income</i> ” in the Letter from the Board
“Trust Property”	<p>all property and rights of any kind whatsoever which are held on trust for the Registered Holders of Units, in accordance with the terms of the Trust Deed, including:</p> <ul style="list-style-type: none">(a) securities and other rights and interests in JCIHL acquired by Jinmao Investments;(b) contributions of money to Jinmao Investments and subscription monies for the issuance of Units;(c) the rights in respect of any contract, agreement or arrangement relating to the Authorised Business entered into by and on behalf of the Trustee-Manager (in its capacity as trustee-manager of Jinmao Investments); and(d) profits, interest, income and property derived from the securities, money and other rights and interests referred to in paragraphs (a) to (c) above
“Trustee-Manager”	Jinmao (China) Investments Manager Limited (金茂(中國)投資管理人有限公司), a company incorporated in Hong Kong with limited liability on 20 March 2014 and a wholly-owned subsidiary of the Company, in its capacity as trustee-manager of Jinmao Investments
“Trustee-Manager Directors”	the directors of the Trustee-Manager
“Underwriters”	the underwriters of the Hong Kong Public Offering and the International Offering
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“Unit”	an undivided interest in Jinmao Investments, which confers the rights stated in the Trust Deed as being conferred by a Unit (whether in its own right or as a component of a Share Stapled Unit)
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“%”	per cent.

Unless otherwise specified, certain amounts denominated in Renminbi have been converted into Hong Kong dollars at the following exchange rates:

	<u>2011</u>	<u>2012</u>	<u>2013</u>
As at 31 December	RMB1.00 to HK\$1.2335	RMB1.00 to HK\$1.2333	RMB1.00 to HK\$1.2719
Average exchange rate for the year	RMB1.00 to HK\$1.2053	RMB1.00 to HK\$1.2294	RMB1.00 to HK\$1.2517

In addition, certain amounts denominated in US dollars have been converted to Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.757 for illustrative purposes only.

Such conversions should not be construed as a representation that amounts in Renminbi or US dollars were or could have been or could be converted into Hong Kong dollars at such rate or any other exchange rate.

LETTER FROM THE BOARD



方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產(中國)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

Executive Directors:

Mr. HE Cao (*Chairman*)

Mr. LI Congrui (*Chief Executive Officer*)

Mr. HE Binwu (*Vice President*)

Non-executive Directors:

Mr. YANG Lin

Ms. SHI Dai

Independent non-executive Directors:

Mr. LAU Hon Chuen, Ambrose

Mr. SU Xijia

Mr. LIU Hongyu

Registered office:

Rooms 4702-4703

47th Floor Office Tower

Convention Plaza

No. 1 Harbour Road

Wanchai

Hong Kong

19 June 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE HOTEL BUSINESS OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

1. INTRODUCTION

On 31 March 2014, the Board announced that the Stock Exchange had confirmed that the Company may proceed with the Proposed Spin-off, and that the Trustee-Manager, as trustee-manager of Jinmao Investments, and JCIHL had submitted a listing application (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange.

On 3 June 2014, the Board announced the Record Date for the Assured Entitlement and the basis of the Assured Entitlement of Qualifying Shareholders, in each case in accordance with the requirements of Practice Note 15.

LETTER FROM THE BOARD

On 19 June 2014, the Trustee-Manager and JCIHL jointly issued the Prospectus, in which the Offer Price Range is stated to be HK\$5.35 to HK\$5.65 per Share Stapled Unit (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee).

The Proposed Spin-off will be effected by way of a listing of Share Stapled Units to be jointly issued by Jinmao Investments and JCIHL on the Main Board of the Stock Exchange.

Deutsche Securities Asia Limited and Morgan Stanley Asia Limited have been appointed by the Trustee-Manager and JCIHL as the Joint Sponsors for the Listing.

In connection with the Proposed Spin-off, the Company has entered into the underwriting agreement in relation to the Hong Kong Public Offering on 18 June 2014, and will enter into the underwriting agreement in relation to the International Offering with the Trustee-Manager, JCIHL and the International Underwriters. In addition, the Company will enter into the Share Stapled Units Borrowing Agreement with the Stabilising Manager in order to facilitate the settlement of over-allocations, if any, in connection with the International Offering. The Company is also expected to grant the Over-allotment Option to the International Underwriters.

The Proposed Spin-off constitutes a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Proposed Spin-off exceeds 25% but is less than 75%, the Proposed Spin-off constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is also subject to, among other things, the approval from the Shareholders under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Proposed Spin-off.

Sinochem Hong Kong, the Company's controlling shareholder, is interested in 5,759,881,259 Shares, representing approximately 62.87% of the voting rights of the Company as at the Latest Practicable Date. Sinochem Hong Kong has granted its written approval to the Company for the Proposed Spin-off and as a result, no Shareholders' meeting will be convened to consider the Proposed Spin-off.

In accordance with the requirements of paragraph 3(e)(4) of Practice Note 15:

- (a) an Independent Board Committee comprising all of the Company's independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu has been established by the Company to consider the Proposed Spin-off, and to advise the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole, taking into account the recommendation of the Independent Financial Adviser in that regard; and
- (b) Somerley has been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

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The purpose of this circular is to (i) provide Shareholders with information on the reasons for, and the benefits of, the Proposed Spin-off (together with such other information relating to the Proposed Spin-off as required by the Listing Rules for a major transaction of the Company), (ii) set out the opinions of the Independent Board Committee on the terms of the Proposed Spin-off and (iii) set out the letter of advice from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Shareholders regarding the terms of the Proposed Spin-off.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 65 of this circular which contains the recommendations of the Independent Board Committee to the Shareholders concerning the Proposed Spin-off and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders set out on pages 66 to 88 of this circular containing its advice to the Independent Board Committee and the Shareholders in this regard.

Shareholders and investors are reminded that the implementation of the Proposed Spin-off and the Global Offering is subject to, among other things, the approval of the Stock Exchange and the final decision of the Board and of the boards of directors of the Trustee-Manager and JCIHL as to whether or not to proceed with the Proposed Spin-off and the Global Offering, which are subject to market conditions and pricing. The Board will only proceed with the Proposed Spin-off if the Board considers that the price of the Share Stapled Units which can be obtained under the Global Offering, which is subject to market conditions, is such that proceeding with the Proposed Spin-off on those terms would be in the interests of the Company and the Shareholders as a whole. Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off and the Global Offering will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

The timetable for the Global Offering, including the Preferential Offering, is set out in the Prospectus jointly issued by Jinmao Investments and JCIHL in connection with the Global Offering.

This circular is not intended to, and does not, constitute an offer to sell or a solicitation of an offer to subscribe for or purchase any Share Stapled Units in connection with the Global Offering or otherwise. Any such offer or solicitation is made solely through the Prospectus or other offering documents that may be issued in compliance with applicable laws and any decision to subscribe for or purchase Share Stapled Units in connection with the Global Offering or otherwise should be made solely on the basis of the information contained in the Prospectus and such other offering documents. No action has been or will be taken in any jurisdiction (other than in Hong Kong) that would permit a public offering of the Share Stapled Units to be offered in the Global Offering in any jurisdiction where action for that purpose is required, including, but not limited to, the United States.

2. PROPOSED SPIN-OFF

Overview of the Business of the Jinmao Investments Group

Jinmao Investments is a fixed single investment trust in Hong Kong with an initial focus on the hospitality industry in the PRC. Jinmao Investments and the JCIHL Group primarily own

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and invest in a portfolio of hotels, comprising both completed hotels and hotels under development, with the hotels under development expected to commence operations within one year of the date of investment. The JCIHL Group also owns Jin Mao Tower, a mixed-use development.

The initial property portfolio of the JCIHL Group at the time of Listing will comprise the following Properties, all of which are located in the PRC:

Completed Properties

- Jin Mao Tower, comprising Grand Hyatt Shanghai and office, retail and tourist areas
- The Westin Beijing Chaoyang
- JW Marriott Hotel Shenzhen
- The Ritz-Carlton, Sanya
- Hilton Sanya Resort and Spa
- Hyatt Regency Chongming, which opened in March 2014

Hotels Under Development

- Renaissance Beijing Wangfujing Hotel
- Grand Hyatt Lijiang

The Properties are located in prime, strategic locations in top tier cities or tourist hot spots in the PRC. Jin Mao Tower is an 88-storey landmark in Shanghai, with the office area of Jin Mao Tower being classified as a Grade A office building. All of the Hotels are or will, upon their completion, be managed by the Hotel Managers, all of whom are globally renowned operators of hotels (being Hyatt Hotels, Starwood, Marriott International and Hilton Worldwide).

All of the Properties (other than Jin Mao Tower) are standalone hotels. Jin Mao Tower (which is a mixed-use development) is included in the initial property portfolio of the JCIHL Group because of its landmark status in the PRC, with Grand Hyatt Shanghai being regarded as the flagship hotel of the JCIHL Group. It is also not commercially or operationally feasible to separate Grand Hyatt Shanghai from the office, retail and tourist areas of Jin Mao Tower as the building was designed as a whole to operate in the same development, with numerous facilities and structures within the building designed to be utilised by the hotel, office, retail and tourist areas on a shared basis.

The Hotels Under Development are expected to commence operations by the end of 2014. The JCIHL Group believes the inclusion of hotels under development which are expected to commence operations within one year of the date of investment in the property portfolio of the JCIHL Group strikes a balance between the time required to obtain the necessary approvals and licences and to plan for the commencement of operations of such hotels and the time which such hotels are expected to start generating revenue for the JCIHL Group.

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Business Operations of the JCIHL Group

The JCIHL Group derives its revenues primarily from hotel operations and rental of commercial space. Revenue from hotel operations is generated from hotel rooms, food and beverage businesses and ancillary services. Revenue from ancillary services primarily includes revenue other than room revenue and revenue from food and beverage businesses, such as revenue from laundry, telephone charges, spa services, hotel car services and other services. Gross rental income is mainly generated from leasing office and retail areas in Jin Mao Tower and from leasing retail areas in The Ritz-Carlton, Sanya. In addition, to a lesser extent, the JCIHL Group's revenue includes income from operating the observation deck in Jin Mao Tower and providing property management services.

Please refer to “*Appendix I — Further Information on the Properties*” for selected key financial figures of the Jinmao Investments Group for the two financial years ended 31 December 2013 and selected key information and operating statistics on the Properties, respectively.

Overview of the Business of the Group

The Company is a leading developer and operator of large-scale and high-end commercial real estate projects in the PRC and a platform enterprise under the real estate segment of the Sinochem Conglomerate. In addition to property development, the Group is engaged in primary land development, sales of office, retail, mixed-use developments and residential properties, owning and operating office buildings, retail properties, commercial complexes and mixed-use developments and construction and sale of hotels.

The Company is a constituent stock of the benchmark Hang Seng Composite Index. The Company had total assets of approximately HK\$120.8 billion as at 31 December 2013 and its profit after tax for the financial year ended 31 December 2013 was approximately HK\$5.0 billion.

Following the completion of the Reorganisation and the Global Offering, certain hotels will be excluded from the JCIHL Group and remain in the Group. The Group will continue with its principal activities and will also continue to hold interests in the following hotels, all of which are located in the PRC (the “**Excluded Hotels**”). The interests of the Group in the Excluded Hotels will be subject to the arrangements as described in “*Other Arrangements In Relation to the Proposed Spin-off — Business Delineation Measures — Hotel Arrangements*” below.

<u>Name of Excluded Hotel</u>	<u>Location</u>	<u>Description of Excluded Hotel</u>
1. The Westin Nanjing	Nanjing	<ul style="list-style-type: none">• A standalone hotel located in the Hunan Road central business district, overlooking Xuanwu Lake and the city of Nanjing.• This hotel has a gross floor area of approximately 32,514 sq.m., occupies 13 floors of the South Tower of Nanjing International Center and has 234 hotel rooms. This hotel commenced operations in 2011.

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Name of Excluded Hotel	Location	Description of Excluded Hotel
		<ul style="list-style-type: none"> • In FY2011, FY2012 and FY2013, (a) the average occupancy rate of this hotel was 49.0%, 64.4% and 67.0%, respectively, (b) the average room rate of this hotel was HK\$980, HK\$1,018 and HK\$1,079, respectively and (c) the RevPAR of this hotel was HK\$481, HK\$656 and HK\$722, respectively. • The revenue and net profit of this hotel for FY2013 was approximately HK\$108.3 million and HK\$978,000, respectively. • This hotel is part of Phase I of Nanjing International Center, which also comprises an office tower, an apartment and condominium tower and a retail podium. • In February 2013, the Group acquired an indirect 48.8% interest in this hotel as part of its acquisition of a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, Nanjing International Group Limited, owns Nanjing International Center Phases I and II. • As at 31 December 2012, the appraised value of this hotel was approximately HK\$714.8 million.
2. Nanjing International Center Phase II Hotel	Nanjing	<ul style="list-style-type: none"> • This hotel is currently under construction and is expected to be completed by 2017 and to commence operations by 2018. • This hotel will have an estimated gross floor area of 23,500 sq.m. and an estimated 200 hotel rooms. • The hotel manager and the brand of this hotel will be Sheraton Overseas Management Corporation and St. Regis, respectively. • The total development cost of this hotel is currently expected to be approximately RMB800 million. • This hotel is part of Phase II of Nanjing International Center, which on completion will also comprise offices and serviced apartments. • In February 2013, the Group acquired an indirect 48.8% interest in this hotel as part of its acquisition of a 51% interest in Leading Holdings Limited which, through a 95.78% owned project company, Nanjing International Group Limited, owns Nanjing International Center Phases I and II.
3. Meixi Lake International Plaza Hotel	Changsha City, Hunan Province	<ul style="list-style-type: none"> • This hotel is currently under construction and is expected to be completed and to commence operations by 2016. • This hotel will have an estimated gross floor area of 39,000 sq.m. and an estimated 350 hotel rooms. • The hotel manager and the brand of this hotel will be Starwood Asia Pacific Hotels & Resorts Pte. Ltd. and the Luxury Collection, respectively. • The total development cost of this hotel is currently expected to be approximately RMB1,000 million.

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Name of Excluded Hotel	Location	Description of Excluded Hotel
		<ul style="list-style-type: none">• This hotel is part of the Meixi Lake International Plaza project, which is currently under construction. This project when completed will be a high-end large-scale urban complex comprising a hotel, shopping malls, office buildings and residences and will become an architectural landmark in Xiangjiang Lake District, Changsha City.• The Group owns 100% interest in the Meixi Lake International Plaza project and therefore, owns a 100% interest in this hotel.

Reasons for Excluding the Excluded Hotels from the JCIHL Group

The Excluded Hotels have not been included in the initial property portfolio of the JCIHL Group for the reasons described below.

(a) *The Westin Nanjing*

The Group acquired an indirect 48.8% interest in The Westin Nanjing as part of its acquisition of a 51% interest in Leading Holdings Limited from Bateson Investment, then an independent third party, in February 2013. Leading Holdings Limited, through a project company in which it owns a 95.78% interest, is engaged in the development, construction and operation of Nanjing International Center Phases I and II.

Under the terms of the sale and purchase agreement, the seller is required to, among other things, complete the relocation process of certain landowners, prepare the vacant land for development and obtain the necessary PRC approvals in relation to Phase II of Nanjing International Center. If the seller fails to complete such tasks by the specified time or fails to comply with any of the seller's undertakings or breaches any of the seller's warranties solely due to the seller's fault, the Group will have the right to require the seller to repurchase its 51% interest in Leading Holdings Limited.

The date of expiry of this repurchase right is uncertain due to uncertainties associated with the relocation process and the time required to obtain the necessary PRC approvals in relation to Phase II of Nanjing International Center and also because the Group has the right to waive or vary any delayed performance and/or non-performance by the seller of its obligations under the sale and purchase agreement. Pursuant to relevant PRC laws and regulations, the relocation process can only be completed if the landowners of all affected premises are satisfactorily compensated. Such landowners can elect whether to accept the relocation compensation as prescribed by the relevant PRC laws and regulations and if they do not accept the relocation compensation, relocation can only take place if a decision from the People's Court to that effect is obtained.

In light of the above, the Group's interest in The Westin Nanjing has not been included in the initial property portfolio of the JCIHL Group. As none of the Hotels are located in Nanjing, there is no actual or potential competition between The Westin Nanjing and any of the Hotels. The Group's interest in The Westin Nanjing will, however, be subject to the Hotel Arrangements as described below.

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(b) *Nanjing International Center Phase II Hotel and Meixi Lake International Plaza Hotel*

These hotels are still under construction. The Nanjing International Center Phase II Hotel is expected to be completed by 2017 and to commence operations by 2018. The Meixi Lake International Plaza Hotel is expected to be completed and to commence operations by 2016.

In light of the above, these hotels have not been included in the initial property portfolio of the JCIHL Group. As none of the Hotels are located in Nanjing or Changsha City, there is no actual or potential competition between these hotels and any of the Hotels. The Group's interest in these hotels will, however, be subject to the Hotel Arrangements as described below.

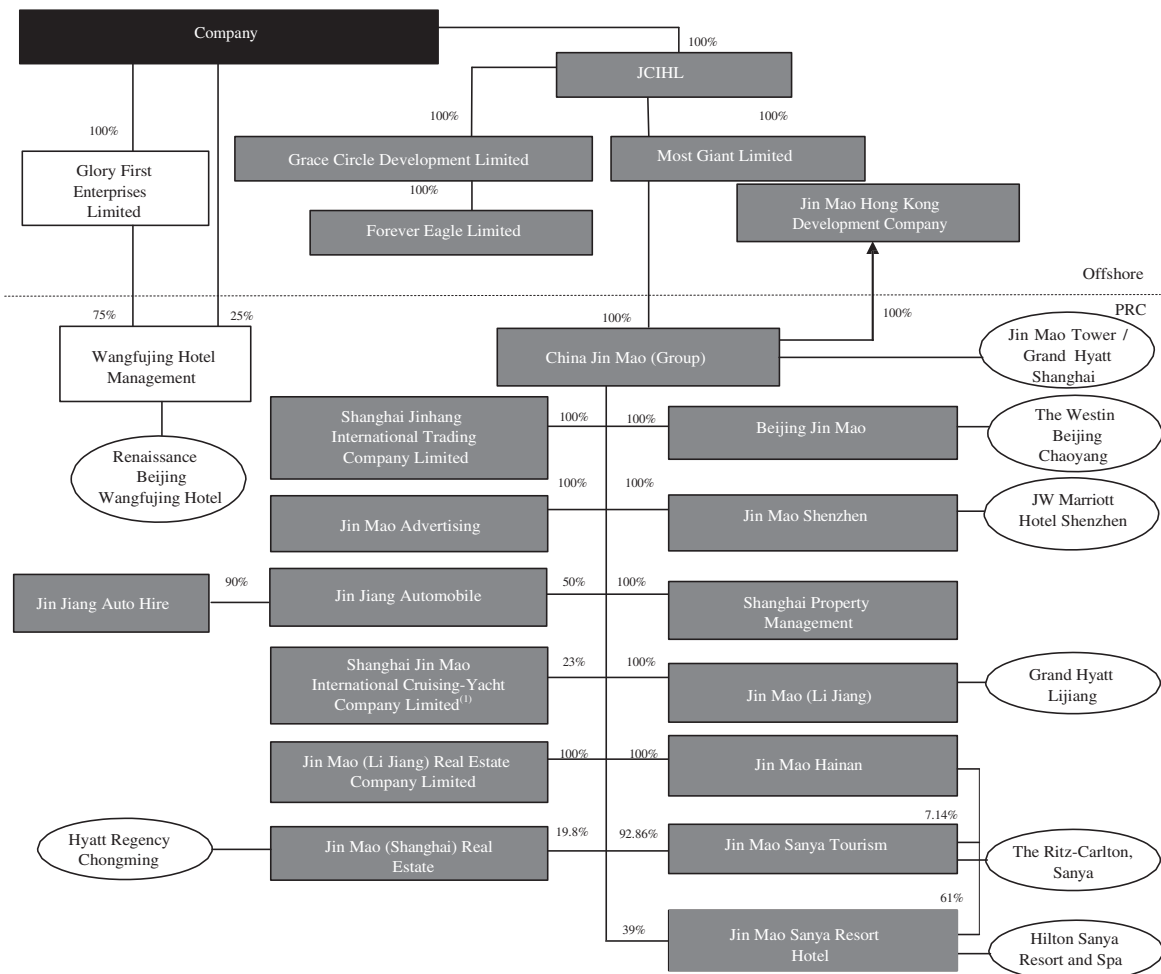
Overview of the Structure of the Proposed Spin-off

The Proposed Spin-off involves the spin-off and separate listing of the Properties by way of the listing of Share Stapled Units to be jointly issued by Jinmao Investments and JCIHL on the Main Board of the Stock Exchange.

Upon completion of the Reorganisation and the Global Offering, the Group's percentage interest in the Share Stapled Units will be reduced. It is intended that upon Listing, the Company will have an interest in 70% of the Share Stapled Units in issue on the Listing Date (or 65.5% if the Over-allotment Option is exercised in full). It is also intended that the Company will continue to consolidate the financial results of the Jinmao Investments Group as its subsidiary following the Listing.

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The diagram below illustrates the corporate structure of the Group with respect to the Properties prior to the Proposed Spin-off:

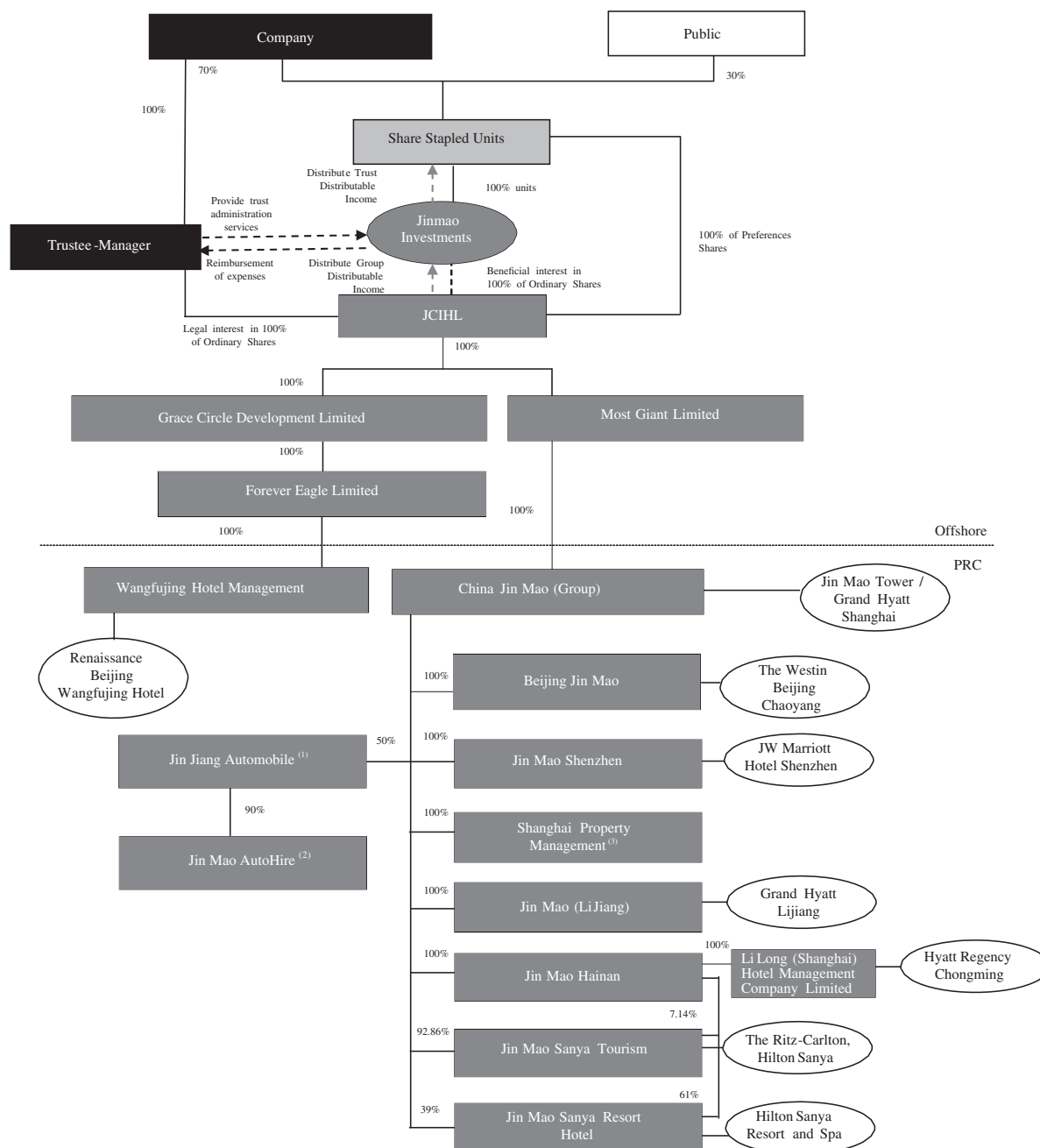


Note:

- (1) Prior to the Reorganisation, Shanghai Jin Mao International Cruising-Yacht Company Limited was a company held as to 23% by the JCIHL Group, which will be transferred to the Company as part of the Reorganisation, with the remaining 77% held by independent third parties.

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The diagram below illustrates the corporate structure of the Group and the ownership structure of the Jinmao Investments Group immediately following the completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

- (1) Shanghai Jin Mao Jin Jiang Automobile Service Company Limited (“**Jin Jiang Automobile**”) is a 50% joint venture company owned by the JCIHL Group, with the remaining 50% owned by an independent third party.
- (2) Shanghai Jin Mao Auto Hire Company Limited (“**Jin Mao Auto Hire**”) is a 90% subsidiary of Jin Jiang Automobile, with the remaining 10% held by an independent third party.

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- (3) Jin Mao (Shanghai) Property Management Co., Ltd. (“**Shanghai Property Management**”) primarily provides property management services to Jin Mao Tower and other property management services to third party property owners and the Group.

Share Stapled Units

The Share Stapled Units to be jointly issued by Jinmao Investments and JCIHL pursuant to the Global Offering comprise three components as follows, which, subject to the terms of the Trust Deed, can only be dealt with together:

- (a) a Unit;
- (b) a beneficial interest in a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of Jinmao Investments), which is “Linked” to the Unit; and
- (c) a specifically identified Preference Share which is “Stapled” to the Unit.

Meaning of “Linked”

All of the issued Ordinary Shares must be held by the Trustee-Manager (in its capacity as trustee-manager of Jinmao Investments). Each Unit issued by the Trustee-Manager must correspond with a specifically identified Ordinary Share held by the Trustee-Manager and confer a beneficial interest in that specifically identified Ordinary Share such that a transfer of a Unit is effective to transfer the beneficial interest in the Ordinary Share. The Trust Deed characterises this relationship as each Unit being “Linked” to a specifically identified Ordinary Share held by the Trustee-Manager (in its capacity as trustee-manager of Jinmao Investments).

Meaning of “Stapled”

Each Unit in Jinmao Investments issued by the Trustee-Manager must be attached or “Stapled” to a specifically identified Preference Share, with the Preference Share to be held by the Unitholder (along with the Unit) as full legal and beneficial owner, so that one cannot be traded without the other. The Trust Deed characterises this relationship as each Unit being “Stapled” to a specifically identified Preference Share.

Number of Units, Ordinary Shares and Preference Shares must be the same

Under the Trust Deed and the articles of association of JCIHL, the number of Ordinary Shares and Preference Shares in issue must be the same at all times and must also, in each case, be equal to the number of Units in issue.

Jinmao Investments and JCIHL will both be listed on the Stock Exchange

Jinmao Investments and JCIHL will both be listed on the Stock Exchange and be “listed issuers” under the Listing Rules and, therefore, Jinmao Investments (including the Trustee-Manager) and JCIHL will be subject to the provisions of the Listing Rules.

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In addition, the Share Stapled Units, Jinmao Investments, the Trustee-Manager and JCIHL will be subject to the provisions of the SFO and the Takeovers Code. Repurchases of Share Stapled Units (or their individual components) will not be permitted unless and until expressly permitted by relevant codes and guidelines which may be issued by the SFC from time to time.

Listing and Trading of the Share Stapled Units

The Share Stapled Units will be listed on the Stock Exchange and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit.

JCIHL

JCIHL was incorporated under the laws of the British Virgin Islands with limited liability on 18 January 2008 and was registered by way of continuation in the Cayman Islands as an exempted company with limited liability on 21 March 2014 under the Cayman Companies Law. JCIHL is the holding company of the JCIHL Group.

JCIHL has two classes of shares:

- (a) Ordinary Shares, which confer voting rights at general meetings of shareholders (one vote per Ordinary Share) and rights to dividends and distributions from JCIHL; and
- (b) Preference Shares, which also confer voting rights at general meetings of shareholders (one vote per Preference Share), but have no rights to any dividends, distributions, or other payments from JCIHL, except in the case of the winding up of JCIHL or their redemption upon the termination of Jinmao Investments.

Jinmao Investments

Jinmao Investments is a fixed single investment trust constituted by the Trust Deed entered into between the Trustee-Manager and JCIHL. As a fixed single investment trust, Jinmao Investments may only invest in the securities and other interests in JCIHL and will confer on Registered Holders of Units a beneficial interest in specifically identified property (being the Ordinary Shares) held by Jinmao Investments.

Jinmao Investments is constituted by a Hong Kong law governed trust deed entered into between the Trustee-Manager and JCIHL. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of Jinmao Investments.

The Trustee-Manager

The Trustee-Manager is a wholly-owned subsidiary of the Company. The Trustee-Manager has declared under the Trust Deed that it will hold the Trust Property on trust for the benefit of the Registered Holders of Units. The Trustee-Manager has a specific and

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limited role, which is to administer Jinmao Investments. The Trustee-Manager is not actively involved in the management of the JCIHL Group's business, which is owned by the JCIHL Group and the Hotels are managed by the independent Hotel Managers pursuant to the Hotel Management Agreements.

The costs and expenses of administering Jinmao Investments may be deducted from the trust property but, commensurate with its specific and limited role, the Trustee-Manager will not receive any fee for administering Jinmao Investments.

Under the terms of the Trust Deed, the Trustee-Manager may be removed and replaced as the trustee-manager of Jinmao Investments by an ordinary resolution passed by the Registered Holders of Units.

Voting at Meetings

In relation to both meetings of registered holders of Share Stapled Units and meetings of Registered Holders of Units and shareholders of JCIHL to be held separately but consecutively, a registered holder of a Share Stapled Unit shall cast a single vote in respect of that Share Stapled Unit, which shall serve as a vote in respect of both the Unit and the Preference Share Stapled to the Unit.

In respect of each individual Share Stapled Unit, the voting rights conferred by the Unit and the voting rights conferred by the Preference Share Stapled to the Unit can only be exercised in the same way (either for or against) in respect of a single resolution proposed at a meeting of registered holders of Share Stapled Units or (as the case may be) the resolutions of Registered Holders of Units and shareholders of JCIHL dealing with the same, or substantially the same, matter.

Reasons for Adopting the Share Stapled Units Structure

Jinmao Investments and the proposal for Jinmao Investments to issue Units to investors reflect the commercial objective to adopt a trust structure, within which a distribution policy based on the Group Distributable Income can be more clearly articulated and pursued, and within which the JCIHL Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. Investors in a trust typically subscribe for units, which represent undivided interests in the trust property.

The rationale for having each Ordinary Share specifically identified and Linked to a Unit is that the Linking provisions result in the SFO (including, but not limited to, the provisions on the protection of investors) being applicable to the Units as derivatives of the underlying listed ordinary shares in JCIHL.

The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the Stapling structure is to ensure that the Share Stapled Units (and, thereby, Jinmao Investments, including the Trustee-Manager, and JCIHL) are clearly subject to all the provisions of the SFO (including, but not limited to, the provisions on the protection of investors). The application of certain provisions of the SFO to the Units on an independent basis might otherwise be arguable.

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Advantages and Disadvantages of Adopting the Share Stapled Units Structure

A listing of JCIHL Group's business in the form of the Share Stapled Units structure described in this circular is expected to align its cash flow generating characteristic with the appropriate investor base that favours a clearly expressed distribution policy and pure-play investments.

The Directors believe that Jinmao Investments provides a structure within which a distribution policy based on the Group Distributable Income and the Trust Distributable Income can be more clearly articulated and pursued, and within which the Jinmao Investments Group can more clearly signal its intention to focus principally on distributions and to differentiate itself from other listed issuers on that basis. The Directors also believe that the overall arrangements (including the dual roles assumed by the directors of the Trustee-Manager and JCIHL, the requirement for amounts to be held in segregated accounts pending distribution to investors and the requirement to announce and explain any future change to the distribution policy) will impose additional rigour and discipline regarding the implementation of the stated distribution policy.

The disadvantages of adopting the Share Stapled Units include the following:

- (a) It is a relatively new structure and there have only been three other transactions in the Hong Kong market that involved the listing and sale of stapled securities similar to the Share Stapled Units. Although considerable efforts have been made to ensure that holders of Share Stapled Units would have the benefit of investor protections which are equivalent to those enjoyed by shareholders of companies listed on the Stock Exchange, there is no assurance that the courts would interpret the application of the relevant investor protection legislation to the Share Stapled Units structure in the same manner.
- (b) There are administration costs associated with Jinmao Investments, primarily as a result of the requirement that Jinmao Investments, JCIHL and the Trustee-Manager prepare and publish financial statements. However, these additional administration costs are not significant, having regard to the specific and limited role of the Trustee-Manager, and the Directors believe that the additional administration costs are outweighed by the benefits that are expected to accrue to holders of Share Stapled Units in terms of the expected higher distributions as generally compared to dividends that are distributed from accounting profit.
- (c) Jinmao Investments may be terminated in certain circumstances. The procedures which would apply on the termination of Jinmao Investments are set out in detail in the Prospectus. In summary, upon such termination, the registered holders of Share Stapled Units will be entitled to have the Ordinary Shares which are Linked to the Units held by them (as components of their Share Stapled Units) distributed to them *in specie*.

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Key Differences Between Jinmao Investments and Other Common Forms of Trusts

There are many types of trusts established for a variety of different purposes. Trusts may be listed or unlisted. The key distinguishing features of Jinmao Investments, as compared to other types of trusts (including REITs in Hong Kong) are as follows:

- (a) Jinmao Investments is a fixed single investment trust and may only invest in securities and other interests in JCIHL. The Trustee-Manager has a specific and limited role, which is to administer Jinmao Investments. The Trustee-Manager is not actively involved in the management of the business carried on by the JCIHL Group, which is owned by the JCIHL Group and the Hotels are managed by the independent Hotel Managers pursuant to the Hotel Management Agreements. The trustees or managers of other trusts typically have wider powers of investment and would typically invest in and manage a portfolio of securities issued by different entities and/or other assets, albeit consistent with a stated investment theme or mandate.
- (b) A REIT in Hong Kong is generally permitted under the REIT Code to invest in income generating real estate only and is specifically prohibited from engaging or participating in property development activities, whereas the JCIHL Group has the flexibility to undertake development projects and to invest in other types of assets, although this is not part of the JCIHL Group's current business strategy.
- (c) Under the REIT Code, a REIT in Hong Kong is required to distribute to the unitholders an amount which is not less than 90% of its audited annual net income after tax. Except with the prior approval of an ordinary resolution of Registered Holders of Units and an ordinary resolution of shareholders of JCIHL and subject to compliance with all applicable laws of the Cayman Islands and the articles of association of JCIHL, the directors of JCIHL will declare and distribute to the Trustee-Manager (a) 100% of the Group Distributable Income in respect of the period from the Listing Date to 31 December 2014 and the financial year ending 31 December 2015 and (b) not less than 90% of the Group Distributable Income in respect of each financial year thereafter. The Trustee-Manager is required to distribute 100% of the Trust Distributable Income to holders of Share Stapled Units.
- (d) While Jinmao Investments remains in effect, the Share Stapled Units cannot be repurchased or redeemed by Jinmao Investments or JCIHL unless and until specific regulations which expressly permit that are introduced by the SFC. The holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units.
- (e) Any issue by Jinmao Investments and JCIHL of new Share Stapled Units on a non-*pro rata* basis requires prior approval by an ordinary resolution of Registered Holders of Units.
- (f) Under the REIT Code, a REIT in Hong Kong is only permitted to borrow up to 45% of its total gross asset value. While Jinmao Investments is not permitted to incur any debt, the Trust Deed does not contain any restrictions on the ability of JCIHL or any of its subsidiaries to incur debt or any limit on the level of such indebtedness.

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- (g) Under the REIT Code, a REIT should have majority (more than 50%) ownership and control in each property at all times. There is no similar restriction on the ownership and control level of the JCIHL Group.

3. THE REORGANISATION

In connection with the Proposed Spin-off, a reorganisation (the “**Reorganisation**”) was implemented pursuant to which, among other things:

- (a) the JCIHL Group acquired Renaissance Beijing Wangfujing Hotel from the Group. The consideration for the acquisition was an aggregate amount equal to US\$76.55 million (approximately HK\$593.9 million), of which US\$19.14 million will be paid to the Company and US\$57.41 million will be paid to Glory First Enterprise Limited, a wholly-owned subsidiary of the Company. The aggregate consideration was based on a valuation report prepared by DeveChina International Appraisals Company Limited, an independent third party valuer, as at 31 October 2013. The acquisition was approved by the relevant department of the PRC Ministry of Commerce on 17 March 2014 and will be registered with the relevant department of the PRC State Administration for Industry and Commerce prior to the Listing Date. The PRC legal adviser of the JCIHL Group has confirmed that there are no legal impediments to the completion of such registration and acquisition;
- (b) the JCIHL Group acquired Hyatt Regency Chongming from the Group. The consideration for the acquisition was an amount equal to RMB745,947,300, which was based on a valuation report prepared by DeveChina International Appraisals Company Limited, an independent third party valuer, dated 10 May 2014. The acquisition will be registered with the relevant department of the PRC State Administration for Industry and Commerce prior to the Listing Date. The PRC legal adviser of the JCHIL Group has confirmed that there are no legal impediments to the completion of such registration and acquisition; and
- (c) JCIHL declared the Pre-IPO Dividend which will be payable to the Company.

Loan Facility

In preparation for the Reorganisation, JCIHL has arranged a dual currency syndicated term loan facility (the “**Loan Facility**”) with a group of participating financial institutions including, among others, DBS Bank Ltd., Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Deutsche Bank AG, London Branch, Deutsche Bank AG, Singapore Branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Hong Kong Branch and Morgan Stanley Senior Funding, Inc.. The Loan Facility will consist of a Hong Kong dollar tranche and a United States dollar tranche. The Loan Facility will be used to (i) finance partially the Pre-IPO Dividend, (ii) pay the fees and expenses, and fund the account for interest payment, incurred in respect of the Loan Facility and (iii) fund our general corporate purposes.

Pre-IPO Dividend

On 13 June 2014, the board of directors of JCIHL declared a dividend (the “**Pre-IPO Dividend**”) to the Company of an amount which is equal to the aggregate of (a) the net proceeds from the Global Offering (after deducting an amount of approximately HK\$631.8

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million representing the sum of (i) approximately HK\$31.8 million for the settlement of the fee for the provision of the certain project consulting services by the Company to Jin Mao (Li Jiang) Hotel Investment Company Limited and Wangfujing Hotel Management Company Limited pursuant to a project consulting agreement dated 13 June 2014 between the Company and JCIHL and (ii) approximately HK\$600.0 million to be paid to the Company for the settlement of the existing inter-company loans between the JCIHL Group and the Group which are interest free, repayable on demand and which have not been repaid prior to the Listing Date) and (b) the net proceeds from the draw down of the Loan Facility on the Listing Date of an amount which is no less than HK\$3,000 million.

Based on the Maximum Offer Price of HK\$5.65 per Offer Share Stapled Unit and taking into account the estimated fees and expenses of the Global Offering and the Loan Facility and the amount to be set aside for the interest reserve under the Loan Facility and assuming the entire principal amount of the Loan Facility is drawn down by JCIHL on the Listing Date, the maximum amount of the Pre-IPO Dividend is estimated to be approximately HK\$6,488 million, and will be financed using the net proceeds from the Global Offering and the Loan Facility.

Based on the Minimum Offer Price of HK\$5.35 per Offer Share Stapled Unit and taking into account the estimated fees and expenses of the Global Offering and a draw down by JCIHL of a principal amount of HK\$3,000 million from the Loan Facility on the Listing Date, the minimum amount of the Pre-IPO Dividend is estimated to be approximately HK\$5,340 million, and will be financed using the net proceeds from the Global Offering and the Loan Facility.

For the avoidance of doubt, only that portion of the principal amount of the Loan Facility that is drawn down by JCIHL on the Listing Date (net of the fees and expenses and interest reserve under the Loan Facility) will be payable to the Company as the Pre-IPO Dividend. JCIHL will draw down a minimum amount of HK\$3,000 million on the Listing Date.

The payment of the Pre-IPO Dividend is conditional upon the completion of the Global Offering. The Pre-IPO Dividend will be financed using the net proceeds from the Global Offering and the portion of the Loan Facility which is drawn down by JCIHL on the Listing Date.

The Pre-IPO Dividend will be paid out of JCIHL's distributable profits in accordance with the Cayman Companies Law and the constitutional documents of JCIHL. As at 31 December 2013, JCIHL's distributable profits were approximately HK\$10.07 billion. The directors of JCIHL are satisfied that the Company has sufficient distributable profits to pay the Pre-IPO Dividend and are further satisfied, after due and careful enquiry, that after the payment of the Pre-IPO Dividend, JCIHL will have sufficient working capital available to satisfy its requirements for at least 12 months after the Listing. The Pre-IPO Dividend will be paid to the Company no later than 10 business days after the Listing Date.

4. OBJECTIVES OF THE JINMAO INVESTMENTS GROUP AND DISTRIBUTIONS

The objectives of Jinmao Investments and JCIHL are (a) to focus principally on the payment of distributions to holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the articles of association of JCIHL and (b) to provide holders of Share Stapled Units with the potential for sustainable long-term growth in the distributions payable to them and the benefits that flow from the enhancement in the value of the JCIHL Group's portfolio of properties.

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Trust Distributable Income

The Trust Deed requires the Trustee-Manager (on behalf of Jinmao Investments) to distribute 100% of the dividends, distributions and other amounts received by the Trustee-Manager in respect of the Ordinary Shares from JCIHL, after deduction of all amounts permitted to be deducted or paid under the Trust Deed (such as the operating expenses of Jinmao Investments) (the “**Trust Distributable Income**”).

Group Distributable Income

The distributions received by the Trustee-Manager from JCIHL will be derived from the Group Distributable Income.

“**Group Distributable Income**” refers to the audited consolidated profit attributable to the holders of Share Stapled Units for the relevant financial year or the relevant distribution period after:

- (a) eliminating the effects of the Adjustments;
- (b) deducting the actual amount of taxes paid;
- (c) deducting (i) the net reduction in the amount of the total bank and other borrowings and (ii) the actual amount used to pay any interest and financing fees (net of the actual amount of interest received);
- (d) deducting any amounts paid from the FF&E Reserve which have been capitalised; and
- (e) at the discretion of the directors of JCIHL (i) adjusting for changes in working capital, (ii) deducting a sum equal to the aggregate of (A) any amounts set aside for capital expenditure and (B) any amounts set aside for the purpose of future debt service and/or compliance with covenants in any credit facility agreement and (iii) adding back any amounts for pre-opening expenses of any hotels prior to their formal opening date.

For the purposes of determining the Group Distributable Income, the directors of JCIHL have determined that the amount of HK\$100 million for pre-opening expenses of the Hotels Under Development and in respect of which cash funding has been set aside by the JCIHL Group will be added back to the audited consolidated profit attributable to the holders of Share Stapled Units for the period from the Listing Date to 31 December 2014.

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“**Adjustments**” refer to certain items which are charged or credited to the consolidated statement of profit or loss of the JCIHL Group for the relevant financial year or the relevant distribution period (as the case may be), including, but not limited to:

- (a) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions;
- (b) impairment of goodwill/recognition of negative goodwill;
- (c) material non-cash gains/losses;
- (d) costs of any public offering of Share Stapled Units that are expensed through the consolidated statement of profit or loss but are funded by proceeds from the issuance of such Share Stapled Units;
- (e) depreciation and amortisation;
- (f) tax charges as shown in the consolidated statement of profit or loss; and
- (g) net finance income/costs as shown in the consolidated statement of profit or loss.

The Trust Deed and the articles of association of JCIHL state that, except with the prior approval of an ordinary resolution of Registered Holders of Units and an ordinary resolution of shareholders of JCIHL and subject to compliance with all applicable laws of the Cayman Islands and the articles of association of JCIHL, the board of directors of JCIHL will declare and distribute:

- (a) 100% of the Group Distributable Income for the period from the Listing Date to 31 December 2014 and the financial year ending 31 December 2015; and
- (b) not less than 90% of the Group Distributable Income in respect of each financial year thereafter.

In addition, subject to compliance with all applicable laws of the Cayman Islands and the articles of association of JCIHL, the directors of JCIHL may declare and distribute such additional amounts as the directors of JCIHL in their discretion determine.

If the JCIHL Group sells any fixed assets or properties, the directors of JCIHL may, at their discretion, retain all or any part of the proceeds (including any realised gains) from such sale (less associated taxes and expenses and associated debt repayments), including any amounts retained for the purpose of servicing future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement (such amounts retained for debt repayment and covenant compliance being “**Excluded Amounts**”), for up to five years following such sale and may utilise the retained proceeds (other than the Excluded Amounts) for the acquisition of other fixed assets or properties, FF&E Reserve and/or capital expenditure. To the extent that all or any part of the retained proceeds (other than the Excluded Amounts) are not utilised for the purposes described above within five years following such sale, the JCIHL will distribute such retained proceeds (other than the Excluded Amounts) to the Trustee-Manager.

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The ability of the Trustee-Manager (on behalf of Jinmao Investments) to make distributions is dependent upon, among other things, the JCIHL Group's business generating sufficient income and the JCIHL Group having sufficient cash (either from its operations, internal resources and/or external loan facilities) to make the payments required.

5. OTHER ARRANGEMENTS IN RELATION TO THE PROPOSED SPIN-OFF

Business Delineation Measures

In order to maintain a clear delineation of the business of the JCIHL Group (on the one hand) and the business of the Group (on the other hand) following the Listing, the Company and JCIHL have entered into the Hotel Arrangements Deed pursuant to which (i) the Company has agreed to provide a non-compete undertaking and (ii) the parties have agreed to certain arrangements relating to the existing and future interests of the Group in hotels (the “**Hotel Arrangements**”), as further described below.

(a) Non-Compete Undertaking by the Company

The Company has undertaken to JCIHL that, except with the prior written consent of JCIHL, the Group will not develop, own or operate any commercial and/or retail development in the Lujiazui Central Financial District in Shanghai, the PRC (as demarcated by the red lines and the Huangpu River in the diagram below), which is where Jin Mao Tower is located.



The Lujiazui Central Financial District is the urban centre of the Pudong District of Shanghai and covers an area of approximately 1.7 sq. km.. It is the central business district of Shanghai and many major landmark/commercial buildings are located within this area, such

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as The Oriental Pearl TV Tower, Shanghai World Financial Centre, Shanghai International Financial Centre and Shanghai Tower (which is currently the tallest building in Shanghai). The Group does not currently own any commercial and/or retail property in the Lujiazui Central Financial District. The only commercial and/or retail property development owned by the Group in Shanghai is (i) the Shanghai International Shipping Service Centre Project, which is located across the river from the area of Lujiazui, (ii) Site B of Shanghai Port International Cruise Terminal Project, which is located further across the river in the western bank of Huangpu River and (iii) the Shanghai Haimen Road Project, which is currently under development and located further north across the Huangpu River.

The purpose of this non-compete undertaking given by the Company is to minimise any potential competition between the commercial and/or retail properties owned and operated by the Group in Shanghai and the commercial and retail portions of Jin Mao Tower, after taking into consideration that competition for tenants will primarily be dependent on the geographical location of a property.

(b) Hotel Arrangements

The Hotel Arrangements will apply as follows:

(i) *The Westin Nanjing*

Call Option

The Company has agreed to grant a call option to JCIHL to acquire the Group's 48.8% interest in The Westin Nanjing (the "**Relevant Hotel**"). The call option will be exercisable by JCIHL at any time from the date on which the Company notifies JCIHL that the right which the Group has to require Bateson Investment to repurchase its 51% interest in Leading Holdings Limited expires (see "*— Reasons for Excluding the Excluded Hotels from the JCIHL Group — The Westin Nanjing*" above for details). The Company will notify JCIHL of the expiry of such repurchase right within five business days of its expiry. The exercise price of the call option will be the prevailing market price of the Relevant Hotel.

Right of First Refusal

If the Group receives an offer from a third party purchaser to acquire the Relevant Hotel, the Company will offer to sell, or procure the relevant member of the Group to offer to sell, the Relevant Hotel to JCIHL (the "**ROFR**") at a price and on terms which are no less favourable than those offered by the third party purchaser. JCIHL will have a period of 15 business days to consider whether it wishes to accept the offer.

Other Terms

If JCIHL exercises the call option but the acquisition of the Relevant Hotel is not completed by JCIHL for any reason, the Relevant Hotel will remain subject to the call option and the ROFR described in this paragraph (b)(i) above.

If JCIHL (A) elects to accept the offer pursuant to the ROFR but the acquisition of the Relevant Hotel is not completed by JCIHL for any reason or (B) does not accept the offer or

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(C) does not respond to the offer pursuant to the ROFR within the specified time, the Group will be permitted to sell the Relevant Hotel to the third party purchaser. If such sale to the third party purchaser is not completed, the Relevant Hotel will remain subject to the call option and the ROFR described in this paragraph (b)(i) above.

(ii) Hotels Under Development Owned by the Group

If the Group has an interest in a hotel that is under development or develops a hotel in the future (including converting an existing property into a hotel) and it holds an effective interest of at least 30% (a “**Controlling Interest**”) in such hotel (also, a “**Relevant Hotel**”), the Relevant Hotel will be subject to the following arrangements from the date which is one year prior to the expected date of commencement of operation of the Relevant Hotel (the “**Relevant Date**”). The Company will notify JCIHL of the Relevant Date in respect of the Relevant Hotel within five business days of the Relevant Date.

Call Option

The Company will grant a call option to JCIHL to acquire the Group’s interest in the Relevant Hotel. The call option will be exercisable by JCIHL at any time from the Relevant Date. The exercise price of the call option will be the prevailing market price of the Relevant Hotel.

Right of First Refusal

If the Group receives an offer from a third party purchaser to acquire the Relevant Hotel, the Company will offer to sell, or procure the relevant member of the Group to offer to sell, the Relevant Hotel to JCIHL (also, the “**ROFR**”) at a price and on terms which are no less favourable than those offered by the third party purchaser. JCIHL will have a period of 15 business days to consider whether it wishes to accept the offer.

Other Terms

If JCIHL exercises the call option but the acquisition of the Relevant Hotel is not completed by JCIHL for any reason, the Relevant Hotel will remain subject to the call option and the ROFR described in this paragraph (b)(ii) above.

If JCIHL (A) elects to accept the offer pursuant to the ROFR but the acquisition of the Relevant Hotel is not completed by JCIHL for any reason or (B) does not accept the offer or (C) does not respond to the offer pursuant to the ROFR within 15 business days from the date of receipt of the offer (or such longer period as the parties may agree), the Group will be permitted to sell the Relevant Hotel to the third party purchaser. If such sale to the third party purchaser is not completed, the Relevant Hotel will remain subject to the call option and the ROFR described in paragraph (b)(ii) above.

The above Hotel Arrangements will apply to (I) the Nanjing International Center Phase II Hotel and (II) the Meixi Lake International Plaza Hotel from the date which is one year prior to the expected date of commencement of operation of each of these hotels. For the avoidance of doubt, the above Hotel Arrangements will also apply to any other Relevant Hotel which the Group develops in the future.

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(iii) Completed Relevant Hotels

If the Group has a Controlling Interest in a completed hotel in the future (also, a “**Relevant Hotel**”), the Relevant Hotel will become subject to the Hotel Arrangements described in paragraph (b)(ii) above.

(iv) Investment Opportunities

If the Group is offered the opportunity (an “**Investment Opportunity**”) to acquire a Controlling Interest in a completed hotel or a hotel under development and which is expected to commence operation within one year (also, a “**Relevant Hotel**”), the Company will notify, or will procure the relevant member of the Group to notify, JCIHL of the Investment Opportunity together with reasonable particulars (including price and terms) and offer JCIHL the opportunity to participate in such Investment Opportunity.

JCIHL will have a period of 15 business days following the receipt of such notice of the Investment Opportunity to make a decision. Where an Investment Opportunity must be pursued on a different timeframe due to time limitations imposed by the terms of the Investment Opportunity, the parties will agree a reasonable timeframe in order to achieve and complete the procedure referred to above to ensure that the Investment Opportunity may be duly pursued.

The Group will only be permitted to participate in the Investment Opportunity if JCIHL (based on a decision of such of the executive director(s) of JCIHL and the independent non-executive directors of JCIHL who do not have any ongoing role with the Group):

- (A) declines to participate in the Investment Opportunity;
- (B) elects to participate in the Investment Opportunity but permits the Group to also separately participate in the Investment Opportunity; or
- (C) elects to participate in the Investment Opportunity jointly with the Group.

In addition, the Group will be permitted to participate in the Investment Opportunity if JCIHL does not respond to the notice of the Investment Opportunity.

Where the parties elect to jointly participate in the Investment Opportunity and acquire the Relevant Hotel, the parties will then determine the optimal ownership structure, including the title ownership, management and operations of the Relevant Hotel in the best interests of each party.

Notwithstanding that the Group has not been permitted to participate in the Investment Opportunity and subject to any applicable legal, regulatory or contractual restrictions, JCIHL will keep the Group informed of all information which it has obtained in its review of the Investment Opportunity. If JCIHL subsequently decides not to participate in the Investment Opportunity or fails to complete the acquisition of the Relevant Hotel, it will use its reasonable endeavours to offer the Group the opportunity to participate in the Investment Opportunity.

The Investment Opportunity described above does not apply where the Group is offered the opportunity to acquire any interest in a completed mixed-use development or a mixed-use

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development under development which includes one or more hotels (also, a “**Relevant Hotel**”) because the JCIHL Group has been established primarily to own and invest in standalone hotels and not mixed-use developments. However, if the Group completes the acquisition of such mixed-use development, the Relevant Hotel will become subject to the Hotel Arrangements described in paragraphs (b)(ii) and (b)(iii) above will apply from the date of completion of such acquisition.

(v) Undertaking from the Company

To ensure the proper operation of the Hotel Arrangements, the Company has undertaken to JCIHL as follows:

- (A) if the Group develops or owns a mixed-use development which includes a hotel portion, it will use its best endeavours to promptly, and in any event no later than three months from the date on which it is permitted to do so, after taking into account all applicable legal, regulatory, contractual requirements and costs implications, make an application to the relevant government authorities to segregate the hotel portion of the mixed-use development into a standalone hotel with separate and distinct title documents; and
- (B) if the Group is developing a mixed-use development which includes a hotel portion, it will ensure that the design and structure of the mixed-use development will be such that it would be commercially and operationally feasible to segregate the hotel portion from the other portions of the mixed-use development.

(vi) Other Terms of the Hotel Arrangements

The Hotel Arrangements are subject to compliance by each of the JCIHL Group and the Group with any applicable legal and regulatory requirements and any applicable contractual or other restrictions.

For the purpose of the Hotel Arrangements, an interest in a Relevant Hotel refers to a direct legal and beneficial interest in the Relevant Hotel or an indirect interest in the Relevant Hotel held through a company.

The Group will provide to the JCIHL Group all such information relating to a Relevant Hotel as the JCIHL Group may reasonably request in order to make a decision whether to exercise a call option, accept an offer to acquire such Relevant Hotel or to participate in an Investment Opportunity.

If JCIHL exercises a call option or accepts an offer pursuant to the ROFR to acquire an interest in a relevant Hotel:

- (A) if the Relevant Hotel is part of a mixed-use development and not a standalone hotel, completion of the acquisition will occur after the Relevant Hotel is segregated from the mixed-use development into a standalone hotel;
- (B) the Company will appoint an independent valuer to determine the prevailing market price of its interest in the Relevant Hotel; and

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- (C) the Company and JCIHL will comply with the relevant Listing Rules requirements, including (if required) obtaining the approval of the independent holders of Share Stapled Units and/or the independent Shareholders for the sale and purchase of the interest in the Relevant Hotel.

(vii) Duration of the Non-Compete Undertaking and the Hotel Arrangements

The non-compete undertaking given by the Company and the Hotel Arrangements will commence on the Listing Date and will terminate on the earlier of:

- (A) the date on which the Company, directly or indirectly, is interested, in less than 30% of the Share Stapled Units in issue; and
- (B) the date on which the Share Stapled Units cease to be listed on the Stock Exchange.

In addition to the above termination events, in respect of each Relevant Hotel subject to the Hotel Arrangements, the Hotel Arrangements applicable to that Relevant Hotel will automatically terminate on the date of completion of the sale of the Relevant Hotel pursuant to the exercise of the call option or the ROFR (as the case may be).

(viii) Measures Adopted to Ensure the Proper Operation of the Non-Compete Undertaking Given by the Company and the Hotel Arrangements

The following measures have been adopted to ensure the proper operation of the non-compete undertaking given by the Company and the Hotel Arrangements:

- (A) if the board of directors of JCIHL is required to make a decision on any matters relating to (I) whether to grant the Group consent to develop, own or operate any commercial and/or retail development in the Lujiazui Central Financial District in Shanghai, the PRC pursuant to the non-compete undertaking given by the Company and (II) the Hotel Arrangements, all such matters will be decided upon by such of the executive director(s) of JCIHL and the independent non-executive directors of JCIHL who do not have any ongoing role with the Group;
- (B) in determining whether to exercise a call option or accept an offer pursuant to a ROFR to acquire a Relevant Hotel or to participate in an Investment Opportunity pursuant to the Hotel Arrangements, the executive director(s) of JCIHL and the independent non-executive directors of JCIHL will take into consideration the investment criteria adopted by the JCIHL Group;
- (C) a committee comprising all the independent non-executive directors of JCIHL (the “**JCIHL Independent Board Committee**”) will be responsible for overseeing the implementation of the Hotel Arrangements. In particular, the JCIHL Independent Board Committee will review on an annual basis compliance by the Company with the terms of the Hotel Arrangements;
- (D) the Company will provide (I) an annual confirmation to the Trustee-Manager and JCIHL regarding its compliance with the terms of the non-compete undertaking given

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by it and the Hotel Arrangements and (II) all such information as the JCIHL Independent Board Committee may reasonably request for the annual review by the JCIHL Independent Board Committee of its compliance with the terms of the non-compete undertaking given by it and the Hotel Arrangements; and

- (E) the Trustee-Manager and JCIHL will disclose in the annual report (I) the annual confirmation of the Company regarding its compliance with the terms of the non-compete undertaking given by it and the Hotel Arrangements, (II) the findings of the JCIHL Independent Board Committee regarding compliance by the Company the terms of the non-compete undertaking given by it and the Hotel Arrangements and (III) any decision made by the JCIHL Group on whether to exercise a call option or accept an offer pursuant to a ROFR to acquire a Relevant Hotel or to participate in an Investment Opportunity pursuant to the Hotel Arrangements, including the details and the basis for such decision (subject to such disclosure not being in breach of the contractual or legal obligations of the JCIHL Group and/or the Group.

Distribution Guarantee

The Company has agreed to provide a guarantee (the “**Distribution Guarantee**”) to the Trustee-Manager (for the benefit of the holders of Share Stapled Units) that the aggregate distributions to be made by the Trustee-Manager (on behalf of Jinmao Investments) to the holders of Share Stapled Units (including the Company) for the period from the Listing Date to 31 December 2014 will be an amount which represents an annualised distribution amount of not less than HK\$960 million for the financial year ending 31 December 2014 (the “**Distribution Guarantee Amount**”). The actual Distribution Guarantee Amount will be calculated by multiplying the annualised distribution guarantee amount of HK\$960 million by the number of calendar days from the Listing Date to 31 December 2014 (both days inclusive) and dividing by 365 (being the number of calendar days in the financial year ending 31 December 2014). Assuming that the Listing Date is 2 July 2014, the Distribution Guarantee Amount is HK\$481 million.

The purpose of the Distribution Guarantee is to assist in smoothing out any possible volatility in the distributions to be made by the Trustee-Manager (on behalf of Jinmao Investments) for the period from the Listing Date to 31 December 2014, particularly in light of Hyatt Regency Chongming which only opened in March 2014 and the two Hotels Under Development (being Renaissance Beijing Wangfujing Hotel and Grand Hyatt Lijiang) which are only expected to commence operations by the end of 2014. The Distribution Guarantee will therefore provide the holders of Share Stapled Units with a minimum expected income and yield from their holdings of Share Stapled Units during the period from the Listing Date to 31 December 2014.

The annualised distribution guarantee amount of HK\$960 million is an amount which has been determined by taking into consideration the yield on comparable listed companies, fixed single investment trusts, business trusts and REITs in Hong Kong and Singapore which are primarily engaged in the hospitality business and the historical performance of the Completed Hotels (other than Hyatt Regency Chongming) and assumes the Hyatt Regency Chongming and the two Hotels Under Development are fully operational with stable occupancy and profitability.

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Shareholders and investors should note that the Distribution Guarantee Amount is not and should not be regarded as a forecast by the directors of the Trustee-Manager and JCIHL, the Company or any of the Relevant Persons of the results of the JCIHL Group for the period from the Listing Date to 31 December 2014. As explained above, the purpose of the Distribution Guarantee is to provide the holders of Share Stapled Units with a minimum expected income and yield from their holdings of Share Stapled Units during the period from the Listing Date to 31 December 2014. The actual results of the JCIHL Group (and hence the Group Distributable Income and the Trust Distributable Income) for the period from the Listing Date to 31 December 2014 will depend on the actual performance of the JCIHL Group (including the Hotels) and are subject to a number of risks and uncertainties over which the JCIHL Group has no control. The Distribution Guarantee does not increase the revenue or the income generated by the JCIHL Group (including the Hotels) for the period from the Listing Date to 31 December 2014 and does not affect the financial independence of the JCIHL Group from the Group following the Listing (see *“Independence of the JCIHL Group from the Group”* below for further details).

Pursuant to the Distribution Guarantee, if the Trust Distributable Income for the period from the Listing Date to 31 December 2014 is less than the Distribution Guarantee Amount, the Company will make a payment to the Trustee-Manager (for the benefit of the holders of Share Stapled Units) of an amount equal to the difference between the Distribution Guarantee Amount and the Trust Distributable Income for the period from the Listing Date to 31 December 2014 (the **“Distribution Shortfall Payment”**), so that the total distributions received by the holders of Share Stapled Units from the Trustee-Manager for the period from the Listing Date to 31 December 2014 will be an amount equal to the Distribution Guarantee Amount.

The Company will make the Distribution Shortfall Payment (if any) to the Trustee-Manager, who will aggregate the Distribution Shortfall Payment with the Trust Distributable Income for the period from the Listing Date to 31 December 2014 and will pay such aggregated amount to the holders of Share Stapled Units (including the Company). At the Company’s option, the Company may request that the Trustee-Manager offset the Distribution Shortfall Payment (if any) payable by the Company against the distributions which the Company is entitled to receive from the Trustee-Manager (on behalf of Jinmao Investments) for the period from the Listing Date to 31 December 2014. The Jinmao Investments Group will not account for the amount of the Distribution Shortfall Payment (if any) in the Jinmao Investments Group’s financial statements following the Listing.

Shortfall Payments

To enable the JCIHL Group to minimise its exposure to the initial start-up risks associated with the operation of Hyatt Regency Chongming (which opened in March 2014) and the Hotels Under Development (which are expected to commence operations by the end of 2014) (the **“Shortfall Payment Hotels”**) for an initial period of time following their commencement of operation and to provide the holders of Share Stapled Units with some assurance of the level of income of the JCIHL Group for the financial years ending 31 December 2015, 2016 and 2017 (the **“Shortfall Payment Period”**), the Company has agreed to provide the Shortfall Payments (as defined below) to the Trustee-Manager (for the benefit of the holders of Share Stapled Units).

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During the Shortfall Payment Period, if the aggregate actual EBITDA of the Shortfall Payment Hotels for any relevant financial year (the “**Actual EBITDA**”) is less than HK\$220 million (the “**Specified EBITDA**”), the Company will make a payment to the Trustee-Manager (for the benefit of the holders of Share Stapled Units) of an amount equal to the difference between the Specified EBITDA and the Actual EBITDA (the “**Shortfall Payment**”).

The Specified EBITDA has been determined by aggregating an amount for each Shortfall Payment Hotel which is determined by multiplying (a) the average yield which is achieved by comparable completed hotels to the relevant Shortfall Payment Hotel in Chongming, Beijing and Lijiang (as the case may be) (which is calculated by dividing the gross operating profit of the comparable hotels by the appraised value of such comparable hotels) and (b) the estimated appraised value of that Shortfall Payment Hotel at the time of its completion.

Shareholders and investors should note that the Specified EBITDA for the Shortfall Payment Hotels is not and should not be regarded as a forecast by the directors of the Trustee-Manager and JCIHL, the Company or any of the Relevant Persons of the aggregate EBITDA of the Shortfall Payment Hotels or the results of the JCIHL Group for the Shortfall Payment Period. As explained above, the purpose of the Shortfall Payments is to minimise the JCIHL Group’s exposure to the initial start-up risks associated with the Shortfall Payment Hotels and to provide the holders of Share Stapled Units with some assurance of the level of income of the JCIHL Group during the Shortfall Payment Period. The aggregate actual EBITDA of the Shortfall Payment Hotels will depend on the actual performance of the Shortfall Payment Hotels and is subject to a number of risks and uncertainties over which the JCIHL Group has no control. The Shortfall Payments will not increase the revenue or the income generated by the Shortfall Payment Hotels during the Shortfall Payment Period and will not affect the financial independence of the JCIHL Group from the Group following the Listing (see “*Independence of the JCIHL Group from the Group*” below for further details). The actual results of the JCIHL Group (and hence the Group Distributable Income and the Trust Distributable Income) for each financial year during the Shortfall Payment Period will depend on the actual performance of the JCIHL Group (including the Hotels) and are subject to a number of risks and uncertainties over which the JCIHL Group has no control.

The aggregate Shortfall Payment to be made by the Company during the entire Shortfall Payment Period will be subject to a maximum amount of HK\$300 million, which represents 5.7% of the aggregate estimated appraised value of the Shortfall Payment Hotels at the time of their completion. For the avoidance of doubt, there is no maximum amount of the Shortfall Payments which is payable by the Company during any financial year in the Shortfall Payment Period but instead there is an aggregate maximum amount for the entire duration of the Shortfall Payment Period. The amount of the Shortfall Payment in any relevant financial year during the Shortfall Payment Period may exceed HK\$220 million if the Actual EBITDA for that financial year is negative, but the Shortfall Payments will not exceed HK\$300 million in the aggregate.

The Company will make the Shortfall Payments (if any) to the Trustee-Manager, who will aggregate the Shortfall Payments with the Trust Distributable Income for the relevant financial year during the Shortfall Payment Period and will pay such aggregated amount to the holders of Share Stapled Units (including the Company). At the Company’s option, the Company may request that the Trustee-Manager offset the Shortfall Payment for the relevant financial year during the Shortfall Payment Period (if any) payable by the Company against the distributions

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which the Company is entitled to receive from the Trustee-Manager (on behalf of Jinmao Investments) for that relevant financial year. The Jinmao Investments Group will not account for the amount of the Shortfall Payments (if any) in the Jinmao Investments Group's financial statements after the Listing.

It is currently expected that any payments to be made by the Company pursuant to the Distribution Guarantee and the Shortfall Payments described above will not be material. The Directors consider that the Distribution Guarantee and the Shortfall Payments would enable investors to evaluate the performance of the Hotels and attribute a valuation to Shortfall Payment Hotels which is not impacted by the initial start-up risks associated with the Shortfall Payment Hotels. The Directors consider that the Distribution Guarantee and the Shortfall Payments are being implemented as part of the Reorganisation and the Proposed Spin-off, and are in the interest of the Shareholders as a whole.

6. INDEPENDENCE OF THE JCIHL GROUP FROM THE GROUP

The JCIHL Group is capable of carrying on its business independently from the Group following the completion of the Reorganisation and the Global Offering on the basis set out below.

(a) Clear Delineation between the Business of the JCIHL Group and the Business of the Group

Jinmao Investments and the JCIHL Group primarily own and invest in a portfolio of hotels, comprising both completed hotels and hotels under development, with the hotels under development expected to commence operations within one year of the date of investment, and also own Jin Mao Tower, a mixed-use development. The initial property portfolio of the JCIHL Group comprises the Properties, all of which (other than Jin Mao Tower) are standalone hotels and which, prior to the Listing, represent all of the completed hotels and hotels under development owned by the Group, other than the Excluded Hotels. The Excluded Hotels have not been included in the initial property portfolio of the JCIHL Group for the reasons described in "*— Reasons for Excluding the Excluded Hotels from the JCIHL Group*" above.

The objectives of Jinmao Investments and JCIHL are (a) to focus principally on the payment of distributions to the holders of Share Stapled Units with a clearly expressed intention as to their respective distribution policies stated in the Trust Deed and the articles of association of JCIHL and (b) to provide the holders of Share Stapled Units with the potential for sustainable long-term growth in the distributions payable to them and the benefits which flow from the enhancement in the value of the JCIHL Group's portfolio of properties. To meet these objectives, the JCIHL Group will focus on optimising the performance of the Properties together with the Hotel Managers (in respect of the Hotels) and on growth opportunities through organic asset enhancements to the Properties and acquisition opportunities. There is no intention of the JCIHL Group to be involved in developing and managing its own hotels.

Upon the Listing, the Group will, in addition to being engaged in property development, primary land development, sales of office, retail, mixed-use developments and residential properties, owning and operating office buildings, retail properties, commercial complexes and mixed-use developments and construction and sale of hotels, own interests in hotels only (i)

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through its interest in 70% of the Share Stapled Units in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and (ii) subject at all times to the Hotel Arrangements, as described in “— *Business Delineation Measures — Hotel Arrangements*” above.

Notwithstanding that the Group will continue to hold interests in the Excluded Hotels following the Listing, the Directors consider that a clear delineation of the business of the JCIHL Group (on the one hand) and the business of the Group (on the other hand) can be maintained for the following reasons:

- (i) the Company has given a limited scope non-compete undertaking as described in “— *Business Delineation Measures*” above;
- (ii) in respect of the Excluded Hotels, as none of the Hotels are located in Nanjing or Changsha City, there is no actual or potential competition between the Excluded Hotels and any of the Hotels;
- (iii) the procedures described below have been adopted in order to maintain a clear delineation of the business of the JCIHL Group (on the one hand) and the business of the Group (on the other hand):
 - (A) the Company has entered into the Hotel Arrangements Deed with JCIHL, details of which are set out in “— *Business Delineation Measures — Hotel Arrangements*” above;
 - (B) the board of directors of each of the Trustee-Manager and JCIHL has a balanced composition of executive, non-executive and independent non-executive directors so that there is a strong element on each of these boards of directors which can effectively exercise independent judgment. Further details are set out in “— *Independence of Directors and Management*” below;
 - (C) the management structure of the Group includes an audit committee and a remuneration and nomination committee, the terms of reference of each of which requires them to be alert to prospective conflict of interest issues. Each of the Trustee-Manager and JCIHL has an audit committee and JCIHL also has a remuneration and nomination committee;
 - (D) any connected transactions or continuing connected transactions between the Group and the JCIHL Group will be transacted in compliance with the applicable requirements of the Listing Rules (subject to any waivers which may be granted by the Stock Exchange); and
 - (E) Jinmao Investments and JCIHL have appointed a compliance adviser for the period commencing on the Listing Date and ending on the date on which Jinmao Investments and JCIHL comply with Rule 13.46 of the Listing Rules in respect of their financial results for the first full financial year commencing after the Listing Date.

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(b) Independence of Business and Operations

The JCIHL Group's business will be operated and management independently of the Group. In particular, the Hotels have, or will have on completion of construction, their own employees and the Hotels will continue to be managed by the Hotel Managers, which are third parties independent of the Group.

Following the Listing, there will be continuing connected transactions between the JCIHL Group (on the one hand) and the Group (on the other hand). These transactions will constitute continuing connected transactions for the JCIHL Group but will not constitute continuing connected transactions for the Company. Details of all continuing connected transactions between the JCIHL Group (on the one hand) and the Group (on the other hand) are set out in "*Appendix III — Continuing Connected Transactions*" in this circular. All of these continuing connected transactions will continue to be conducted on an arm's length basis and on normal commercial terms. These continuing connected transactions include, among other things, the provision by the Group of project consulting services in respect of the Hotels Under Development until their completion and commercial property management services in relation to the "J-Life" commercial portions in Jin Mao Tower and The Ritz-Carlton, Sanya. In respect of these services, the directors of the Trustee-Manager and JCIHL are of the view that there are other suppliers available who are able to provide such services with comparable quality and prices and that such services have been and will continue to be provided by the Group on normal commercial terms and negotiated on an arm's length basis.

For the reasons stated above, the Directors are of the view that the JCIHL Group is not operationally dependent on the Group despite these continuing connected transactions.

On the basis of the foregoing, the JCIHL Group's business will be operationally independent of the Group following the Listing.

(c) Financial Independence of the JCIHL Group from the Group

The JCIHL Group has given certain pledges and guarantees as security for certain borrowings of the Group. These pledges and guarantees will be released on or prior to the Listing Date.

There are existing inter-company loans between the JCIHL Group and the Group and between the JCIHL Group and the Sinochem Conglomerate and all such loans will be repaid upon Listing.

In addition, all inter-company balances between the JCIHL Group and the Group and between the JCIHL Group and the Sinochem Conglomerate will be settled upon Listing Date, save for those inter-company balances arising from the continuing connected transactions disclosed in "*Appendix III — Continuing Connected Transactions*" in this circular.

The Company has agreed to provide the Distribution Guarantee and the Shortfall Payments as described in "*— Distribution Guarantee*" above. The Distribution Guarantee and the Shortfall Payments do not affect the financial independence of the JCIHL Group from the Group for the following reasons:

- (i) the Distribution Guarantee is in effect an arrangement between the Company (on the one hand) and the other holders of Share Stapled Units (on the other hand) and is a means of providing such holders of Share Stapled Units with a minimum expected income and yield from their holdings of Share Stapled Units during the period from the Listing Date to 31 December 2014;

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- (ii) the Shortfall Payments are to provide the holders of Share Stapled Units with some assurance of the level of income of the JCIHL Group during the financial years ending 31 December 2015, 2016 and 2017 while the Shortfall Payment Hotels are in the initial start-up phase;
- (iii) the Distribution Guarantee does not increase the revenue or the income generated by the JCIHL Group (including the Hotels) during the period from the Listing Date to 31 December 2014 nor do the Shortfall Payments increase the revenue or the income of the Shortfall Payment Hotels during the financial years ending 31 December 2015, 2016 and 2017. These payments do not support the operations of the JCIHL Group or the Properties and are simply payments being made by the Company to the Trustee-Manager (on behalf of Jinmao Investments), which will in turn pay such amounts to the holders of Share Stapled Units through the distributions; and
- (iv) notwithstanding the Distribution Guarantee and the Shortfall Payments, the JCIHL Group will continue to generate revenue and income from the Properties, which have an established track record of generating revenues and income.

On the basis of the foregoing, the JCIHL Group will be financially independent of the Group following the Listing.

(d) Independence of Directors and Management

Upon Listing, in addition to being directors of JCIHL and the Trustee-Manager, certain of the directors will continue to hold directorships and roles in the Group as set out below:

Name of Director	JCIHL and Trustee-Manager	the Group
Mr. HE Cao	<ul style="list-style-type: none"> • Chairman and Non-executive Director 	<ul style="list-style-type: none"> • Chairman and Executive Director of the Company • Director of various subsidiaries of the Company
Mr. ZHANG Hui	<ul style="list-style-type: none"> • Chief Executive Officer and Executive Director 	<ul style="list-style-type: none"> • None⁽¹⁾
Mr. LI Congrui	<ul style="list-style-type: none"> • Non-executive Director 	<ul style="list-style-type: none"> • Executive Director and Chief Executive Officer of the Company • Director of various subsidiaries of the Company
Mr. JIANG Nan	<ul style="list-style-type: none"> • Non-executive Director 	<ul style="list-style-type: none"> • Chief Financial Officer of the Company • Director of various subsidiaries of the Company
Dr. CHUNG Shui Ming Timpson	<ul style="list-style-type: none"> • Independent Non-executive Director 	<ul style="list-style-type: none"> • None
Dr. CHEN Jieping	<ul style="list-style-type: none"> • Independent Non-executive Director 	<ul style="list-style-type: none"> • None
Dr. ZHANG Rungang	<ul style="list-style-type: none"> • Independent Non-executive Director 	<ul style="list-style-type: none"> • None

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Note:

- (1) As at the Latest Practicable Date, Mr. Zhang Hui was a Vice President and member of the senior management of the Company. He will cease his ongoing roles with the Group with effect from the Listing Date.

Save for Mr. Meng Yongchu, Mr. Ding Jianjun, Mr. Chen Mengchao and Ms. Zhang Runhong, none of the senior management of the JCIHL holds any roles with the Group. The roles of Mr. Meng Yongchu, Mr. Ding Jianjun and Ms. Zhang Runhong as directors of Jin Mao Advertising were because this entity was part of the JCIHL Group prior to the Reorganisation and has been transferred to the Group as part of the Reorganisation. As at the Latest Practicable Date, Jin Mao Advertising was solvent and in the process of voluntary winding-up as Jin Mao Advertising's business operations have been transferred out of Jin Mao Advertising.

The Trustee-Manager and JCIHL (on the one hand) and the Company (on the other hand) have boards of directors that function independently of each other.

Each of the Trustee-Manager and JCIHL has a board of directors with seven directors, comprising one executive director, three non-executive directors and three independent non-executive directors.

The executive director of the Trustee-Manager and JCIHL, being Mr. Zhang Hui, will not retain any ongoing role with the Group with effect from the Listing Date and will report to the board of directors of the Trustee-Manager and JCIHL.

The three non-executive directors of the Trustee-Manager and JCIHL, being Mr. He Cao, Mr. Li Congrui and Mr. Jiang Nan, will remain in their existing roles with the Group following the Listing.

All three independent non-executive directors of the Trustee-Manager and JCIHL do not, and will not, have any ongoing role with the Group with effect from the Listing.

The Directors believe that the JCIHL Group will be able to operate independently of the Group with effect from the Listing for the following reasons:

- (i) the board of directors of the Trustee-Manager and JCIHL will comprise seven members, four of whom will have no ongoing roles with, and are therefore independent from, the Group;
- (ii) Mr. Zhang Hui, the executive director and Chief Executive Officer of the Trustee-Manager and JCIHL, will not retain any ongoing role with the Group with effect from the Listing Date and will report to the board of directors of the Trustee-Manager and JCIHL. He will have dedicated responsibilities for the JCIHL Group and will oversee the operations of the JCIHL Group and the Hotel Managers in their daily operation and management of the Hotels. The management team and staff of the JCIHL Group will report to Mr. Zhang and he will be accountable to the board of directors of the Trustee-Manager and JCIHL without risk of conflict of interest;

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- (iii) the three non-executive directors of the Trustee-Manager and JCIHL, being Mr. He Cao, Mr. Li Congrui and Mr. Jiang Nan, will assume a strategic role in formulating the development plans of the JCIHL Group. They will not be involved in the daily operations or management of the JCIHL Group;
- (iv) all three independent non-executive directors of the Trustee-Manager and JCIHL do not, and will not, have any ongoing role with the Group. Accordingly, the Directors believe that the independent non-executive directors of the Trustee-Manager and JCIHL can exercise independent judgment free from any conflict of interest;
- (v) notwithstanding that three of the seven members of the board of directors of the Trustee-Manager and JCIHL are directors of the Company and/or other members of the Group, the four remaining members of the board of directors of the Trustee-Manager and JCIHL, in particular Mr. Zhang Hui, Dr. Chung Shui Ming Timpson, Dr. Chen Jieping and Dr. Zhang Rungang (who has extensive experience in the hotel industry), will have sufficient expertise to manage the JCIHL Group in the event that the other three directors of the Trustee-Manager and JCIHL are required to abstain from voting on matters relating to the Group;
- (vi) with three independent non-executive directors out of a total board size of seven of the Trustee-Manager and JCIHL, the Directors believe that there is a strong element on the board of directors of the Trustee-Manager and JCIHL which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent holders of Share Stapled Units;
- (vii) the Trustee-Manager and JCIHL have established the following corporate governance measures to seek to (A) address any potential conflicts of interest of the overlapping directors of the Trustee-Manager and JCIHL (on the one hand) and the Group (on the other hand), including any potential conflicts of interest and competition between the JCIHL Group's hotels and the Excluded Hotels and (B) safeguard the interests of the independent holders of Share Stapled Units:
 - (1) any director(s) of the Trustee-Manager and JCIHL with an interest in the relevant matter (including matters relating to the non-compete undertaking given by the Company and acquisitions and investment opportunities arising from the Hotel Arrangements and matters relating to competition between the JCIHL Group's hotels and the Excluded Hotels) will abstain from voting in respect of that matter and will not be counted in the quorum of the relevant board meeting of the Trustee-Manager and JCIHL to consider that matter. In such a situation, only such of the executive director(s) and the independent non-executive directors of the Trustee-Manager and JCIHL who do not have any ongoing role with the Group will vote and decide on such matters. In this context, a conflict, so far as the board of JCIHL and the board of the Trustee-Manager are concerned, will be taken to include any matter in which the Group has a direct or indirect interest;
 - (2) the Trustee-Manager's articles of association provide that a director of the Trustee-Manager must give priority to the interest of all the Registered Holders of Units as a whole over the interest of the Trustee-Manager in the event of a conflict between the interest of all the Registered Holders of Units as a whole and the interest of the Trustee-Manager;

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- (3) potential and actual conflicts arising from connected transactions between the JCIHL Group (on the one hand) and the Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing connected transactions. In particular, the Company will abstain from voting at any meetings of registered holders of Share Stapled Units where the Group has a material interest in the relevant resolution(s); and
- (4) any potential conflict of interest that may arise from the future development of the JCIHL Group (on the one hand) and the Group (on the other hand) has been minimised through the non-compete undertaking given by the Company and the Hotel Arrangements. In particular, certain measures have been adopted to ensure the proper operation of the Hotel Arrangements, as described in “— *Business Delineation Measures — Hotel Arrangements*” above.

(e) Independence of Administrative Capability

All essential administrative functions, such as finance and accounting, administration and operations, information technology, human resources and compliance functions, will be carried out by the JCIHL Group without the support of the Group. Accordingly, the JCIHL Group will be administratively independent of the Group.

(f) Continuing Connected Transactions between the JCIHL Group and the Group

Following the Listing, there will be continuing connected transactions between the JCIHL Group (on the one hand) and the Group (on the other hand). These transactions will constitute continuing connected transactions for the JCIHL Group but will not constitute continuing connected transactions for the Company.

Details of all continuing connected transactions between the JCIHL Group (on the one hand) and the Group (on the other hand) are set out in “*Appendix III — Continuing Connected Transactions*” in this circular. All of these continuing connected transactions will continue to be conducted on an arm’s length basis and on normal commercial terms.

7. GLOBAL OFFERING

The Offer Price Range under the Global Offering has been determined and the Offer Price will be not less than HK\$5.35 and not more than HK\$5.65 per Share Stapled Unit (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee). If the Global Offering proceeds:

- (a) the market capitalisation of the Jinmao Investments Group calculated by reference to the Offer Price Range will be between approximately HK\$10,700 million and approximately HK\$11,300 million;
- (b) the Share Stapled Units to be offered under the Global Offering will represent 30% of the Share Stapled Units in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised;
- (c) the size of the Global Offering will be between approximately HK\$3,210.0 million and approximately HK\$3,390.0 million (assuming the Over-allotment Option is not exercised) and between approximately HK\$3,691.5 million and approximately HK\$3,898.5 million (assuming the Over-allotment Option is exercised in full); and

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- (d) the Group's percentage shareholding in the Jinmao Investments Group will, upon completion of the Global Offering, be reduced from 100% to 70% assuming the Over-allotment Option is not exercised, or to 65.5% if the Over-allotment Option is exercised in full.

The final Offer Price will be determined on the Price Determination Date.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Trustee-Manager, JCIHL and the Company, reduce the number of Offer Share Stapled Units offered and/or the Offer Price Range below that stated in the Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, the Trustee-Manager and JCIHL will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of JCIHL and the Stock Exchange at www.jinmao88.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Share Stapled Units and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), the Company, the Trustee-Manager and JCIHL, will be fixed within such revised Offer Price range.

The Company has entered into the underwriting agreement in relation to the Hong Kong Public Offering on 18 June 2014 with the Trustee-Manager, JCIHL, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters. The Company will also enter into the International Underwriting Agreements relating to the International Offering with the Trustee-Manager, JCIHL and the International Underwriters. The Offer Share Stapled Units offered by the Trustee-Manager and JCIHL pursuant to the Global Offering will be underwritten by the Underwriters subject to the terms set out in the Underwriting Agreements. The Trustee-Manager, JCIHL, and the Company are also expected to give certain lock-up undertakings for a period of time in relation to the disposal and/or the issue of Share Stapled Units.

It is expected that the Company will enter into a Share Stapled Units Borrowing Agreement with the Stabilising Manager pursuant to which it will lend Share Stapled Units to the Stabilising Manager in order to facilitate the settlement of over-allocations, if any, of Share Stapled Units in connection with the International Offering.

It is also expected that the Company will grant to the International Underwriters in the International Underwriting Agreement the Over-allotment Option pursuant to which the Company may be required to sell up to an aggregate of 90,000,000 Share Stapled Units, representing not more than 15% of the number of Offer Share Stapled Units initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

A further announcement will be made when the International Underwriting Agreement (including the granting of the Over-allotment Option) is signed and if and when the Over-allotment Option is exercised.

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Conditions of the Global Offering

Acceptance of all applications for Offer Share Stapled Units will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Company, the Trustee-Manager and JCIHL;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of the Prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Company, the Trustee-Manager and JCIHL on or before Monday, 30 June 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Trustee-Manager and JCIHL in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of JCIHL and the Stock Exchange at www.jinmao88.com and www.hkexnews.hk, respectively, on the next day following such lapse.

Share Stapled Unit certificates for the Offer Share Stapled Units will only become valid at 8:00 a.m. on Wednesday, 2 July 2014, provided that the Global Offering has become unconditional in all respects at or before that time.

Undertakings Given by the Company

In connection with the Global Offering, the Company has also given the following undertakings pursuant to the Listing Rules and the Hong Kong Underwriting Agreement.

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Undertakings Given to the Stock Exchange Pursuant to Listing Rules

Pursuant to Rule 10.07 of the Listing Rules, the Company, as the controlling holder of Share Stapled Units, has undertaken to the Stock Exchange, the Trustee-Manager and JCIHL that, except pursuant to (a) any lending of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement or (b) any sale of Share Stapled Units pursuant to any exercise of the Over-allotment Option, it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its holding of Share Stapled Units is made in the Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units in respect of which it is shown by the Prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Share Stapled Units referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling holder of Share Stapled Units,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Company has undertaken to the Stock Exchange, the Trustee-Manager and JCIHL that, within the period commencing on the date by reference to which disclosure of its holding of Share Stapled Units is made in the Prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (1) when it pledges or charges any Share Stapled Units beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Trustee-Manager and JCIHL of such pledge or charge together with the number of Share Stapled Units so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee of any Share Stapled Units that any of the pledged or charged Share Stapled Units will be disposed of, immediately inform the Trustee-Manager and JCIHL of such indications.

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Undertakings Given to the Joint Global Coordinators and the Hong Kong Underwriters

The Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters, the Trustee-Manager and JCIHL that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) save for the lending of Share Stapled Units pursuant to the Share Stapled Units Borrowing Agreement and any sale of Share Stapled Units pursuant to any exercise of the Over-allotment Option, it will not, and will procure that the relevant registered holder(s) will not, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date that is six months after the Listing Date (the “**First Six-Month Period**”):
- (i) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of JCIHL or interests in Jinmao Investments or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exercisable or exchangeable for, or represent the right to receive, or any warrants or other rights to purchase, any Share Stapled Units, Preference Shares or Ordinary Shares) beneficially owned by it as at the Listing Date (the “**Lock-Up Securities**”); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Lock-Up Securities; or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (a)(ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (a)(ii) or (a)(iii) above,

in each case, whether any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Share Stapled Units, Preference Shares, Ordinary Shares or any other equity securities of JCIHL or interests in Jinmao Investments, or in cash or otherwise,

- (b) it will not, and will procure that the relevant registered holder(s) will not, during period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), enter into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it would cease to be a controlling holder of the Share Stapled Units; and

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- (c) until the expiry of the Second Six-Month Period, if it or any of the relevant registered holder(s) enters into any of the transactions specified in paragraph (a)(i), (a)(ii) or (a)(iii) above in respect of the Lock-Up Securities or offers to or agrees to or publicly announces any intention to effect any such transaction, it will take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the Share Stapled Units.

In addition, the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters, the Trustee-Manager and JCIHL that it will, and it will procure that the relevant registered holder(s) will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) of any Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities of JCIHL or interests in Jinmao Investments beneficially owned by it for a *bona fide* commercial loan, immediately inform the Trustee-Manager, JCIHL and the Joint Global Coordinators in writing of such pledge or charge together with the number of Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities of JCIHL or amount of the interests in Jinmao Investments which are so pledged or charged and the purpose for which such pledge or charge is created; and
- (b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Share Stapled Units, Preference Shares, Ordinary Shares or other equity securities of JCIHL or interests in Jinmao Investments will be disposed of, immediately inform the Trustee-Manager, JCIHL and the Joint Global Coordinators in writing of such indication.

The Trustee-Manager and JCIHL have agreed and undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, upon receiving such information in writing from the Company, they will, as soon as practicable, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules and, if applicable, the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

8. ASSURED ENTITLEMENT

Shareholders are reminded that this circular is not intended to and does not constitute an offer or any invitation to apply for their Assured Entitlement under the Preferential Offering. Such offer or invitation is made through the Prospectus and the information below in relation to the Preferential Offering is purely extracted from the Prospectus for general information purposes only. Shareholders should refer to the Prospectus for details of the offer and the invitation to them under the Preferential Offering.

Basis of the Assured Entitlement

In order to enable Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of,

LETTER FROM THE BOARD

and permission to deal in, the Share Stapled Units on the Main Board of the Stock Exchange and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Shareholders are being invited to apply for an aggregate of 80,000,000 Reserved Share Stapled Units in the Preferential Offering, representing approximately 13.3% of the Share Stapled Units initially available under the Global Offering as an Assured Entitlement. The Reserved Share Stapled Units are being offered out of the International Offer Share Stapled Units under the International Offering and are not subject to reallocation.

The basis of the Assured Entitlement is one Reserved Share Stapled Unit for every 114 Shares held by Qualifying Shareholders on the Record Date.

Qualifying Shareholders should note that their Assured Entitlement to Reserved Share Stapled Units may not represent a full board lot of 500 Share Stapled Units. No odd lot matching services will be provided, and dealings in odd lots of the Share Stapled Units may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying Shareholders to Reserved Share Stapled Units are not transferable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Shareholders who hold less than 114 Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Share Stapled Units will still be entitled to participate in the Preferential Offering by applying for excess Reserved Share Stapled Units as further described below.

Basis of Allocation for Applications for Reserved Share Stapled Units

Qualifying Shareholders may apply for a number of Reserved Share Stapled Units which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Share Stapled Units under the Preferential Offering.

A valid application for a number of Reserved Share Stapled Units which is less than or equal to a Qualifying Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via www.eipo.com.hk and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Shareholder applies for a number of Reserved Share Stapled Units which is greater than the Qualifying Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Where a Qualifying Shareholder applies for excess Reserved Share Stapled Units only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Share Stapled Units as described below.

Qualifying Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who

LETTER FROM THE BOARD

intend to apply for excess Reserved Share Stapled Units using the **BLUE** Application Forms for Excess Reserved Share Stapled Units, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount.

To the extent that excess applications for the Reserved Share Stapled Units are:

- (a) less than the Assured Entitlement not taken up by the Qualifying Shareholders (the “**Available Reserved Share Stapled Units**”), the Available Reserved Share Stapled Units will first be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (b) equal to the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated to satisfy such excess applications for the Reserved Share Stapled Units in full; or
- (c) more than the Available Reserved Share Stapled Units, the Available Reserved Share Stapled Units will be allocated with an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Share Stapled Units remaining after satisfying the excess applications, such Share Stapled Units will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Share Stapled Units.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Shareholders whose Shares are held by a nominee company should note that the Trustee-Manager and JCIHL will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Beneficial Shareholders whose Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Shareholders whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Share Stapled Units under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying Shareholders for Hong Kong Offer Share Stapled Units

In addition to any application for Reserved Share Stapled Units made either through the **Blue Form eIPO** service via www.eipo.com.hk or on the **BLUE** Application Form, Qualifying Shareholders will be entitled to make one application for Hong Kong Offer Share Stapled Units on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service.

LETTER FROM THE BOARD

Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Share Stapled Units made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Qualifying Shareholders and Non-Qualifying Shareholders

Only Shareholders whose names appeared on the register of members of the Company on the Record Date and who are not Non-Qualifying Shareholders are entitled to subscribe for the Reserved Share Stapled Units under the Preferential Offering.

Non-Qualifying Shareholders are those Shareholders with registered addresses in, or who are otherwise known by the Company to be residents of, jurisdictions outside Hong Kong on the Record Date and in respect of whom the Directors, the Trustee-Manager and JCIHL, based on enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Shareholder is located or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The Directors, and the directors of the Trustee-Manager and JCIHL have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Share Stapled Units to the Shareholders in the Specified Territories. Having considered the circumstances, the Directors, and the directors of the Trustee-Manager and JCIHL have formed the view that it is necessary or expedient to restrict the ability of Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Share Stapled Units under the Preferential Offering due to the time and costs involved in the registration or filing of the Prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Trustee-Manager, JCIHL and the Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Shareholders are:

- (a) Shareholders whose names appeared in the register of members of the Company on the Record Date and whose addresses as shown in such register is/are in any of the Specified Territories; and
- (b) Shareholders or Beneficial Shareholders on the Record Date who are otherwise known by the Company to be resident in any of the Specified Territories.

Notwithstanding any other provision in the Prospectus or the **BLUE** Application Forms or the terms and conditions of the **Blue Form eIPO** service, the Trustee-Manager and JCIHL reserve the right to permit any Shareholder to take up his/her/its Assured Entitlement to the Reserved Share Stapled Units if the Trustee-Manager and JCIHL, in their absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

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Distribution of the Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying Shareholders to their address recorded on the register of members of the Company on the Record Date. In addition, Qualifying Shareholders will receive a copy of the Prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under the Company's corporate communications policy.

If a Qualifying Shareholder has elected to receive corporate communications from the Company in printed form under the Company's corporate communications policy or has not been asked to elect the means of receiving the Company's corporate communications, a printed copy of the Prospectus in the elected language version(s) (if applicable) will be despatched to such Qualifying Shareholder.

If a Qualifying Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from the Company, an electronic version of the Prospectus (which is identical to the printed Prospectus) can be accessed and downloaded from the websites of JCIHL at www.jinmao88.com and the Stock Exchange at www.hkexnews.hk under the section headed "*HKExnews > Listed Company Information > Latest Listed Company Information*".

A Qualifying Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of the Prospectus may at any time request for a printed copy of the Prospectus, free of charge, by sending a request in writing to the Company c/o Computershare Hong Kong Investor Services Limited or by email to the Company at franshion@sinochem.com. The Company will promptly, upon request, send by ordinary post a printed copy of the Prospectus to such Qualifying Shareholder, free of charge, although such Qualifying Shareholder may not receive that printed copy of the Prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in the Prospectus and on the **BLUE** Application Forms.

9. ESTIMATED NET PROCEEDS AND INTENDED USE OF PROCEEDS

The net proceeds from the Global Offering which Jinmao Investments and JCIHL will receive, after deducting the estimated underwriting commissions, the discretionary incentive fee and the additional discretionary fee (assuming the full payment of the discretionary incentive fee and additional discretionary fee) and expenses in relation to the Global Offering payable by Jinmao Investments and JCIHL will be approximately HK\$3,052.2 million (assuming the Offer Price is HK\$5.35, being the Minimum Offer Price) or HK\$3,226.8 million (assuming the Offer Price is HK\$5.65, being the Maximum Offer Price).

As stated in the section headed "*The Proposed Spin-off — Pre-IPO Dividend*" above, the amount of the Pre-IPO Dividend which the Company will receive is estimated to be between approximately HK\$5,340 million and approximately HK\$6,488 million.

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If the Over-allotment Option which is expected to be granted by the Company is exercised in full, after deducting the estimated underwriting commissions, the discretionary incentive fee and the additional discretionary fee (assuming the full payment of the discretionary incentive fee and additional discretionary fee) and expenses in relation to the Global Offering payable by the Company, the net proceeds which the Company will receive from such exercise will be approximately HK\$467.1 million (assuming the Offer Price is HK\$5.35, being the Minimum Offer Price) or HK\$493.2 million (assuming the Offer Price is HK\$5.65, being the Maximum Offer Price).

The Company intends to use the proceeds from the Pre-IPO Dividend and the net proceeds from any exercise of the Over-allotment Option as follows:

- (i) approximately 50% of the proceeds will be used to refinance the Company's outstanding indebtedness; and
- (ii) the remainder will be used for working capital and other general corporate purposes.

10. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE COMPANY

It is intended that the Company will continue to consolidate the financial results of the Jinmao Investments Group as its subsidiary. As such, it is expected that there will be an increase to the debt of the Group on the Listing Date due to the consolidation of the Loan Facility obtained by the JCIHL Group. On the other hand, the gross assets of the Group will be increased due to the inclusion of cash proceeds received as part of the Pre-IPO Dividend.

Immediately following completion of the Proposed Spin-off, the overall cash position of the Group is expected to improve primarily due to the cash proceeds the Company will receive from the issue of the Share Stapled Units and the drawdown of the Loan Facility. Accordingly, the net gearing of the Group is expected to decrease as a consequence of the Proposed Spin-off.

The Proposed Spin-off will have no material impact on the profit and loss of the Group, other than expenses directly incurred by the Group and also attributable expenses incurred by the Jinmao Investments Group that have to be charged to the profit and loss account which will reduce the net assets attributable to the Shareholders.

Immediately following completion of the Proposed Spin-off, the Group will receive cash proceeds from the issue of the Share Stapled Units and the drawdown of the Loan Facility. The Company will have an interest in 70% of the Share Stapled Units in issue on the Listing Date (or 65.5% if the Over-allotment Option is exercised in full) and continue to consolidate the financial position of the Jinmao Investments Group. The Group's consolidated net asset value attributable to the Shareholders is expected to increase by a minimum of approximately HK\$159.3 million, based on the Minimum Offer Price of HK\$5.35 per Share Stapled Unit and assuming a draw down by JCIHL of a principal amount of HK\$3,000 million from the Loan Facility on the Listing Date, and by a maximum of approximately HK\$625.9 million, based on the Maximum Offer Price of HK\$5.65 per Share Stapled Unit and assuming a draw down by JCIHL of the entire principal amount of HK\$4,000 million from the Loan Facility on the Listing Date. The estimated increase in the Group's consolidated net asset value attributable to the

LETTER FROM THE BOARD

Shareholders is a result of the Share Stapled Units being issued at a unit price above their underlying net asset value (after taking into account the effect of the Global Offering and the Pre-IPO Dividend). Such one-off increase in net asset value will be recognised through the Group's reserve movements upon the Listing.

The Group's consolidated net asset value attributable to the Shareholders at the Listing Date may be different from the above estimated net asset value of the Group, assuming the Proposed Spin-off had been completed as at 31 December 2013, as the difference between the proceeds the Group actually receives and the consolidated net asset value of the Jinmao Investments Group to be disposed of may be different from the estimated amounts shown above and is subject to change upon the Listing.

The above potential impact of the Proposed Spin-off to the Group has been prepared for illustrative purposes only and does not purport to represent what the assets and liabilities of the Group will actually be as at the Listing Date or to give a true picture of the financial position of the Group as at the Listing Date or any future date.

11. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board believes that the Proposed Spin-off is in the interest of the Company and the Shareholders taken as a whole for the following reasons:

- (a) ***Unlocking the value of Jinmao Investments Group:*** The Directors believe that a separate listing of the Jinmao Investments Group will unlock its value for the Shareholders and identify and establish the fair value of the Jinmao Investments Group and the Properties. Given that the Company will continue to consolidate the financial results of the Jinmao Investments Group as its subsidiary, the Directors anticipates that this value will represent an enhancement to its existing value within the confines of the Company's listing, as the Shareholders will continue to benefit from the growth of the Jinmao Investments Group. Listing the Jinmao Investments Group separately is expected to align its mature and stable cash flow generating characteristic with the appropriate investor base that favours a clearly expressed distribution policy and pure-play investments, increase visibility of its future earnings and encourage direct research coverage, resulting in a more transparent and fairer valuation of the Jinmao Investments Group.
- (b) ***More defined focus and efficient resource allocation:*** The Proposed Spin-off will allow the different management teams of the Group and the Jinmao Investments Group to focus more effectively on their respective businesses.
- (c) ***Creates own investor base for the Jinmao Investments Group:*** Through the Proposed Spin-off, the Jinmao Investments Group will be able to be valued on a standalone basis and investors will be provided with more details of the operating performance of each of the Group and the Jinmao Investments Group. The Proposed Spin-off will also help to create a new investor base for the Jinmao Investments Group as it will be able to attract new investors who are seeking investments specifically in the hospitality sector.

LETTER FROM THE BOARD

- (d) **Enhances financing flexibility:** As a result of the Proposed Spin-off, the Group and the Jinmao Investments Group will have separate fundraising platforms in the equity and debt capital markets, which will increase financing flexibility for both entities to support their respective growth. A separate listing of the Jinmao Investments Group will also provide clarity to the credit profile of the Jinmao Investments Group and to financial institutions who wish to analyse and lend against the credit rating of a hospitality business.
- (e) **Capital raising for the Group:** The significant funding received by the Company by way of the Pre-IPO Dividend arising from the Proposed Spin-off will enable the Group to continue to expand its existing businesses.

In addition, the Directors have considered the main features of the Proposed Spin-off, including the Share Stapled Units structure to be adopted by Jinmao Investments and JCIHL upon Listing, and the terms of the Reorganisation, the Hotel Arrangements, the Distribution Guarantee and the Shortfall Payments, and believe that such arrangements taken as a whole would be fair and reasonable and in the interest of the Shareholders, on the following basis:

- (i) the Group, which will remain a holder of 70% of the Share Stapled Units in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), will benefit from a listing structure with a focus on distributions and a clearly expressed intention as to distribution policy;
- (ii) the Hotel Arrangements, including the call option, the ROFR and the other terms as described in “— *Business Delineation Measures — Hotel Arrangements*” above will allow the Group and the Jinmao Investments Group to sufficiently delineate their businesses; and
- (iii) together with the Hotel Arrangements, the Distribution Guarantee and the Shortfall Payments will expedite the Proposed Spin-off and enable the Jinmao Investments Group to capitalise on the current market conditions for the Global Offering, which in turn will benefit the Group as a holder of 70% of the Share Stapled Units in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

In view of the above, the Directors consider that the terms of the Proposed Spin-off are fair and reasonable, and the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

12. LISTING RULES IMPLICATIONS

The Proposed Spin-off constitutes a deemed disposal by the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratios in respect of the Proposed Spin-off exceeds 25% but each of the applicable percentage ratios is less than 75%, the Proposed Spin-off constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Proposed Spin-off is also subject to, among other things, the approval from the Shareholders under paragraph 3(e)(1) of Practice Note 15 and Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Proposed Spin-off.

Sinochem Hong Kong, the Company's controlling shareholder, is interested in 5,759,881,259 Shares, representing approximately 62.87% of the voting rights of the Company as at the Latest Practicable Date. Sinochem Hong Kong has granted its written approval to the Company for the Proposed Spin-off and as a result, no Shareholders' meeting will be convened to consider the Proposed Spin-off.

In accordance with the requirements of paragraph 3(e)(4) of Practice Note 15:

- (a) an Independent Board Committee comprising all of the Company's independent non-executive Directors, namely Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia and Mr. LIU Hongyu has been established by the Company to consider the Proposed Spin-off, and to advise the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole, taking into account the recommendation of the Independent Financial Adviser in that regard; and
- (b) Somerley has been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and whether the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

13. RECOMMENDATION

The Directors (other than the independent non-executive Directors, whose recommendation is set out in the Letter from the Independent Board Committee on page 65 of this circular) are of the view that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (other than the independent non-executive Directors, whose recommendation is set out in the Letter from the Independent Board Committee on pages 66 to 88 of this circular) would recommend that all Shareholders vote in favour of the relevant ordinary resolution proposed in relation to the Proposed Spin-off (including the Reorganisation) if there were a general meeting of the Company held to consider such resolution.

14. GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the proposed subscribers (and their respective ultimate beneficial owners) for Share Stapled Units under the Global Offering, will be third parties independent of the Company and its connected persons (as defined in the Listing Rules), except that:

- (a) all Qualifying Shareholders on the Record Date (including connected persons of the Company who are Qualifying Shareholders) will be entitled to participate in the Preferential Offering; and

LETTER FROM THE BOARD

- (b) the Stock Exchange has given its consent for the directors of the Trustee-Manager and JCIHL and/or their associates who are Qualifying Shareholders to subscribe for Share Stapled Units under the Preferential Offering notwithstanding the requirements under paragraph 5(2) of Appendix 6 to the Listing Rules and the requirements of Rule 10.03 of the Listing Rules.

There has been prior to the publication of the Prospectus and this circular, and there may be subsequent to the date of the Prospectus and this circular, but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding the JCIHL Group, the business of the JCIHL Group, the industry of the JCIHL Group and the Global Offering. You should rely solely upon the information contained in the Prospectus in making your investment decision regarding the Share Stapled Units and the Company does not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, projections, views or opinions expressed by the press, other media and/or research analysts regarding the Share Stapled Units, the Global Offering, the JCIHL Group, the business or industry of the JCIHL Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, projections, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in the Prospectus or this circular, the Company disclaims them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in the Prospectus only and should not rely on any other information.

In connection with the Global Offering, the price of the Share Stapled Units may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) will be contained in the Prospectus.

The timetable for the Global Offering, including the Preferential Offering, is set out in the Prospectus jointly issued by Jinmao Investments and JCIHL in connection with the Global Offering.

Shareholders and investors are reminded that the implementation of the Proposed Spin-off is subject to, among other things, the approval of the Stock Exchange and the final decision of the Board and of the boards of directors of the Trustee-Manager and JCIHL as to whether or not to proceed with the Proposed Spin-off and the Global Offering, which are subject to market conditions and pricing. The Board will only proceed with the Proposed Spin-off if the Board considers that the price of the Share Stapled Units which can be obtained under the Global Offering, which is subject to market conditions, is such that proceeding with the Proposed Spin-off on those terms would be in the interests of the Company and the Shareholders as a whole. Accordingly, Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off and the Global Offering will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the securities of the Company.

LETTER FROM THE BOARD

This circular is not intended to, and does not, constitute an offer to sell or a solicitation of an offer to subscribe for or purchase any Share Stapled Units in connection with the Global Offering or otherwise. Any such offer or solicitation is made solely through the Prospectus or other offering documents that may be issued in compliance with applicable laws and any decision to subscribe for or purchase Share Stapled Units in connection with the Global Offering or otherwise should be made solely on the basis of the information contained in the Prospectus and such other offering documents. No action has been or will be taken in any jurisdiction (other than in Hong Kong) that would permit a public offering of the Share Stapled Units to be offered in the Global Offering in any jurisdiction where action for that purpose is required, including, but not limited to, the United States.

15. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board of
Franshion Properties (China) Limited
HE Cao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產(中國)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

19 June 2014

To the Shareholders

Dear Sir or Madam

**MAJOR TRANSACTION
IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE HOTEL BUSINESS OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Reference is made to the circular dated 19 June 2014 of the Company (the “**Circular**”) of which this letter form part. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you on the fairness and reasonableness of the terms of the Proposed Spin-off, details of which are set out in the letter from the Board contained in this Circular. Somerley has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect.

We wish to draw your attention to the letter from the Board on pages 15 to 64 of the Circular, which sets out information in connection with the Proposed Spin-off. We also wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, which contains its advice in respected of the Proposed Spin-off, set out on page 66 to 88 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of Somerley as set out in its letter of advice, we consider that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Yours faithfully
For and on behalf of the
Independent Board Committee

LAU Hon Chuen, Ambrose
*Independent
non-executive Director*

SU Xijia
*Independent
non-executive Director*

LIU Hongyu
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off prepared for the purpose of incorporation in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

19 June 2014

To: the Independent Board Committee and the Shareholders

Dear Sirs,

**MAJOR TRANSACTION
IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
THE HOTEL BUSINESS OF THE GROUP ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off. Details of the Proposed Spin-off are contained in the letter from the Board set out in the circular to the Shareholders dated 19 June 2014 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Proposed Spin-off is anticipated to be effected by way of the Reorganisation and the Global Offering, pursuant to which the Share Stapled Units will be offered for subscription by way of an initial public offering to professional, institutional and other investors. The Proposed Spin-off would, if it proceeds, constitute a deemed disposal by the Company and a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly and pursuant to Practice Note 15, the Proposed Spin-off will be subject to, amongst other things, the shareholders' approval requirements under the Listing Rules. Sinochem Hong Kong is the controlling shareholder holding an approximately 62.87% interest in the Company as at the Latest Practicable Date, and has granted its written approval to the Company for the Proposed Spin-off. As a result, no Shareholders' meeting will be convened to consider the Proposed Spin-off.

In order to provide assured entitlements to the Shareholders under the Listing Rules, Qualifying Shareholders will be entitled to apply for a certain number of Share Stapled Units (subject to certain conditions) by way of the Preferential Offering. It should be noted that it is not within our terms of reference to advise the Qualifying Shareholders as to whether or not to participate in the Preferential Offering. In this regard, the Qualifying Shareholders are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

recommended to consult their own professional advisers and refer to the information contained in the Circular and the Prospectus issued on the same date as the Circular. We have not considered the tax consequences of the Proposed Spin-off, including the Preferential Offering, on Shareholders since these are particular to their individual circumstances. Shareholders who are subject to overseas taxation on securities dealing should consider their own tax positions with regard to the Proposed Spin-off and, if in doubt, should consult their own professional advisers.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, and we have assumed such information and facts to be true, accurate and complete as at the date of the Circular. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided and opinions expressed to us, or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Jinmao Investments Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Proposed Spin-off, we have considered the following principal factors and reasons:

I. **Businesses of the Group and the JCIHL Group**

(a) Business of the Group

Listed on the Main Board of the Stock Exchange in 2007 with a market capitalisation of approximately HK\$20.2 billion as at the Latest Practicable Date and one of the component stocks of the Hong Kong Hang Seng Composite Index, the Group is a developer and operator of real estate projects in the PRC. In addition to property development, the Group is also engaged in land development, the owning, leasing and operating of office buildings, retail properties, commercial complexes and mixed-use developments, and hotel operations. The Group's current principal operating segments are:

- *Property and land development*

Development and selling of commercial and residential properties, including office and mixed-use developments, and the development of land. As at 31 December 2013, the Group has 29 projects on hand, including 4 completed projects, 14 projects under development, 7 projects reserved for future development, and 4 land primary development, with a total gross floor area of approximately 26.5 million square meters.

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- *Property leasing*

Leasing of office and other commercial premises. As at 31 December 2013, the Group has 5 properties for leasing, with a total gross floor area of approximately 0.5 million square meters.

- *Hotel operations*

Provision of hotel accommodation services, food and beverages and related services. As at 31 December 2013, the Group has 6 hotel properties in operation with 2,701 guest rooms available, with a total gross floor area of approximately 0.4 million square meters. In addition, the Group also invests in 5 hotel properties which are under designing, construction and renovation as at 31 December 2013.

- *Other operations*

Provision of property management, design and decoration services, the operation of an observation deck at the Jin Mao Tower.

(b) Business of the JCIHL Group

As of the Latest Practicable Date, JCIHL is a wholly-owned subsidiary of the Company. JCIHL Group owns and invests in a portfolio of hotels and Jin Mao Tower, which is a mixed-use development. The hotels of the JCIHL Group are operated by well-known international hotel managers such as Hyatt Hotels, Starwood, Marriott International and Hilton Worldwide, and the properties are located in key cities in the PRC, being Beijing, Shanghai, Lijiang, Sanya and Shenzhen. Set out below is a list of properties JCIHL Group will hold following completion of the Proposed Spin-off:

Jin Mao Tower / Grand
Hyatt Shanghai Hotel

Jin Mao Tower is an 88-storey skyscraper located in the Pudong district of Shanghai. It is a mixed-use property comprised of Grade A office spaces, the Grand Hyatt Shanghai Hotel, retail areas, and an observation deck.

The Westin Beijing
Chaoyang

The Westin Beijing Chaoyang is a 34-storey hotel located in Sanlitun and is a part of a large multi-functional complex in Beijing's business district in the East Third Ring Road of Chaoyang District.

JW Marriott Hotel
Shenzhen

JW Marriott Hotel Shenzhen is an international hotel located in Shenzhen's Futian business district, with convenient access to the Shenzhen Bao'an International Airport and the Shenzhen Convention & Exhibition Centre.

The Ritz-Carlton Sanya

The Ritz-Carlton Sanya is a luxury hotel located in Sanya, Hainan Province, a tourist destination on the South China Sea. The hotel is located near a number of championship level golf courses.

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Hilton Sanya Resort and Spa

Hilton Sanya Resort and Spa is located in Sanya, Hainan Province, within close proximity to the above Ritz-Carlton Sanya. The resort is located among the tropical gardens on a spectacular stretch of private beach at the western end of Yalong Bay.

Hyatt Regency Chongming

Hyatt Regency Chongming was opened in March 2014. It is located in the east of Chongming Island, approximately 50 kilometers from Shanghai and connected to the city via a tunnel. Chongming Island is on the list of protected areas of the PRC with a migratory bird reserve area and a wetland park.

In addition to the portfolio of properties listed above, the JCIHL Group will operate two hotels under renovation or development, namely the Renaissance Beijing Wangfujing Hotel and the Grand Hyatt Lijiang by the end of 2014, details of which are set out below:

Renaissance Beijing Wangfujing Hotel

Renaissance Beijing Wangfujing Hotel is a hotel currently undergoing renovation and is expected to commence operation by the end of 2014. It is a 14-storey luxury hotel on Wangfujing Avenue in one of Beijing's major business and shopping districts.

Grand Hyatt Lijiang

Grand Hyatt Lijiang is a hotel project currently under development which is expected to commence operations by the end of 2014. It is located in Xiangjiang Road and Ganhaizi, Yulong Snow Mountain in Lijiang, Yunnan Province, a tourist destination in the PRC with a number of well-known heritage sites.

Set out below is a map providing an overview of JCIHL Group's property portfolio:



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II. Background to and reasons for the Proposed Spin-off

(a) Background of the Proposed Spin-off

The Group focuses on large-scale residential, commercial and mixed-use properties and land development and property leasing, as well as the operation of hotels. The hotel operations segment of the Group is a contributor of a relatively steady income stream to the Group, while the performance of the Group's property development segment may be relatively more volatile, depending on the timing of completion of projects. The Group's hotel operations segment has contributed approximately 9.9% of total revenue for the year ended 31 December 2013. The hotel operations segment of the Group are in nature different from the property development segment of the Group, given (i) different revenue and profitability structures and (ii) the hotel operations segment not being subject to the same cyclicity as the property development segment. In addition, the Group and the Jinmao Investments Group are set to have differing distribution policies to the relevant shareholders/unitholders.

In light of the above, the Proposed Spin-off will provide a delineation of the Group's hotel businesses and the rest of the Group's business activities and promote an alignment with an appropriate investor base for each of them.

Given the objective of Jinmao Investments and JCIHL to distribute most or all of their distributable income in respect of each financial year, the listing of the hotel operations business in the form of a fixed single investment trust is in our view practical and appropriate. The principal focus will be on (i) the distributions to the holders of Share Stapled Units with clearly expressed distribution policies stated in the Trust Deed and the articles of association of JCIHL; and (ii) the provision to the holders of Share Stapled Units with the potential for sustainable long-term growth in the distributions payable to them and the benefits that flow from the enhancement in the value of the Jinmao Investments Group's portfolio of properties.

(b) Reasons for and benefits of the Proposed Spin-off

In considering the Proposed Spin-off, the Directors are of the view that a separate listing of the JCIHL Group's business will unlock value for the Shareholders by aligning its mature and stable cash flow generating characteristics and clear distribution policy with an appropriate investor base. The Board anticipates that this will represent an enhancement to the Jinmao Investments Group's existing value within the Company's current listing. As the Company will retain 70.0% interest in the Jinmao Investments Group following completion of the Proposed Spin-off (assuming the Over-allotment Option is not exercised), it will continue to benefit from the growth of the Jinmao Investments Group in future as a subsidiary.

Further, the Directors consider that management of the Group and the Jinmao Investments Group will be able to devote their resources to their respective businesses more efficiently.

In addition, the Directors believe that through the Proposed Spin-off, both the Group and the Jinmao Investments Group could be valued by investors separately and attract investors who specifically seek investments in the hospitality sector to the Jinmao Investments Group.

The Directors are also of the view that financing flexibility would be increased for both the Group and the Jinmao Investments Group, given that both groups would have potential access to the equity and debt capital markets. In addition, the Jinmao Investments Group may have a separate credit profile that financial institutions may wish to utilise when lending.

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Finally, the Directors believe that the substantial cash proceeds to be received by the Group through the Pre-IPO Dividend (as discussed in the section below headed “**III. Structure of the Proposed Spin-off**”) will help the Group to continue to expand its existing businesses.

Given the above, the Directors are of the view that the Proposed Spin-off is in the interests of the Company and the Shareholders taken as a whole, with which we concur.

III. Structure of the Proposed Spin-off

(a) Proposed Reorganisation

In connection with the Proposed Spin-off, the Reorganisation was implemented, such that:

- (i) the Group disposed Renaissance Beijing Wangfujing Hotel to the JCIHL Group, for a consideration of approximately US\$76.55 million based on an independent valuation;
- (ii) the Group disposed Hyatt Regency Chongming to the JCIHL Group, for a consideration of approximately RMB746 million based on independent valuation; and
- (iii) JCIHL declared the Pre-IPO Dividend (as discussed below) which will be payable to the Group no later than ten business days after the Listing Date.

Loan Facility

In connection with the Reorganisation, JCIHL entered into the three-year Loan Facility with a group of financial institutions on 13 June 2014. The Loan Facility has a principal amount of up to HK\$4,000 million. The portion of the Loan Facility to be drawn down on the Listing Date (net of fees and expenses and interest reserve as required under the Loan Facility) will be used to fund part of the Pre-IPO Dividend as described below. As stated in the letter from the Board, in any event, the minimum amount of Loan Facility to be drawn down by JCIHL on the Listing Date will be HK\$3,000 million.

Pre-IPO Dividend

JCIHL declared the Pre-IPO Dividend to the Company on 13 June 2014 of an amount, equal to the sum of:

- (i) the net proceeds from the Global Offering (after settlement of the existing inter-company loans between the Group and the Jinmao Investments Group of approximately HK\$600.0 million and payment of certain project consulting services provided by the Company of approximately HK\$31.8 million); and
- (ii) the net proceeds from the Loan Facility (as discussed above) to be drawn down on the Listing Date.

Based on the minimum Offer Price of HK\$5.35 per Share Stapled Unit and assuming the minimum amount of the Loan Facility of HK\$3,000 million is drawn down on the Listing Date, the Pre-IPO Dividend is estimated to be approximately HK\$5,340 million. On the other

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hand, based on the maximum Offer Price of HK\$5.65 per Share Stapled Unit and assuming the maximum amount of the Loan Facility of HK\$4,000 million is drawn down on the Listing Date, the Pre-IPO Dividend is estimated to be approximately HK\$6,488 million. The above estimated amounts of Pre-IPO Dividend represent approximately 15.9% to 19.3% of the Group's consolidated net asset value attributable to owners of the parent (the "NAV") of approximately HK\$33,561.9 million as at 31 December 2013. The payment of the Pre-IPO Dividend is conditional upon the completion of the Global Offering.

The Company intends to use approximately 50% of the net proceeds of the Pre-IPO Dividend and the net proceeds from any exercise of the Over-allotment Option for refinancing its outstanding indebtedness, and the remainder for working capital and other general corporate purposes.

(b) Structure of the Global Offering and the Share Stapled Units

The Company intends to effect the Proposed Spin-off by way of the separate listing of the Share Stapled Units on the Main Board of the Stock Exchange pursuant to the Global Offering. The Global Offering is at present expected to comprise (i) the Hong Kong Public Offering, and (ii) the International Offering, which includes the Preferential Offering to Qualifying Shareholders. Under the Global Offering, the total number of Share Stapled Units jointly offered by Jinmao Investments and JCIHL amounts to 600.0 million (assuming the Over-allotment Option is not exercised).

Each Share Stapled Unit, to be jointly issued by Jinmao Investments and JCIHL, comprises a combination of the following:

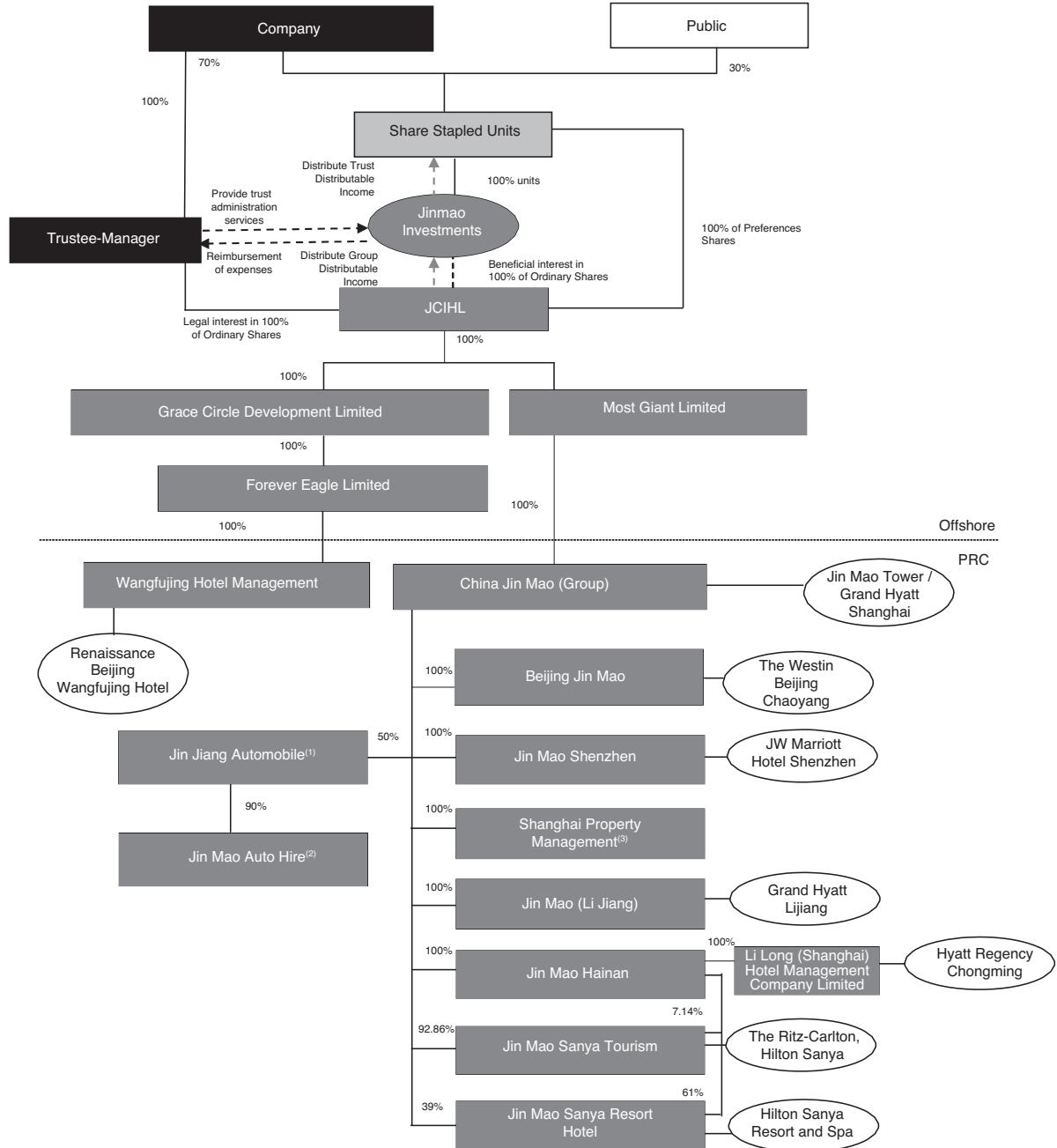
- (i) a Unit;
- (ii) a beneficial interest a specifically identified Ordinary Share held by the Trustee-Manager, which is linked to the Unit; and
- (iii) a specifically identified Preference Share, which is stapled to the Unit.

Jinmao Investments is a trust constituted by the Trust Deed entered into between the Trustee-Manager and JCIHL. As a fixed single investment trust, Jinmao Investments will only invest in securities and other interests in JCIHL, and will confer on the Registered Holders of Units a beneficial interest in the Ordinary Shares in JCIHL. As Jinmao Investments is not a separate legal entity, all of the assets of Jinmao Investments will be held by the Trustee-Manager, who has declared under the Trust Deed that it will hold the Trust Property on trust for the Registered Holders of Units.

The Ordinary Shares and the Preference Shares will carry the same voting rights at general meetings of JCIHL's shareholders. However, only the Ordinary Shares will have rights to dividends and distributions from JCIHL. The rationale for including the Preference Shares as components of the Share Stapled Units and adopting the stapling structure is to ensure that the Share Stapled Units (and, thereby, Jinmao Investments, including the Trustee-Manager, and JCIHL) are clearly subject to all provisions of the SFO, including the provisions on the protection of investors.

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The structure of the Share Stapled Units, immediately following the completion of the Proposed Spin-off (assuming the Over-allotment Option is not exercised), is set out below as follows:



Notes:

1. Jin Jiang Automobile is a 50% joint venture company owned by the JCIHL Group, with the remaining 50% owned by an independent third party.
2. Jin Mao Auto Hire is a 90% subsidiary of Jin Jiang Automobile, with the remaining 10% held by an independent third party.
3. Shanghai Property Management primarily provides property management services to Jin Mao Tower and other property management services to third party property owners and the Group.

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As shown from the above chart, Jinmao Investments will be indirectly interested in 100% of Jin Mao Tower, the Hotels and certain other businesses (primarily provision of taxi and chauffeur services to complement the hotel business) following completion of the Proposed Spin-off. The Company is expected to retain a 70.0% interest in the Share Stapled Units in issue, while public shareholders will hold the remaining 30.0% interest, upon completion of the Proposed Spin-off. The above assets to be held under Jinmao Investments will continue to be consolidated into the Group's financial statements.

(c) Minimum market capitalisation of the Jinmao Investments Group

Following completion of the Global Offering, based on a minimum Offer Price of HK\$5.35 per Share Stapled Unit, the Jinmao Investments Group is expected to have a market capitalisation of no less than HK\$10.7 billion (the "**Minimum Market Capitalisation**"). Should this minimum not be achieved, separate opinion letters from the independent board committee and independent financial adviser of the Company, and a supplemental prospectus of the Jinmao Investments Group, will be despatched for any revised spin-off proposal. As stated in the letter from the Board as contained in the Circular, based on the Offer Price Range of HK\$5.35 to HK\$5.65 per Share Stapled Unit, the market capitalisation of the Jinmao Investments Group will be in the range of HK\$10.7 billion to HK\$11.3 billion.

It is also stated in the letter from the Board that the Board will only proceed with the Proposed Spin-off if the Board considers that the Offer Price, which is subject to market conditions, is such that proceeding with the Proposed Spin-off on those terms would be in the interests of the Company and the Shareholders as a whole.

(d) Distribution of income

The Trust Distributable Income, representing the future distribution of income to holders of Share Stapled Units, will be based on 100% of dividends, distributions and other amounts received by the Trustee-Manager from JCIHL, after deduction of amounts such as operating expenses of Jinmao Investments. On the other hand, the distribution received by the Trust-Manager from JCIHL will be derived from the Group Distributable Income, which is based on the consolidated profit attributable to the holders of Share Stapled Units and subject to the certain adjustments (which include eliminations or reversals of certain items in the statement of profit or loss of the JCIHL Group) including, among others:

- (i) net reduction in borrowings and payment of net finance costs;
- (ii) FF&E Reserve which have been capitalised;
- (iii) at the discretion of the directors of JCIHL (i) adjusting for changes in working capital, (ii) deducting a sum equal to the aggregate of (A) any amounts set aside for capital expenditure and (B) any amounts set aside for the purpose of future debt service and/or compliance with covenants in any credit facility agreement, and (iii) adding back any amounts for pre-opening expenses of any hotels prior to their formal opening date;
- (iv) certain non-cash items in the statement of profit or loss of the JCIHL Group, such as unrealised revaluation gains/losses, impairment of goodwill, depreciation and amortisation;

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- (v) costs of any public offering of Share Stapled Units expensed through the consolidated statement of profit or loss but funded by proceeds from issuance of such Share Stapled Units; and
- (vi) net finance income/costs and tax charges.

For details of the above adjustments, please also refer to the section headed “**4. Objectives of the Jinmao Investments Group and distributions**” in the letter from the Board as contained in the Circular.

The Trust Deed and the articles of association of JCIHL state the current intention of the board of directors of JCIHL to declare and distribute 100% of the Group Distributable Income for the period from the Listing Date to 31 December 2014 and the financial year ending 31 December 2015; and not less than 90% of the Group Distributable Income in respect of each financial year thereafter.

(e) Other key features of the Share Stapled Units

Apart from its specifically designed holding structure and the distribution policy as mentioned above, set out below are the other key features of the Share Stapled Units:

The Unit, beneficial interest of the Ordinary Share and the Preference Share being stapled

Under the current structure, the Units, the Ordinary Shares and the Preference Shares will be listed on the Stock Exchange as Share Stapled Units following completion of the Proposed Spin-off. Trading on the Stock Exchange will only take place in the form of Share Stapled Units, and there will only be a single price quotation on the Stock Exchange for a Share Stapled Unit. The number of Ordinary Shares, Preference Shares and Units of Jinmao Investments in issue must be the same at all times.

The Trustee-Manager

The Trustee-Manager, an indirectly wholly-owned subsidiary of the Company, will have legal ownership of the assets of Jinmao Investments, and will have a specific and limited role, which is to administer Jinmao Investments. The Trustee-Manager will not be actively involved in the management of the JCIHL Group’s business, which is owned and managed by the JCIHL Group (with the Hotels managed by the independent Hotel Managers pursuant to the Hotel Management Agreements).

The Trust-Manager will not receive any fee for administering Jinmao Investment, except for the deduction of costs and expenses from the trust property of Jinmao Investments.

Listing Rules, SFO and the Takeovers Code

As Jinmao Investments and JCIHL will both be listed on the Stock Exchange, both of them, including the Trustee-Manager, will be subject to the provisions of the Listing Rules, the SFO (including provisions on protection of investors), and the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Repurchases of Share Stapled Units will not be permitted unless and until expressly permitted by relevant codes and guidelines.

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IV. Effects of the Proposed Spin-off on the Group

As stated in the letter from the Board contained in the Circular, the market capitalisation of the Jinmao Investments Group, following completion of the Proposed Spin-off, will be in the range of HK\$10.7 billion to approximately HK\$11.3 billion. The analysis of the financial effects of the Proposed Spin-off as illustrated below is based on the assumption that (i) the Minimum Market Capitalisation will be approximately HK\$10.7 billion, and (ii) the Group's interest in the Jinmao Investments Group will be reduced to 70.0% (assuming the Over-allotment Option is not exercised) following completion of the Proposed Spin-off.

(a) Effect on net asset value

As the Company will have an interest in 70.0% of the Share Stapled Units following completion of the Proposed Spin-off, the Jinmao Investments Group will be accounted as a non wholly-owned subsidiary of the Company, and the financial results and the financial position of the Jinmao Investments Group will continue to be consolidated into the Group's financial statements following the completion of the Proposed Spin-off.

Based on the combined net asset value of the Jinmao Investments Group of HK\$11,930.7 million as at 31 December 2013, it is estimated by the Directors that upon Listing, there will be an increase in the Group's consolidated NAV as at 31 December 2013 by a minimum of approximately HK\$159.3 million, or approximately 0.47% of the Group's consolidated NAV of approximately HK\$33,561.9 million as at 31 December 2013. Such estimated increase in the Group's NAV is a result of the Share Stapled Units being issued at a unit price above their underlying NAV (after taking into account the effect of the Global Offering and the Pre-IPO Dividend). Such one-off increase in the Group's NAV will be recognised through reserve movements of the Company for the year ending 31 December 2014 assuming completion of the Global Offering takes place in that financial year.

The estimated change in the Group's NAV as calculated is based on the financial position of the Group and the Jinmao Investments Group as at 31 December 2013. Accordingly, the actual change in the Group's NAV, which will be calculated based on the final structure of the Proposed Spin-off and the financial position of the Jinmao Investments Group immediately upon the completion of the Proposed Spin-off, may be different from the above estimation.

(b) Effect on earnings

The attributable interest of the Group in the Jinmao Investments Group will be reduced following completion of the Global Offering. Accordingly, the Group's share of the future profits of the Jinmao Investments Group would be reduced following completion of the Proposed Spin-off. Such reduction would be offset to the extent that the Jinmao Investments Group's profits grow due to future contributions from the hotels under development or in initial stage of operation. The Group, following the Proposed Spin-off, which will still hold the majority interest in the Jinmao Investments Group, will still be able to benefit from any future growth of the Jinmao Investments Group, and the benefits to be brought about by the Proposed Spin-off as stated in the section above headed "II. Background to and reasons for the Proposed Spin-off".

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(c) Effect on working capital and gearing

Based on the minimum Offer Price of HK\$5.35 per Share Stapled Unit, the net proceeds to be raised from the Global Offering are expected to be approximately HK\$3,052.2 million. A majority of such net proceeds, together with the amount of Loan Facility to be drawn down on the Listing Date, will be channelled back to the Group through the payment of the Pre-IPO Dividend. In view of such significant cash proceeds to be received, we are of the view that the working capital position of the Group would improve as a result of the Proposed Spin-off.

As stated in the Company's 2013 annual report, based on the adjusted capital of the Group (defined as shareholders' equity plus amounts due to related parties) of approximately HK\$50,663.1 million and net debt of the Group (defined as total debts less (i) bank balances and cash and (ii) other financial assets — financial product) of approximately HK\$20,990.2 million as at 31 December 2013, net debt-to-adjusted capital ratio of the Group was approximately 41.4% as at 31 December 2013. On the above basis and taking into account the expected net proceeds to be raised from the Global Offering, it is estimated by the Directors that the net debt-to-adjusted capital ratio of the Group upon the completion of the Proposed Spin-off will decrease to approximately 33.4%.

(d) Remaining businesses of the Group

After the Proposed Spin-off, the Group will continue to focus principally on the business of property development, primary land development, sales of office, retail, mixed-use developments and residential properties, owning and operating office buildings, retail properties, commercial complexes and mixed-use developments. For the year ended 31 December 2013, the Group and the Jinmao Investments Group recorded a turnover of approximately HK\$20,718.9 million and HK\$2,634.2 million respectively. On this basis, the turnover of the remaining Group (excluding the Jinmao Investments Group) (the "**Remaining Group**") for the year ended 31 December 2013 represented approximately 87.3% of the total turnover of the Group.

The Group and the Jinmao Investments Group had total assets of approximately HK\$120,843.3 million and HK\$20,510.6 million respectively as at 31 December 2013. On this basis, the total assets of the Remaining Group as at 31 December 2013 represent approximately 83.0% of the total assets of the Group.

On the basis set out above, we consider that the Remaining Group will continue to have a substantial business after completion of the Proposed Spin-off.

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(e) Dilution of interest in the Jinmao Investments Group

Based on the current expected structure of the Global Offering, the Group's interest in the Jinmao Investments Group will be diluted from 100.0% to 70.0% (assuming the Over-allotment Option is not exercised). The Proposed Spin-off constitutes a major disposal for the Company under the Listing Rules.

In our opinion, such dilution is acceptable to the Shareholders taking into consideration the benefits to be derived from the Proposed Spin-off as discussed in the sections headed "**II. Reasons for and benefits of the Proposed Spin-off**" and "**IV. Effects of the Proposed Spin-off on the Group**" above.

In addition, Qualifying Shareholders who wish to participate in the Global Offering will be given preferential treatment as to allocation in the Global Offering. The Board expects that approximately 13.3% of the Share Stapled Units initially available under the Global Offering will be offered as Reserved Share Stapled Units for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offering. Details of the Preferential Offering are set out in paragraph below headed "**V. Preferential Offering**".

V. Preferential Offering

According to Practice Note 15 of the Listing Rules, in the case of a separate listing, assured entitlements to shares in the spun-off entity should be provided to existing shareholders of the parent company. In this case, it is expected that an aggregate of 80,000,000 Share Stapled Units, out of the 600,000,000 Share Stapled Units under the Global Offering, will be offered by way of a Preferential Offering to the Qualifying Shareholders as an assured entitlement.

Qualifying Shareholders may apply for a number of Reserved Share Stapled Units which is greater than, less than, or equal to their assured entitlement, or may apply only for excess Reserved Share Stapled Units under the Preferential Offering. Excess applications for Reserved Share Stapled Units under the Preferential Offering will be satisfied by those Reserved Share Stapled Units not taken up by other Qualifying Shareholders. The Joint Global Coordinators will, at their discretion, allocate any remaining assured entitlement not taken up by the Qualifying Shareholders to the International Offering. Qualifying Shareholders will, in addition to applying for the Reserved Share Stapled Units, also be entitled to subscribe for the Hong Kong Offer Share Stapled Units under the Hong Kong Public Offering.

As a comparison, we have reviewed the following spin-off exercises (the "**Spin-off Exercises**"), announced since 31 March 2009 (approximately 5 years before the Proposed Spin-off was first announced) and approved by the then independent shareholders (if required), of entities listed on the Main Board of the Stock Exchange involving offerings of over HK\$1.0 billion which we consider large enough to provide a valid comparison with the

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Proposed Spin-off. In our view, the Spin-off Exercises set out below represent an exhaustive list of spin-off exercises that we were able to identify from the Stock Exchange's website and satisfied the above selection criteria:

Date of initial announcement	Parent company	Separate listed entity	Approximate size of assured allotments based on final offer price (HK\$ million)	Approximate assured allotments as % of the offering (excluding the exercise of any over-allotment option)	Approximate size of the offering based on final offer price (excluding the exercise of any over-allotment option) (HK\$ million)	Matching services or preference given to excess applications to top up odd lot holdings disclosed
27 September 2013 . . .	Power Assets Holdings Ltd. (stock code: 6)	HK Electric Investments and HK Investments Limited (stock code: 2638)	2,908	12.1%	24,127	No
8 February 2013	Hopewell Holdings Limited (stock code: 54)	Hopewell Hong Kong Properties Limited (stock code: 288)	579	10.3%	5,627	No
24 January 2013	Great Eagle Holdings Limited (stock code: 41)	Langham Hospitality Investments and Langham Hospitality Investments Limited (stock code: 1270)	213	5.0%	4,260	No
21 March 2011	PCCW Limited (stock code: 8)	HKT Trust and HKT Limited (stock code: 6823)	941	10.1% (Note 2)	9,302	No
31 January 2011	New World Development Company Limited (stock code: 17)	Newton Resources Limited (stock code: 1231)	70	4.0%	1,750	No
30 June 2010	Far East Consortium International Limited (stock code: 35)	Kosmopolito Hotels International Limited (now known as: Dorsett Hospitality International Limited) (stock code: 2266)	63	5.3%	1,188	No
High				12.1%		
Low				4.0%		
Average				7.8%		
Median				7.7%		
	The Company	Jinmao Investments and JCIHL	428 to 452	13.3%	3,210 to 3,390	No

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Source: Relevant announcements, circulars and/or prospectuses of the respective entities.

Notes:

1. The following are the criteria adopted for the purpose of identifying the above Spin-off Exercises which we consider provide a meaningful comparison with the assured entitlement offered under the Proposed Spin-off:
 - the Spin-off Exercises involve an offering of over HK\$1.0 billion, based on their final offer prices, or if not available, as disclosed in their respective published prospectuses;
 - the listing of the spun off entities under the Spin-off Exercises has been approved by the then independent shareholders (if required) of the parent companies which were listed on the Stock Exchange; and preferential offerings were provided in each of the Spin-off Exercises to satisfy the requirement of providing an assured entitlement.
2. Up to an additional approximately 20% of the share stapled units initially available under the offering was made available to shareholders to satisfy applications for excess share stapled units under the preferential offering. In addition, following the completion of the offering, an aggregate of approximately 5% of the share stapled units in issue following the completion of the offering were distributed in specie to shareholders.

As illustrated in the above table, the assured entitlements offered to shareholders under the Spin-off Exercises as a percentage of the respective number of shares offered under the initial public offering (taking no account of the exercise of any over-allotment option) range from approximately 4.0% to 12.1%, with an average and median of approximately 7.8% and 7.7% respectively. Approximately 13.3% of the total number of Offer Share Stapled Units initially available under the Global Offering will be reserved for the Preferential Offering, which is higher than the average, median and high-end percentages of the Spin-off Exercises. On this basis, we consider the size of the Preferential Offering to be more favourable than recent practice.

The basis of the Assured Entitlement is one Reserved Share Stapled Unit for every 114 Shares held by Qualifying Shareholders on the Record Date. Qualifying Shareholders should note that their Assured Entitlement to Reserved Share Stapled Units may not represent a full board lot of 500 Share Stapled Units. The prices at which odd lots of Share Stapled Units are dealt in may be below the prevailing market price for full board lots. No odd-lot matching services will be provided, and no preference will be given to any excess applications made to top up odd-lot holdings to whole-lot holdings of the Share Stapled Units. In this respect, the above Spin-off Exercises did not include matching services or preference given to top up odd-lot holdings to whole-lot holdings. The Assured Entitlement of Qualifying Shareholders to Reserved Share Stapled Units will not be transferable, and there will be no trading in nil-paid entitlements on the Stock Exchange.

Shareholders should refer to the section headed “**8. Assured Entitlement**” in the letter from the Board contained in the Circular for further details of the Preferential Offering.

VI. Corporate governance

It is proposed that a number of corporate governance related measures are put in place to reinforce the delineation between the businesses of the Group and the Jinmao Investments Group, specifically the Non-Compete Undertaking by the Company and the Hotel Arrangements. In addition, distribution guarantees and shortfall payments are proposed to be put in place.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) The Non-Compete Undertaking

The Company will give an undertaking that, without consent of JCIHL, the Group will not develop, own or operate any commercial and/or retail development within a specified area in the Lujiazui Central Financial District in Shanghai (the “**Non-Compete Undertaking**”). The Jin Mao Tower, which is part of JCIHL, is located in this district. The Group (other than through its investment in the Jinmao Investments Group) does not currently own any commercial and/or retail property in the Lujiazui Central Financial District. We consider the Non-Compete Undertaking to be reasonable, given the goal of the above undertaking is to minimise any potential competition between the commercial and/or retail properties owned and operated by the Group in Shanghai and the commercial and retail portions of Jin Mao Tower.

(b) Hotel Arrangements

Following the completion of the Reorganisation and the Global Offering, the Excluded Hotels will not be transferred to the Jinmao Investments Group and will remain in the Group. The Excluded Hotels comprise The Westin Nanjing, which has uncertainties associated with relocation of landowners, and the Nanjing International Center Phase II Hotel and the Meixi Lake International Plaza Hotel, which are still under construction.

The Company will (1) grant call options and rights of first refusal to JCIHL to acquire the Group’s interest in the Excluded Hotels, and any future hotel development projects and completed hotels in which the Group has at least 30% effective interest, and (2) offer to JCIHL any future investment opportunity presented to the Group relating to a controlling interest of any completed hotels or hotels expected to commence operation within one year.

A number of measures have been adopted to ensure the proper operation of the Non-Compete Undertaking and the Hotel Arrangements, including that a committee comprising all the independent non-executive directors of JCIHL will be responsible for overseeing the implementation of the Hotel Arrangements. For further information about such measures, please make reference to the section headed “**5(b)(viii) Measures adapted to ensure the proper operation of the Non-Compete Undertaking given by the Company and the Hotel Arrangements**” in the letter from the Board contained in the Circular.

The Non-Compete Undertaking and the Hotel Arrangements are expected to commence on the Listing Date and will terminate on the earlier of (a) the Company becoming interested in less than 30.0% of the Share Stapled Units and (b) the Share Stapled Units ceasing to be listed on the Stock Exchange.

The Hotel Arrangements give JCIHL the option to acquire certain hotel interests from the Group in the future. If a third party purchaser is involved, the Group is not required to offer more favourable terms to JCIHL. Further, given that upon completion of the Proposed Spin-off the Group will continue to consolidate the financial results and position of the Jinmao Investments Group, the Group would share in the economic benefits of an interest in a hotel which has been acquired by JCIHL pursuant to the Hotel Arrangements. In keeping with the spirit of a continued delineation of businesses between the two groups, we consider it fair to offer to the Jinmao Investments Group the acquisition options under the Hotel Arrangements.

For further information about the Hotel Arrangements, please make reference to the section headed “**5(b) Hotel Arrangements**” in the letter from the Board contained in the Circular.

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(c) Distribution guarantee and shortfall payments

The Hyatt Regency Chongming was opened in March 2014, and the Renaissance Beijing Wangfujing Hotel and the Grand Hyatt Lijiang are only expected to commence operations by the end of 2014. In order to provide holders of Share Stapled Units a minimum yield and income from their respective holdings until 31 December 2014, and to provide the holders of Share Stapled Units with some assurance of the level of income of the Group for the financial years ending 31 December 2015, 2016 and 2017, certain guarantees will be granted by the Company, as set out below:

(a) Distribution Guarantee

The Company will provide a guarantee of the distributions payable to the holders of Share Stapled Units for the period from the Listing Date to 31 December 2014. If the actual Trust Distributable Income for the period from the Listing Date to 31 December 2014 is less than an annualised Distributable Guarantee Amount of HK\$960.0 million, the Company will pay the shortfall amount to the Trustee-Manager, who will then pay such shortfall amount to the holders of Share Stapled Units (including the Company). Assuming that the Listing Date is 2 July 2014, the Distribution Guarantee Amount is approximately HK\$481 million; and

(b) Shortfall Payments

If the aggregate Actual EBITDA of the Shortfall Payment Hotels in any of the financial years ending 31 December 2015, 2016 and 2017 is less than HK\$220.0 million, the Company will pay to the Trustee-Manager the shortfall amount, who will then pay such shortfall amount to the holders of Share Stapled Units (including the Company). Such Shortfall Payments are subject to a maximum of HK\$300.0 million for the three financial years ending 31 December 2015, 2016 and 2017.

As advised by the management of the Group, calculation of the above Distribution Guarantee and Shortfall Payments assume all the Hotels (including those that are still under development) are fully operational with stable occupancy and profitability. The Directors do not expect such payments to be material. As the above measures are to assist in smoothing out any possible volatility in the distributions to be made by the Trustee-Manager (on behalf of Jinmao Investments) for the period from the Listing Date to 31 December 2014 and to minimise the exposure to start-up risks caused by the initial operations of the above three hotels, and therefore likely to increase the attractiveness of the Global Offering, and accordingly to benefit the Company through a higher Offer Price and higher Pre-IPO Dividends to be received by the Company, we consider it reasonable for the Group to provide the Distribution Guarantee and Shortfall Payments to the Trustee-Manager.

(d) Independence of the JCIHL Group from the Group

The JCIHL Group's business will be operated and managed independently of the Group following completion of the Proposed Spin-off. The Hotels have, or will have on completion of construction, their own employees and will continue to be managed by the Hotel Managers, which are third parties independent of the Group.

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The JCIHL Group has given certain pledges and guarantees as security for certain borrowings of the Group. These pledges and guarantees will be released on or prior to the Listing Date. Any inter-company loans and balances between the JCIHL Group and the Group will be repaid or settled on or before Listing Date, save for those inter-company balances arising from certain continuing transactions with JCIHL Group as disclosed in “**Appendix III — Continuing Connected Transactions**” contained in this Circular. These transactions will constitute continuing connected transactions for the JCIHL Group but will not constitute continuing connected transactions for the Company.

In relation to directors and management, each of the Trustee-Manager and JCIHL has a board of directors with the same seven directors, comprising one executive director, three non-executive directors and three independent non-executive directors. The executive director, being Mr. Zhang Hui, will not retain any ongoing role with the Group with effect from the Listing Date. The three non-executive directors of the Trustee-Manager and JCIHL, being Mr. He Cao, Mr. Li Congrui and Mr. Jiang Nan, will remain in their existing roles with the Group following the Listing, and will not be involved in the daily operations or management of the JCIHL Group. All three independent non-executive directors of the Trustee-Manager and JCIHL do not, and will not, have any ongoing role with the Group with effect from the Listing. Save as Mr. Meng Yongchu, Mr. Ding Jianjun, Mr. Chen Mengchao and Ms. Zhang Runhong as mentioned in the letter from the Board, none of the senior management of JCIHL holds any roles with the Group.

Conclusion

In addition to the above analysis, we have also reviewed the corporate governance measures adopted in other Spin-off Exercises. We consider the Distribution Guarantee and Shortfall Payments are specifically designed for Jinmao Investments Group, a trust structure which normally has a mature and stable cash flow generating characteristic, to smooth out any possible volatility in the distributions due to hotels not yet operating at their normal occupancies. This is different from other Spin-off Exercises which do not usually possess the above particularities. Apart from the above, we are of the view that the corporate governance related measures taken by the Group on the Proposed Spin-off, such as the Non-compete Undertaking and Hotel Arrangements, are in general comparable with the Spin-off Exercises.

VII. Valuation of the Jinmao Investments Group

The adoption of the share stapled units structure reflects the commercial objective of the Jinmao Investments Group to focus principally on distributions to the holders of the Share Stapled Units. As such, we consider it most appropriate to analyse the valuation of the Jinmao Investments Group using a dividend yield approach. In view of the fact that the Jinmao Investments Group is a property investment group, we also consider it reasonable to have regard to the price-to-book ratio (“**PBR**”), an approach which is generally applicable to asset-based entities.

The Hotels are currently recorded at cost less accumulated depreciation in the financial statements of the Jinmao Investments Group. For the purpose of a fair comparison with other Comparable Entities (as defined below) which in general record their property interests on their books using market values, an adjustment to the NAV (the “**Adjusted NAV**”) of the Jinmao

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Investments Group is made to reflect the revaluation surplus of the Hotels, as well as to reflect the latest valuation of the Jin Mao Tower, as follows:

	<u>HK\$ million</u>
Unaudited pro forma adjusted combined net assets of the Jinmao Investments Group as at 31 December 2013 (<i>Note 1</i>)	9,642.9
Net revaluation surplus arising from the valuation of the Hotels and the commercial and office portions of Jin Mao Tower (the “ Subject Properties ”) as at 31 March 2014 (<i>Note 2</i>)	<u>9,665.1</u>
Adjusted NAV	19,308.0
Minimum Market Capitalisation	<u>10,700.0</u>
Implied PBR	0.55 times

Notes:

1. The above unaudited pro forma adjusted combined net assets of the Jinmao Investments Group is based on the minimum amount of the Loan Facility of HK\$3,000 million being drawn down on the Listing Date. Had the entire principal amount of the Loan Facility of HK\$4,000 million been drawn down on the Listing Date, the unaudited pro forma adjusted combined net assets of the Jinmao Investments Group would have been approximately HK\$8,669.8 million.
2. This represents the revaluation surplus arising from the difference between the valuation of the Subject Properties of approximately HK\$30,323.4 million as at 31 March 2014 (as valued by DTZ and set out in Appendix IV to the Circular) and their respective book value of approximately HK\$17,693.3 million as at 31 December 2013 (as derived from the combined statement of financial position of the Jinmao Investments Group as at 31 December 2013), net of the potential PRC corporate income tax attributable to such revaluation surplus and adjustment for exchange rate changes.

The Adjusted NAV has not incorporated valuation of certain properties valued by DTZ, due to the fact that such properties are mainly for Jinmao Investments Group’s own occupation and operation. Such properties include staff dormitories, offices for own use and the observation deck in Jin Mao Tower.

We have reviewed and discussed with DTZ the bases and assumptions adopted for the valuation of the Subject Properties as at 31 March 2014. We have also interviewed DTZ as to its experience and qualification, reviewed its terms of engagement, performed work as required under note (1)(d) to the Listing Rule 13.80 in relation to DTZ and its work as regards the valuation of the Subject Properties. We note that the executive of DTZ signing the valuation report (as contained in Appendix IV to the Circular), Mr. Andrew Chan, is a Registered Professional Surveyor in General Practice Division, and has over 26 years’ of experience in various fields of the property industry in the PRC.

Based on our discussions with DTZ and our understanding of the work conducted by DTZ, we consider that the bases and assumptions adopted by DTZ are fair and reasonable and the basis used is a normal one for valuing the Subject Properties.

Shareholders should note that the above calculation of the Adjusted NAV is for illustrative purpose only. Upon Listing, the Hotels will continue to be accounted for as property, plant and equipment and recorded at their respective costs less accumulated depreciation in the financial statements of the Jinmao Investments Group.

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The Minimum Market Capitalisation of HK\$10.7 billion represents (i) an implied yield of approximately 9.0% (the “**Implied Yield**”), based on the annualised Distribution Guarantee Amount of HK\$960.0 million for the year 2014, and (ii) an implied PBR of approximately 0.55 times (the “**Implied PBR**”). The exact dividend yield and the PBR of the Jinmao Investments Group will vary depending on the final level at which the Offer Price is fixed.

In order to assess the fairness and reasonableness of the valuation of the Jinmao Investments Group as represented by the Minimum Market Capitalisation, we have reviewed Hong Kong listed business trusts and real estate investment trusts (“**REIT(s)**”), both of which have clearly stated focus on distribution as is the case for the Jinmao Investments Group, with underlying property interests located principally in the PRC. In our view, the three entities (the “**Comparable Entities**”) as set out below represent an exhaustive list of entities that we were able to identify from the Stock Exchange’s website and satisfied the above selection criteria. We consider it reasonable to select entities, such as REITs, which also have a principal focus on distribution as is the case for the Jinmao Investments Group. The table below sets out a comparison of the above Implied Yield and Implied PBR of the Jinmao Investments Group with that of the Comparable Entities:

Comparable Entities	Unit price as at the Latest Practicable Date	Distribution per unit attributable to the latest financial year	Dividend yield as at the Latest Practicable Date	Latest published consolidated NAV per unit	Historical PBR
	HK\$	HK\$		HK\$	Times
Hui Xian Real Estate Investment Trust (stock code: 87001)	3.36	0.3123	9.3%	6.89	0.49
Yuexiu Real Estate Investment Trust (stock code:405)	3.72	0.2752	7.4%	5.82	0.64
New Century Real Estate Investment Trust (“ New Century REIT ”) (stock code: 1275)	3.46	0.3250 <i>(Note 1)</i>	9.4%	3.90	0.89
High			9.4%		0.89
Low			7.4%		0.49
Average			8.7%		0.67
Median			9.3%		0.64
Jinmao Investments Group			9.0% <i>(Note 2)</i>		0.55 <i>(Note 2)</i>

Notes:

- The amount represented the full-year projection of the distribution per unit of New Century REIT for the period from its listing date on 10 July 2013 to 31 December 2013 of approximately RMB0.1225 (or approximately HK\$0.1558), after taking into account of the fact that certain shareholders of New Century REIT have agreed to waive their entitlements to receive distribution payable in respect of certain percentage of their respective holdings, as stated in the offering circular of New Century REIT. Had the effect of such waiver been excluded, the dividend yield of New Century REIT would have been approximately 8.0%, based on its unit price as at the Latest Practicable Date.

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2. The Implied Yield and Implied PBR are based on the Minimum Market Capitalisation of the Jinmao Investments Group, calculated based on the minimum Offer Price of HK\$5.35 per Share Stapled Unit, and the minimum amount of the Loan Facility of HK\$3,000 million being drawn down on the Listing Date.

As illustrated by the above table, the dividend yields of the Comparable Entities range from approximately 7.4% to 9.4%, with an average and median of approximately 8.7% and 9.3% respectively.

The historical PBR of the Comparable Entities range from approximately 0.49 times to 0.89 times, with the average and the median of approximately 0.67 times and 0.64 times respectively.

The Implied Yield of approximately 9.0% represented by the Minimum Market Capitalisation is close to the average and median yields. The Implied PBR of approximately 0.55 times represented by the Minimum Market Capitalisation is within the range of PBRs of the Comparable Entities, but is lower than the average and median of the Comparable Entities.

Shareholders should note that the above Implied Yield and Implied PBR are calculated with reference to the Minimum Market Capitalisation of HK\$10.7 billion. The Implied Yield would be reduced and the Implied PBR would be increased should the final market capitalisation be higher than HK\$10.7 billion.

The final Offer Price, and hence the final market capitalisation of the Jinmao Investments Group, will be determined with reference to the prevailing market conditions. None of the Shareholders, including Sinochem Hong Kong, have a material interest in the transaction different from other Shareholders. In these circumstances, we consider it reasonable to fix the minimum Offer Price at a level which will provide an element of flexibility to cater for any potential change in market conditions before the Price Determination Date. The Board will only proceed with the Proposed Spin-off if it considers that the price of the Share Stapled Units which can be obtained under the Global Offering, which is subject to market conditions, is such that proceeding with the Proposed Spin-off on those terms would be in the interests of the Company and the Shareholders as a whole.

Based on the above, we consider the Implied Yield and the Implied PBR at which the Offer Share Stapled Units are being issued to be acceptable to the Shareholders.

VIII. Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional on, among other things, (i) the Stock Exchange granting listing approval for the listing of, and permission to deal in, the Share Stapled Units in issue and to be issued pursuant to the Reorganisation and the Global Offering; (ii) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Company, the Trustee-Manager and JCIHL; (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and (iv) the obligations of the underwriters under the underwriting agreements becoming unconditional and the underwriting agreements not being terminated.

The final decision of whether or not to proceed with the Proposed Spin-off rests with the Board and with the respective boards of directors of the Trustee-Manager and JCIHL, and is subject to market conditions and pricing. Accordingly, the Proposed Spin-off may not proceed if these and other applicable conditions are not fulfilled.

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Shareholders and potential investors in the Company should be aware that there is no assurance that the Proposed Spin-off will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in or investing in the shares or other securities of the Company.

DISCUSSION AND ANALYSIS

The Proposed Spin-off constitutes a deemed disposal and major transaction for the Company, and is therefore subject to shareholder's approval. In this particular case, this condition has already been satisfied by Sinochem Hong Kong, which holds a majority 62.87% interest, giving its written consent. The purpose of this letter is to provide our opinion on whether the terms of the Proposed Spin-off are fair and reasonable.

The Company was listed on the Main Board of the Stock Exchange in 2007 and is one of the components of the Hang Seng Composite Index. The principal activity of the Group is property development and investment but it also has a substantial hotel business. JCIHL, currently a wholly-owned subsidiary of the Group, owns eight hotels, five of which, in Shanghai, Beijing, Shenzhen and Sanya (2), are in full operation. A sixth hotel, in Chongming, was opened in March 2014 and two others, in Beijing and Lijiang, are expected to commence operations by the end of the year. We agree that hotel operations are a significantly different kind of business from the remainder of the Group and would benefit from being held through a separate listed vehicle, as set out above. In addition, the hotel operations generate a steady stream of income, as compared with property development, and are therefore suited to listing by way of Share Stapled Units paying regular dividends, and valued primarily by reference to yield. The Company will retain a 70.0% interest in the Share Stapled Units following completion of the Proposed Spin-off, and JCIHL will continue to be accounted for as a non wholly-owned subsidiary of the Group.

The Minimum Market Capitalisation of HK\$10.7 billion represents an Implied Yield of 9.0%, which is close to the average yield of the three Comparable Entities we have identified. The Implied PBR of 0.55 times is lower than the average PBR of the Comparable Entities. On the other hand, since the Share Stapled Units are being issued at a unit price above their underlying NAV (after taking into account the effect of the Global Offering and the Pre-IPO Dividend), it will result in a "one-off" increase in the Group's consolidated NAV by a minimum of approximately HK\$159.3 million (or approximately 0.47% of the Group's consolidated NAV as at 31 December 2013), to be recognised through the Group's reserves at the completion of the Proposed Spin-off. The effect of the Proposed Spin-off on recurrent earnings is expected to be broadly neutral.

A majority of the net proceeds of the Global Offering, expected to be between HK\$3,052.2 million and HK\$3,226.8 million, and the Loan Facility to be drawn down on the Listing Date, will be channelled back to the Group via the Pre-IPO Dividend, estimated to be between HK\$5,340 million and HK\$6,488 million, a very substantial sum. The effect of it will be, inter alia, to reduce the net debt-to-adjusted capital ratio of the Group.

In weighing of the financial effects of the Proposed Spin-off on the Group, we consider the very substantial funds received and the reduction in net gearing through the Pre-IPO Dividend offset the lower PBR as represented by the Minimum Market Capitalisation relative to the Comparable Entities.

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In accordance with the provision of Practice Note 15 of the Listing Rules, Shareholders will be offered assured entitlements in the form of Reserved Share Stapled Units, equivalent to approximately 13.3% of the Global Offering. This is higher than the six Spin-off Exercises carried out on Hong Kong in the five years before the Proposed Spin-off was announced involving issues of over HK\$1.0 billion.

As three of the hotels owned by JCIHL are only commencing operations in 2014, the Company is giving, in respect of 2014, that the Distribution Guarantee Amount will not be less than HK\$960 million on an annualised basis, bearing in mind that the Global Offering will only close in July 2014. The Company will also guarantee that if the aggregate Actual EBITDA of the three Shortfall Payment Hotels for any of the financial years 2015-2017 is less than HK\$220 million, it will pay the shortfall amount to the Trustee-Manager. The Company has stated that it does not expect such payments to be material. In our opinion, these measures mitigate the start-up risk of the three hotels and therefore improve the attractiveness and the pricing of the Global Offering, enabling the Company to maximise the net proceeds. The Company has also given certain non-compete and call options and rights of first refusal to JCIHL as detailed above, which we consider normal in the circumstance of the Proposed Spin-off and are comparable to market practices.

OPINION

Having taken into account the principal factors and reasons as set out above, we are of the view that the terms of the Proposed Spin-off are fair and reasonable in so far as the Company and the Shareholders are concerned, and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Selected Key Financial Figures of the Jinmao Investments Group

The following data is sourced from the audited combined financial statements of the Jinmao Investments Group for the two financial years ended 31 December 2013.

	Year ended 31 December	
	2012	2013
	(HK\$'000)	(HK\$'000)
Revenue	2,649,067	2,634,161
EBITDA ⁽¹⁾	1,093,144	1,068,169
Profit before tax	794,544	1,367,612
Profit for the year	638,507	1,013,394
	Year ended 31 December	
	2012	2013
	(HK\$'000)	(HK\$'000)
Net assets	10,194,794	11,930,657
Total assets	22,465,914	20,510,594

Note:

- (1) EBITDA is a non-HKFRS accounting measure and is not a line item stated in the combined statements of profit or loss of the Jinmao Investments Group and should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of its operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities.

The Jinmao Investments Group had a total revenue of HK\$2,649.1 million in FY2012 and HK\$2,634.2 million in FY2013, which remained largely constant. Although EBITDA of the Hotels (excluding Hyatt Regency Chongming, which only opened in March 2014, and Renaissance Beijing Wangfujing Hotel and Grand Hyatt Lijiang which are under development) decreased from HK\$1,093.1 million in FY2012 to HK\$1,068.2 million in FY2013, the profit for the year for the Jinmao Investments Group increased from HK\$638.5 million in FY2012 to HK\$1,013.4 million in FY2013 primarily due to an increase in fair value gains on investment properties and decreases in finance costs, other expenses and losses.

Fair value gains on investment properties increased by 83.1% from HK\$460.5 million in FY2012 to HK\$843.1 million in FY2013, primarily due to the appreciated fair value of the Jinmao Investments Group's investment properties in Jin Mao Tower.

Finance costs decreased by 37.7% from HK\$536.2 million in FY2012 to HK\$333.8 million in FY2013, primarily due to decreases in interest expense incurred on bank loans and debenture and interest expense incurred on inter-group entrusted loans in the form of amounts due to related parties as a result of the Jinmao Investments Group's increased use of internal funds to finance its operations.

APPENDIX I**FURTHER INFORMATION ON THE PROPERTIES**

Other expenses and losses decreased by 85.7% from HK\$15.4 million in FY2012 to HK\$2.2 million in FY2013, primarily reflecting loss on disposal of items of property, plant and equipment in FY2012 as a result of disposal of certain hotel amenities and equipment of Renaissance Beijing Wangfujing Hotel, which was under overall redevelopment and renovation.

As a result of the foregoing, the Jinmao Investments Group's profit for the year increased by 58.7% from FY2012 to FY2013.

Selected Key Information and Operating Statistics on the Properties

The tables below set out the operating statistics of the Completed Hotels (other than Hyatt Regency Chongming as such Hotel only opened in March 2014), the Hotels Under Development and the office and retail areas of Jin Mao Tower, where applicable (except as otherwise indicated).

(a) Key Information on the Completed Hotels

	Grand Hyatt Shanghai	The Westin Beijing Chaoyang	JW Marriott Hotel Shenzhen	The Ritz- Carlton, Sanya	Hilton Sanya Resort and Spa	Hyatt Regency Chongming	Total
Year of Commencement of Operations	1999	2008	2009	2008	2006	2014	—
Hotel Brand	Grand Hyatt	Westin	JW Marriott	Ritz-Carlton	Hilton	Hyatt Regency	—
Number of Rooms	555	550	411	450	501	235	2,702
Total GFA (sq.m.)	76,013	77,945	51,730	83,772	75,208	48,992	413,660

(b) Key Information on the Hotels Under Development

	Renaissance Beijing Wangfujing Hotel	Grand Hyatt Lijiang	Total
Hotel Brand	Renaissance	Grand Hyatt	—
Total Planned GFA (sq.m.)	44,435	82,063	126,498
Expected Number of Rooms	329	400	729
Expected Date of Commencement of Operation	End of 2014	End of 2014	—

(c) Key Information of the Office and Retail Areas of Jin Mao Tower

	Jin Mao Tower
Year of Commencement of Operations	1999
Total GFA (sq.m.)	292,475 (including the hotel portion) 216,462 (excluding the hotel portion)

APPENDIX I
FURTHER INFORMATION ON THE PROPERTIES

	Year ended 31 December	
	2012	2013
Revenue (HK\$'000)		
— Office area	457,339	484,750
— Retail area	68,186	74,797
— Observation deck	81,699	64,489
Occupancy Rate		
— Office area	97.0%	98.7%
— Retail area	100%	100%

(d) Average Room Rate and RevPAR of the Completed Hotels

Hotel	Year ended 31 December	
	2012	2013
Average Room Rate (HK\$)⁽¹⁾		
Grand Hyatt Shanghai	2,060	2,053
The Westin Beijing Chaoyang	1,893	1,709
JW Marriott Hotel Shenzhen	1,260	1,301
The Ritz-Carlton, Sanya	3,788	3,471
Hilton Sanya Resort and Spa	2,282	2,085
Weighted average for all hotels ⁽²⁾	2,210	2,104
Revenue Per Available Room (RevPAR) (HK\$)⁽³⁾		
Grand Hyatt Shanghai	1,236	1,203
The Westin Beijing Chaoyang	1,449	1,225
JW Marriott Hotel Shenzhen	901	975
The Ritz-Carlton, Sanya	2,353	2,398
Hilton Sanya Resort and Spa	1,351	1,372
Weighted average for all hotels ⁽⁴⁾	1,455	1,423

Notes:

- (1) Average room rate is calculated as room revenue divided by the total number of rooms sold in a given period. Average room rates measure average room prices attained by a hotel and average room rate trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel. The actual room rate charged to guests depends on various factors, including, but not limited to, the date the reservation is made, the date of the stay and the distribution channel through which the reservation is made.
- (2) Weighted average by number of rooms across all five hotels.
- (3) RevPAR is calculated as the total room revenue divided by the total number of room nights available for sale during the relevant period, which may not directly reflect the total number of rooms in inventory due to renovations or other considerations.
- (4) Weighted average by number of room nights across all five hotels.

(e) Occupancy Rates of the Completed Hotels⁽¹⁾

Hotel	Year ended 31 December	
	2012	2013
	%	%
Grand Hyatt Shanghai	60.0	58.6
The Westin Beijing Chaoyang	76.5	71.7
JW Marriott Hotel Shenzhen	71.5	75.0
The Ritz-Carlton, Sanya	62.1	69.1
Hilton Sanya Resort and Spa	59.2	65.8
Weighted average for all hotels⁽²⁾	65.8	67.6

Notes:

- (1) Occupancy rate is calculated as the aggregate number of room nights sold as a percentage of the total number of room nights available for sale during the relevant period, which may not directly reflect the total rooms in inventory due to renovations or other considerations.
- (2) Weighted average by number of room nights across all five hotels.

(f) Total Revenue of the Completed Hotels

Hotel	Year ended 31 December	
	2012	2013
	(HK\$'000)	(HK\$'000)
Grand Hyatt Shanghai	552,135	529,131
The Westin Beijing Chaoyang	443,242	382,551
JW Marriott Hotel Shenzhen	201,929	219,529
The Ritz-Carlton, Sanya	499,736	511,179
Hilton Sanya Resort and Spa	312,993	319,275

INDEBTEDNESS

At the close of business on 30 April 2014, being the latest practicable date prior to the printing of this circular, the Group had outstanding (i) medium term notes of approximately HK\$15,435.5 million; and (ii) bank and other borrowings of approximately HK\$32,903.7 million comprising bank borrowings of approximately HK\$31,787.7 million and other borrowings of approximately HK\$1,116.0 million, which together were secured by mortgages over the Group's assets, including, hotel properties and buildings of approximately HK\$4,955.2 million, properties under development of approximately HK\$14,900.4 million, properties held for sale of approximately HK\$263.9 million, investment properties of approximately HK\$14,813.7 million, prepaid land lease payments of approximately HK\$338.6 million, trade receivables of approximately HK\$27.3 million. In addition, the Group had provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties and capital commitments in respect of construction of properties under development, land under development and property, plant and equipment of approximately HK\$6,462.5 million and HK\$10,210.3 million, respectively.

Save as aforesaid or as otherwise disclosed herein, the Group did not have outstanding at the close of business on 30 April 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group including the Group's internally generated funds, the Group has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's revenue increased 20.6% to HK\$20,718.9 million in 2013 from HK\$17,175.7 million in 2012.

Given the increase in revenue, profit attributable to owners of the parent increased 25.2% to HK\$4,227.2 million in 2013 from HK\$3,377.7 million in 2012.

Basic earnings per share rose to HK46.14 cents as at 31 December 2013, up from HK36.87 cents as at 31 December 2012. Net debt-to-adjusted capital ratio dropped from 42% as at 31 December 2012 to 41% as at 31 December 2013.

A. OVERVIEW

Prior to the Listing Date, members of the JCIHL Group have entered into certain transactions with parties who will, upon the Listing, become connected persons of the Trust Group. Following the completion of the Listing, there will also be continuing connected transactions of JCIHL under the Listing Rules. Details of these transactions as well as the waivers granted by the Stock Exchange from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules are set out below.

As the Company is the controlling holder of Share Stapled Units, the Company and its subsidiaries are connected persons of the Jinmao Investments Group. As Sinochem Group is the controlling shareholder of the Company, Sinochem Group and its subsidiaries are connected persons of the Jinmao Investments Group. Accordingly, the transactions entered into with the Group and the Sinochem Conglomerate will constitute connected transactions for the Jinmao Investments Group. In addition, given that Sinochem Group is the ultimate controlling shareholder of the Company and members of the Sinochem Conglomerate are connected persons of the Company, transactions entered into by members of the Sinochem Conglomerate with the JCIHL Group, which are subsidiaries of the Company, will also constitute connected transactions for the Company.

B. ARRANGEMENTS IN RELATION TO THE LISTING

As disclosed in “*Other Arrangements in relation to the Proposed Spin-off — Business Delineation — Hotel Arrangements*”, members of the JCIHL Group have entered into the Hotel Arrangements Deed with the Company. In the event that members of the JCIHL Group enter into any transaction with the Company pursuant to the Hotel Arrangements Deed, JCIHL will comply with the relevant provisions of Chapter 14A of the Listing Rules at that time.

C. FINANCIAL ASSISTANCE**Distribution Guarantee and Shortfall Payments Deed****(a) Description of the Transaction**

The Company and the Trustee-Manager (as the trustee-manager of Jinmao Investments) have entered into the Distribution Guarantee and Shortfall Payments Deed dated 13 June 2014 pursuant to which the Company agreed to:

- (i) provide the Distribution Guarantee for the period from the Listing Date to 31 December 2014 of an amount which represents an annualised distribution guarantee amount of HK\$960 million for the financial year ending 31 December 2014. Assuming the Listing Date is 2 July 2014, the Distribution Guarantee Amount is HK\$481 million. If the Trust Distributable Income for the period from the Listing Date to 31 December 2014 is less than the Distribution Guarantee Amount, the Company will make the Distribution Shortfall Payment to the Trustee-Manager of an amount equal to the difference between the Distribution Guarantee Amount and the Trust Distributable Income for the period from the Listing date to 31 December 2014. The Distribution Guarantee is a means of providing the Holders of Share Stapled Units with a minimum expected income and yield from their holdings of Share Stapled Units during the period from the Listing Date to 31 December 2014; and

- (ii) provide the Shortfall Payments up to an aggregate amount of HK\$300 million during the entire duration of the Shortfall Payment Period to enable the JCIHL Group to minimise its exposure to the initial start-up risks associated with the operation of the Shortfall Payment Hotels (being Hyatt Regency Chongming and the Hotels Under Development) for an initial period of time following their commencement of operation and to provide the holders of Share Stapled Units with some assurance of the level of income of the JCIHL Group for the financial years ending 31 December 2015, 2016 and 2017.

(b) Listing Rules Implications

The Distribution and the Shortfall Payments constitute financial assistance provided by the Company for the benefit of the Jinmao Investments Group on normal commercial terms (or better to the Jinmao Investments Group) where no security over the assets of the Jinmao Investments Group is granted and would, upon Listing, be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

D. ONE-OFF CONNECTED TRANSACTIONS

1. Project Consulting Agreement

(a) Description of the Transaction

JCIHL and the Company have entered into a project consulting agreement dated 13 June 2014 (the "**Project Consulting Agreement**") pursuant to which the Company agreed to provide certain project consulting services (the "**Project Consulting Services**") in respect of Grand Hyatt Lijiang and Renaissance Beijing Wangfujing Hotel, respectively, from the Listing Date until the date of completion of the construction of Grand Hyatt Lijiang and the renovation of Renaissance Beijing Wangfujing Hotel. Grand Hyatt Lijiang and Renaissance Beijing Wangfujing Hotel are expected to commence operations by the end of 2014.

The Project Consulting Services to be provided by the Company include, but are not limited to, managing, supervising and advising on the construction of Grand Hyatt Lijiang and the renovation of Renaissance Beijing Wangfujing Hotel, respectively.

Under the terms of the Project Consulting Agreement, the Company will be entitled to receive a one-time fee (the "**Project Consulting Fee**") for the Project Consulting Services amounting to RMB25 million (approximately HK\$31.8 million, which is based on the spot exchange rate on the date of the Project Consulting Agreement). The Project Consulting Fee is based on the total development costs expected to be incurred from the Listing Date until the date of completion of the construction of Grand Hyatt Lijiang and the renovation of Renaissance Beijing Wangfujing Hotel (the "Development Costs"). The arrangements contemplated in the Project Consulting Agreement are on normal commercial terms and in the ordinary and usual course of business of the JCIHL Group.

(b) Listing Rules Implications

On the basis that the Project Consulting Agreement is regarded as a one-off connected transaction entered into by JCIHL prior to Listing, rather than a continuing connected transaction, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable to it.

2. Property Management Services**(a) Description of the Transaction**

Shanghai Property Management primarily provides property management services to Jin Mao Tower and also provides other property management services which consist of (a) managing the residential properties of third party property owners and the Group, (b) managing certain office buildings of third party office owners and the Group and (c) providing property services for the sales and display units of residential properties developed by the Group.

As at the Latest Practicable Date, Shanghai Property Management had 11 property management agreements entered into with members of the Group which had not been terminated or transferred to the Group. Even though these property management agreements were entered into with members of the Group, Shanghai Property Management is required to obtain the consent of the relevant regulatory bodies and office tenants in order to terminate or transfer the relevant ongoing management services, which is outside the control of JCIHL. Therefore, it is not practical to terminate the ongoing management services prior to the Listing.

Subject to obtaining the consent of the counterparties to these property management agreements, the JCIHL Group intends to transfer such property management agreements to the Group as soon as practicable. If consent for the transfer of such property management agreements to the Group cannot be obtained, it is the JCIHL Group's intention not to enter into any new agreements to provide property management services upon the termination of these existing property management agreements.

For FY2012 and FY2013, the aggregate revenue of derived from the 11 property management agreements was HK\$7.02 million and HK\$20.42 million, respectively, which represented 0.3%, and 0.8% of the JCIHL Group's total revenue, respectively. Given that 11 property management agreements were only entered into by Shanghai Property Management in 2012 or later, no revenue was derived from these property management agreements in FY2011.

(b) Listing Rules Implications

On the basis that the property management agreements are in aggregate regarded as a one-off connected transaction entered into by JCIHL prior to Listing, rather than a continuing connected transaction, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable to it.

3. Decoration Services from the Group

(a) Description of the Transaction

Members of the JCIHL Group have entered into decoration services agreements with Shanghai Decoration during the Track Record Period (the “**Decoration Services Agreements**”) pursuant to which Shanghai Decoration will provide certain decoration services (the “**Decoration Services**”) to the JCIHL Group.

The Decoration Services to be provided by Shanghai Decoration include, but are not limited to, the renovation and interior design works for hotel rooms, offices and other related facilities. The duration of the Decoration Services Agreements entered into during the Track Record Period range between five months and a year, depending on the nature of the renovation and interior design works to be provided by Shanghai Decoration. Major renovation works tend to require a longer period of time whereas the refurbishment of hotel rooms may require only a few months to complete. The Decoration Services Agreements are expected to be completed by the end of 2014. As at 31 December 2013, the amounts outstanding and to be paid under the Decoration Services Agreements were approximately RMB101.0 million. Such payments will be made in stages as and when certain payment milestones under the Decoration Services Agreements have been met.

Members of the JCIHL Group generally source decoration services through a bidding process where both independent third parties and members of the Group are invited to submit bids. Decoration service providers are typically selected based on several factors, including price, reputation of the service provider and quality of the services offered. During the Track Record Period, the JCIHL Group engaged various decoration service providers, including decoration service providers who are independent third parties as well as Shanghai Decoration. For FY2011, FY2012 and FY2013, the aggregate decoration costs payable and/or paid to Shanghai Decoration amounted to HK\$15.0 million, HK\$26.5 million and HK\$51.3 million, respectively. Following the Listing, in the event Shanghai Decoration enters into an agreement with members of the JCIHL Group to provide decoration services, such transactions will be subject to compliance with the Listing Rules.

(b) Listing Rules Implications

On the basis that the Decoration Services Agreements are regarded as one-off connected transactions entered into by JCIHL prior to Listing, rather than continuing connected transactions, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable to these transactions.

E. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as continuing connected transactions of the JCIHL Group exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rules 14A.31 and 14A.33 of the Listing Rules.

1. Rental of Hotel Rooms

The JCIHL Group's individual connected persons may from time to time rent hotel rooms from the JCIHL Group's Hotels. Rentals of hotel rooms are "consumer services" provided by the JCIHL Group to its connected persons on the basis that such services are (i) services provided by the JCIHL Group in the ordinary and usual course of business and on normal commercial terms, (ii) of a type ordinarily supplied for private use, (iii) provided to connected persons of JCIHL for their own use, (iv) used in the same state as when they were acquired, (v) of a total consideration of less than 1% of the total revenue as set out in JCIHL Group's latest audited consolidated accounts, and (vi) on terms no more favourable to the connected persons than those available to independent third parties. Such rentals of hotel rooms are paid for by the JCIHL Group's individual connected persons. Therefore, in accordance with Rule 14A.31(7) of the Listing Rules, such rentals of hotel rooms to the JCIHL Group's individual connected person are exempt from the reporting, announcement and independent shareholders' approval requirements.

2. Rental of Function Venues and Use of Other Hotel Services by the Sinochem Conglomerate and the Group

The Sinochem Conglomerate and the Group from time to time rent function venues and use other hotel related services at the JCIHL Group's Properties. Accordingly the rental of such function rooms and the use of other hotel related services by the Sinochem Conglomerate and the Group will constitute continuing connected transactions for JCIHL in accordance with the Listing Rules. These arrangements are entered into in the ordinary and usual course of the JCIHL Group's business and are on normal commercial terms.

The JCIHL Group expects to continue to provide the rental of function venues and the use of other hotel related services to each of the Sinochem Conglomerate and the Group following the Listing Date, and will do so on an arm's length basis and on normal commercial terms.

As the highest relevant aggregated percentage ratios in respect of the rental of function venues and use of other hotel related services will, on an annual basis, be less than 0.1%, they will, pursuant to Rule 14A.33(3) of the Listing Rules, constitute de minimis continuing connected transactions exempt from reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

F. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**1. Provision of Hotel Property Management Services by the JCIHL Group****(a) Description of the Transaction**

JCIHL and the Company entered into a hotel property management agreement dated 13 June 2014 (the “**Hotel Property Management Agreement**”) pursuant to which JCIHL has agreed to provide Hotel Property Management Services (as defined below) in respect of the Excluded Hotels to the Group. The arrangements under the Hotel Property Management Agreement are on normal commercial terms and in the ordinary and usual course of business of the JCIHL Group.

For the purposes of the Hotel Property Management Agreement, the “**Hotel Property Management Services**” relate to overseeing and monitoring the performance of the third party hotel managers of their obligations under the relevant hotel management agreements, advising on hotel improvements and overseeing the financial performance of the Excluded Hotels.

Under the Hotel Property Management Agreement, the JCIHL Group will be entitled to receive an annual fee comprising a basic management fee of 0.5% of the total development costs of an Excluded Hotel and an incentive fee of 4% of the earnings before interest, taxes, depreciation and amortisation of each Excluded Hotel upon the formal opening of such Excluded Hotel.

The Hotel Property Management Agreement will take effect on the Listing Date and will be valid for a period of three years, subject to compliance with the applicable provisions of the Listing Rules, unless terminated earlier in accordance with the terms of the Hotel Property Management Agreement.

The Directors believe that the terms of the Hotel Property Management Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole as the Group can leverage on JCIHL’s experience to manage the Excluded Hotels, and the JCIHL’s independent financial adviser has reviewed and confirmed that the formula (including the percentage caps) used for determining the fees payable under the Hotel Management Agreement is fair and reasonable with reference to the prevailing market rates.

(b) Historical Transaction Amounts

There were no historical transactions in respect of the Hotel Property Management Agreement prior to the Listing Date since the agreement is only effective from the Listing Date.

(c) Non-Monetary Cap on Future Transaction Amounts

The cap for the fees payable under the Hotel Property Management Agreement will be determined by reference to the formula for determining the fees payable pursuant to the Hotel Property Management Agreement as described above.

Reasons for a Non-monetary Cap

The Directors are of the view that it is normal business practice for the management fees payable under management agreements in the hospitality industry to be paid in accordance with a formula instead of a fixed amount. JCIHL is unable to provide monetary amounts for the annual caps under the Hotel Property Management Agreement for the following reasons:

- (i) given that not all of the Excluded Hotels have been formally opened, JCIHL is unable to forecast the total development costs and the future EBITDA of each Excluded Hotel; and
- (ii) a large component of the total annual fee payable under the Hotel Property Management Agreement is based on the future EBITDA of each Excluded Hotel, which varies based on various factors which are not within the control of JCIHL, such as the number of hotel guests and general economic conditions.

In addition, JCIHL's independent financial adviser has reviewed and confirmed that the formula (including the percentage caps) used for determining the fees payable under the Hotel Property Management Agreement is fair and reasonable with reference to the prevailing market rates.

(d) Listing Rules Implications

As the highest relevant percentage ratios in respect of the Hotel Property Management Services under the Hotel Property Management Agreement will, on an annual basis, be expected to be more than 0.1% but less than 5% and is on normal commercial terms, they will, pursuant to Rule 14A.34(1) of the Listing Rules, be exempt from independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

2. Provision of Commercial Property Management Services by the Group**(a) Description of the Transaction**

Franshion (Shanghai) entered into commercial property management agreement with China Jin Mao (Group) dated 13 June 2014 (the "**Commercial Property Management Agreement**") pursuant to which the Group will provide the Commercial Property Management Services (as defined below) to the JCIHL Group. The arrangements under the Commercial Property Management Agreement are on normal commercial terms and in the ordinary and usual course of business of the JCIHL Group.

For the purposes of the Commercial Property Management Agreement, "**Commercial Property Management Services**" relate to the provisions of certain commercial property management services, including leasing management, marketing management, and project management and other relevant services as may be reasonably required by China Jin Mao (Group) and Jin Mao Sanya Tourism, in relation to the commercial portions of the JCIHL Group's Properties, currently being the "**J-Life**" commercial portions in Jin Mao Tower and The Ritz-Carlton, Sanya.

Under the Commercial Property Management Agreement, the Group will be entitled to receive an annual fee comprising 3% of the annual rental income from the commercial portions of the JCIHL Group's Properties, currently being the "J-Life" commercial portions in Jin Mao Tower and The Ritz-Carlton, Sanya.

The Commercial Property Management Agreement will take effect on the Listing Date and will be valid for a period of three years, subject to compliance with applicable provisions of the Listing Rules, unless terminated earlier in accordance with the terms of the Commercial Property Management Agreement.

The Directors believe that the terms of the Commercial Property Management Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole as the fees payable under the Commercial Property Management Agreement are similar to fees payable under other commercial property management agreements entered into by other listed hospitality business trusts and real estate investment trusts which invest in commercial assets, and will provide a source of revenue for the Group.

(b) Historical Transaction Amounts

There was no historical transaction in respect of the Commercial Property Management Agreement prior to the Listing Date since the agreement is only effective from the Listing Date.

(c) Annual Caps on Future Transaction Amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the JCIHL Group has set the annual caps for the maximum aggregate amounts payable under the Commercial Property Management Agreements for FY2014, FY2015 and FY2016. It is anticipated that the aggregate annual amount for the Commercial Property Management Services payable by the JCIHL Group to the Group for FY2014, FY2015 and FY2016 will be approximately RMB3.7 million, RMB3.8 million and RMB3.9 million, respectively.

The above mentioned annual caps in respect of the Commercial Property Management Services have been estimated primarily based on similar commercial property management agreements entered into by other listed hospitality business trusts and real estate investment trusts which invest in commercial assets.

(d) Listing Rules Implications

As the highest relevant percentage ratios in respect of the Commercial Property Management Services under the Commercial Property Management Agreement will, on an annual basis, be more than 0.1% but less than 5% and is on normal commercial terms, such arrangements will, pursuant to Rule 14A.34(1) of the Listing Rules, be exempt from independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

3. Rental of Office Space in Jin Mao Tower by the Sinochem Conglomerate and the Group

(a) Description of the Transaction

Members of the Sinochem Conglomerate and the Group have entered into, and may in the future from time to time renew and enter into, lease agreements with the JCIHL Group for office space in Jin Mao Tower (the “**Individual Lease Agreements**”). The total rental paid by the tenants under the Individual Lease Agreements include the (i) rental rates of the office space leased, (ii) the management fees of the relevant office space (the “**Management Fees**”) and (iii) various other fees (the “**Other Fees**”). The Management Fees are charged by the property management company and may be adjusted upwards due to an increase in property management costs. The Other Fees are sundry charges actually incurred by the tenants, which include but are not limited to parking space rentals, car-park management fees, parking fees, utilities and overtime air-conditioning fees. The Individual Lease Agreements are on normal commercial terms and in the ordinary and usual course of business of the JCIHL Group. In addition, the Individual Lease Agreements entered into with members of the Sinochem Conglomerate and members of the Group are renewable, subject to consent from the relevant parties.

JCIHL has entered into (i) a master framework lease agreement with Sinochem Group dated 13 June 2014 (the “**Sinochem Framework Lease Agreement**”) and (ii) a master framework lease agreement with the Company dated 13 June 2014 (the “**Franshion Framework Lease Agreement**”, together with the Sinochem Framework Lease Agreement, the “**Framework Lease Agreements**”) to supplement the Individual Lease Agreements for these continuing connected transactions such that the terms shall be on normal commercial terms. All existing and future Individual Lease Agreements entered into by members of the Sinochem Conglomerate and members of the Group with the JCIHL Group will be regulated by their respective Framework Lease Agreements. The Directors believe that the terms of the Framework Lease Agreements which supplements the Individual Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each of the Framework Lease Agreement will take effect on the Listing Date, will be valid for a period of three years and will be automatically renewable for successive periods of three years thereafter, subject to compliance with applicable provisions of the Listing Rules, unless terminated earlier in accordance with the terms of the respective Framework Lease Agreements.

(b) Historical Transaction Amounts

For each of FY2011, FY2012 and FY2013, the JCIHL Group’s aggregate annual rental income from members of the Sinochem Conglomerate were approximately RMB61.6 million, RMB68.7 million and RMB72.0 million, respectively.

For each of FY2011, FY2012 and FY2013, the JCIHL Group’s aggregate annual rental income from members of the Group were approximately RMB2.6 million, RMB4.0 million and RMB5.2 million, respectively.

The rentals received from each of the Sinochem Conglomerate and the Group to the JCIHL Group were determined based on arm's length negotiations between the JCIHL Group and each lessee of the Individual Leasing Agreements on the then prevailing market rates and on normal commercial terms.

(c) Annual Caps on Future Transaction Amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the JCIHL Group have aggregated the annual caps for the Framework Lease Agreements, which are set with reference to the aggregate rental income received under the Individual Lease Agreements during the Track Record Period and the JCIHL Group has also taken into account the following key factors in estimating the annual caps for the three years under each of the Framework Lease Agreements:

- the agreed rental rates in the existing Individual Lease Agreements and the prevailing rental rates of office space in, and in the proximity of, Jin Mao Tower which are leased to independent third parties;
- the previous adjustments of rental rates of office space in, and in the proximity of, Jin Mao Tower, and assuming that all the Individual Lease Agreements will be renewed based on the then rental rates when these existing leases expire, the Directors estimate that there will be an average annual upward adjustment of approximately 7% for the rental rates for each of the three years from 2014 to 2016;
- given that the Management Fees, which are payable under the Individual Lease Agreements, may be adjusted under the Individual Lease Agreements by taking into account the rate of property management costs in Shanghai, the Directors have estimated an annual upward adjustment of 7% to the Management Fees for each of the three years from 2014 to 2016;
- the business growth and demand of each of the members of the Sinochem Conglomerate and the members of the Group for office space, given the significance of the Shanghai market to the businesses of members of the Sinochem Conglomerate and members of the Group. During FY2013, the total floor area rented by members of the Sinochem Conglomerate was approximately 24,571 sq.m.. The total floor area to be leased by members of the Sinochem Conglomerate in FY2014, FY2015 and FY2016 are projected to increase to approximately 25,800 sq.m., 30,702 sq.m. and 34,386 sq.m., respectively. During FY2013, the total floor area rented by members of the Group was approximately 1,506 sq.m.. The total floor area to be leased by members of the Group in FY2014, FY2015 and FY2016 are projected to increase to approximately 2,259 sq.m., 3,389 sq.m. and 5,084 sq.m., respectively; and
- on the basis of the general increase in the market prices of the Other Fees, in particular, parking space rentals, the Directors have estimated an annual increase of 10% to the Other Fees for each of the three years from 2014 to 2016.

In addition, the independent property valuer of JCIHL has also confirmed that the terms of the Individual Lease Agreements (including the rental payable thereunder) are fair and reasonable and the rental receivable thereunder reflects the prevailing market rate.

On the basis of the above key factors, it is anticipated that the aggregate rental payable to the JCIHL Group under the Framework Lease Agreements for FY2014, FY2015 and FY2016 will be approximately RMB106.6 million, RMB130.2 million and RMB166.7 million, respectively.

(d) Listing Rules Implications

As the highest relevant percentage ratio in respect of the leases under the Framework Lease Agreements will, on an annual basis, be 5% or more and is on normal commercial terms, they will, pursuant to Rule 14A.35 of the Listing Rules, be subject to the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

G. WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Hotel Property Management Agreement, the Commercial Property Management Agreement and the Framework Lease Agreements, JCIHL expects these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. The directors of the Trustee-Manager and JCIHL therefore consider that strict compliance with the announcement and, if applicable, the approval of independent holders of Share Stapled Units requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the JCIHL Group.

Accordingly, the Trustee-Manager and JCIHL have applied for, and the Stock Exchange has granted to the Trustee-Manager and JCIHL, a waiver from strict compliance with the announcement requirement and, if applicable, the approval of independent holders of Share Stapled Units requirements of the Listing Rules relating to each of the above non-exempt continuing connected transactions in respect of the Hotel Property Management Agreement, the Commercial Property Management Agreement and the Framework Lease Agreements.

In addition, the Trustee-Manager and JCIHL have also applied for, and the Stock Exchange has granted to the Trustee-Manager and JCIHL, a waiver from Rule 14A.35(2) of the Listing Rules in relation to the setting of monetary annual caps for the fees payable under the Hotel Property Management Agreement for the duration of the Hotel Property Management Agreement.

Apart from the requirement with which strict compliance has been waived by the Stock Exchange as described above, the Trustee-Manager and JCIHL will comply with the relevant requirements under Chapter 14A of the Listing Rules that are applicable to the continuing connected transactions under the Hotel Property Management Agreement, the Commercial Property Management Agreement and the Framework Lease Agreements.

The independent non-executive directors of the Trustee-Manager and JCIHL will review the continuing connected transactions under the Hotel Property Management Agreement, the Commercial Property Management Agreement and the Framework Lease Agreements and confirm in the annual report and accounts of Jinmao Investments and JCIHL that such transactions for the financial year under review have been entered into in the manner as set out in Rule 14A.37 of the Listing Rules.

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests of the Group as at 31 March 2014.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

19 June 2014

The Directors
Franshion Properties (China) Limited
Rooms 4702-03, 47th Floor
Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

1. Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to value the property interests of Jinmao Investments and Jinmao (China) Investments Holdings Limited (referred to as the “Company”) and its subsidiaries (together referred to as the “Group”) in the People’s Republic of China (the “PRC”) (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as at 31 March 2014 and incorporation in the circular of the Company.

2. Definition of Market Value

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

3. Valuation Basis and Assumptions

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors.

Our valuations exclude any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the properties in the PRC, we have relied on the information and advice given by the Group and its legal adviser, Tian Yuan Law Firm (北京市天元律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale.

4. Method of Valuation

In valuing the properties in Group I, which are properties held by the Group for occupation or operation in the PRC, we have used the direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market or Income Approach on the basis of capitalization of net rental income potential of the properties.

In valuing the property in Group II, which are properties held by the Group for investment in the PRC, we have used Income Approach on the basis of capitalisation of net rental income derived from the existing tenancies with due allowance for reversionary income potential of the property or by reference to comparable market transactions.

In valuing the properties in Group III, which are hotels held by the Group for operation in the PRC, we have used Discounted Cash Flow (“DCF”) Approach, which involves discounting future net cash flow after urban real estate tax, land use tax and business tax of each property in Group III until the end of the unexpired land use term to its present value by using an appropriate discount rate that reflects the rate of return required by a third party investor for an investment of this type. We have prepared a 10-year cash flow forecast with reference to the current and anticipated market conditions.

In the course of our valuation, apart from our own analysis of the relevant hotel markets, we have also made reference to the projected cash flow and budget prepared by the Company and the market report as set out in Appendix V of the Prospectus.

Details of the key assumptions of our DCF valuations are set out in the valuation certificate of each property in Group III contained herein.

In valuing the properties in Group IV, which are hotels under development in the PRC, we have valued on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals provided to us (if any). We have assumed that all consents, approvals and licenses from the relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted DCF Approach to assess the completed value and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Properties in Group V, which are leased by the Group in the PRC, are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

5. Sources of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given to us by the Group and its legal adviser, Tian Yuan Law Firm (北京市天元律師事務所) regarding the title to each of the properties and the interests of the Group in the properties. In respect of the properties in the PRC, we have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of rooms and car parking spaces, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

6. Title Investigation

We have been provided with extracts of documents relating to the titles of the properties in the PRC, but no searches have been made in respect of the properties. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the titles of the properties in the PRC and we have therefore relied on the advice given by the Group and its legal adviser regarding the Group's interests in the PRC properties.

7. Site Inspection

We have inspected the exterior and, whenever possible, the interior of the properties in 2013. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out with respect to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the area shown on the documents handed to us are correct.

8. Currency and Exchange Rates

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Senior Director

Note: Mr. Andrew K. F. Chan was elected as a professional member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors in 1991 and 1992 respectively. Mr. Chan is a Registered Professional Surveyor (General Practice Division) with over 26 years' of experience in various fields of the property industry in the PRC. He has been providing advice relating to property valuation, development consultancy and land administration matters in the PRC and has participated in assignments in relation to property market research.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
Group I - Properties held by the Group for occupation or operation in the PRC			
1. A staff dormitory building located at Yingbin Road, Hedong District, Sanya, Hainan Province, the PRC 中國海南省三亞市河東區迎賓路一棟宿舍樓	75,000,000	100	75,000,000
2. A staff dormitory building located at Jiefang Road, Hexi District, Sanya, Hainan Province, the PRC 中國海南省三亞市河西區解放路一棟宿舍樓	59,000,000	100	59,000,000
3. Level 8 of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市浦東新區世紀大道88號金茂大廈第8層	135,000,000	100	135,000,000
4. The observation deck on Level 88 of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市浦東新區世紀大道88號金茂大廈第88層觀光廳	137,000,000	100	137,000,000
Sub-total of Group I :	<u>406,000,000</u>		<u>406,000,000</u>

Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
Group II - Property held by the Group for investment in the PRC			
5. The commercial and office portions of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市浦東新區世紀大道88號 金茂大廈商場及辦公樓部分	7,694,000,000	100	7,694,000,000
Sub-total of Group II :	<u>7,694,000,000</u>		<u>7,694,000,000</u>
Group III - Properties held by the Group for operation in the PRC			
6. Grand Hyatt Shanghai, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市浦東新區世紀大道88號 上海金茂君悅大酒店	3,129,000,000	100	3,129,000,000
7. The Westin Beijing Chaoyang, No. 7 Dongsanhuan North Road, Chaoyang District, Beijing, the PRC 中國北京市朝陽區東三環北路7號 金茂北京威斯汀大飯店	2,699,000,000	100	2,699,000,000
8. JW Marriott Hotel Shenzhen, No. 6005 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, the PRC 中國廣東省深圳市福田區深南大道6005號金茂深圳JW萬豪酒店	1,979,000,000	100	1,979,000,000

Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
9. The Ritz-Carlton, Sanya, Yalong Bay National Resort District, Sanya, Hainan Province, the PRC 中國海南省三亞市亞龍灣國家旅遊度假 區金茂三亞麗思卡爾頓酒店	2,997,000,000	100	2,997,000,000
10. Hilton Sanya Resort and Spa, Yalong Bay National Resort District, Sanya, Hainan Province, the PRC 中國海南省三亞市亞龍灣國家旅遊度假 區金茂三亞希爾頓酒店	2,695,000,000	100	2,695,000,000
11. Hyatt Regency Chongming, No.1 Lane 799, Lanhai Road, Chenjia Town, Chongming County, Shanghai, the PRC 中國上海市崇明縣陳家鎮 攬海路799弄1號崇明金茂凱悅酒店	820,000,000	100	820,000,000
Sub-total of Group III :	<u>14,319,000,000</u>		<u>14,319,000,000</u>

Group IV - Properties held by the Group for operation under development in the PRC

12. The under construction development known as Renaissance Beijing Wangfujing Hotel, No. 57 Wangfujing Avenue, Dongcheng District, Beijing, the PRC 中國北京市東城區王府井大街57號 金茂北京王府井萬麗酒店在建工程	1,025,000,000	100	1,025,000,000
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Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
13. The under construction development known as Grand Hyatt Lijiang situated at Xiangjiang Road and Ganhaizi, Yulong Snow Mountain, Lijiang, Yunnan Province, the PRC 中國雲南省麗江市香江路及玉龍雪山甘海子，麗江君悅酒店在建工程	1,011,000,000	100	1,011,000,000
Sub-total of Group IV :	<u>2,036,000,000</u>		<u>2,036,000,000</u>

Group V - Properties leased by the Group in the PRC

14. Room 404, No. 5, Lane 1269, Zhangyang Road, Pudong New District, Shanghai, the PRC 中國上海市浦東新區張楊路1269弄5號404室	No commercial value	100	No commercial value
15. Unit Nos. 701-724 on 7/F, 601-624 on 6/F, 501-524 on 5/F, 301-324 on 3/F, 201-224 on 2/F, Block 3 of Crown Dormitory Building, Che Kung Temple Industrial Zone, Futian District, Shenzhen Guangdong Province, the PRC 中國廣東省深圳市福田區車公廟工業區皇冠單身宿舍第三棟二層201-224，三層301-324，五層501-524，六層601-624，七層701-724單元	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
16. Unit No. 1120, Guozhong Commercial Building, No. 33 Dengshikou Street, Dongcheng District, Beijing, the PRC 中國北京市東城區燈市口大街33號 國中商業大廈1120單元	No commercial value	100	No commercial value
17. Unit No. 1121, Guozhong Commercial Building, No. 33 Dengshikou Street, Dongcheng District, Beijing, the PRC 中國北京市東城區燈市口大街33號 國中商業大廈1121單元	No commercial value	100	No commercial value
18. Unit No. 19-1 and 19 of Phases 1 and 2, No. 8 Yuyang Road, Shunyi District, Beijing, the PRC 中國北京市順義區榆陽路8號一、二期19-1及19單元	No commercial value	100	No commercial value
19. Unit 8A-2 on Level 8, No.99 Longfusi Road, Dongcheng District, Beijing, the PRC 中國北京市東城區隆福寺街99號 8層8A-2單元	No commercial value	100	No commercial value

Property	Market value in existing state as at 31 March 2014 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2014 (RMB)
20. Unit No. 2-248, No. 1299 Jinmen Road, Suzhou, Jiangsu Province, the PRC 中國江蘇省蘇州市金門路1299號 2-248單元	No commercial value	100	No commercial value
Sub-total of Group V :	No commercial value		No commercial value
Grand total of Groups I to V :	<u>24,455,000,000</u>		<u>24,455,000,000</u>

VALUATION CERTIFICATE

Group I - Properties held by the Group for occupation or operation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
1. A staff dormitory building located at Yingbin Road, Hedong District, Sanya, Hainan Province, the PRC 中國海南省 三亞市河東區 迎賓路 一棟宿舍樓	The property comprises Unit 1 and 2 of all floors in D1 Building of Dong'an Holiday Garden. D1 Building is an 11-storey building for residential use. Completed in 2007, the property has a total gross floor area of approximately 6,273.30 sq.m.. The property is held with land use rights for a term due to expire on 9 April 2077 for residential use.	As at the date of valuation, the property was occupied by the Group as staff dormitory.	RMB75,000,000 (100% interest attributable to the Group: RMB75,000,000)

Notes:-

- (1) According to the Sale and Purchase Agreement of Commodity Housing No. (2000)0171 entered into between 三亞市土地儲備開發中心 (Land Reserve and Development Centre of Sanya City) (Party A) and 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) (Party B) on 30 March 2007, Party B agreed to purchase the property for a consideration of RMB21,643,092.
- (2) According to Real Estate Title Certificate No. (2009)00279 dated 9 January 2009, the land use rights of the property having a site area of approximately 4,288.09 sq.m. and building ownership of the property having a gross floor area of 6,273.3 sq.m. have been vested in 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) for a term due to expire on 9 April 2077 for residential use.
- (3) According to Business License No. 460200000023419 dated 6 August 2013, 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) has been established as a limited company with a registered capital of RMB500,000,000 and an operating period from 23 March 2004 to 22 March 2034.
- (4) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The Real Estate Title Certificate is legal, valid and enforceable under the PRC laws; and
 - (ii) 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Sale and Purchase Agreement of Commodity Housing.	Yes
Real Estate Title Certificate	Yes
Business License.	Yes
- (6) Our inspection was carried out by our valuer, Ms. Joanna Deng on 27 November 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
2. A staff dormitory building located at Jiefang Road, Hexi District, Sanya, Hainan Province, the PRC 中國海南省 三亞市河西區 解放路 一棟宿舍樓	Completed in 2005, the property is a 12-storey building for residential use. The property has a total gross floor area of approximately 5,826.18 sq.m.. The property is held with land use rights for a term due to expire on 14 October 2073 for residential use.	As at the date of valuation, the property was occupied by the Group as staff dormitory.	RMB59,000,000 (100% interest attributable to the Group: RMB59,000,000)

Notes:-

- (1) According to the Dazhong Building Transfer Contract entered into between 三亞東宏實業有限公司 (Sanya Donghong Enterprise Co., Ltd.)(Party A) and 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) (Party B) on 2 February 2005, Party B agreed to purchase the property for a consideration of RMB13,900,000.
- (2) According to Real Estate Title Certificate No. (2005)1678 dated 6 June 2005, the land use rights of the property having a site area of approximately 836.98 sq.m. and building ownership of the property having a gross floor area of 5,826.18 sq.m. have been vested in 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) for a term due to expire on 14 October 2073 for residential use.
- (3) According to Business License No. 460200000044409 dated 10 September 2012, 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) has been established as a limited company with a registered capital of RMB300,000,000 and an operating period from 29 August 2003 to 28 August 2033.
- (4) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificate is legal, valid and enforceable under the PRC laws; and
- (ii) 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-
- | | |
|--|-----|
| Dazhong Building Transfer Contract | Yes |
| Real Estate Title Certificate | Yes |
| Business License | Yes |
- (6) Our inspection was carried out by our valuer, Ms. Joanna Deng on 27 November 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
3. Level 8 of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市 浦東新區 世紀大道88號 金茂大廈第8層	<p>Jin Mao Tower is a mix-use development comprising retail shops, offices, a hotel and car parking spaces.</p> <p>Completed in 1999, Jin Mao Tower is an 88-storey building with 3 levels of basement and is erected on a parcel of land with a total site area of approximately 23,611 sq.m..</p> <p>The property comprises Level 8 of the office portion of Jin Mao Tower and has a total gross floor area of approximately 3,017.47 sq. m..</p> <p>The property is held with land use rights for a term due to expire on 14 June 2044 for commercial and office uses.</p>	As at the date of valuation, the property was used by the Group as office.	RMB135,000,000 (100% interest attributable to the Group: RMB135,000,000)

Notes:-

- (1) According to Shanghai Certificates of Real Estate Ownership No. (2011) 059202 dated 26 September 2011, the land use rights of the property comprises portion of Jin Mao Tower having a total site area of approximately 23,611.00 sq.m. for a term due to expire on 14 June 2044 for commercial and office uses and building ownership of the property with a total gross floor area of approximately 3,017.47 sq. m. has been vested in 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited).

中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for the commercial and office portions of Jin Mao Tower.

- (2) According to Business License No. 310000000036928 dated 22 December 2008, 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has been established as a limited company with a registered capital of RMB2,635,000,000 and a valid period from 15 June 1995 to 14 June 2045.
- (3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws; and
- (ii) 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(4) The status of the title and grant of major approvals and Licenses in accordance with the information provided to us are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business License.	Yes

(5) Our inspection was carried out by our valuer, Mr. Jack Sun on 11 December 2013. Mr. Jack Sun is a member of China Certified Public Valuer and has 10-year experience in property valuation in the PRC.

(6) Our major assumptions in our valuation method are as follows:

Use	Market monthly unit rent	Capitalisation rate
	(RMB/sq.m.)	
Office	241	5.0%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The monthly rental levels of those major office lettings range from approximately RMB220 per sq.m. to RMB300 per sq.m..

We have gathered and analysed various recent sales transactions of offices and noted that the capitalisation rates implied in those transactions are generally within the range from 4% to 5% for office premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates used are reasonable having regard to the capitalisation rates analysed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
4. The observation deck on Level 88 of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市 浦東新區 世紀大道88號 金茂大廈第88層 觀光廳	Jin Mao Tower is a mix-use development comprising retail shops, offices, a hotel and car parking spaces. Completed in 1999, Jin Mao Tower is an 88-storey building with 3 levels of basement and is erected on a parcel of land with a total site area of approximately 23,611 sq.m.. The property comprises the observation deck on Level 88 of Jin Mao Tower and has a total gross floor area of approximately 1,884.91 sq. m.. The property is held with land use rights for a term due to expire on 14 June 2044 for commercial and office uses.	As at the date of valuation, the property is used as a observation deck for visitors.	RMB137,000,000 (100% interest attributable to the Group: RMB137,000,000)

Notes :-

- (1) According to Shanghai Certificate of Real Estate Ownership No. (2011) 059178 dated 26 September 2011, the land use rights of the property comprises portion of Jin Mao Tower having a total site area of approximately 23,611.00 sq.m. for a term due to expire on 14 June 2044 for commercial and office uses and building ownership of the property with a total gross floor area of approximately 1,884.91 sq. m. has been vested in 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited).

中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for the commercial and office portions of Jin Mao Tower.

- (2) According to Business License No. 310000000036928 dated 22 December 2008, 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has been established as a limited company with a registered capital of RMB2,635,000,000 and a valid period from 15 June 1995 to 14 June 2045.
- (3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws; and
- (ii) 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(4) The status of the title and grant of major approvals and Licenses in accordance with the information provided to us are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business License.	Yes

(5) Our inspection was carried out by our valuer, Mr. Jack Sun on 11 December 2013. Mr. Jack Sun is a member of China Certified Public Valuer and has 10-year experience in property valuation in the PRC.

(6) Our major assumptions in our valuation method are as follows:

Use	Market monthly unit rent	Capitalisation rate
	(RMB/sq.m.)	
Retail	555	5.0%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The monthly rental levels of those major retail lettings range from approximately RMB250 per sq.m. to RMB850 per sq.m..

We have gathered and analysed various recent sales transactions of shops and noted that the capitalisation rates implied in those transactions are generally within the range from 4% to 5% for retail premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates used are reasonable having regard to the capitalisation rates analysed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Group II - Property held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014										
5. The commercial and office portions of Jin Mao Tower, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市 浦東新區 世紀大道88號 金茂大廈商場及 辦公樓部分	<p>Jin Mao Tower is a mix-use development comprising retail shops, offices, a hotel and car parking spaces.</p> <p>Completed in 1999, Jin Mao Tower is an 88-storey building with 3 levels of basement and is erected on a parcel of land with a total site area of approximately 23,611 sq.m..</p> <p>The property comprises the commercial and office portions of Jin Mao Tower.</p> <p>The 3 basement levels are used as car parking spaces and storage area.</p> <p>Levels B1 to 6 are used as retail podium.</p> <p>Levels 3 to 7 and 9 to 50 are used as office spaces.</p> <p>The property has the following gross floor areas with details as follows:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Approximate gross floor area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td>134,103.53</td> </tr> <tr> <td>Retail podium</td> <td>35,658.86</td> </tr> <tr> <td>Car park and storage</td> <td><u>41,797.46</u></td> </tr> <tr> <td>Total</td> <td><u>211,559.85</u></td> </tr> </tbody> </table> <p>A total gross floor area of 1,378.51 sq.m. on Level 15 and 30 used as emergency shelter floors is included in the above gross floor area of office portion.</p> <p>The property is held with land use rights for a term due to expire on 14 June 2044 for commercial and office uses.</p>	Use	Approximate gross floor area (sq.m.)	Office	134,103.53	Retail podium	35,658.86	Car park and storage	<u>41,797.46</u>	Total	<u>211,559.85</u>	<p>As at the date of valuation, a portion of the property with leased area of approximately 120,954.10 excluding the portion of car park and storage was leased to various tenants with a total monthly rent of approximately RMB40,519,816 for various terms from 2 years to 17.5 years with the last one due to expire on 31 January 2017.</p> <p>As at the date of valuation, a portion of the property with leased area of approximately 24,672.84 sq.m. was leased to intra-group tenants with a total monthly rent of approximately RMB7,598,622 for various terms from 1 years to 8 years with the last one due to expire on 15 November 2015.</p>	<p>RMB7,694,000,000</p> <p>(100% interest attributable to the Group: RMB7,694,000,000)</p> <p>The breakdown of the market value is as follows:</p> <p>Office portion: RMB6,444,000,000</p> <p>Retail podium portion: RMB1,115,000,000</p> <p>Car park and storage portion: RMB135,000,000</p>
Use	Approximate gross floor area (sq.m.)												
Office	134,103.53												
Retail podium	35,658.86												
Car park and storage	<u>41,797.46</u>												
Total	<u>211,559.85</u>												

Notes:-

- (1) According to two Shanghai Certificates of Real Estate Ownership both dated 26 September 2011, the land use rights of the property comprises portions of Jin Mao Tower having a total site area of approximately 23,611.00 sq.m. for a term due to expire on 14 June 2044 for commercial and office uses and building ownership of the property has been vested in 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited). The salient details as stipulated in the certificates are summarised as follows:-

Certificate No.	Gross floor area
	(sq.m.)
(2011) 059178	37,543.77
(2011) 059202	<u>178,918.46</u>
Total	<u><u>216,462.23</u></u>

中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for the commercial and office portions of Jin Mao Tower.

- (2) According to Business License No. 310000000036928 dated 22 December 2008, 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has been established as a limited company with a registered capital of RMB2,635,000,000 and a valid period from 15 June 1995 to 14 June 2045.

- (3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Shanghai Certificates of Real Estate Ownership of the property are legal, valid and enforceable under the PRC laws; and
- (ii) 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (4) The status of the title and grant of major approvals and Licenses in accordance with the information provided to us are as follows:-

Shanghai Certificates of Real Estate Ownership	Yes
Business License	Yes

- (5) Our inspection was carried out by our valuer, Mr. Jack Sun on 11 December 2013. Mr. Jack Sun is a member of China Certified Public Valuer and has 10-year experience in property valuation in the PRC.

- (6) Our major assumptions in our valuation method are as follows:

Use	Market monthly unit rent	Capitalisation rate
	(RMB/sq.m.)	
Retail	296 to 740	5.0%
Office	241 to 271	5.0%

In undertaking our valuation, we have made reference to various recent lettings within the property as well as other similar properties within the same district. The monthly rental level of those major retail lettings range from approximately RMB250 per sq.m. to RMB850 per sq.m.. The monthly rental level of those major office lettings range from approximately RMB220 per sq.m. to RMB300 per sq.m..

We have gathered and analysed various recent sales transactions of shops and offices and noted that the capitalisation rates implied in those transactions are generally within the range from 4% to 5% for retail and office premises.

The above market rents assumed by us are consistent with the level of the recent lettings within the property and other similar properties within the same district as mentioned above. The capitalisation rates used are reasonable having regard to the capitalisation rates analysed from sales of comparable properties which we have collected.

VALUATION CERTIFICATE

Group III - Properties held by the Group for operation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
6. Grand Hyatt Shanghai, No. 88 Century Avenue, Pudong New District, Shanghai, the PRC 中國上海市 浦東新區 世紀大道88號 上海金茂君悅大酒店	<p>Jin Mao Tower is a mix-use development comprising retail shops, offices, a hotel and car parking spaces.</p> <p>Jin Mao Tower is an 88-storey building with 3 levels of basement and is erected on a parcel of land with a total site area of approximately 23,611 sq.m..</p> <p>The property comprises the hotel portion of Jin Mao Tower and occupies floor space on Levels 1, 2 and 53 to 87 of Jin Mao Tower.</p> <p>The property was completed in 1999 and operated since August 1999.</p> <p>The property currently provides 555 guest rooms, Chinese and western restaurants, bars, indoor swimming pools, gyms, spas and other facilities.</p> <p>The property has a total gross floor area of approximately 76,013.11 sq.m..</p> <p>The land use rights of the property have been granted to 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) for a term due to expire on 14 June 2044 for commercial and office uses.</p>	<p>The property is operated as a 5-star hotel under the name "Grand Hyatt Shanghai" and is subject to a management agreement with Hyatt of China Limited for an initial term of 20 years after the formal opening of the hotel.</p>	<p>RMB3,129,000,000</p> <p>(100% interest attributable to the Group: RMB3,129,000,000)</p>

Notes:-

- (1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Suites		
Chairman Suite	285	1
Presidential Suite	175	2
Diplomat Suite	100	8
Grand Suite	68	17
Grand Suite Riverview	68	17
Room		
Club Deluxe Riverview Room	50	26
Riverview Deluxe Room	45	14
Grand Deluxe Room	35-40	14
Grand Club Room	35-40	66
Grand Riverview Room	35-40	225
Grand Room	35-40	165
	Total	<u>555</u>

- (2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

Grand Hyatt Shanghai's banqueting and meeting facilities include:

- (i) The Communications and Business Centre located on the 54th floor of Jin Mao Tower, which provides services and facilities for business travelers, including 24-hour confidential office services, secretarial support, translation services, facsimile transmission and office equipment rental services;
- (ii) The Grand Ballroom located on the 2nd floor of Jin Mao Tower, which consists of a group of three medium-sized interconnecting rooms with a total space of approximately 920sq.m.. The Grand Ballroom can be used in any combination, either individually, in pairs or with all three opened into a larger space for up to 788 people for a seated dinner, or up to 1,200 people for a cocktail party. For conferences, the Grand Ballroom can hold up to 1,200 people in theatre style, up to 640 in classroom style and up to 175 people in U-shape style; and
- (iii) 19 versatile function rooms ranging in sizes from 45 sq.m. to 104 sq.m..

Food and Beverage Facilities

Grand Hyatt Shanghai offers a range of food and beverage options, with restaurants and bars which include:

Food and Beverage outlet	Style	Total Seating Area	Maximum Seating Capacity
		(sq.m.)	
Grand Cafe	Cafe	1,440	192
Canton	Cantonese	1,040	172(6 boxes)
Club Jin Mao	Shanghainese	946	136(6 boxes)
Kobachi.	Japanese	158	64
Cucina	Italian	271	97
The Grill	Barbecue	271	90
Patio	Bar	430	55
Cloud 9.	Bar	1,520	178
Piano Bar	Bar	265	77
Food Live	Chinese and Asian	3,301	443

Recreational and Other Facilities

Recreational and other facilities at Grant Hyatt Shanghai include but not limited to the following:

Other Amenities	Approximate Area
	(sq.m.)
Spa.	110
Fitness centre.	1,214

Club Level

The Grand Club Lounge, located on the 83rd floor, offers club guests daily refreshments and meeting room services during their stay. In addition, club guests can check-in at the private concierge counter located in the Grand Club Lounge.

- (3) According to Shanghai Certificate of Real Estate Ownership No. (2011) 059203 dated 26 September 2011, the property situated at No. 88, Century Avenue, Pudong New District is held with land use rights having a total site area of approximately 23,611.00 sq.m. for a term due to expire on 14 June 2044 for commercial and office uses and building ownership of the property having a gross floor area of approximately 76,013.11 sq.m. has been vested in 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited).

中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for Grand Hyatt Shanghai.

- (4) According to Business License No. 310000000036928 dated 22 December 2008, 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has been established as a limited company with a registered capital of RMB2,635,000,000 and a valid period from 15 June 1995 to 14 June 2045.

(5) We have been provided with a legal opinion issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:

- (i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws; and
- (ii) 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business License.	Yes

(7) Our inspection was carried out by our valuer, Mr. Jack Sun on 11 December 2013. Mr. Jack Sun is a member of China Certified Public Valuer and has 10-year experience in property valuation in the PRC.

(8) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

- (i) Average daily room rate (“ADR”): 1st year - RMB1,700.

In reaching this assumption, the average daily room rates of the subject hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel was RMB1,676 and RMB1,640 in the financial year 2012 and 2013 respectively. In determining the ADR in 1st year, we have adopted the average daily room rates in year 2012 and 2013 with minor adjustments on the factors including inflation and competition. Additionally, we have also made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, expected supply, the average daily room rates of comparable hotels in the area and other relevant factors. We are of the view that the short term outlook for the hotel industry in Shanghai as a whole will remain positive in the absence of unforeseen and uncontrollable external factors. ADR in 1st year is expected to grow by about 2.6% from their average ADR for 2012 and 2013 due to an expected balanced supply-demand dynamics in 2014 as well as general expected inflation.

- (ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Shanghai’s economy will occur.

- (iii) Occupancy rate

In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the subject hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 were 84.9%, 81.8%, 75.5%, 72.1%, 59.5%, 57.0%, 72.3%, 59.0%, 60.0% and 58.6% respectively. Our projection is based on the comparison between the average

of the above historical occupancy rates since 2004 after the subject hotel operation has reached mature stage in 4th year of operation of 68.1% and the average of the below projected occupancy rates in our 10-year period of 68.3%. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	60%	65%	65%	67%	67%	69%	69%	71%	73%	75%

We have also taken into account of the potential benefits of the following factors:

- The room renovations at Grand Hyatt Shanghai which commenced in stages in 2011 and is scheduled to be completed by 2014 will strengthen Grand Hyatt Shanghai's competitiveness and capture the growth in occupancy rate.
- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Shanghai. The number of domestic visitor arrivals to Shanghai in 2008 and 2012 were about 11.006 millions and 25.094 millions respectively, representing a strong growth of about 22.9% per annum during this period.
- Hotel demand is expected to increase due to the influx of tourists and business visitors as a result of the establishment of Pilot Free Trade Zone in Shanghai and Shanghai Disney Resort which is scheduled to open in 2015.
- Grand Hyatt Shanghai is located at the core area of small Lujiazui Financial Area. A very limited supply of new high end hotel rooms (250 rooms from Shanghai Tower) is expected to be available in this core area in the near future.

We expect that increasing travellers and visitors to Shanghai will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Shanghai and that no government policies or regulations affecting the number of visitors to Shanghai or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
7. The Westin Beijing Chaoyang, No. 7 Dongsanhuan North Road, Chaoyang District, Beijing, the PRC 中國北京市 朝陽區 東三環北路7號 金茂北京威斯汀大飯店	<p>The property comprises a 34 storey hotel consisting of 550 guest rooms and suites.</p> <p>It also comprises underground car parking spaces, Chinese and western restaurants, bars, an indoor swimming pool, gym, spa and some retail units.</p> <p>The property was completed in 2008 and operated since 2008.</p> <p>The property has a total gross floor area of approximately 77,944.73 sq.m..</p> <p>As advised by the Group, the land use rights of the property is held for a term due to expire on 12 December 2041 for hotel use. For details, please refer to Note (3).</p>	<p>The property is operated as a 5-star hotel under the name "The Westin Beijing Chaoyang" and is subject to a management agreement with Westin Hotel Management L.P. for an initial term from 7 March 2006 to 31 December 2023.</p>	<p>RMB2,699,000,000</p> <p>(100% interest attributable to the Group: RMB2,699,000,000)</p>

Notes:-

- (1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Suites		
Jinmao Presidential Suite	320	1
Westin Diplomatic Suite	140	4
Westin Executive Renewal Suite	100	6
Westin Renewal Suite	100	42
Rooms		
Westin Executive Renewal Room	60	12
Westin Workout Room	60	3
Westin Studio	60	81
Westin Accessible Room	40	3
Westin Executive Deluxe Room	40	63
Westin Premier Room	40	144
Westin Deluxe Room	40	191
	Total	<u>550</u>

(2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

The banqueting and meeting spaces include:

- (i) The Jinmao Ballroom, which offers 700 sq.m. of event space and is capable of accommodating up to 450 guests for a cocktail reception or a banquet. It is divisible into three halls, each offering 230 sq.m. of space, which can accommodate up to 160 guests in a reception or banquet setting;
- (ii) The Chaoyang Ballroom, which offers 180 sq.m. of event space and can accommodate up to 130 guests for a cocktail reception or up to 100 guests for a banquet. It is divisible into two halls, each offering 99 sq.m. of space and is capable of accommodating up to 65 guests for a cocktail party or up to 50 guests for a banquet;
- (iii) Four function rooms — Earth, Fire, Wood and Water, which range in sizes from 26 sq.m. to 112 sq.m. to provide for more intimate meetings; and
- (iv) A boardroom — Metal Room, located in the business centre, which is 87.5 sq.m. and used for small boardroom gatherings of up to 16 people.

Food and Beverage Facilities

The Westin Beijing Chaoyang offers the following eight restaurants and bars:

Food and Beverage outlet	Style	Total Seating Area	Maximum Seating Capacity
		(sq.m.)	
Daily Treats	Mix	25	24
Exchange	Bar and cafe	197	76
Grange Grill	Western	465	92
Mai	Japanese	230	83
Mix	Bar	178	78
Seasonal Tastes	Buffet	1,105	190
Splash	Bar	230	80
Zen5es	Chinese	1,155	214

Recreational and Other Facilities

Recreational and other facilities at The Westin Beijing Chaoyang include but not limited to the following:

Other Amenities	Approximate Area	
		(sq.m.)
Heavenly Spa	340	
Indoor heated swimming pool	909	
Westin WORKOUT Fitness Studio	254	

Club Level

The Westin Executive Club Lounge offers guests of the Executive Club level rooms and suites daily complimentary refreshments. Executive Club guests are invited to relax or hold a meeting in the Executive Club Lounge.

Retail Tenants and Leased Space

As at the Latest Practicable Date, The Westin Beijing Chaoyang had five tenants, including the following:

Shop Name	Floor Level	Total Leased	Annual Rent
		Floor Area	
		(sq.m.)	(RMB)
Cai Nan Clothes	1	38	1,056,000
Pilates	5	50	192,000
Kaisa Real Estate	1	233	3,230,000
Beauty salon	5	46.8	180,000
Yoga studio	5	197.5	330,000

- (3) According to Sale and Purchase Contract entered into between 北京美邦亞聯房地產有限公司 (the vendor) and 金茂(北京)置業有限公司 (Beijing Jin Mao Real Estate Company Limited) (the purchaser) on 27 June 2007 and an agreement dated 18 January 2011, the purchaser agreed to purchase the property for a consideration of RMB1,795,000,000.

As advised by the Group, the land use rights of the property is part of the State-owned Land Use Right Certificate No.(2002)10243 for the land with a total site area of approximately 24,195 sq.m. vested in 北京美邦亞聯房地產有限公司 for a term due to expire on 12 December 2041 for commercial use, on 12 December 2071 for apartment use, on 12 December 2051 for office use.

- (4) According to Building Ownership Certificate No. 1040094 dated 26 September 2011, the building ownership of the property with a total gross floor area of approximately 77,944.73 sq.m. has been vested in 金茂(北京)置業有限公司 (Beijing Jin Mao Real Estate Company Limited) for hotel use.
- (5) According to Business License No. 110000010308456 dated 20 July 2012, 金茂(北京)置業有限公司 (Beijing Jin Mao Real Estate Company Limited) has been established as a limited company with a registered capital of RMB1,600,000,000 and an operating period from 25 June 2007 to 24 June 2037.
- (6) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Building Ownership Certificate of the property is legal, valid and enforceable under the PRC laws; and
- (ii) 金茂(北京)置業有限公司 (Beijing Jin Mao Real Estate Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (7) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Sale and Purchase Contract	Yes
Building Ownership Certificate	Yes
Business License	Yes

- (8) Our inspection was carried out by our valuer, Mr. Jason Wang on 11 December 2013. Mr. Jason Wang is a member of China Certified Public Valuer and has 8-year experience in property valuation in the PRC.

(9) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

(i) Average daily room rate (“ADR”): 1st year - RMB1,500.

In reaching this assumption, the average daily room rates of the subject hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel was RMB1,540 and RMB1,365 in the financial year 2012 and 2013 respectively. In determining the ADR in 1st year, we have adopted the average daily room rates in year 2012 and 2013 with minor adjustments on the factors including inflation and competition. Additionally, we have also made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, expected supply, the average daily room rates of comparable hotels in the area and other relevant factors. We are of the view that the short term outlook for the hotel industry in Beijing as a whole will remain positive in the absence of unforeseen and uncontrollable external factors. ADR in 1st year is expected to grow by about 3.3% from their average ADR for 2012 and 2013 due to an expected balanced supply-demand dynamics in 2014 as well as general expected inflation.

(ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Beijing’s economy will occur.

(iii) Occupancy rate

In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the subject hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2011, 2012 and 2013 were 78.6%, 76.5% and 71.7% respectively. Our projection is based on the comparison between the average of the above historical occupancy rates since 2011 after the subject hotel operation has reached mature stage in 4th year of operation of 75.6% and the average of the below projected occupancy rates in our 10-year period of 75.8%. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	70%	73%	75%	75%	75%	77%	77%	77%	79%	80%

We have also taken into account of the potential benefits of the following factors:

- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Beijing. The number of domestic visitor arrivals to Beijing in 2007 and 2013 were about 140 millions and 250 millions respectively, representing a strong growth of about 10.1% per annum during this period.
- The Westin Beijing Chaoyang is located in the core urban and financial area of Beijing, within 4th Ring Road. According to our analysis, estimated high end hotel supply in Beijing is expected to be relatively low during the period between 2014 and 2017. The estimated supply of new high-end hotel room count are 2,367, 1,013, 120 and 680 in 2014, 2015, 2016 and 2017 respectively.

We expect that increasing travellers and visitors to Beijing will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Beijing and that no government policies or regulations affecting the number of visitors to Beijing or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
8. JW Marriott Hotel Shenzhen, No.6005, Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, the PRC 中國廣東省深圳市福田區深南大道6005號金茂深圳JW萬豪酒店	<p>The property comprises a 27-storey hotel consisting of 411 guest rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor and outdoor swimming pools, gyms, spas and other facilities.</p> <p>The property was completed in 2004 and operated since March 2009.</p> <p>The property has a total gross floor area of approximately 51,730.01 sq.m. of which approximately 42,032.27 sq.m. is above ground and approximately 9,697.74 sq.m. is underground. Approximately 2,452 sq.m. of the underground area has been designated as civil air defence property.</p> <p>The property is held with land use rights for a term of 50 years from 21 January 1997 to 20 January 2047 for apartment, hotel, retail and office uses.</p>	<p>The property is operated as a 5-star hotel under the name "JW Marriott Hotel Shenzhen" and is subject to a management agreement dated 21 March 2009 with Marriott Management (Shanghai) Co., Ltd. for an initial term from 11 March 2009 to 31 December 2039 and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement eleven months before the end of the initial term.</p>	<p>RMB1,979,000,000</p> <p>(100% interest attributable to the Group: RMB1,979,000,000)</p>

Notes:-

- (1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Suites		
Presidential Suite	228	1
Vice Presidential Suite	190	1
Executive Suite	90	6
Junior Executive Suite	87	12
Rooms		
Executive Premier Room	58	43
Executive Room	58	75
Deluxe Room	43	195
Superior Room	43	63
Studio Room	65	15
	Total	<u>411</u>

(2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

JW Marriott Hotel Shenzhen's banqueting and meeting facilities include:

- (i) The Jin Mao Ballroom, with a maximum meeting space of 602 sq.m. and a maximum capacity of up to 550 people for a cocktail reception or up to 390 people for a banquet. It is designed to be flexible and can be partitioned into three ballrooms, each offering 200 sq.m. and a capacity of up to 180 people for a cocktail reception or up to 130 people for a banquet;
- (ii) Four meeting rooms and a boardroom with sizes ranging from 46 sq.m. to 89 sq.m.; and
- (iii) A terrace, which can accommodate up to 370 people for a cocktail reception or up to 270 people for a banquet.

Food and Beverage Facilities

JW Marriott Hotel Shenzhen offers a range of food and beverage options, with five restaurants which include:

Food and Beverage outlet	Style	Total Seating Area (sq.m.)	Maximum Seating Capacity
Man Ho	Chinese	297.40	120
Café Chinois	International	484.00	148
Shizuku	Japanese	237.50	62
Java+	Coffee house	40.80	22
The Lounge	Lounge bar	450.00	149

Recreational and Other Facilities

Recreational and other facilities at JW Marriott Hotel Shenzhen include the following:

- (i) Quan Spa, which offers services and treatments including body scrubs, massages, manicures, therapy baths, fitness counseling and a steam room;
- (ii) A health club, equipped with both cardiovascular equipment and free weights;
- (iii) An outdoor swimming pool; and
- (iv) A whirlpool.

Club Level

JW Marriott Hotel Shenzhen offers guests of the executive rooms and suites access to the Executive Lounge, which is located on the 27th floor, and daily complimentary refreshments. Executive Lounge guests can also enjoy express check-in and check-out services at the Executive Lounge.

Retail Tenants and Leased Space

As at the date of valuation, JW Marriott Hotel Shenzhen had one tenant, which was Standard Chartered Bank:

Shop Name	Floor Level	Total Leased Floor Area (sq.m.)	Annual Rent (RMB)
Standard Chartered Bank	1	162	185,000

- (3) According to 29 Real Estate Title Certificates issued by 深圳市國土資源和房產管理局 (Shenzhen Land Resources And Real Estate Administrative Bureau) on 8 July 2009 and 10 July 2009, the land use rights of the property having a total gross floor area of approximately 42,874.58 sq.m. have been vested in 金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) for a term due to expire on 20 January 2047 for apartment, hotel, retail and office uses with details as follows:-

No.	Certificate No.	Name	Use	Gross Floor Area (sq.m.)
1	3000567882	Dongqi Building 1001	Apartment	1,405.93
2	3000567885	Dongqi Building 1101	Apartment	1,405.93
3	3000567886	Dongqi Building 1201	Apartment	1,416.05
4	3000567887	Dongqi Building 1301	Apartment	1,416.05
5	3000568414	Dongqi Building 1401	Apartment	1,416.05
6	3000568410	Dongqi Building 1501	Apartment	1,416.05
7	3000568411	Dongqi Building 1601	Apartment	1,416.05
8	3000567874	Dongqi Building 1701	Apartment	1,416.05
9	3000567877	Dongqi Building 1801	Hotel	1,381.34
10	3000568409	Dongqi Building 1901	Hotel	1,359.50
11	3000567775	Dongqi Building 2001	Hotel	1,476.39
12	3000567876	Dongqi Building 2101	Hotel	1,476.39
13	3000567875	Dongqi Building 2201	Hotel	1,476.39
14	3000567774	Dongqi Building 2301	Hotel	1,476.39
15	3000567773	Dongqi Building 2401	Hotel	1,476.39
16	3000567889	Dongqi Building 2501	Hotel	1,476.39
17	3000567808	Dongqi Building 2601	Hotel	1,467.15
18	3000567772	Dongqi Building 2701	Hotel	1,371.66
19	3000567782	Dongqi Building 101	Retail	1,373.11
20	3000567781	Dongqi Building 201	Retail	2,050.42
21	3000567780	Dongqi Building 301	Retail	2,451.74
22	3000567778	Dongqi Building 401	Retail	1,614.48
23	3000567777	Dongqi Building 501	Office	1,396.17
24	3000567776	Dongqi Building 601	Office	1,396.17
25	3000567878	Dongqi Building 701	Office	1,396.17
26	3000567880	Dongqi Building 801	Apartment	1,405.93
27	3000567881	Dongqi Building 901	Apartment	1,405.93
28	3000568413	Dongqi Building B1	Restaurant/Storage/ Laundry/Management	1,238.00
29	3000567771	Dongqi Building B2	Restaurant/Storage/ Laundry/Management	1,400.31
			Total	<u>42,874.58</u>

According to the Supplementary Agreement of the Grant Contract of Land Use Rights (1997) A001 dated 31 December 2003, the land use rights of the property will be automatically extended for a further term of 20 years without paying of land premium.

However according to Note (7) stated in the legal opinion, the above renewal of land use term may not be permitted.

In the course of our valuation, we have assumed that this extension of land use rights is not permitted.

In the total gross floor area of the property, 51,730.01 sq. m., a portion of gross floor area of 42,874.58 sq. m. is with Real Estate Title Certificate and the remaining portion of 8,855.43 sq.m. is without Real Estate Title Certificate.

For the portion of gross floor area without Real Estate Title Certificate, as advised by the Group's PRC legal adviser, there is no legal impediment for the Group to occupy and use a portion of 2,880 sq.m. and there is no requirement to apply for the Real Estate Title Certificate for the remaining portion according to the local rules and practice.

- (4) According to Planning Permit for Construction Works No.(2005)019 issued by 深圳市規劃局 (Shenzhen Planning Bureau) on 5 April 2005, the construction works of a portion of the expansion project to the property with aboveground gross floor area of approximately 1,796 sq.m. for hotel use and underground gross floor area of approximately 427.8 sq.m. for underground car park space is in compliance with the construction requirements and has been approved.
- (5) According to Completion and Acceptance Certificate for Construction Works No.(2004)013 issued by 深圳市規劃局 (Shenzhen Planning Bureau) on 19 August 2004, the portion of the property with gross floor area of 49,506.21 sq.m. has been completed and accepted.

According to Completion and Acceptance Certificate for Construction Works No. ZS-2010-0036 dated 24 August 2010, a portion of the property with gross floor area of 2,232.75 sq.m. has been completed and accepted.

金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) has obtained the Planning Permit for Construction Works, the Completion and Acceptance Certificate for Construction Works, and the Permit for Commencement of Construction Works, and has passed the acceptance inspection for construction works for JW Marriott Hotel Shenzhen.

- (6) According to Business License No. 440301103047672 dated 13 June 2013, 金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) has been established as a limited company with a registered capital of RMB700,000,000 and an operating period from 2 June 1993 to 2 June 2023.
- (7) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
 - (i) The Real Estate Title Certificates of the property are legal, valid and enforceable under the PRC laws;
 - (ii) The property is subject to legal charge dated 17 September 2013 in favour of China Industrial and Commerce Bank;
 - (iii) 金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the portion of the property with Real Estate Title Certificate provided that the Group has to discharge the mortgage or obtain the mortgagee's consent in advance; and

- (iv) The covenant in the Supplementary Agreement of the Grant Contract of Land Use Rights that the land use rights of the property will be automatically extended for a further term of 20 years without paying of land premium may not be supported by legislation sufficiently. If this renewal of land use term is not agreed of by the Land Administrative Department of Shenzhen, 金茂深圳酒店投资有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) may not have legal remedies to enforce this renewal.
- (8) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-
- | | |
|--|-----|
| Real Estate Title Certificates | Yes |
| Planning Permit for Construction Works | Yes |
| Completion and Acceptance Certificate for Construction Works | Yes |
| Business License. | Yes |
- (9) Our inspection was carried out by our valuer, Ms. Joanna Deng on 17 December 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.
- (10) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

- (i) Average daily room rate ("ADR"): 1st year - RMB1,100.

In reaching this assumption, the average daily room rates of the subject hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel was RMB1,025 and RMB1,039 in the financial year 2012 and 2013 respectively. In determining the ADR in 1st year, we have adopted the average daily room rates in year 2012 and 2013 with minor adjustments on the factors including inflation and competition. Additionally, we have also made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, expected supply, the average daily room rates of comparable hotels in the area and other relevant factors. We are of the view that the short term outlook for the hotel industry in Shenzhen as a whole will remain positive in the absence of unforeseen and uncontrollable external factors. ADR in 1st year is expected to grow by about 6.6% from their average ADR for 2012 and 2013 due to an expected balanced supply-demand dynamics in 2014 as well as general expected inflation.

- (ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel's historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Shenzhen's economy will occur.

- (iii) Occupancy rate

In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the subject hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2011, 2012 and 2013 were 74.3%, 71.5% and 75.0% respectively. Our projection is based on the comparison between the average of the above historical occupancy rates since 2012 after the subject hotel operation has reached

mature stage in 4th year of operation of 73.3% and the average of the below projected occupancy rates in our 10-year period of 76.5%. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	75%	75%	75%	75%	75%	77%	77%	77%	79%	80%

We have also taken into account of the potential benefits of the following factors:

- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Shenzhen. The number of domestic visitor arrivals to Shenzhen in 2007 and 2013 were about 17.29 millions and 33.52 millions respectively, representing a strong growth of about 11.7% per annum during this period.
- Hotel demand is expected to increase due to the increase in the number of tourists and business visitors as a result of the completion of Xiamen-Shenzhen Railway, the T3 terminal at the Shenzhen International Airport, the Hong Kong—Zhuhai—Macau Bridge which is scheduled to open in 2016 and the high-speed railway linking Shenzhen and Hong Kong which is scheduled to open in 2017.
- The commencement of development of Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone in Shenzhen, which is expected to be the testing ground for implementing more relaxed Renminbi fund flow policies and providing a higher level of currency conversion services for investment purposes (particularly in respect of Renminbi into foreign currencies), will strengthen Shenzhen’s role as an international financial city in China. This development will in turn enhance hotel demand as a result of an increase in the number of business visitors and the level of business activities.
- JW Marriot Hotel Shenzhen is located at Futian District, the core urban area of Shenzhen which is in proximity to the Shenzhen Convention and Exhibition Centre. According to our analysis, supply of new high end hotel in Futain District, Shenzhen is estimated to be relatively low (with room count of about 1,612) during the period between 2014 and 2018.

We expect that increasing travellers and visitors to Shenzhen will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Shenzhen and that no government policies or regulations affecting the number of visitors to Shenzhen or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
9. The Ritz-Carlton, Sanya, National Resort District, Yalong Bay, Sanya, Hainan Province, the PRC 中國海南省三亞市亞龍灣國家旅遊度假區金茂三亞麗思卡爾頓酒店	<p>The property is a hotel and is erected on a parcel of land with a total site area of approximately 154,903.17 sq.m..</p> <p>The property comprises 450 rooms, including 398 guest rooms, 21 suites and 33 private villas, 1 ballroom, meeting rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor and outdoor swimming pools, spas and a gift shop located in main lobby.</p> <p>The property was completed in 2008 and operated since October 2008.</p> <p>The property has a total gross floor area of approximately 83,772.12 sq.m.. Approximately 2,269 sq.m. of the underground area has been designated as civil air defence property.</p> <p>The property is held with land use rights for a term due to expire on 22 January 2048 for commercial use.</p>	<p>The property is operated as a 5-star hotel under the name "The Ritz-Carlton" and is subject to a management agreement dated 26 March 2006 with The Ritz-Carlton International Management Company B.V. for an initial term from 31 October 2008 to 31 December 2038; and an renewal term of 10 years if notice is given by both parties to renew the agreement 240 days before the deadline.</p>	<p>RMB2,997,000,000</p> <p>(100% interest attributable to the Group: RMB2,997,000,000)</p>

Notes:-

- (1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Villas		
Three Bedroom Ocean Front Villa	367	1
Two Bedroom Ocean Front Villa	252	4
One Bedroom Ocean Front Villa	130	8
Mangrove View Villa	130	8
Garden Villa	130	12
Suites		
The Ritz-Carlton Suite	343	1
Club Deluxe Ocean View Suite	192	2
Club Ocean View Suite	123-127	15
Club Garden View Suite	123	3
Rooms		
Club Ocean View Room	60	34
Deluxe Ocean View Room	60	88
Ocean Front Room	60	78
Lagoon Room	60	134
Deluxe Room	60-67	62
	Total	<u>450</u>

(2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

The Ritz-Carlton, Sanya’s range of banqueting and meeting options includes:

- (i) A ballroom offering 910 sq.m. of meeting space and a business centre with a capacity of up to 900 people in a reception setting, up to 850 people in a theatre layout or up to 550 people in a banquet arrangement. The Ballroom, which is on the third floor, can be divided into four separate rooms ranging from 138 sq.m. to 356 sq.m.;
- (ii) Four meeting rooms on the first floor, each offering 100 sq.m. and a capacity of up to 40 people in a conference setting or up to 100 people in a reception setting. The layout is flexible in that the four rooms may be combined in pairs to produce two large meeting rooms, each providing a total space of 200 sq.m. and a capacity of up to 75 people in a conference setting;
- (iii) Five meeting rooms on the third floor with sizes ranging from 50 sq.m. to 71 sq.m.. Four of the rooms may be combined in pairs to produce two mid-sized meeting rooms, each providing a total space of 127 sq.m. and a capacity of up to 40 people in a conference setting;
- (iv) Outdoor oceanfront wedding auditorium; and
- (v) Outdoor venues including a centre garden and event spaces in front of the main building.

Food and Beverage Facilities

The Ritz-Carlton, Sanya offers a range of food and beverage options, with six restaurants and bars, including:

<u>Food and Beverage outlet</u>	<u>Style</u>	<u>Total Seating Area</u>	<u>Maximum Seating Capacity</u>
		(sq.m.)	
Fresh8	International	945.65	360
Pearl	Chinese	667.35	142
Sofia	Italian	325.35	94
Sand	Seafood	262.53	98
Scene	Lounge bar	292.37	79
Cube	Bar	36.00	14

Recreational and Other Facilities

Recreational and other facilities at the Ritz-Carlton, Sanya include but not limited to the following:

<u>Other Amenities</u>	<u>Approximate Area</u>
	(sq.m.)
The ESPA	2,788
3 adult swimming pools	4,880
1 children swimming pool	118

Club Level

The Ritz-Carlton Club offers additional measures of luxury, such as expansive accommodations, an exclusive 450 sq.m. lounge and balcony with seating for 55 and a dedicated concierge staff. The Club Lounge offers complimentary refreshments and provides complimentary use of a meeting room (up to an hour a day) and wireless internet access.

Retail Tenants and Leased Space

Shop Name	Floor Level	Total Leased	Annual Rent
		Floor Area	
		(sq.m.)	(RMB)
Louis Vuitton	3	245	2,690,520
TOD's	3	80	1,240,772
Salvatore Ferragamo	3	112	1,945,714
Paul & Shark	3	110	1,452,087
Ermenegildo Zegna	3	120	1,302,588
Total		<u>667</u>	

- (3) According to 39 Real Estate Title Certificates issued by Hainan Real Estate Administrative Bureau, the land use rights of the property having a site area of approximately 153,375.25 sq.m. for commercial use and building ownership of the property having a gross floor area 83,772.12 sq.m. for tourism use have been vested in 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) for a term due to expire on 22 January 2048.

Certificate No.	Date of issue	Block No. or Location	Site Area	Gross Floor Area
			(sq.m.)	(sq.m.)
(2009)02006	17 March 2009	No.8011 Villa	506.60	133.33
(2009)02007	17 March 2009	No.8016 Villa	501.54	133.33
(2009)02008	17 March 2009	No.8017 Villa	498.97	133.33
(2009)02009	17 March 2009	No.8019 Villa	500.91	133.33
(2009)02011	17 March 2009	No.8018 Villa	502.97	133.33
(2009)02012	18 March 2009	No.8020 Villa	503.36	133.33
(2009)02013	18 March 2009	No.8021 Villa	502.08	133.33
(2009)02014	18 March 2009	No.8022 Villa	503.54	133.33
(2009)02015	18 March 2009	District C	27,649.94	17,376.28
(2009)02016	18 March 2009	Barbeque Bar	1,775.06	865.62
(2009)02017	18 March 2009	Wedding Hall	347.30	150.56
(2009)02018	18 March 2009	No.8033 Villa	504.79	133.33
(2009)02019	18 March 2009	No.8032 Villa	500.89	133.33
(2009)02020	18 March 2009	No.8031 Villa	502.78	133.33
(2009)02021	17 March 2009	No.8036 Villa	502.89	133.33
(2009)02022	17 March 2009	No.8009 Villa	507.65	133.33
(2009)02023	17 March 2009	No.8012 Villa	937.60	266.09
(2009)02024	17 March 2009	No.8013 Villa	941.53	266.09
(2009)02025	17 March 2009	No.8015 Villa	496.85	133.33
(2009)02026	17 March 2009	No.8003 Villa	502.77	133.33
(2009)02027	18 March 2009	No.8005 Villa	508.26	133.33

Certificate No.	Date of issue	Block No. or Location	Site Area (sq.m.)	Gross Floor Area (sq.m.)
(2009)02028	18 March 2009	No.8002 Villa	945.80	266.09
(2009)02029	18 March 2009	No.8001 Villa	944.70	266.09
(2009)02030	18 March 2009	No.8888 Villa	1,448.20	404.24
(2009)02031	18 March 2009	No.8026 Villa	496.83	133.33
(2009)02040	17 March 2009	No.8027 Villa	500.53	133.33
(2009)02041	17 March 2009	No.8028 Villa	499.96	133.33
(2009)02042	17 March 2009	No.8029 Villa	501.89	133.33
(2009)02043	17 March 2009	No.8023 Villa	500.95	133.33
(2009)02044	17 March 2009	No.8025 Villa	504.15	133.33
(2009)02045	17 March 2009	No.8030 Villa	502.70	133.33
(2009)02046	17 March 2009	No.8035 Villa	500.95	133.33
(2009)02047	17 March 2009	No.8008 Villa	502.04	133.33
(2009)02048	17 March 2009	No.8010 Villa	502.63	133.33
(2009)02049	17 March 2009	No.8006 Villa	503.94	133.33
(2009)02050	17 March 2009	No.8007 Villa	510.03	133.33
(2009)03770	14 May 2009	District AB	46,337.60	29,109.90
(2009)03814	14 May 2009	District SPA	8,935.09	4,546.09
(2009)02005	17 March 2009	District D	49,038.98	26,521.83
		Total	<u>153,375.25</u>	<u>83,772.12</u>

According to Real Estate Title Certificate No. (2008)10235 dated 9 December 2008, the land use rights of a portion of the property having a site area of approximately 1,527.92 sq.m. have been vested in 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) for a term due to expire on 19 October 2062 for commercial use.

金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for the Ritz-Carlton, Sanya.

- (4) According to Business License No. 460200000023419 dated 6 August 2013, 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) has been established as a limited company with a registered capital of RMB 500,000,000 and an operating period from 23 March 2004 to 22 March 2034.
- (5) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The Real Estate Title Certificates of the property are legal, valid and enforceable under the PRC laws;
 - (ii) The property is subject to legal charges dated 18 February 2010 and 4 December 2013 in favour of 中國銀行股份有限公司 (Bank of China Corporation); and
 - (iii) 金茂(三亞)旅業有限公司 (Jin Mao Sanya Tourism Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

(6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Real Estate Title Certificates	Yes
Business License.	Yes

(7) Our inspection was carried out by our valuer, Ms. Joanna Deng on 27 November 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.

(8) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

(i) Average daily room rate (“ADR”): 1st year - RMB2,800.

In reaching this assumption, the average daily room rates of the subject hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel was RMB3,080 and RMB2,773 in the financial year 2012 and 2013 respectively. In determining the ADR in 1st year, we have adopted the average daily room rates in year 2012 and 2013 with minor adjustments on the factors including inflation and competition. Additionally, we have also made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, expected supply, the average daily room rates of comparable hotels in the area and other relevant factors. We are of the view that the short term outlook for the hotel industry in Sanya as a whole will remain positive in the absence of unforeseen and uncontrollable external factors. ADR in 1st year is expected to drop by about 4.4% from their average ADR for 2012 and 2013 due to an expected increased supply of hotel in Sanya in 2014.

(ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Sanya’s economy will occur.

(iii) Occupancy rate

In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the subject hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2011, 2012 and 2013 were 77.4%, 62.1% and 69.2% respectively. Our projection is based on the comparison between the average of the above historical occupancy rates since 2011 after the subject hotel operation has reached mature stage in 4th year of operation of 69.5% and the average of the below projected occupancy rates in our 10-year period of 71.4%. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	<u>Approximate hotel occupancy rate in 2013</u>
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	70%	70%	70%	70%	70%	72%	72%	72%	73%	75%

We have also taken into account of the potential benefits of the following factors:

- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Sanya. The number of domestic visitor arrivals to Sanya in 2007 and 2012 were about 4.86 millions and 11.81 millions respectively, representing a strong growth of about 15.9% per annum during this period.
- Hotel demand is expected to increase due to the increase in the number of tourists and business visitors as a result of the expansion of the facilities at Sanya Phoenix International Airport and the PRC government’s policy to develop Sanya into an international tourist resort area. Currently, there are airline services connecting Sanya to various destinations in the world, approximately 62 cities in China and 44 cities in overseas. The passenger throughput reached 11.34 million in 2012. It is envisaged that the airport facilities will be improved with an aim to increase the capacity of passenger throughput and in turn will increase the numbers of visitors to Sanya and the demand for hotel.
- The Ritz-Carlton, Sanya is located at Yalong Bay, a high end and well developed tourist area with rich tourism resources. As this area is nearly fully developed, it is expected that nearly no supply of new high end hotel will enter into the market in this area in the near future. As a result, occupancy rates of hotels in this area is expected to be promising.
- The Ritz-Carlton, Sanya has 33 villas and 21 suites along the beach of Yalong Bay. Such design and facilities are rare when compared with other high-end hotels in the locality, which typically offer mostly standard rooms. We expect that these feature will strengthen the attractiveness of the subject hotel.

We expect that increasing travellers and visitors to Sanya will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Sanya and that no government policies or regulations affecting the number of visitors to Sanya or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
10. Hilton Sanya Resort and Spa, National Resort District, Yalong Bay, Sanya, Hainan Province, the PRC 中國海南省 三亞市 亞龍灣國家旅遊度假區金茂三亞希爾頓酒店	<p>The property is a hotel and is erected on a parcel of land with a total site area of approximately 108,610.37 sq.m..</p> <p>The property comprises 10 blocks of 3-7 storey hotels consisting of 501 guest rooms, 1 ballroom, meeting rooms, underground car parking spaces, Chinese and western restaurants, bars, indoor and outdoor swimming pools, spas and a gift shop located in main lobby.</p> <p>The property was completed in 2005 and operated since April 2006.</p> <p>The property has a total gross floor area of approximately 75,207.93 sq.m. of which approximately 22,467.6 sq.m. is underground. Approximately 1,827 sq.m. of the underground area has been designated as civil air defence property.</p> <p>The property is held with land use rights for a term due to expire on 19 October 2062 for commercial use.</p>	<p>The property is operated as a 5-star hotel under the name "Hilton Sanya Resort and Spa" and is subject to a management agreement dated 20 June 2007 with Hilton International Co. for an initial term from 1 April 2006 to 31 December 2021; and an automatic renewal term of 10 years unless notice is given by either party to terminate the agreement.</p>	<p>RMB2,695,000,000</p> <p>(100% interest attributable to the Group: RMB2,695,000,000)</p>

Notes:-

- (1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Suites		
Presidential Suite	488	1
Grand Villa	352	1
Beach Villa	235	1
Suite	97	5
Beach Front Suite.	97	2
Grand Pacific Suite.	97	16
Pacific Suite	97	12
Lagoon Access Suite.	48.5	16
Rooms		
Beach Front Room	48.5	32
Grand Ocean View Room	48.5	95
Ocean view Room	48.5	56
Deluxe Scenic View Room	48.5	28
Scenic View Room	48.5	161
Deluxe Room.	48.5	75
	Total	<u>501</u>

(2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

Hilton Sanya Resort and Spa’s banqueting and meeting facilities include:

- (i) The Diamond Ballroom with a total space of 895 sq.m., which is capable of accommodating up to 1,000 people for a cocktail reception, up to 800 people in a theatre layout or up to 540 people for a banquet. The Diamond Ballroom can also be partitioned into three rooms ranging from 258 sq.m. to 323 sq.m.;
- (ii) 10 meeting rooms on the ground floor and two on the first floor with sizes ranging from 34 sq.m. to 84 sq.m.. The Amethyst and Aquamarine meeting rooms have a cocktail event capacity of up to 50 people and up to 70 people, respectively, and are each divisible into smaller meeting rooms; and
- (iii) A business centre.

Food and Beverage Facilities

Hilton Sanya Resort and Spa offers a range of food and beverage options, with six restaurants and bars, including:

Food and Beverage outlet	Style	Total Seating Area	Maximum Seating Capacity
		(sq.m.)	
BigKitchen	Café/Buffer	700	344
China Harvest	Chinese	500	125
IZE& Pub	Seafood	300	86
LaLa Bar	Poolside bar	100	46
Bar’dor	Bar and cafe	220	44
Teak Lounge	Lounge bar	200	61

Recreational and Other Facilities

Recreational and other facilities at Hilton Sanya Resort and Spa include but not limited to:

Other Amenities	Approximate Area	
		(sq.m.)
SPA Single Room	96	
SPA Double Room	124	
Tea Lounge	47	
Lounge	47	
Locker	644	
Fitness center	280	
Adult swimming pool	4,356	
Children swimming pool	117	

Retail Tenants and Leased Space

As at the date of valuation, Hilton Sanya Resort and Spa had one tenant, which was the gift shop:

Shop Name	Floor Level	Total Leased Floor Area	Annual Rent
		(sq.m.)	(RMB)
Gift Shop	Off Main Lobby	30	758,760

- (3) According to Real Estate Title Certificate No. (2008)0396 issued by Sanya Municipal Government on 23 January 2008, the land use rights of the property having a site area of approximately 108,610.37 sq.m. and building ownership of the property having a gross floor area 75,207.93 sq.m. have been vested in 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) for a term due to expire on 19 October 2062 commercial use.

金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for Hilton Sanya Resort and Spa.

- (4) According to Business License No. 460200000044409 dated 10 September 2012, 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) has been established as a limited company with a registered capital of RMB300,000,000 and an operating period from 29 August 2003 to 28 August 2033.

- (5) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:

- (i) The Real Estate Title Certificate is legal, valid and enforceable under the PRC laws;
- (ii) The property is subject to legal charges dated 12 January 2010 and 4 December 2013 in favour of 中國銀行股份有限公司 (Bank of China Corporation); and
- (iii) 金茂(三亞)度假酒店有限公司 (Jin Mao Sanya Resort Hotel Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.

- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Real Estate Title Certificate	Yes
Business License	Yes

- (7) Our inspection was carried out by our valuer, Ms. Joanna Deng on 27 November 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.

- (8) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

- (i) Average daily room rate ("ADR"): 1st year - RMB1,755.

In reaching this assumption, the average daily room rates of the subject hotel for the past two financial years were taken into consideration. The average daily room rate achieved by the hotel was RMB1,856 and RMB1,666 in the financial year 2012 and 2013 respectively. In determining the ADR in 1st

year, we have adopted the average daily room rates in year 2012 and 2013 with minor adjustments on the factors including inflation and competition. Additionally, we have also made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, expected supply, the average daily room rates of comparable hotels in the area and other relevant factors. We are of the view that the short term outlook for the hotel industry in Sanya as a whole will remain positive in the absence of unforeseen and uncontrollable external factors. ADR in 1st year is expected to drop by about 0.4% from their average ADR for 2012 and 2013 due to an expected increased supply of hotel in Sanya in 2014.

(ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Sanya’s economy will occur.

(iii) Occupancy rate

In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the subject hotel were analysed and reviewed. Its average occupancy rates for the financial years of 2009, 2010, 2011, 2012 and 2013 were 67.6%, 66.6%, 67.5%, 59.2% and 65.8% respectively. Our projection is based on the comparison between the average of the above historical occupancy rates since 2009 after the subject hotel operation has reached mature stage in 4th year of operation of 65.3% and the average of the below projected occupancy rates in our 10-year period of 69.6%. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	65%	65%	67%	67%	70%	70%	72%	72%	73%	75%

We have also taken into account of the potential benefits of the following factors:

- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Sanya. The number of domestic visitor arrivals to Sanya in 2007 and 2013 were about 4.86 millions and 11.81 millions respectively, representing a strong growth of about 15.9% per annum during this period.

- The room renovations at Hilton Sanya Resort and Spa which commenced in stages in 2014 and is scheduled to be completed by 2016 will strengthen its competitiveness and capture the growth in occupancy rate.
- Hotel demand is expected to increase due to the increase in the number of tourists and business visitors as a result of the expansion of the facilities at Sanya Phoenix International Airport and the PRC government's policy to develop Sanya into an international tourist resort area. Currently, there are airline services connecting Sanya to various destinations in the world, approximately 62 cities in China and 44 cities in overseas. The passenger throughput reached 11.34 million in 2012. It is envisaged that the airport facilities will be improved with an aim to increase the capacity of passenger throughput and in turn will increase the numbers of visitors to Sanya and the demand for hotel.
- Hilton Sanya Resort and Spa is located at Yalong Bay, a high end and well developed tourist area with rich tourism resources. As this area is nearly fully developed, it is expected that nearly no supply of new high end hotel will enter into the market in this area in the near future. As a result, occupancy rates of hotels in this area is expected to be promising.

We expect that increasing travellers and visitors to Sanya will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Sanya and that no government policies or regulations affecting the number of visitors to Sanya or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
11. Hyatt Regency Chongming, No.1 Lane 799, Lanhai Road, Chenjia Town, Chongming County, Shanghai, the PRC 中國上海市 崇明縣陳家鎮 攬海路799弄1號 崇明金茂凱悅酒店	<p>The property is a hotel and is erected on part of a parcel of land with site area of approximately 33,400 sq.m..</p> <p>The property comprises 6 blocks of 4-6 storey hotels consisting of 235 guest rooms, 1 ballroom, 5 meeting rooms, Chinese and western restaurants, indoor swimming pools and a fitness centre.</p> <p>The property was completed in 2014 and is scheduled to be operated in 2014.</p> <p>The property has a total gross floor area of approximately 48,992.37 sq.m. of which approximately 15,280.98 sq.m. is underground. Approximately 5,930.7 sq.m. of the underground area has been designated as civil air defence property.</p> <p>The property is held with land use rights for a term due to expire on 4 November 2048 for commercial use.</p>	<p>The property is operated as a 5-star hotel under the name "Hyatt Regency Chongming" and is subject to a management agreement dated 4 May 2011 with Hyatt International Hotel Management (Beijing) Co., Ltd. for an initial term of 20 years after the formal opening of the hotel.</p>	<p>RMB820,000,000</p> <p>(100% interest attributable to the Group : RMB820,000,000)</p>

Notes:-

(1) Details of the room configuration are summarised as follows:-

Room Type	Size (sq.m.)	Number of Rooms
Suites		
Presidential Suite	312	1
Executive Suite	168	2
Junior Suite	107	18
Rooms		
Standard Room	42	214
	Total	<u>235</u>

(2) Details of the facilities and amenities are summarised as follows:-

Banqueting and Meeting Facilities

Hyatt Regency Chongming's range of banqueting and meeting options includes:

- (i) A ballroom with a total space of 800 sq.m., which is capable of accommodating up to 400 people for a cocktail reception, up to 600 people in a theatre layout or up to 400 people for a banquet. The ballroom can also be partitioned into three rooms ranging from 175 sq.m. to 248 sq.m.;

- (ii) Five meeting rooms with sizes ranging from 32 sq.m. to 121 sq.m.; and
- (iii) A business centre.

Food and Beverage Facilities

Hyatt Regency Chongming offers a range of food and beverage options, with five restaurants and bars, including:

- (i) Market Cafe, an all-day dining restaurant offering Asian and Western cuisine;
- (ii) Lobby Lounge, a casual area offering different types of beverages and snacks;
- (iii) Bistro, a restaurant offering Italian countryside comfort food;
- (iv) Pin Yue, a Chinese restaurant specialising in Chongming local food; and
- (v) Tea House, serving different types of traditional Chinese tea.

Recreational and Other Facilities

Recreational and other facilities at Hyatt Regency Chongming include the following:

Other Amenities	Total Area (sq.m.)
Fitness centre	130
Indoor swimming pool	1,100

Club Level

The Club Lounge offers club guests daily refreshments and meeting room services during their stay. In addition, club guests can check in at the private concierge counter located in the Club Lounge.

- (3) According to Shanghai Certificate of Real Estate Ownership No. (2014)002504 dated 18 March 2014, the land use rights with a total site area of approximately 109,994 sq.m. and building ownership of the property having a gross floor area of 48,992.37 sq.m. have been vested in 金茂(上海)置業有限公司 (JinMao (Shanghai) Properties Ltd.) for a term due to expire on 4 November 2048 for commercial use.

金茂(上海)置業有限公司 (Jin Mao (Shanghai) Properties Ltd.) has obtained the Planning Permit for Construction Works and the Permit for Commencement of Construction Works and has passed the acceptance inspection for construction works for Hyatt Regency Chongming.

金茂(上海)置業有限公司 (Jin Mao (Shanghai) Properties Ltd.) injected such property into its wholly-owned subsidiary, 驪隆(上海)酒店管理有限公司 (Li Long (Shanghai) Hotel Management Company Limited), as part of its capital contribution.

According to Shanghai Certificate of Real Estate Ownership No. (2014) 005404 dated 22 May 2014, the land use rights with a total site area of approximately 109,994 sq.m. and building ownership of the property having a gross floor area of 48,992.37 sq.m. have been vested in Li Long (Shanghai) Hotel Management Company Limited for a term due to expire on 4 November 2048 for commercial use.

- (4) According to Business License No. 310230000372704 dated 3 April 2013, 金茂(上海)置業有限公司 (JinMao (Shanghai) Properties Ltd.) has been established as a limited company with a registered capital of RMB1,010,000,000 and an operating period from 18 December 2008 to 17 December 2038.

According to Business License No. 310230000652630 dated 31 March 2014, 驪隆(上海)酒店管理有限公司 (Li Long (Shanghai) Hotel Management Company Limited) has been established as a limited company with a registered capital of RMB760,000,000 and a valid operating period commencing from 31 March 2014.

- (5) We have been provided with a legal opinion issued by the Group’s PRC legal adviser, which contains, inter alia, the following information:

- (i) The Shanghai Certificate of Real Estate Ownership of the property is legal, valid and enforceable under the PRC laws; and
- (ii) 驪隆(上海)酒店管理有限公司 (Li Long (Shanghai) Hotel Management Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.

- (6) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Business License.	Yes

- (7) Our inspection was carried out by our valuer, Mr. Eric Fan on 19 February 2014. Mr. Eric Fan is a member of China Institute of Real Estate Appraisers and Royal Institution of Chartered Surveyors, who has 10-year experience in property valuation in the PRC.

- (8) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

- (i) Average daily room rate (“ADR”): 1st year - RMB1,100.

In reaching this assumption, as the subject hotel is newly operated, we have no record for the average daily room rates of the subject hotel over the past two financial years for consideration. We have taken into account of the average daily room rates of comparable hotels in the area with the range around RMB580 to RMB1,700. We are of the view that the short term outlook for the hotel industry in Shanghai as a whole will remain positive in the absence of unforeseen and uncontrollable external factors.

- (ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Shanghai’s economy will occur.

- (iii) Occupancy rate

As the subject hotel is newly operated, we have no record for the occupancy of the subject hotel over the past two financial years. In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance

of the comparable hotels were analysed and reviewed. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	40%	60%	65%	65%	65%	65%	67%	70%	72%	75%

We have also taken into account of the potential benefits of the following factors:

- The Hyatt Regency Chongming is a new and high end hotel in Chongming Island. There are few high end hotels compared with Hyatt Regency Chongming in Chongming Island. This will provide Hyatt Regency Chongmong with a unique competitive advantage and opportunities to capture the growing demand for high-end hotel in this area.
- Hotel demand is expected to be increase due to an increase in the number of tourists as a result of the PRC government’s plan to develop Chongming Island into an area of eco-tourism integrating leisure tourism, sports and entertainments, conferences and exhibitions.
- The growing economy of Shanghai is also expected to drive the demand for meeting, incentive, conferencing and exhibition for Chongming Island because Chongming provides an ideal location for off-site corporate conferences for those corporations located in Shanghai.

We expect that increasing travellers and visitors to Shanghai will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Shanghai and that no government policies or regulations affecting the number of visitors to Shanghai or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Group IV - Properties held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014
12. The under construction development known as Renaissance Beijing Wangfujing Hotel, No.57 Wangfujing Avenue, Dongcheng District, Beijing, the PRC 中國北京市東城區王府井大街57號金茂北京王府井萬麗酒店在建工程	<p>The property comprises an under construction development erected on a parcel of land with site area of approximately 9,857.9 sq.m..</p> <p>As advised by the Group, Wangfujing Hotel with a total gross floor area of approximately 41,349.40 sq.m. was originally completed in 1995. It suspended operations in 2011 for renovation.</p> <p>As advised by the Group, the renovation of the property is scheduled to be completed in 2014.</p> <p>Upon completion of the renovation, the property has a total planned gross floor area of approximately 44,435 sq.m. and 329 guest rooms.</p> <p>The property is held with land use rights for a term due to expire on 22 September 2046 for commercial use.</p>	<p>As at the date of valuation, the property was under renovation.</p> <p>Upon completion of the renovation, the property will be operated as a 5-star hotel under the name "Renaissance Beijing Wangfujing Hotel" and will be subject to a management agreement with Luxury Hotels (China) International Management of Hong Kong Limited for an initial term of from 25 June 2013 to 31 December 2039.</p>	<p>RMB1,025,000,000</p> <p>(100% interest attributable to the Group: RMB1,025,000,000)</p>

Notes:-

- (1) According to State-owned Land Use Right Certificate No. (2006) B00164 issued by 北京市人民政府 (Beijing Peoples' Government) on 9 November 2006, the land use rights of the property having a total site area of approximately 9,857.9 sq.m. have been vested in 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for a term due to expire on 22 September 2046 for commercial use.
- (2) According to Building Ownership Certificate No.000121 issued on 1 February 2007, the building ownership of the property with a total gross floor area of approximately 41,349.40 sq.m. has been vested in 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for tourism use.
- (3) According to Planning Permit for Construction Works No. 110000201300289 issued by 北京市規劃委員會 (Beijing Municipal Commission of Urban Planning) on 22 July 2013, the construction works of the property, situated at No.57 Wangfujing Avenue, Dongcheng District, with a total planned gross floor area of 44,435 sq.m. (of which 33,100 sq.m. is above ground and 11,335 sq.m. is underground), is in compliance with the requirement of urban and rural planning and has been approved.
- (4) According to Permit for Commencement of Construction Works No. (2013) 0021 issued by 北京市東城區住房和城市建設管理委員會 (Ministry of Housing and Urban-Rural Development of Dongcheng District of Beijing) on 16 April 2013, the construction works of the property is in compliance with the requirement for works commencement and has been permitted with a total gross floor area of approximately 44,435 sq.m..
- (5) As advised by the Group, the total expended construction cost for the property as at the date of valuation was approximately RMB289,294,400 whilst the outstanding construction cost for completion of the property as at the date of valuation was approximately RMB384,285,600. We have taken into account such amounts in our valuation.

- (6) The market value of the property when completed is estimated at approximately RMB1,496,000,000.
- (7) According to Business License No. 110000450008499 dated 30 May 2003, 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) has been established as a limited company with a registered capital of USD73,345,589 and an operating period from 30 May 2003 to 29 May 2023.
- (8) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Right Certificate and Building Ownership Certificate of the property are legal, valid and enforceable under the PRC laws;
- (ii) 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approvals from the government in respect of the construction of the property at the current stage;
- (iii) The property is subject to a legal charge dated 23 June 2009 in favour of 上海浦東發展股份有限公司 (Shanghai Pudong Development Bank Corporation); and
- (iv) 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property provided that the Group has to discharge the mortgage or obtain the mortgagee's consent in advance.
- (9) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business License.	Yes

- (10) Our inspection was carried out by our valuer, Mr. Jason Wang on 11 December 2013. Mr. Jason Wang is a member of China Certified Public Valuer and has 8-year experience in property valuation in the PRC.
- (11) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:
- (i) Average daily room rate ("ADR"): 1st year - RMB1,300.

In reaching this assumption, as the subject hotel will be operated in 2014 after renovation, we have no record for the average daily room rates of the subject hotel over the past two financial years for consideration. We have taken into account of the average daily room rates of comparable hotels in the area with the range around RMB1,000 to RMB1,400. We are of the view that the short term outlook for the hotel industry in Beijing as a whole will remain positive in the absence of unforeseen and uncontrollable external factors.

- (ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel's historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Beijing's economy will occur.

(iii) Occupancy rate

As the subject hotel will be operated in 2014 after renovation, we have no record for the occupancy of the subject hotel over the past two financial years. In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the comparable hotels were analysed and reviewed. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	<u>Approximate hotel occupancy rate in 2013</u>
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>
Projected occupancy rate.	40%	60%	65%	65%	67%	70%	72%	75%	77%	80%

We have also taken into account of the potential benefits of the following factors:

- Renaissance Beijing Wangfujing is located in the core urban and financial area of Beijing, within 2th Ring Road. It is also located near to a number of tourist destinations such as Tiananmen Square and Forbidden City. Renaissance Beijing Wangfujing’s central location and its proximity to a number of tourist attractions are expected to enhance its occupancy rate.
- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Beijing. The number of domestic visitor arrivals to Beijing in 2007 and 2013 were about 140 millions and 250 millions respectively, representing a strong growth of about 10.1% per annum during this period.
- According to our analysis, estimated high end hotel supply in Beijing is expected to be relatively low during the period between 2014 and 2017. The estimated supply of new high-end hotel room count are 2,367, 1,013, 120 and 680 in 2014, 2015, 2016 and 2017 respectively.

We expect that increasing travellers and visitors to Beijing will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Beijing and that no government policies or regulations affecting the number of visitors to Beijing or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2014								
13. The under construction hotel development known as Grand Hyatt Lijiang situated at Xiangjiang Road and Ganhaizi, Yulong Snow Mountain, Lijiang, Yunnan Province, the PRC 中國雲南省麗江市香江路及玉龍雪山甘海子麗江君悅酒店在建工程	<p>The property consists of two hotel developments under construction and known as Grand Hyatt Lijiang.</p> <p>One development is erected on a parcel of land to the north of Xiangjiang Road with a total site area of approximately 82,000.41 sq.m..</p> <p>The other development is erected on two parcels of land with a total site area of approximately 49,737.6 sq.m., located beside Ganhaizi, Yulong Snow Mountain.</p> <p>As advised by the Group, the property is scheduled to be completed in 2014 and provides 400 guest rooms.</p> <p>Upon completion, the property will have a total gross floor area of approximately 82,063.36 sq.m. with details as follows:</p>	<p>As at the date of valuation, the property was under development.</p> <p>Upon completion of the development, the property will be operated as a 5-star hotel under the name "Grand Hyatt Lijiang" and will be subject to a management agreement with Hyatt International Hotel Management (Beijing) Co., Ltd. for an initial term of 20 years from the date of formal opening of the hotel.</p>	<p>RMB1,011,000,000</p> <p>(100% interest attributable to the Group: RMB1,011,000,000)</p>								
	<table border="1"> <thead> <tr> <th data-bbox="475 1111 576 1133">Location</th> <th data-bbox="711 1111 895 1196">Approximate gross floor area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="475 1211 651 1234">Xiangjiang Road</td> <td data-bbox="791 1211 895 1234">57,349.00</td> </tr> <tr> <td data-bbox="475 1249 719 1272">Yulong Snow Mountain</td> <td data-bbox="791 1249 895 1272"><u>24,714.36</u></td> </tr> <tr> <td data-bbox="475 1288 528 1310">Total</td> <td data-bbox="791 1288 895 1310"><u>82,063.36</u></td> </tr> </tbody> </table>	Location	Approximate gross floor area (sq.m.)	Xiangjiang Road	57,349.00	Yulong Snow Mountain	<u>24,714.36</u>	Total	<u>82,063.36</u>		
Location	Approximate gross floor area (sq.m.)										
Xiangjiang Road	57,349.00										
Yulong Snow Mountain	<u>24,714.36</u>										
Total	<u>82,063.36</u>										
	<p>The property is held with land use rights for commercial use. For details of land use term, please see note(1).</p>										

Notes:-

- (1) According to three State-owned Land Use Right Certificates issued by Lijiang Real Estate Administrative Bureau, the land use rights of the property have been vested in 金茂(麗江)酒店投資有限公司 (Jin Mao (Li Jiang) Hotel Investment Company Limited) with details as follows:

Certificate No.	Address in Lijiang	Land Use	Expiry date of land use term	Site Area (sq.m.)
(2013)2660	Xiangjiang Road North, Shuhe Ancient Town	Commercial	20 April 2048	82,000.41
(2010)24	Ganhaizi, Yulong Snow Mountain	Hotel and Catering	30 December 2040	11,427.80
(2013)475	Ganhaizi, Yulong Snow Mountain	Hotel and Catering	25 January 2053	38,309.80
			Total	<u>131,738.01</u>

- (2) According to two Planning Permits for Construction Use of Land, the project on the land parcels is in compliance with the urban planning requirements and has been approved with details as follows:-

Certificate No.	Date of issue	Location	Site Area (sq.m.)
2012-25	24 September 2012	No.4 land, E Gu Luo District, Xiangjiang Road North, Ancient Town	82,000.00
530721201303008	20 June 2013	Baisha Ganhaizi	<u>49,738.00</u>
		Total	<u>131,738.00</u>

- (3) According to two Planning Permits for Construction Works, the construction works of a portion of the property is in compliance with the construction requirements and has been approved with details as follows:

Certificate No.	Date of issue	Location	Gross Floor Area (sq.m.)
2013-254	8 May 2013	No.4 land, E Gu Luo District, Xiangjiang Road North, Ancient Town	57,087.08
530721201303025	15 August 2013	Ganhaizi, Yulong Snow Mountain	<u>23,994.53</u>
		Total	<u>81,081.61</u>

- (4) According to two Permits for Commencement of Construction Works issued by 麗江市住房和城鄉建設局 (Urban and Rural Construction Bureau of Lijiang Municipal), the property is in compliance with the requirements for works commencement and has been permitted with details as follows:-

Certificate No.	Date of issue	Project name	Construction scale (sq.m.)
533200201311060101	6 November 2013	No.4 land, E Gu Luo District, Xiangjiang Road North, Ancient Town	57,349.00
533200201311180101	18 November 2013	Eastern of Ganhaizi, Baisha Village, Yulong	24,714.36
		Total	<u>82,063.36</u>

- (5) As advised by the Group, the total expended construction cost for the property as at the date of valuation was approximately RMB574,756,935 whilst the outstanding construction cost for completion of the property as at the date of valuation was approximately RMB597,075,307. We have taken into account such amounts in our valuation.
- (6) The market value of the property when completed is estimated at approximately RMB1,791,000,000.
- (7) According to Business License No. 530700100003876 dated 9 July 2012, 金茂(麗江)酒店投資有限公司 (Jin Mao (Li Jiang) Hotel Investment Company Limited) has been established as a limited company with a registered capital of RMB100,000,000 and a valid operation period from 12 March 2008.
- (8) We have been provided with a legal opinion issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) The State-owned Land Use Right Certificates of the property are legal, valid and enforceable under the PRC laws;
- (ii) 金茂(麗江)酒店投資有限公司 (Jin Mao (Li Jiang) Hotel Investment Company Limited) is the sole legal land user of the property and has obtained the relevant certificates and approvals from the government in respect of the construction of the property at the current stage; and
- (iii) 金茂(麗江)酒店投資有限公司 (Jin Mao (Li Jiang) Hotel Investment Company Limited) has the right to freely use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (9) The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:-
- | | |
|--|-----|
| State-owned Land Use Rights Certificates | Yes |
| Planning Permits for Construction Use of Land | Yes |
| Planning Permits for Construction Works | Yes |
| Permits for Commencement of Construction Works | Yes |
| Business License. | Yes |
- (10) Our inspection was carried out by our valuer, Ms. Joanna Deng on 30 December 2013. Ms. Joanna Deng is a member of China Institute of Real Estate Appraisers and has 10-year experience in property valuation in the PRC.

(11) We have assumed an investment holding period of 10 years in the DCF valuation and the other key assumptions used are summarised as follows:

(i) Average daily room rate (“ADR”): 1st year - RMB1,400.

In reaching this assumption, as the subject hotel will be operated in 2014 after completion, we have no record for the average daily room rates of the subject hotel over the past two financial years for consideration. We have taken into account of the average daily room rates of comparable hotels in the area with the range around RMB1,000 to RMB1,400. We are of the view that the short term outlook for the hotel industry in Lijiang as a whole will remain positive in the absence of unforeseen and uncontrollable external factors.

(ii) Annual growth in ADR: stabilised at 4%.

Assumptions regarding annual growth rate in ADR were based upon the subject hotel’s historical growth and performance. Considering general inflation and based on sustained industry growth of the past few years, it is believed that the hotel will continue to follow historical trends and will generate additional revenue in the future, assuming no policy changes or unforeseen events impacting Shanghai’s economy will occur.

(iii) Occupancy rate

As the subject hotel will be operated in 2014 after completion, we have no record for the occupancy of the subject hotel over the past two financial years. In arriving at our assumptions regarding the future occupancy rate of the subject hotel, we have made reference to industry statistics in the market report attached in Appendix V in relation to overall macro-economic trends, historical demand trends, future expected hotel supply, the average daily room rates of comparable hotels in the area and other relevant factors. The performance of the comparable hotels were analysed and reviewed. In addition, we have also referred to the current hotel occupancy rate of comparable major cities in Asia, including Hong Kong, Singapore, Tokyo, Sydney and Bangkok to determine the long term hotel occupancy rate of the subject hotel. Below are the 2013 hotel occupancy rates of the comparable major cities in Asia.

City	Approximate hotel occupancy rate in 2013
Hong Kong	86%
Singapore	88%
Tokyo	84%
Sydney	86%
Bangkok	81%

The projected occupancy rates adopted in our 10-year DCF valuation are tabulated below.

Year	1	2	3	4	5	6	7	8	9	10
Projected occupancy rate	30%	55%	60%	65%	65%	67%	70%	72%	72%	75%

We have also taken into account of the potential benefits of the following factors:

- Lijiang is a famous tourist city with rich tourism resources. It always ranks among China’s top ten most popular tourism destinations for domestic and international visitors in 2013.

- The demand for hotel is estimated to be strong due to expected growth in the number of visitors to Lijiang. The number of domestic visitor arrivals to Lijiang in 2007 and 2013 were about 4.91 millions and 20.79 millions respectively, representing a strong growth of about 27.2% per annum during this period.
- The subject hotel is located close to the famous tourist attraction, Yulong Snow Mountain. It offers mountain villas facing the Yulong Snow Mountain. Such hotel is expected to be popular and sought-after among the high-end tourists in the PRC.

We expect that increasing travellers and visitors to Lijiang will allow the occupancy rate at the hotel to remain at stable levels for some time. Additionally, we do not anticipate or foresee any material or substantial changes in competition in the near future. We have also assumed there will be no material change in the political or economic conditions in Lijiang and that no government policies or regulations affecting the number of visitors to Lijiang or the travel or hotel industries generally will be implemented.

(iv) Discount rate: 8.5%.

The discount rate reflects the inherent risk associated with investment in the hotel and takes into a risk premium for the forecast cash flow to be materialized having regard to the risk free rate based on the prevailing yield of 10-year Hong Kong Exchange Fund Notes (2.3%), a risk premium of 2.2% and expected inflation of 4%. It is considered a reasonable assumption based on our understanding of the return expected by investors for similar properties and is consistent with the level of discount rate used in valuation of similar types of properties.

(v) Terminal capitalisation rate: 4.5%.

For the purpose of the valuation, the subject hotel is assumed to be sold at the end of a 10-year projection period at a price based upon the net operating income in the 10th year of that projection period and on a terminal capitalisation rate for the remaining land use term. In adopting the terminal capitalisation rate to arrive at the terminal value of the subject hotel, we have had due regard, among other things, to (i) discount rate we have adopted, our forecast change in average revenue per room over the assumed 10-year investment holding period, and (ii) the duration of the remaining land use term of the land on which the subject hotel is located.

VALUATION CERTIFICATE

Group V - Properties leased by the Group in the PRC

Property	Description and tenancy particulars	Market value in existing state as at 31 March 2014
14. Room 404, No. 5, Lane 1269, Zhangyang Road, Pudong New District, Shanghai, the PRC	<p>The property comprises a residential unit and has a total gross floor area of approximately 46.78 sq.m..</p> <p>The property is occupied by the Group as staff dormitory.</p> <p>The property is leased from an independent third party to 中國金茂(集團)有限公司 (China Jin Mao (Group) Company Limited) for a lease term from 20 August 2013 to 19 August 2014 at a monthly rent of RMB3,800.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has provided Shanghai Certificate of Real Estate Ownership and is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value
中國上海市浦東新區 張楊路1269弄5號404室		
15. Unit Nos. 701-724 on 7/F, 601-624 on 6/F, 501-524 on 5/F, 301-324 on 3/F, 201-224 on 2/F, Block 3 of Crown Dormitory Building, Che Kung Temple Industrial Zone, Futian District, Shenzhen Guangdong Province, the PRC	<p>The property comprises 120 residential units and has a total gross floor area of approximately 3,840 sq.m..</p> <p>The property is occupied by 金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) as staff dormitory.</p> <p>The property is leased from an independent third party to 金茂深圳酒店投資有限公司 (Jin Mao Shenzhen Hotel Investment Company Limited) for a lease term from 1 December 2012 to 30 November 2015 at a monthly rent of RMB165,120.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has not provided the Building Ownership Certificate of the property and it is not certain that the lessor is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value
中國廣東省深圳市 福田區車公廟工業區 皇冠單身宿舍 第三棟二層201-224, 三層301-324, 五層501-524, 六層601-624, 七層701-724單元		

VALUATION CERTIFICATE

Property	Description and tenancy particulars	Market value in existing state as at 31 March 2014
<p>16. Unit 1120, Guozhong Commercial Building, No. 33 Dengshikou Street, Dongcheng District, Beijing, the PRC</p> <p>中國北京市東城區 燈市口大街33號 國中商業大廈1120單元</p>	<p>The property comprises an office unit and has a total gross floor area of approximately 131.15 sq.m..</p> <p>The property is occupied by the Group as office space.</p> <p>The property is leased from an independent third party to 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for a lease term from 13 January 2014 to 12 January 2015 at a monthly rent of RMB18,570.84.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has not provided the Building Ownership Certificate of the property and it is not certain that the lessor is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value
<p>17. Unit 1121, Guozhong Commercial Building, No. 33 Dengshikou Street, Dongcheng District, Beijing, the PRC</p> <p>中國北京市東城區 燈市口大街33號 國中商業大廈1121單元</p>	<p>The property comprises an office unit and has a total gross floor area of approximately 150.59 sq.m..</p> <p>The property is occupied by the Group as office space.</p> <p>The property is leased from an independent third party to 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for a lease term from 13 January 2014 to 12 January 2015 at a monthly rent of RMB21,323.54.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has not provided the Building Ownership Certificate of the property and it is not certain that the lessor is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and tenancy particulars	Market value in existing state as at 31 March 2014
<p>18. No.19-1, 19 of Phases 1 and 2, No. 8 Yuyang Road, Shunyi District, Beijing, the PRC</p> <p>中國北京市 順義區榆陽路8號 一、二期19-1、19單元</p>	<p>The property comprises a residential unit and has a total gross floor area of approximately 200.14 sq.m..</p> <p>The property is occupied by the Group as staff dormitory.</p> <p>The property is leased from an independent third party to 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for a lease term from 25 January 2014 to 24 January 2016 at a monthly rent of RMB29,500.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has not provided the Building Ownership Certificate of the property and it is not certain that the lessor is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value
<p>19. Unit 8A-2, Level 8, No.99 Longfusi Road, Dongcheng District, Beijing, the PRC</p> <p>中國北京市東城區 隆福寺街99號8層8A-2號</p>	<p>The property comprises a residential unit and has a total gross floor area of approximately 100 sq.m..</p> <p>The property is occupied by the Group as staff dormitory.</p> <p>The property is leased from an independent third party to 王府井飯店管理有限公司 (Wangfujing Hotel Management Company Limited) for a lease term from 3 March 2014 to 2 November 2014 at a monthly rent of RMB6,000.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has not provided the Building Ownership Certificate of the property and it is not certain that the lessor is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and tenancy particulars	Market value in existing state as at 31 March 2014
20. Unit No. 2-248, No. 1299 Jinmen Road, Suzhou, Jiangsu Province, the PRC 中國江蘇省蘇州市 金門路1299號 2-248單元	<p>The property comprises an office unit and has a total gross floor area of approximately 120 sq.m..</p> <p>The property is occupied by the Group as office.</p> <p>The property is leased from an independent third party to 金茂(上海)物業服務有限公司(Jin Mao (Shanghai) Property Management Co., Ltd.) for a lease term from 1 July 2013 to 30 June 2014 at a monthly rent of RMB57,600.</p> <p>According to a legal opinion issued by the Group's PRC legal adviser, the lessor has provided the Building Ownership Certificate of the property and is entitled to lease the property.</p> <p>The lease has not been registered in the relevant authority but is legal, valid and binding on both parties.</p>	No commercial value

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

- (a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Long Position in Shares

Name of Director	Capacity	No. of Shares Held	No. of underlying shares held (Note 1)	Aggregate percentage of issued share capital of the Company
HE Cao	Beneficial owner	—	1,500,000(L)	0.0164%
LI Congrui	Beneficial owner	—	1,450,000(L)	0.0158%
HE Binwu	Beneficial owner	400,000(L)	1,644,980(L)	0.0223%

(L) Denotes long positions

Note 1: Represents the underlying shares subject to share options which are unlisted physically settled equity derivatives.

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

- (c) As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, Mr. YANG Lin and Ms. SHI Dai are employees of Sinochem Group, Sinochem Corporation and/or Sinochem Hong Kong, which have an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, other than contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was considered to have interest in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. EXPERTS AND CONSENT

The following sets out the qualifications of the expert who has been named in this circular:

Name	Qualifications
DTZ Debenham Tie Leung Limited	Independent property valuer
Somerley	a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appears.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, advice and recommendations, in the form and context in which they appear.

As at the Latest Practicable Date, neither DTZ or Somerley had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, neither DTZ or Somerley had any interest, direct or indirect, in any assets which since 31 December 2013, the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACTS

Within two years immediately preceding the issue of this circular, there was no contract (not being contracts entered into in the ordinary course of business) entered into by the members of the Group which was or might be material.

9. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or claim of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

10. MISCELLANEOUS

- (a) The English text of this circular and the enclosed proxy form shall prevail over the Chinese text.
- (b) The company secretary of the Company is Mr. LIAO Chi Chiun. Mr. Liao earned a Bachelor of Arts (Honours) degree in accounting from De Montfort University, England in 1995 and is a fellow member of the Association of Chartered Certified Accountants and also an associate member of the HKICPA.
- (c) The registered office of the Company is situated at Rooms 4702-4703, 47th Floor Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.
- (d) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Service Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of the Company at Rooms 4702-4703, 47th Floor Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including 3 July 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 65 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 66 to 88 of this circular;
- (d) the valuation report of the Properties prepared by DTZ, the text of which is set out in Appendix IV of this circular;
- (e) the written consents referred to in the paragraph headed “Experts and Consent” in this Appendix V;
- (f) the annual reports of the Company for each of the two financial years ended 31 December 2013;
- (g) the Prospectus; and
- (h) this circular.