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Shanghai Jin Jiang Capital Company Limited*

上海錦江資本股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

ANNOUNCEMENT CONNECTED TRANSACTIONS DISPOSAL OF SUBSIDIARIES

On 8 January 2020, Hotel Investment Company, a wholly-owned subsidiary of Jin Jiang Hotels (a subsidiary of the Company) entered into the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract with Shanghai Guanglv, pursuant to which, Hotel Investment Company agreed to dispose and Shanghai Guanglv agreed to acquire Xi'an Company and Zhengzhou Company with respective cash consideration of RMB75,193,051.99 and RMB60,168,475.98. Upon completion of the transactions, Xi'an Company and Zhengzhou Company will cease to be the subsidiaries of Jin Jiang Hotels and the Company.

As at the date of this announcement, Shanghai Guanglv is held as to 99% by the Collective Asset Management Scheme, which is in turn held as to 46.67% by Jin Jiang Investment, a wholly-owned subsidiary of the controlling shareholder of the Company, Jin Jiang International. As such, Shanghai Guanglv constitutes an associate of Jin Jiang International and a connected person of the Company. Accordingly, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract shall be aggregated. As the highest applicable percentage ratio of the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract when aggregated exceeds 0.1% but is lower than 5%, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract as aggregated shall comply with the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

On 8 January 2020, Hotel Investment Company, a wholly-owned subsidiary of Jin Jiang Hotels (a subsidiary of the Company) entered into the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract with Shanghai Guanglv, pursuant to which, Hotel Investment Company agreed to dispose and Shanghai Guanglv agreed to acquire Xi'an Company and Zhengzhou Company with respective cash consideration of RMB75,193,051.99 and RMB60,168,475.98. Upon completion of the transactions, Xi'an Company and Zhengzhou Company will cease to be the subsidiaries of Jin Jiang Hotels and the Company.

II. ASSET AND EQUITY TRANSACTION CONTRACTS

1. The Xi'an Asset and Equity Transaction Contract

The principal terms of the Xi'an Asset and Equity Transaction Contract are summarised below:

Date: 8 January 2020

Parties: (1) Hotel Investment Company, as transferor
(2) Shanghai Guanglv, as transferee

Subject Assets: Subject to the terms and conditions of the Xi'an Asset and Equity Transaction Contract, Hotel Investment Company shall transfer 100% equity interest held by it in Xi'an Company to Shanghai Guanglv. Upon completion of the transaction, Hotel Investment Company will no longer hold any equity interest in Xi'an Company and Xi'an Company will cease to be a subsidiary of Jin Jiang Hotels and the Company.

Consideration: The consideration of the transfer of Xi'an Company is RMB75,193,051.99. The consideration has been determined based on the enterprise's value (i.e. owner's equity) of Xi'an Company as at 31 December 2018 (i.e. the valuation date) valued at RMB75,193,051.99 according to the asset valuation report of Xi'an Company prepared by the Appraiser, using the asset-based method.

Payment: A security deposit of RMB22,557,915.6 was paid by Shanghai Guanglv to the SHUAEE and shall be converted to be part of the payment of the transaction upon the signing of the Xi'an Asset and Equity Transaction Contract.

The remaining payment of RMB52,635,136.39 shall be paid by Shanghai Guanglv in one lump-sum to the account designated by the SHUAEE within five business days from the signing date of the Xi'an Asset and Equity Transaction Contract. Within three business days from the date of the certificate of the asset and equity transfer issued by the SHUAEE and after the application of Hotel Investment Company, the entire payment shall be transferred to the account designated by Hotel Investment Company.

Closing: The next day after the date on which the certificate of the asset and equity transfer is issued by the SHUAEE and the entire payment is received by Hotel Investment Company will be the closing date of the transaction. Both Hotel Investment Company and Shanghai Guanglv shall act in a cooperative manner to complete the right transfer between the holders of the asset and equity within two business days from the abovementioned closing date; and to proceed with the change in industry and commercial registration in cooperation with Xi'an Company within 15 business days from the closing date.

Shanghai Guanglv is not allowed to use all series of “Jin Jiang” trademark, including but not limited to “Jin Jiang Inn”, “Jin Jiang” in Xi’an Company or its related companies, unless prior written consent from Hotel Investment Company has been obtained or Xi’an Company is still operating under the brand of “Jin Jiang”.

2. The Zhengzhou Asset and Equity Transaction Contract

The principal terms of the Zhengzhou Asset and Equity Transaction Contract are summarised below:

Date: 8 January 2020

Parties: (1) Hotel Investment Company, as transferor
(2) Shanghai Guanglv, as transferee

Subject Assets: Subject to the terms and conditions of the Zhengzhou Asset and Equity Transaction Contract, Hotel Investment Company shall transfer 100% equity interest held by it in Zhengzhou Company to Shanghai Guanglv. Upon completion of the transaction, Hotel Investment Company will no longer hold any equity interest in Zhengzhou Company and Zhengzhou Company will cease to be a subsidiary of Jin Jiang Hotels and the Company.

Consideration: The consideration of the transfer of Zhengzhou Company is RMB60,168,475.98. The consideration has been determined based on the enterprise’s value (i.e. owner’s equity) of Zhengzhou Company as at 31 December 2018 (i.e. the valuation date) valued at RMB60,168,475.98 according to the asset valuation report of Zhengzhou Company prepared by the Appraiser, using the asset-based method.

Payment: A security deposit of RMB18,050,542.79 was paid by Shanghai Guanglv to the SHUAEE and shall be converted to be part of the payment of the transaction upon the signing of the Zhengzhou Asset and Equity Transaction Contract.

The remaining payment of RMB42,117,933.19 shall be paid by Shanghai Guanglv in one lump-sum to the account designated by the SHUAEE within five business days from the signing date of the Zhengzhou Asset and Equity Transaction Contract. Within three business days from the date of the certificate of the asset and equity transfer issued by the SHUAEE and after the application of Hotel Investment Company, the entire payment shall be transferred to the account designated by Hotel Investment Company.

Closing:

The next day after the date on which the certificate of the asset and equity transfer is issued by the SHUAEE and the entire payment is received by Hotel Investment Company will be the closing date of the transaction. Both Hotel Investment Company and Shanghai Guanglv shall act in a cooperative manner to complete the right transfer between the holders of the asset and equity within two business days from the abovementioned closing date; and to proceed with the change in industry and commercial registration in cooperation with Zhengzhou Company within 15 business days from the closing date.

Shanghai Guanglv is not allowed to use all series of “Jin Jiang” trademark, including but not limited to “Jin Jiang Inn”, “Jin Jiang” in Zhengzhou Company or its related companies, unless prior written consent from Hotel Investment Company has been obtained or Zhengzhou Company is still operating under the brand of “Jin Jiang”.

III. INFORMATION OF THE COMPANY, HOTEL INVESTMENT COMPANY, SHANGHAI GUANGLV, XI’AN COMPANY AND ZHENGZHOU COMPANY

Information of the Company

The Company is principally engaged in full service hotel operation and management, select service hotel operation and franchising, restaurant operation, passenger transport logistics, travel agency and other related businesses.

Information of Hotel Investment Company

Hotel Investment Company is a wholly-owned subsidiary of Jin Jiang Hotels, a subsidiary of the Company. It is principally engaged in investment and consultation in hotel industry, business consultation, sale of hotel equipment, room reservation, ticket agency, conference service and other businesses.

Information of Shanghai Guanglv

Shanghai Guanglv is principally engaged in corporate management consultation, business information consultation, exchange and planning of culture and arts, conference service, event and exhibition service, enterprise registration agency, lease of self-owned housing and other businesses.

Information of Xi'an Company

Xi'an Company is principally engaged in accommodation, retail of pre-packaged food, operation of small restaurants and other businesses, as well as the operation of Jin Jiang Inn Hotel in Xi'an.

Information of Zhengzhou Company

Zhengzhou Company is principally engaged in accommodation service, catering service, sale of daily necessities, flight ticket agency, planning of conference and exhibition and other related businesses, as well as the operation of Jin Jiang Inn Hotel in Zhengzhou.

Financial Information

Set out below is the audited consolidated financial statements of Xi'an Company prepared in accordance with the PRC accounting standards for business enterprises:

| | For the year ended 31 December | |
|------------------------|---------------------------------------|--------------------------------------|
| | 2017 | 2018 |
| | <i>(in approximate RMB0'000)</i> | <i>(in approximate RMB0'000)</i> |
| Revenue | 1,094.95 | 1,294.22 |
| Profit before taxation | 314.70 | 421.39 |
| Profit after taxation | 235.69 | 315.56 |

According to the audited consolidated financial statements of Xi'an Company prepared in accordance with the PRC accounting standards for business enterprises, the audited book value of the net asset of Xi'an Company as at 31 December 2018 was approximately RMB32,520,700. According to the asset valuation report of Xi'an

Company prepared by the Appraiser using the asset-based method, the net asset value of Xi'an Company as at 31 December 2018 was valued at approximately RMB75,193,100.

Set out below is the audited consolidated financial statements of Zhengzhou Company prepared in accordance with the PRC accounting standards for business enterprises:

| | For the year ended 31 December | |
|------------------------|---------------------------------------|--------------------------------------|
| | 2017 | 2018 |
| | <i>(in approximate RMB0'000)</i> | <i>(in approximate RMB0'000)</i> |
| Revenue | 1,162.58 | 1,128.65 |
| Profit before taxation | 435.65 | 354.60 |
| Profit after taxation | 326.68 | 265.94 |

According to the audited consolidated financial statements of Zhengzhou Company prepared in accordance with the PRC accounting standards for business enterprises, the audited book value of the net asset of Zhengzhou Company as at 31 December 2018 was approximately RMB35,432,500. According to the asset valuation report of Zhengzhou Company prepared by the Appraiser using the asset-based method, the net asset value of Zhengzhou Company as at 31 December 2018 was valued at approximately RMB60,168,500.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE XI'AN ASSET AND EQUITY TRANSACTION CONTRACT AND THE ZHENGZHOU ASSET AND EQUITY TRANSACTION CONTRACT

The Board is of the view that conducting relevant transactions under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract can, on one hand, realize the gain from appreciation of value in assets, and on the other hand, is in line with the investment and development strategy of light asset of Jin Jiang Hotels. The Company intends to utilize net proceeds received from the transactions under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract as the Group's general working capital.

The Board (including the independent non-executive Directors) is of the view that the terms of the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract (including the consideration) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, but the transactions are not conducted in the Group's ordinary and usual course of business due to the nature of the relevant transactions. Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu, holding positions at Jin Jiang International, have abstained

from voting on the relevant resolution of the Board in respect of the approval of the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract. Save as disclosed above, none of the other Directors has a material interest in the transactions or is required to abstain from voting on the relevant resolution of the Board.

It is expected that from the transfer of the 100% equity interest in Xi'an Company and Zhengzhou Company, Jin Jiang Hotel will realize a gain before tax of approximately RMB67,000,000, based on the difference between the consideration and the net book value attributable to the 100% equity interest in Xi'an Company and Zhengzhou Company, and the Company will realize a gain before tax of approximately RMB33,700,000.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Shanghai Guanglv is held as to 99% by the Collective Asset Management Scheme, which is in turn held as to 46.67% by Jin Jiang Investment, a wholly-owned subsidiary of the controlling shareholder of the Company, Jin Jiang International. As such, Shanghai Guanglv constitutes an associate of Jin Jiang International and a connected person of the Company. Accordingly, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract shall be aggregated. As the highest applicable percentage ratio of the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract when aggregated exceeds 0.1% but is lower than 5%, the transactions contemplated under the Xi'an Asset and Equity Transaction Contract and the Zhengzhou Asset and Equity Transaction Contract as aggregated shall comply with the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

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|-------------|--|
| “Appraiser” | Shanghai Orient Asset Appraisal Co., Ltd. (上海東洲資產評估有限公司) |
| “Board” | the board of directors of the Company |

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| “Collective Asset Management Scheme” | HuaAn Asset Jin Jiang No.1 Collective Asset Management Scheme, of which the manager is HuaAn Future Asset Management (Shanghai) Co., Ltd. and is held as to 46.67% by Jin Jiang Investment |
| “Company” | Shanghai Jin Jiang Capital Company Limited (上海錦江資本股份有限公司), a joint stock limited company established in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited |
| “controlling shareholder” | has the meaning ascribed to such term under the Listing Rules |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hotel Investment Company” | 上海錦江國際旅館投資有限公司 (Shanghai Jin Jiang International Hotel Investment Company Limited), a wholly-owned subsidiary of Jin Jiang Hotels |
| “Jin Jiang Hotels” | 上海錦江國際酒店股份有限公司 (Shanghai Jin Jiang International Hotels Company Limited), a 50.32%-owned subsidiary of the Company |
| “Jin Jiang International” | 錦江國際(集團)有限公司 (Jin Jiang International Holding Company Limited), which is interested in 75% issued share capital of the Company |
| “Jin Jiang Investment” | 上海錦江國際投資管理有限公司 (Shanghai Jin Jiang International Investment and Management Company Limited), a wholly-owned subsidiary of Jin Jiang International |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “percentage ratios” | has the meaning ascribed to such terms under the Listing Rules |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |

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|---|--|
| “Shanghai Guanglv” | Shanghai Guanglv Enterprise Management Company Limited (上海光縷企業管理有限公司), a company incorporated in the PRC with limited liability |
| “SHUAEE” | Shanghai United Assets and Equity Exchange (上海聯合產權交易所) |
| “Xi’an Asset and Equity Transaction Contract” | the Shanghai asset and equity transaction contract entered into between Hotel Investment Company and Shanghai Guanglv in relation to the transfer of 100% equity interest in Xi’an Company on 8 January 2020 |
| “Xi’an Company” | Xi’an Jin Jiang Inn Company Limited (西安錦江之星旅館有限公司), a company incorporated in the PRC with limited liability |
| “Zhengzhou Asset and Equity Transaction Contract” | the Shanghai asset and equity transaction contract entered into between Hotel Investment Company and Shanghai Guanglv in relation to the transfer of 100% equity interest in Zhengzhou Company on 8 January 2020 |
| “Zhengzhou Company” | Zhengzhou Jin Jiang Inn Company Limited (鄭州錦江之星旅館有限公司), a company incorporated in the PRC with limited liability |
| “%” | per cent |

By Order of the Board
Shanghai Jin Jiang Capital Company Limited*
Zhang Jue
Joint Company Secretary

Shanghai, the PRC, 8 January 2020

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang.

* *The Company is registered as a non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) under its Chinese name and the English name “**Shanghai Jin Jiang Capital Company Limited**”.*