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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 8 May 2019 in relation to continuing connected transactions. On 7 May 2020, Finance Company, a wholly-owned subsidiary of the Company, renewed the Loan Services Framework Agreement with Parent Company, pursuant to which, Finance Company shall continue to provide the Parent Group with loan services.

Parent Company is the controlling shareholder of the Company, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Loan Services Framework Agreement constitute the continuing connected transactions of the Company under the Listing Rules.

In respect of the provision of loan services by Finance Company to the Parent Group under the Loan Services Framework Agreement, the highest applicable percentage ratio for the transactions under such agreement is more than 0.1%, but less than 5% on annual basis. Therefore, such transactions, together with their proposed annual caps for the period commencing on 7 May 2020 and ending on 6 May 2021, are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. BACKGROUND

Reference is made to the announcement of the Company dated 8 May 2019 in relation to continuing connected transactions.

On 7 May 2020, Finance Company, a wholly-owned subsidiary of the Company, renewed the Loan Services Framework Agreement with Parent Company, pursuant to which, Finance Company shall continue to provide the Parent Group with loan services.

B. LOAN SERVICES FRAMEWORK AGREEMENT

1. Term

The Loan Services Framework Agreement will be effective for an initial term of 1 year commencing on 7 May 2020 and ending on 6 May 2021, unless either party terminates the Loan Services Framework Agreement by three months' prior written notice to the other party. The term of the Loan Services Framework Agreement can be extended upon expiry, provided that Parent Company and Finance Company agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.

2. Pricing policies

Finance Company shall provide loan services to the Parent Group at interest rates not lower than the interest rates stipulated or allowed by the PBC for the same type of loan from time to time. Finance Company will set its interest rates for the provision of loan services to the Parent Group with reference to the relevant interest rates set by PBC from time to time and make adjustments in accordance with the PBC's regulations and requirements on the interest rates from time to time. Like the commercial banks on the market, Finance Company sets different interest rates for the provision of loan services to different customers after taking into account major factors, including the PBC's benchmark interest rates for each type of loan, the credit status of the customer and the amount of funds available for loans. In the meantime, Finance Company also makes reference to the interest rates for the loan services obtained by the Parent Group from the commercial banks in the market before determining the interest rates applicable to the Parent Group. The Directors believe that such interest rates offered by Finance Company to the Parent Group are comparable to those provided by the commercial banks in the market, are on normal commercial terms and are in the interests of the shareholders and the Company as a whole. In order to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders, before providing the loan services to the Parent Group, Finance Company will compare the interest rates of the same type of loan offered by two or more independent commercial banks which are able to offer such type of loan and have business relationship with the Parent Group. Finance Company may collect information about the interest rates by making direct enquiries with the relevant party as and when necessary.

C. ANNUAL CAPS AND BASIS FOR ANNUAL CAPS

The Directors propose to set the annual caps for the period commencing on 7 May 2020 and ending on 31 December 2020 and 6 May 2021 for the continuing connected transactions under the Loan Services Framework Agreement as follows:

	Proposed annual caps for the relevant period	
	Period ending 31 December 2020 (RMB '000)	Period ending 6 May 2021 (RMB '000)
Maximum daily balance of loans to be provided by Finance Company to the Parent Group under the Loan Services Framework Agreement	350,000	350,000

In arriving at such annual caps, the Directors have considered the following primary factors: (i) the maximum daily balance of loans provided by Finance Company to the Parent Group under the previous loan services framework agreement and the 2016 Loan Services Framework Agreement for the three years ended 31 December 2019; (ii) the aggregate interest charged by Finance Company for the provision of loan services to the Parent Group under the previous loan services framework agreement and the 2016 Loan Services Framework Agreement for the three years ended 31 December 2019; and (iii) the expected financing demands of the Parent Group for the period from 7 May 2020 to 6 May 2021:

	Historical figures for the relevant period		
	2017 (RMB '000)	2018 (RMB '000)	2019 (RMB '000)
Maximum daily balance of loans provided by Finance Company to the Parent Group under the previous loan services framework agreement and the 2016 Loan Services Framework Agreement	650,000	650,000	450,000

D. REASONS FOR AND BENEFITS OF TRANSACTIONS

The terms under the Loan Services Framework Agreement are no less favourable to the Group than those provided by independent third parties to the Parent Group, or those provided by Finance Company to independent third parties.

Furthermore, the provision of loan services to the Parent Group can optimise the utilisation of the surplus fund of Finance Company, which in turn would benefit the Group as a whole. In order to make better use of the surplus cash available and allow for more efficient allocation of financial resources, the provision of loan services to the Parent Group would benefit Finance Company, and in turn, the Company, by re-allocating the resources and providing interest income to the Group, which would otherwise be paid by the Parent Group to commercial banks providing the same services.

In light of the above factors, the Board (including the independent non-executive Directors) considers that the transactions under the Loan Services Framework Agreement are conducted on normal commercial terms or on terms no less favourable to the Company than those available to independent third parties, and are entered into on a continuing or recurring basis in the ordinary course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole. As Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu also hold positions in the Parent Company, they have abstained from voting on the relevant board resolution.

The Board (including the independent non-executive Directors) further considers that the annual caps for the transactions under the Loan Services Framework Agreement for the period commencing on 7 May 2020 and ending on 6 May 2021 are fair and reasonable.

E. IMPLICATIONS UNDER THE LISTING RULES

Parent Company is the controlling shareholder of the Company, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions under the Loan Services Framework Agreement constitute the continuing connected transactions of the Company under the Listing Rules.

In respect of the provision of loan services by Finance Company to the Parent Group under the Loan Services Framework Agreement, the highest applicable percentage ratio for the transactions under such agreement is more than 0.1%, but less than 5% on annual basis. Therefore, such transactions, together with their proposed annual caps for the period commencing on 7 May 2020 and ending on 6 May 2021, are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

F. GENERAL INFORMATION

The Group 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.

Parent Group is one of the largest hotel and tourism conglomerates in terms of scales in the PRC and is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

G. DEFINITIONS

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

“2016 Loan Services Framework Agreement”	the loan services framework agreement dated 15 April 2016 entered into between Finance Company and Parent Company, the details of which are set out in the announcement of the Company dated 15 April 2016
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	上海錦江資本股份有限公司 (Shanghai Jin Jiang Capital Company Limited*), a joint stock limited company established in the PRC, the H shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Finance Company”	錦江國際集團財務有限責任公司 (Jin Jiang International Finance Company Limited), a wholly-owned subsidiary of the Company as at the date of the announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services Framework Agreement”	the loan services framework agreement dated 7 May 2020 renewed between Finance Company and Parent Company, pursuant to which, Finance Company shall provide the Parent Group with loan services

“Parent Company”	錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited), which is the controlling shareholder and owns a 75% shareholding interest in the issued share capital of the Company as at the date of this announcement
“Parent Group”	Parent Company and/or its associates, excluding the Group
“PBC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Shanghai, the PRC, 7 May 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**”.*