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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)

INSIDE INFORMATION ANNOUNCEMENT ENTERING INTO COOPERATION FRAMEWORK AGREEMENT FOR EQUITY RESTRUCTURING AND SWAP PROJECT OF SUBSIDIARIES

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 31 July 2020, the Company, Shanghai International and its subsidiary, and Jin Jiang International and its subsidiary entered into the Cooperation Framework Agreement in relation to equity restructuring and swap project of subsidiaries. Pursuant to the Cooperation Framework Agreement and the strategic positioning of “share capital, assets, capital and resources” of the Company as well as the requirements of deepening the reform and focusing on the development of core business of the Company, it is proposed that a series of restructuring and swap of equity interests in Sofitel Hyland, Jian Guo Hotel and Kunlun Hotel in relation to the Group will be conducted, in order to optimise the hotel assets of the Company and enhance its overall strength in the market.

The Board would like to emphasise that the transactions contemplated under the Cooperation Framework Agreement are subject to the negotiation, finalization and signing of definitive agreements. As such, the transactions contemplated under the Cooperation Framework Agreement may or may not proceed. The Company shall fulfill the information disclosure obligation with respect to the development of such matter in compliance with the requirements of the Listing Rules in due course. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

I. INTRODUCTION

On 31 July 2020, the Company, Shanghai International and its subsidiary, and Jin Jiang International and its subsidiary entered into the Cooperation Framework Agreement in relation to equity restructuring and swap project of subsidiaries. Pursuant to the Cooperation Framework Agreement and the strategic positioning of “share capital, assets, capital and resources” of the Company as well as the requirements of deepening the reform and focusing on the development of core business of the Company, it is proposed that a series of restructuring and swap of equity interests in Sofitel Hyland, Jian Guo Hotel and Kunlun Hotel in relation to the Group will be conducted, in order to optimise the hotel assets of the Company and enhance its overall strength in the market.

As at the date of this announcement, the equity structure of each of the Target Companies is as follows:

Name of the Target Companies	Shareholders of the Target Companies and their Shareholdings		
	The Group	Shanghai International and its subsidiary	Total
Sofitel Hyland	66.67%	33.33%	100%
Jian Guo Hotel	65%	35%	100%
Kunlun Hotel	47.5%	52.5%	100%

II. COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Cooperation Framework Agreement are as follows:

Date: 31 July 2020

Transaction arrangement in relation to the Group:

The equity interest in Sofitel Hyland held by the Company shall be transferred to Shanghai International and its subsidiary at the consideration of the equity interests in Jian Guo Hotel and part of the equity interests in Kunlun Hotel held by Shanghai International and its subsidiary. The equity transfers involved in the course of the equity swaps shall be conditional on each other as a series of transactions, and each of the parties agrees to conduct the transactions by instalments in twelve months according to the Cooperation Framework Agreement.

The final proportion of the equity swaps in each of the Target Companies will be subject to the valuation of 100% equity interest of each of the Target Companies filed in accordance with state-owned assets administration procedures, if applicable. All parties unanimously agree to apply for the approval of Shanghai SASAC of completing the transfer of equity interests in Target Companies by way of entering into agreements through Shanghai United Assets and Equity Exchange. To smoothly conduct the relevant transactions, the Company, Shanghai International and its subsidiary, and Jin Jiang International and its subsidiary will enter into specific transaction agreements, such as equity swap agreement and Shanghai asset and equity transaction contract, in accordance with the Cooperation Framework Agreement.

III. INFORMATION ON PARTIES TO THE COOPERATION FRAMEWORK AGREEMENT AND THE TARGETS COMPANIES

1. Information on the Parties to the Cooperation Framework Agreement

Information on Jin Jiang International

Jin Jiang International is one of the largest hotel and tourism conglomerates in terms of scales in the PRC and is 100% held by Shanghai SASAC.

Information on 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 on Shanghai International

The principal business of Shanghai International includes financial investment and, to a lesser extent, non-financial investment, capital operation and asset management, financial research and provision of services in relation to social and economic consultations. Shanghai International is 100% held by Shanghai SASAC.

2. Information on Target Companies

Information on Sofitel Hyland

The principal business of Sofitel Hyland is provision of accommodation, food and beverage as well as banquet services. As at the date of this announcement, Sofitel Hyland is owned as to 66.67% and 33.33% by the Company and the subsidiary of Shanghai International, respectively.

Information on Jian Guo Hotel

The principal business of Jian Guo Hotel is provision of accommodation, food and beverage as well as banquet services. As at the date of this announcement, Jian Guo Hotel is owned as to 65% and 35% by the Company and the subsidiary of Shanghai International, respectively.

Information on Kunlun Hotel

The principal business of Kunlun Hotel is provision of accommodation, food and beverage as well as banquet services. As at the date of this announcement, Kunlun Hotel is owned as to 47.5% by the Group and 52.5% by Shanghai International and its subsidiary, respectively.

Kunlun Hotel is a non-wholly owned subsidiary of Shanghai International. It is owned as to 52.5% by Shanghai International and its subsidiary, and the remaining interest is owned by the Group. The subsidiary of Shanghai International also holds 35% interest in Jian Guo Hotel and 33.33% interest in Sofitel Hyland, both of which are non-wholly owned subsidiaries of the Company, and is the substantial shareholder of Jian Guo Hotel and Sofitel Hyland. As (1) Shanghai International and its subsidiary are only connected with Jian Guo Hotel and Sofitel Hyland; and (2) the percentage ratios for the year ended 31 December 2019 of the aggregated assets, profits and revenue of Jian Guo Hotel and Sofitel Hyland calculated in accordance with relevant applicable percentage ratios under the Listing Rules are less than 5%, Jian Guo Hotel and Sofitel Hyland meet the criteria of “insignificant subsidiary” under Rule 14A.09 of the Listing Rules. As such, Shanghai International and its subsidiary do not constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, Kunlun Hotel does not constitute a connected person of the Company either.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT

The Board is of the view that entering into the Cooperation Framework Agreement and conducting the relevant transactions follow the strategic positioning of “share capital, assets, capital and resources” of the Company and the requirements of deepening the reform and focusing on the development of core business of the Company. This transaction will be beneficial to streamlining and integrating the dispersed shareholding in the subsidiaries for further enhancing management mechanism, focusing on core business and increasing the capability of operation and management for enterprise marketization. As a result, the hotel assets of the Company will be further optimised, the development of high-end brand of Jin Jiang hotels will be promoted and the overall strength in the market will be enhanced..

V. RISK ALERT

The Board would like to emphasise that the transactions contemplated under the Cooperation Framework Agreement are subject to the negotiation, finalization and signing of definitive agreements. As such, the transactions contemplated under the Cooperation Framework Agreement may or may not proceed. The Company shall fulfill the information disclosure obligation with respect to the development of such matter in compliance with the requirements of the Listing Rules in due course. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

VI. DEFINITIONS

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

“Board”	the board of directors of the Company
“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
“Cooperation Framework Agreement”	the cooperation framework agreement in relation to equity restructuring and swap project of subsidiaries entered into by the Company, Shanghai International and its subsidiary, and Jin Jiang International and its subsidiary on 31 July 2020, details of which are set out in this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jian Guo Hotel”	Shanghai Jian Guo Hotel Co., Ltd. (上海建國賓館有限公司), a company owned as to 65% and 35% by the Company and the subsidiary of Shanghai International, respectively, as at the date of this announcement
“Jin Jiang International”	Jin Jiang International Holding Company Limited (錦江國際(集團)有限公司), the controlling shareholder of the Company interested in 75% of the issued share capital of the Company, which is 100% held by Shanghai SASAC
“Kunlun Hotel”	Beijing Kunlun Hotel Co., Ltd. (北京崑崙飯店有限公司), a company owned as to 47.5% by the Group and 52.5% by Shanghai International and its subsidiary, respectively, as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“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
“Shanghai International”	Shanghai International Group Co., Ltd. (上海國際集團有限公司), a company 100% held by Shanghai SASAC
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission
“Shareholders”	the shareholders of the Company
“Sofitel Hyland”	Sofitel Hyland Shanghai Co., Ltd. (上海海倫賓館有限公司), a company owned as to 66.67% and 33.33% by the Company and the subsidiary of Shanghai International, respectively, as at the date of this announcement
“Target Companies”	collectively referred to Sofitel Hyland, Jian Guo Hotel and Kunlun Hotel
“%”	per cent

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

Shanghai, the PRC, 31 July 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**”.*