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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 REVISION OF ANNUAL CAP FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS

REVISION OF ANNUAL CAP FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS

On 26 April 2018, the Company entered into the Master Provision of Catering Services and Food Agreement with Jin Jiang International for a term commencing from 1 January 2018 to 31 December 2020, pursuant to which, the Company and Jin Jiang International agreed to provide catering, food and other relevant products and services to each other. Under the Master Provision of Catering Services and Food Agreement, the annual cap of payment to Jin Jiang International Group by the Group for each of the year of 2018, 2019 and 2020 for procurement of catering services and food from Jin Jiang International Group is RMB10 million; and the annual cap of payment to the Group by Jin Jiang International Group for each of the year of 2018, 2019 and 2020 for procurement of catering services and food from the Group is RMB10 million.

On 18 August 2020, taking into consideration that the actual amount paid to Jin Jiang International Group by the Group for procurement of catering services and food from Jin Jiang International Group under the Master Provision of Catering Services and Food Agreement as at 31 July 2020 was close to the original annual cap of RMB10 million for the year of 2020 under such agreement, the Board passed a resolution to revise the original annual cap under such agreement for procurement of catering services and food by the Group from Jin Jiang International Group to an annual cap of RMB30 million. Under the Master Provision of Catering Services and Food Agreement, the annual cap for the year of 2020 for procurement of catering services and food by Jin Jiang International Group from the Group remains unchanged.

LISTING RULES IMPLICATIONS

Jin Jiang International is the controlling shareholder of the Company. Jin Jiang International and its associates are therefore connected persons of the Company under the Listing Rules.

The transactions under the Master Provision of Catering Services and Food Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Listing Rules.

As at the signing date of the Master Provision of Catering Services and Food Agreement, since all the applicable percentage ratios (other than the profit ratio) for the original annual caps for each of the three years ending 31 December 2018, 2019 and 2020 for the continuing connected transactions under the Master Provision of Catering Services and Food Agreement were less than 0.1%, the continuing connected transactions under such agreement were fully exempted.

Since the highest applicable percentage ratio (other than the profit ratio) for the revised annual cap for the year of 2020 for the payment to Jin Jiang International Group by the Group for procurement of catering services and food under the Master Provision of Catering Services and Food Agreement is more than 0.1% but less than 5%, the continuing connected transactions under such agreement are only subject to the disclosure and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. BACKGROUND

On 26 April 2018, the Company entered into the Master Provision of Catering Services and Food Agreement with Jin Jiang International for a term commencing from 1 January 2018 to 31 December 2020, pursuant to which, the Company and Jin Jiang International agreed to provide catering, food and other relevant products and services to each other. Under the Master Provision of Catering Services and Food Agreement, the annual cap of payment to Jin Jiang International Group by the Group for each of the year of 2018, 2019 and 2020 for procurement of catering services and food from Jin Jiang International Group is RMB10 million; and the annual cap of payment to the Group by Jin Jiang International Group for each of the year of 2018, 2019 and 2020 for procurement of catering services and food from the Group is RMB10 million.

On 18 August 2020, taking into consideration that the actual amount paid to Jin Jiang International Group by the Group for procurement of catering services and food from Jin Jiang International Group under the Master Provision of Catering Services and Food Agreement as at 31 July 2020 was close to the original annual cap of RMB10 million for the year of 2020 under such agreement, the Board passed a resolution to revise the original annual cap for the year of 2020 under such agreement for procurement of catering services and food by the Group from Jin Jiang International Group to an annual cap of RMB30 million. Under the Master Provision of Catering Services and Food Agreement, the annual cap for the year of 2020 for procurement of catering services and food by Jin Jiang International Group from the Group remains unchanged.

II. MASTER PROVISION OF CATERING SERVICES AND FOOD AGREEMENT

Principal terms of the Master Provision of Catering Services and Food Agreement are summarised as follows:

Date: 26 April 2018

Parties: (1) Jin Jiang International; and
(2) The Company

Term: 1 January 2018 to 31 December 2020. The Master Provision of Catering Services and Food Agreement can be terminated by either party by giving three months' prior written notice to the other party. The term of the Master Provision of Catering Services and Food Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions:

The Group provides catering services, food and other relevant ancillary products and services, including hotel catering, food processing and semi-finished products to Jin Jiang International Group.

Jin Jiang International Group provides catering services, food and other relevant ancillary products and services, including catering raw materials to the Group.

It is possible that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by the Master Provision of Catering Services and Food Agreement, therefore they do not constitute new categories of connected transactions.

Pricing policy:

Under the Master Provision of Catering Services and Food Agreement, the price for procurement of catering services and food by the Group from Jin Jiang International Group and the price for procurement of catering services and food by Jin Jiang International Group from the Group shall be determined by the “market price” (as defined below).

The “market price” shall be determined with reference to the price accepted or charged by the Group for procurement or supply similar types of catering services and food from or to independent third parties.

A designated department or personnel of the Company shall primarily be responsible for checking the price for similar types of catering services and food procured by the Group from independent third parties to determine the “market price”. Generally, the quotations and terms will be obtained from at least two independent third party suppliers via email or telephone enquiry. The Company will determine the “market price” after comparing and considering certain factors. A designated department or personnel of the Company shall take into consideration of the quotation and terms of providing similar types of catering services and food by the Group to at least two independent third party purchasers to determine the “market price”.

Other principal terms: Starting from the effective date of the Master Provision of Catering Services and Food Agreement, all existing agreements between the Group and Jin Jiang International Group in relation to the procurement or supply of catering services and food transactions (including procurement and supply transactions after the effective date of the Master Provision of Catering Services and Food Agreement) will be deemed as implementation agreements made under the Master Provision of Catering Services and Food Agreement.

III. ANNUAL CAPS AND REVISED ANNUAL CAP FOR THE YEAR OF 2020

With respect to the continuing connected transactions under the Master Provision of Catering Services and Food Agreement, on 26 April 2018, the Board considered and approved the annual caps for the years ending 31 December 2018, 2019 and 2020 as set out below.

Unit: RMB million

	Annual caps for the relevant period		
	2018	2019	2020
Maximum amount paid by the Group to Jin Jiang International Group for procurement of catering services and food from Jin Jiang International Group for the relevant period under the Master Provision of Catering Services and Food Agreement	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>
Maximum amount paid by the Jin Jiang International Group to the Group for procurement of catering services and food from the Group for the relevant period under the Master Provision of Catering Services and Food Agreement	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>

As at 31 July 2020, the actual amount paid to Jin Jiang International Group by the Group for procurement of catering services and food from Jin Jiang International Group under the Master Provision of Catering Services and Food Agreement was close to the original annual cap for the year of 2020 of RMB10 million under such agreement. In addition, the Company estimates that due to the business expansion of the Group, the demands of the Group for procurement of food raw materials from Jin Jiang International Group will increase substantially for the rest of 2020.

Considering the above factors as a whole, the Board passed a resolution to revise the original annual cap for the year of 2020 under the Master Provision of Catering Services and Food Agreement for procurement of catering services and food by the Group from Jin Jiang International Group to an annual cap of RMB30 million. Under the Master Provision of Catering Services and Food Agreement, the annual cap for the year of 2020 for procurement of catering services and food by Jin Jiang International Group from the Group remains unchanged.

IV. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Considering the long-term relationship between the Company and Jin Jiang International Group, the Company is of the view that entering into the Master Provision of Catering Services and Food Agreement and adjusting the annual cap is favourable to the Company as conducting the transactions thereunder will be conducive to reducing production and operating costs as well as sales expenses of the Group and to obtaining convenient and quality services for the Group. Meanwhile, it could support the development of the catering and food business of the Group, resulting in an increase in revenue, thus facilitating smooth operation and growth of the Group's business.

The Board (including the independent non-executive Directors) considers that the transactions under the Master Provision of Catering Services and Food Agreement are conducted on normal commercial terms or on terms no less favourable to the Company than those available to or from independent third parties, and are entered into on a continuing or recurring basis in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors) further considers that, the revised annual cap for the transactions under the Master Provision of Catering Services and Food Agreement for the year ending 31 December 2020 is fair and reasonable. 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 revision of annual cap for the year of 2020 under the Master Provision of Catering Services and Food Agreement. Save as disclosed above, none of the other Directors has a material interest in the transaction or is required to abstain from voting on the relevant resolution of the Board.

V. LISTING RULES IMPLICATIONS

Jin Jiang International is the controlling shareholder of the Company. Jin Jiang International and its associates are therefore connected persons of the Company under the Listing Rules.

The transactions under the Master Provision of Catering Services and Food Agreement are carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Listing Rules.

As at the signing date of the Master Provision of Catering Services and Food Agreement, since all the applicable percentage ratios (other than the profit ratio) for the original annual caps for each of the three years ending 31 December 2018, 2019

and 2020 for the continuing connected transactions under the Master Provision of Catering Services and Food Agreement were less than 0.1%, the continuing connected transactions under such agreement were fully exempted.

Since the highest applicable percentage ratio (other than the profit ratio) for the revised annual cap for the year of 2020 for the payment to Jin Jiang International Group by the Group for procurement of catering services and food under the Master Provision of Catering Services and Food Agreement is more than 0.1% but less than 5%, the continuing connected transactions under such agreement are only subject to the disclosure and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. INFORMATION ON THE COMPANY AND JIN JIANG INTERNATIONAL

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 Jin Jiang International

Jin Jiang International is one of the largest hotel and tourism conglomerates in terms of scale in the PRC and is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

VII. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to such term under the Listing Rules
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 which is interested in 75% issued share capital of the Company
“Jin Jiang International Group”	Jin Jiang International and/or its subsidiaries and associates (excluding the Group)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Provision of Catering Services and Food Agreement”	the master provision of catering services and food agreement entered into by the Company and Jin Jiang International on 26 April 2018, details of which are disclosed in this announcement
“percentage ratio”	has the meaning ascribed to such term 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
“%”	per cent

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

Shanghai, the PRC, 18 August 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**”.*