

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION DEEMED DISPOSAL OF MAXIMUM 6.82% EQUITY INTEREST IN JIN JIANG HOTELS

Reference is made to the inside information announcement published by the Company on 2 September 2020 in relation to the proposed non-public issuance of A shares by Jin Jiang Hotels, a subsidiary of the Company; the inside information announcement published by the Company on 10 September 2020 in relation to the state-funded enterprise's approval of the plan of the Jin Jiang Hotels Issuance; and the inside information announcement published by the Company on 22 September 2020 in relation to the approval of the plan of the Jin Jiang Hotels Issuance by the general meeting of Jin Jiang Hotels.

The Board announced that, as considered and approved by the Board, the Company has resolved not to participate in the subscription for new A shares under the Jin Jiang Hotels Issuance. According to the plan of the Jin Jiang Hotels Issuance, Jin Jiang Hotels plans to issue not more than 150,000,000 A shares to raise proceeds of not more than RMB5 billion. Based on the maximum amount of 150,000,000 A shares to be issued under the Issuance, following the completion of the Issuance, the percentage of the Company's shareholdings in Jin Jiang Hotels will reduce from 50.32% to 43.50% at most. However, the Issuance will not result in any change of control of Jin Jiang Hotels. Jin Jiang Hotels will remain a subsidiary of the Company following the completion of the Issuance.

LISTING RULES IMPLICATIONS

As the Company will not participate in the subscription for new A shares under the Jin Jiang Hotels Issuance, based on the maximum amount of 150,000,000 A shares to be issued under the Issuance, the percentage of the Company's shareholdings in Jin Jiang Hotels will reduce from 50.32% to 43.50% at most following the completion of the Issuance, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio for the Deemed Disposal exceeds 25% but is below 75%, the Deemed Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will convene an extraordinary general meeting for Shareholders to consider and, if thought fit, approve the Deemed Disposal. As additional time is required to prepare the circular, the circular containing (i) further details of the Jin Jiang Hotels Issuance and the Deemed Disposal; (ii) other information as required under the Listing Rules; and (iii) a notice of the extraordinary general meeting will be despatched to Shareholders on or before 31 October 2020.

The plan for the Jin Jiang Hotels Issuance is subject to the approval from CSRC and is therefore subject to uncertainty. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company. The Company will fulfill its obligations in information disclosure in a timely manner based on the progress of the Jin Jiang Hotels Issuance in accordance with the provisions of the Listing Rules.

I. INTRODUCTION

Reference is made to the inside information announcement published by the Company on 2 September 2020 in relation to the proposed non-public issuance of A shares by Jin Jiang Hotels, a subsidiary of the Company; the inside information announcement published by the Company on 10 September 2020 in relation to the state-funded enterprise's approval of the plan of the Jin Jiang Hotels Issuance; and the inside information announcement published by the Company on 22 September 2020 in relation to the approval of the plan of the Jin Jiang Hotels Issuance by the general meeting of Jin Jiang Hotels.

The Board announced that, as considered and approved by the Board, the Company has resolved not to participate in the subscription for new A shares under the Jin Jiang Hotels Issuance. According to the plan of the Jin Jiang Hotels Issuance, Jin Jiang Hotels plans to issue not more than 150,000,000 A shares to raise proceeds of not more than RMB5 billion. Based on the maximum amount of 150,000,000 A shares to be issued under the Issuance, following the completion of the Issuance, the percentage of the Company's shareholdings in Jin Jiang Hotels will reduce from

50.32% to 43.50% at most. However, the Issuance will not result in any change of control of Jin Jiang Hotels. Jin Jiang Hotels will remain a subsidiary of the Company following the completion of the Issuance.

As at the date of this announcement, the exact subscribers for the Jin Jiang Hotels Issuance are yet to be confirmed, and disclosure will be made in the issuance report to be published following the completion of the Jin Jiang Hotels Issuance, as to whether related party transactions have been constituted as a result of related parties subscribing for shares under the Jin Jiang Hotels Issuance. The Company will also comply with all provisions applicable to connected transactions under Chapter 14A of the Listing Rules in a timely manner based on the conditions of the subscribers, if necessary.

II. PLAN FOR THE JIN JIANG HOTELS NON-PUBLIC ISSUANCE

(I) Class and nominal value of shares to be issued

Shares to be issued under the Jin Jiang Hotels Issuance are domestic-listed RMB ordinary shares (A shares) with a nominal value of RMB1.00 per share.

(II) Method and timing of issuance

The Jin Jiang Hotels Non-public Issuance will be conducted entirely by way of non-public issuance to specific subscribers. Jin Jiang Hotels will conduct the issuance at an opportune timing during the validity period approved by CSRC.

(III) Subscribers

The Jin Jiang Hotels Issuance will be a non-public issuance targeted at specific subscribers. The subscribers will not exceed 35 specific investors, which will include securities investment and fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors and natural persons that meet specific requirements. A securities investment and fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through two or more funds under its management shall be deemed as one single subscriber. A trust investment company, as a subscriber, can only subscribe with its self-owned funds.

The final list of subscribers shall be determined by the Board of Jin Jiang Hotels under the mandate granted by the general meeting of Jin Jiang Hotels in consultation with the sponsor (lead underwriter) of the Issuance based on the outcome of price bidding in accordance with pertinent provisions of CSRC and conditions prescribed in the issuance plan after receiving approval documents

from CSRC. In the event of any new provisions in respect of the subscribers for the non-public issuance of shares under national laws and regulations, Jin Jiang Hotels will make adjustments in accordance with the new provisions.

All subscribers shall subscribe for shares under the Jin Jiang Hotels Non-public Issuance at the same price in cash.

(IV) Issue price and pricing method

The pricing benchmark date of the Jin Jiang Hotels Non-public Issuance is the first day on which the period of issuance of shares under the Non-public Issuance commences.

Pricing principle: the issue price shall be not lower than 80% of the average trading price of the A shares of Jin Jiang Hotels for the 20 trading days immediately before the pricing benchmark date.

Average trading price of shares for the 20 trading days immediately before the pricing benchmark date = total amount of shares traded for the 20 trading days immediately before the pricing benchmark date/total volume of shares traded for the 20 trading days immediately before the pricing benchmark date.

In the event of any ex-rights or ex-dividend actions for shares of Jin Jiang Hotels during the period from the pricing benchmark date to the issuance date such as dividend distribution, bonus share issue, share capital conversion, issuance of new shares or share placing, the bottom issue price shall be adjusted accordingly.

The formula for adjustment is as follows:

Payment of cash dividend: $P1 = P0 - D$

Bonus share issue or share capital conversion: $P1 = P0 / (1 + N)$

Cash dividend together with bonus share issue or share capital conversion: $P1 = (P0 - D) / (1 + N)$

Of which: P0 stands for the bottom issue price prior to the adjustment, D stands for cash dividend per share, N stands for the number of bonus shares issued for each share or the number of shares increased under the share capital conversion for each share, and P1 stands for the adjusted bottom issue price.

The exact issue price shall be determined by the Board of Jin Jiang Hotels under the mandate granted by the general meeting of Jin Jiang Hotels in consultation with the sponsor (lead underwriter) based on the outcome of price bidding after the Issuance has been approved by CSRC.

In the event of any new provisions in respect of the pricing benchmark date and the issue price of non-public issuance of shares under pertinent laws or regulations and regulatory documents, the Board of Jin Jiang Hotels will make adjustments in accordance with the new provisions under the mandate granted by the general meeting of Jin Jiang Hotels.

(V) Issuance volume

The number of shares to be issued under the Non-public Issuance will be determined by dividing the total amount of gross proceeds by the issue price, subject to a maximum of 150,000,000 shares (namely, not more than 30% of the total share capital of Jin Jiang Hotels prior to the Non-public Issuance) to be issued under the Non-public Issuance and to the approval documents issued by CSRC in relation to the Issuance. Subject to the aforesaid range, the final issuance volume shall be determined by the Board of Jin Jiang Hotels under the mandate granted by the general meeting of Jin Jiang Hotels in consultation with the sponsor (lead underwriter) in accordance with pertinent provisions of CSRC and based on the actual subscription condition.

In the event of any ex-rights or ex-dividend actions for shares of Jin Jiang Hotels during the period from the date of announcement of the resolution by the Board of Jin Jiang Hotels on the Issuance to the issuance date, the volume of shares under the Non-public Issuance shall be adjusted accordingly.

In the event that the total number of shares under the Non-public Issuance is to be adjusted in accordance with changes in regulatory policies or requirements of the approval documents for the issuance, the number of shares under the Non-public Issuance will be adjusted accordingly.

(VI) Arrangements for lock-up periods

Shares subscribed by the subscribers under the Non-public Issuance shall not be listed for trading within six months from the date of completion of the issuance. If there are other provisions under laws and regulations on lock-up periods, such provisions shall prevail. If shares acquired by the subscribers of the Jin Jiang Hotels Issuance derive extra shares due to distribution of shares or dividends or capitalization of capital reserve by Jin Jiang Hotels, such extra shares shall also be subject to the aforesaid lock-up arrangement. Upon conclusion of the lock-up period, trading in such shares shall be conducted in accordance with the applicable provisions of CSRC and Shanghai Stock Exchange.

(VII) Amount and use of proceeds

The total amount of proceeds from the Jin Jiang Hotels Issuance will not exceed RMB5 billion. Net proceeds after the deduction of issue expenses shall be applied in full in the following items:

Unit: RMB0'000

No.	Project	Investment amount	Proposed use of proceeds
1	Hotel refurbishment and upgrade projects	373,458.20	350,000.00
2	Repayment of loans from financial institutions	<u>150,000.00</u>	<u>150,000.00</u>
	Total	<u>523,458.20</u>	<u>500,000.00</u>

To ensure the smooth implementation of projects to be funded by the proceeds and to safeguard the interests of all shareholders of Jin Jiang Hotels, prior to the receipt of the proceeds from the Non-public Issuance, Jin Jiang Hotels may utilise its self-raised funds to advance investments in the projects to be funded by proceeds based on the implementation progress of such projects, and replace such funds in accordance with the provisions of relevant regulations after receipt of the proceeds. If the actual amount of proceeds from the Non-public Issuance net of issue expenses falls short of the total amount of proceeds proposed to be invested in the aforesaid projects, the shortfall will be met by the self-raised funds of Jin Jiang Hotels.

(VIII) Place of listing

The shares under the Jin Jiang Hotels Non-public Issuance will be listed and traded on the Shanghai Stock Exchange.

(IX) Arrangements for retained undistributed profit

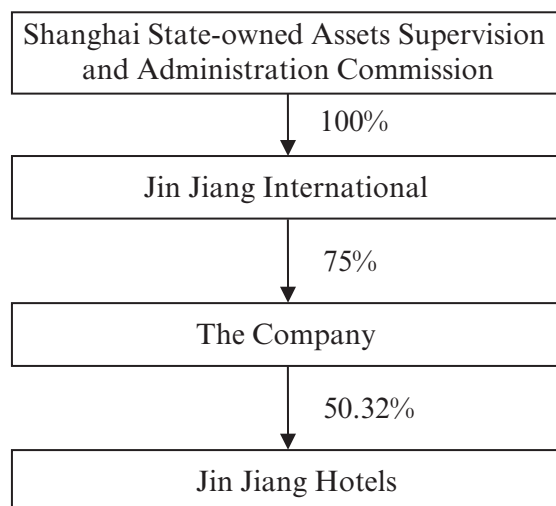
The retained undistributed profit of Jin Jiang Hotels prior to the Issuance shall be shared among its existing and new shareholders in proportion to their shareholding percentages upon completion of the Non-public Issuance.

(X) Validity period of the resolution

The resolution on the Jin Jiang Hotels Non-public Issuance shall remain valid for a period of 12 months from the date on which the resolution is considered and approved at the general meeting of Jin Jiang Hotels.

III. EFFECT OF THE JIN JIANG HOTELS ISSUANCE ON ITS SHAREHOLDING STRUCTURE

As at the date of this announcement, the total number of shares of Jin Jiang Hotels in issue amounts to 957,936,440 shares. The Company is the controlling shareholder of Jin Jiang Hotels with a shareholding of 482,007,225 shares, accounting for 50.32% of its total share capital. A diagram illustrating the shareholding relationship between Jin Jiang Hotels, its controlling shareholder and its ultimate controller is set out as follows:



Based on the maximum amount of 150,000,000 shares to be issued under the Issuance, upon the completion of the Issuance, the total share capital of Jin Jiang Hotels will amount to 1,107,936,440 shares and the Company will remain the controlling shareholder of the Jin Jiang Hotels with a shareholding of 43.50% and 482,007,225 shares. Therefore, the Issuance will not result in any change of control of Jin Jiang Hotels. Jin Jiang Hotels will remain a subsidiary of the Company following the completion of the Issuance.

IV. INFORMATION OF THE COMPANY AND JIN JIANG HOTELS

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 Jin Jiang Hotels

As at the date of this announcement, Jin Jiang Hotels is a subsidiary of the Company in which the Company holds a 50.32% interest and a joint stock company listed on the Shanghai Stock Exchange (stock code: A share: 600754; B share: 900934). It is principally engaged in select service hotel operation and management as well as food and restaurant business.

Financial Information

The following table sets out the audited financial statements of Jin Jiang Hotels prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2018	2019
	(RMB)	(RMB)
Revenue	14,697,420,033.67	15,099,024,459.57
Profit before taxation	1,564,004,317.93	1,759,088,128.14
Profit after taxation	1,227,680,473.02	1,279,119,464.34

According to the audited financial statements of Jin Jiang Hotels prepared in accordance with the PRC Accounting Standards for Business Enterprises, the audited book value of net assets of Jin Jiang Hotels amounted to RMB14,356,054,527.89 as at 31 December 2019.

V. REASONS FOR AND BENEFITS OF THE JIN JIANG HOTELS ISSUANCE AND THE DEEMED DISPOSAL

The Board is of the opinion that the Jin Jiang Hotels Issuance is conducive to:

1. the further enhancement in the capital strength of Jin Jiang Hotels, optimization of its layout in budget hotels and middle-end hotels, improvement in its core competitiveness and realisation of its strategic goals; and
2. effectively improving the gearing ratio of Jin Jiang Hotels, optimising its capital structure, increasing its solvency and lowering its financial risks, enhancing its financing capability in future and providing strong working capital support for its operations and development to meet the requirements of rapid business growth. Meanwhile, the core competitiveness of Jin Jiang Hotels and its ability to withstand the risks of macro-economic volatility will also be enhanced, which will facilitate its healthy and sustainable development.

As an important subsidiary of the Company, the enhanced capital strengths, an optimised gearing ratio and sustainable business development of Jin Jiang Hotels is also conducive to the long-term development of the Group as a whole. The Board is further of the view that the Deemed Disposal is conducive to the introduction of external investors by Jin Jiang Hotels to further optimise its shareholding structure. The decision that the Company will not participate in the subscription for new A shares under the Jin Jiang Hotels Issuance will not affect the Company's existing interest in its shareholding in Jin Jiang Hotels. In addition, the Company, as the controlling shareholder of Jin Jiang Hotels, can enjoy the benefits of the appreciation in its equity interests in Jin Jiang Hotels following the completion of the Issuance.

The Board (including independent non-executive Directors) is of the view that the issue price of the Jin Jiang Hotels Issuance will be determined based on the trading price of the A shares of Jin Jiang Hotels and through price bidding and is fair and reasonable and on normal commercial terms. The Deemed Disposal is also in the interest of the Company and its Shareholders as a whole but the transaction is not conducted in the Group's ordinary and usual course of business due to its nature. No Directors have material interest in the relevant transaction or are required to abstain from voting on the relevant resolution of the Board.

VI. FINANCIAL IMPACT OF THE DEEMED DISPOSAL ON THE COMPANY

As the Deemed Disposal will not result in the Company's loss of control over Jin Jiang Hotels, the Deemed Disposal will not result in the recognition of any gain or loss in the Company's consolidated income statement.

For details of the use of proceeds from the Jin Jiang Hotels Issuance, please refer to the section headed "II. PLAN FOR THE JIN JIANG HOTELS NON-PUBLIC ISSUANCE".

VII. LISTING RULES IMPLICATIONS

As the Company will not participate in the subscription for new A shares under the Jin Jiang Hotels Issuance, based on the maximum amount of 150,000,000 A shares to be issued under the Issuance, the percentage of the Company's shareholdings in Jin Jiang Hotels will reduce from 50.32% to 43.50% at most following the completion of the Issuance, which constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio for the Deemed Disposal exceeds 25% but is lower than 75%, the Deemed Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements Chapter 14 of the Listing Rules.

The Company will convene an extraordinary general meeting for Shareholders to consider and, if thought fit, approve the Deemed Disposal. As additional time is required to prepare the circular, the circular containing (i) further details of the Jin Jiang Hotels Issuance and the Deemed Disposal; (ii) other information as required under the Listing Rules; and (iii) a notice of the extraordinary general meeting will be despatched to Shareholders on or before 31 October 2020.

The plan for the Jin Jiang Hotels Issuance is subject to the approval from CSRC and is therefore subject to uncertainty. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company. The Company will fulfill its obligations in information disclosure in a timely manner based on the progress of the Jin Jiang Hotels Issuance in accordance with the provisions of the Listing Rules.

Other details of the Jin Jiang Hotels Non-public Issuance can be found on the website of Shanghai Stock Exchange (www.sse.com.cn).

VIII. 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
“Board of Jin Jiang Hotels”	the board of directors of Jin Jiang Hotels
“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 thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Deemed Disposal”	the reduction of the Company’s shareholding in Jin Jiang Hotels from 50.32% to 43.50% at most due to the fact the Company will not participate in the subscription for the new A shares under the Jin Jiang Hotels Issuance, which constitutes a deemed disposal of the Company’s equity interest in Jin Jiang Hotels under Rule 14.29 of the Listing Rules
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative of the PRC
“Jin Jiang Hotels”	Shanghai Jin Jiang International Hotels Company Limited (上海錦江國際酒店股份有限公司), a subsidiary of the Company in which the Company holds a 50.32% interest as at the date of this announcement and a joint stock company listed on the Shanghai Stock Exchange (stock codes: A share: 600754; B share: 900934)
“Jin Jiang Hotels Issuance”, “Issuance”, “Non-public Issuance” or “Jin Jiang Hotels Non-public Issuance”	Non-public issuance of A shares by Jin Jiang Hotels
“Jin Jiang International”	Jin Jiang International Holding Company Limited, the controlling shareholder of the Company owning 75% of equity interests in the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“%”	per cent

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

Shanghai, the PRC, 8 October 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**”.*