THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Merger, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this Composite Document and the accompanying forms of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

Jin Jiang International Holding Company Limited
(a company incorporated in the People's Republic of China with limited liability)

Shanghai Jin Jiang Capital Company Limited*
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 02006)

(1) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY THE OFFEROR; (2) PROPOSED WITHDRAWAL OF LISTING; (3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING; AND (4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

Financial Advisers to the Offeror

东方证券 DFZQ 國際　NOMURA

Independent Financial Adviser to the Independent Board Committee

SOMERLEY CAPITAL LIMITED

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "*Definitions*" in this Composite Document.

This Composite Document is jointly issued by the Company and the Offeror. A letter from the Board is set out on pages 8 to 33 of this Composite Document. A letter from the Independent Board Committee to the Independent H Shareholders is set out on pages 34 to 35 of this Composite Document. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 36 to 82 of this Composite Document.

The notices convening the EGM and the H Shareholders' Class Meeting to be held at Jin Jiang Grand Hall, 59 South Maoming Road, Huangpu District, Shanghai, the PRC on Tuesday, 26 April 2022 (i) in relation to the EGM, at 1:30 p.m., and (ii) in relation to the H Shareholders' Class Meeting, at 2:00 p.m., or immediately following the conclusion of the EGM or any adjournment thereof, are contained in this Composite Document. Shareholders are advised to read the notices and to complete and return the enclosed forms of proxy for use at the EGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon.

Whether or not you are able to attend and vote at the EGM and the H Shareholders' Class Meeting or any adjournment thereof in person, you are urged to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon. To be valid, the form(s) of proxy together with the notarially certified copies of any power of attorney or other authorisation documents (if any) under which it is signed must be deposited, in case of H Shareholders, with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and in case of the Domestic Shareholder, to the Company's correspondence address at 26/F., Union Building, No. 100 Yan'an East Road, Shanghai, the PRC, as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting or any adjournment thereof (as the case may be). Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting or any adjournment thereof in person should you so wish and in such event, the forms of proxy shall be deemed to be revoked.

In view of the ongoing coronavirus (COVID-19) pandemic, the Company strongly recommends Shareholders to exercise their voting rights by appointing the chairman of the EGM and the H Shareholders' Class Meeting as their proxy to vote on the relevant resolutions at the EGM and the H Shareholders' Class Meeting as an alternative to attending the meetings in person.

If no name of proxy is inserted in the enclosed corresponding forms of proxy, the chairman of the EGM and the H Shareholders' Class Meeting (as the case may be) will act as your proxy.

* *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**".*

1 April 2022

CONTENTS

PRECAUTIONARY MEASURES FOR THE EGM AND THE H SHAREHOLDERS' CLASS MEETING

Taking into account the recent development of the pandemic caused by the coronavirus disease (COVID-19), the Company will implement the following measures at the EGM and the H Shareholders' Class Meeting including:

- compulsory body temperature checks;
- presenting the green "Health Code" and "Travel History Code";
- refusal of entry of those with a body temperature of over 37.3 degrees Celsius;
- wearing of face masks throughout the EGM and the H Shareholders' Class Meeting;
- no distribution of corporate gifts and refreshments;
- seating at the EGM and the H Shareholders' Class Meeting will be arranged so as to allow for appropriate social distancing. The Company may limit the number of attendees at the EGM and the H Shareholders' Class Meeting as may be necessary;
- no entry will be allowed to any person who (i) is subject to mandatory quarantine or self-quarantine order in relation to COVID-19; (ii) has close contact with any person under mandatory quarantine or self-quarantine order in relation to COVID-19 or with recent travel history; or (iii) does not comply with the precautionary measures.

Any person who does not comply with the precautionary measures will be denied entry into the venue of the EGM and the H Shareholders' Class Meeting. However, those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, references to times and dates in this Composite Document are to Hong Kong times and dates.

Latest time for lodging transfers of H Shares in order to be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting	4:30 p.m. on Wednesday, 20 April 2022
Closure of register for transfers of Shares for determination of the Shareholders entitled to attend and vote at the EGM and the H Shareholders' Class Meeting	Thursday, 21 April, 2022 to Tuesday, 26 April 2022 (both dates inclusive)
Latest time for lodging proxy forms in respect of the EGM	1:30 p.m. on Monday, 25 April 2022
Latest time for lodging proxy forms in respect of the H Shareholders' Class Meeting	2:00 p.m. on Monday, 25 April 2022
Record date for Shareholders for the EGM and the H Shareholders for the H Shareholders' Class Meeting	Tuesday, 26 April 2022
EGM	1:30 p.m. on Tuesday, 26 April 2022
H Shareholders' Class Meeting	2:00 p.m. on Tuesday, 26 April 2022 or immediately following the conclusion of the EGM or any adjournment thereof on Tuesday, 26 April 2022
Announcement of the results of the EGM and the H Shareholders' Class Meeting and the satisfaction of all Conditions to effectiveness(1), last day for dealings in H Shares and expected date of withdrawal of listing of H Shares	by 7:00 p.m. on Tuesday, 26 April 2022

Resumption of registers for transfer of Shares	Wednesday, 27 April 2022
Each of the Offeror and the Company notifies its creditors and makes a public announcement of the Merger pursuant to the PRC Company Law	Within 10 days (for the notice to creditors) and 30 days (for the announcement) following the EGM and the H Shareholders' Class Meeting
Last day for dealings in H Shares	Wednesday, 27 April 2022
Latest time for lodging transfers of H Shares in order to be entitled to receive the Cancellation Price	4:30 p.m. on Tuesday, 3 May 2022
Closure of register of members of the Company	From Wednesday, 4 May 2022 onwards
Announcement that all the Conditions to implementation are satisfied (or waived, as applicable)[2]	On or before 8:30 a.m. on Thursday, 5 May 2022
Expected date and time of withdrawal of listing of H Shares	4:30 p.m. on Thursday, 5 May 2022
Latest date for payment of the Cancellation Price to the H Shareholders	Tuesday, 17 May 2022
End of the period during which creditors may request the Offeror and the Company to pay off their respective indebtedness or provide guarantees	Within 30 days after the receipt of notice by creditors or 45 days after the issue of announcement to creditors (whichever is the latest)

Notes:

(1) The Conditions to effectiveness shall be satisfied upon passing of the requisite resolutions at the EGM and the H Shareholders' Class Meeting as set out in "PRINCIPAL TERMS OF THE MERGER AGREEMENT — Condition to effectiveness" in the "LETTER FROM THE BOARD" of this Composite Document.

(2) The Offeror and the Company will jointly publish announcement(s) when or as soon as reasonably practicable after all Conditions to effectiveness have been satisfied and the Conditions to implementation have been satisfied or waived, as appropriate.

(3) Pursuant to the Merger Agreement, if any Dissenting Shareholder is to exercise its right to request the Company and/or other Consenting Shareholders (or the Offeror, if so requested by the Company and/or the Consenting Shareholders) to acquire its Shares at a "fair price" during the Declaration Period (the "**Right**"), the Dissenting Shareholder must refund the Cancellation Price (if received) to the Offeror in order to be entitled to exercise the Right, failing which the Dissenting Shareholder will be deemed to have waived, and will no longer be able to exercise, the Right. The Offeror (if so requested by the Company and/or the Consenting Shareholders) will make the payment separately upon agreement on matters regarding the Right. For the avoidance of doubt, regardless of when the Dissenting Shareholder exercises the Right, the Dissenting Shareholder will be deemed to have ceased to have any right in respect of the Shares (other than the right to request for consideration pursuant to exercise of the Right) on the Delisting Date.

Payment of Cancellation Price to the H Shareholders will be made by way of cheques, which will be sent by ordinary post at the risk of the persons entitled thereto.

Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions as set out in this Composite Document being satisfied or waived, as applicable, and neither the Offeror nor the Company provides any assurance that any or all of Conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. The Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this Composite Document following this disclaimer page and you are therefore advised to read this disclaimer page carefully before accessing, reading or making any other use of this Composite Document. In, and as a result of, accessing this Composite Document you agree, and you are deemed to agree, to be bound by the following terms and conditions.

NOTICE TO SHAREHOLDERS OUTSIDE OF HONG KONG

The making of the proposal of the Merger to the Overseas Shareholders may be subject to the laws of the relevant jurisdictions. Overseas Shareholders should observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders wishing to accept the proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due by the Overseas Shareholders in such jurisdiction.

The Merger will involve the cancellation of the securities of a company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of cash pursuant to the Merger by a U.S. holder of Shares as consideration for the cancellation of its Shares pursuant to the Merger may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal practice in Hong Kong, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, before or during the Offer Period. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, Nomura and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States. Any information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and, to the extent made public by the SFC, will be available on the website of the SFC at http://www.sfc.hk.

The Merger has not been registered in Macau. The Merger is not and does not intend to constitute an offer in Macau. This Composite Document (and the accompanying forms of proxy) are not meant to be copied, publicized or distributed in Macau (other than to the Shareholders whose registered addresses on the register of members of the Company are situated in Macau (the "**Macau Shareholders**")). The names of the Macau Shareholders are identified in the register of members and therefore such Macau Shareholders may consider and vote in respect of the Merger governed by the laws of the PRC according to the terms herein. Any Macau Shareholders in doubt as to whether or not to vote in favour of the Merger should seek professional advice.

This Composite Document does not constitute a disclosure document under Chapter 6D.2 of the Australian Corporations Act; and has not been, and will not be, lodged with the Australian Securities and Investments Commission, as a disclosure document for the purposes of the Australian Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Australian Corporations Act. Neither this Composite Document nor any other document or material in connection with this Composite Document constitute an offer of sale or invitation for subscription or purchase of securities.

ACTIONS TO BE TAKEN

Whether or not they are able to attend the EGM or the H Shareholders' Class Meeting (where applicable) in person, the Shareholders are strongly urged to complete and sign the enclosed form of proxy in respect of the EGM in accordance with the instructions printed thereon and the H Shareholders are strongly urged to complete and sign the enclosed form of proxy in respect of the H Shareholders' Class Meeting in accordance with the instructions printed thereon as soon as possible, but in any case not later than the following respective times:

(1) in the case of the form of proxy for use at the EGM, the Shareholders are requested to deposit such form of proxy no later than 1:30 p.m. on Monday, 25 April 2022 (in respect of H Shareholders) with the Company's registrar for H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or (in respect of the Domestic Shareholder) to the Company's correspondence address at 26/F., Union Building, No. 100 Yan'an East Road, Shanghai, the PRC; and

(2) in the case of the form of proxy for use at the H Shareholders' Class Meeting, the H Shareholders are requested to deposit such form of proxy no later than 2:00 p.m. on Monday, 25 April 2022 at the Company's registrar for H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

In the event that the relevant form(s) of proxy has been returned to the Company's registrar for H Shares or the Company (as the case may be) after the abovementioned deadline (where applicable), it will be considered to be invalid and will not be taken into account. The completion and return of a form of proxy for any of the meetings will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof, should you so wish. In the event that you attend and vote at any of the meetings or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked. Reply slips for the EGM and H Shareholders' Class Meeting are not required pursuant to the Articles.

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the H Shareholders to attend and vote at the H Shareholders' Class Meeting, the Company's registers of members will be closed from Thursday, 21 April 2022 to Tuesday, 26 April 2022 (both dates inclusive). During such period, no transfer of Shares will be effected. Only Shareholders whose names are on the Company's registers of members on Tuesday, 26 April 2022 are entitled to vote at the EGM and (if applicable) the H Shareholders' Class Meeting. Each Shareholder on the Company's registers of members on Tuesday, 26 April 2022 is entitled to cast one vote per Share in respect of the Merger in the EGM. Each Independent H Shareholder on the Company's registers of members on Tuesday, 26 April 2022 is entitled to cast one vote per H Share in respect of the Merger in the H Shareholders' Class Meeting. In order to qualify for attending and voting at the EGM and the H Shareholders' Class Meeting, the H Shareholders must lodge all transfer documents together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration at or before 4:30 p.m. on Wednesday, 20 April 2022.

An announcement will be made in relation to the results of EGM and the H Shareholders' Class Meeting. Further announcement(s) will be made as and when appropriate in respect of the satisfaction and/or waiver (if applicable) of the Conditions to effectiveness and Conditions to implementation.

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code, and "concert parties" shall be construed accordingly;
"Articles"	the articles of association of the Company (including the rules of procedures for shareholders' general meetings and the rules of procedures for board meetings);
"Board"	the board of directors of the Company;
"business day"	a day on which the Stock Exchange is open for the transaction of business;
"Cancellation Price"	the cancellation price of HK$3.10 per H Share payable in cash by the Offeror to the H Shareholders;
"CBIRC"	China Banking and Insurance Regulatory Commission;
"Class 1 Presumption"	class (1) presumption in the definition of "acting in concert" under the Takeovers Code;
"Company"	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 PRC with limited liability, the 1,391,500,000 H Shares of which are listed on the Stock Exchange (stock code: 2006);
"Composite Document"	this document jointly issued by the Company and the Offeror to all Shareholders and in accordance with the Takeovers Code containing, amongst others, details of the Merger, as may be revised or supplemented as appropriate;
"Conditions"	has the meaning given to it in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in the "*LETTER FROM THE BOARD*" in this Composite Document;
"Conditions to effectiveness"	has the meaning given to it in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in the "*LETTER FROM THE BOARD*" in this Composite Document;

"Conditions to implementation"	has the meaning given to it in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in the "*LETTER FROM THE BOARD*" in this Composite Document;
"Consenting Shareholders"	has the meaning given to it in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in the "*LETTER FROM THE BOARD*" in this Composite Document;
"CPIC"	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and H shares of which are listed on the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 2601), respectively;
"Declaration Period"	a period commencing on the Delisting Date and expiring on the fifth (5th) business day from (and including) the Delisting Date, during which any Dissenting Shareholder may declare to exercise its right;
"Delisting Date"	the date on which the listing of the H Shares on the Stock Exchange has been withdrawn;
"Director(s)"	the director(s) of the Company;
"Dissenting Shareholder"	a Shareholder who has validly voted against all the resolutions in respect of the Merger at the EGM and (if applicable) the H Shareholders' Class Meeting and has requested the Company and/or the Consenting Shareholders (or the Offeror, if so requested by the Company and/or the Consenting Shareholders) to acquire its Shares at a "fair price";
"Domestic Share(s)"	the domestic shares issued by the Company, with a RMB denominated par value of RMB1.00 each, representing 75% of the issued share capital of the Company as at the Latest Practicable Date;

"Domestic Shareholder"	the holder of Domestic Shares, namely the Offeror;
"EGM"	the extraordinary general meeting of the Company to be convened at Jin Jiang Grand Hall, 59 South Maoming Road, Huangpu District, Shanghai, the PRC at 1:30 p.m. on Tuesday, 26 April 2022, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;
"Exchange Rate"	the exchange rate of HK$1: RMB0.82001, which is the central parity rate of RMB to Hong Kong Dollar as at the date of the Joint Announcement as announced by the People's Bank of China;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
"Exercise Date"	the date on which the Company and/or the Consenting Shareholders (or the Offeror, if so requested by the Company and/or the Consenting Shareholders) pays cash consideration to Dissenting Shareholders who exercise their right to acquire the Shares held and effectively declared by them at the "fair price", which will be decided and announced by the Company;
"Group"	the Company and its subsidiaries;
"H Share(s)"	the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong Dollars and are listed and traded on the Stock Exchange, representing 25% of the issued share capital of the Company as at the Latest Practicable Date;
"H Shareholder(s)"	the holder(s) of H Shares;
"H Shareholders' Class Meeting"	the class meeting of the Company to be convened for the H Shareholders at Jin Jiang Grand Hall, 59 South Maoming Road, Huangpu District, Shanghai, the PRC, at 2:00 p.m. on Tuesday, 26 April 2022 or immediately following the conclusion of the EGM or any adjournment thereof on Tuesday, 26 April 2022, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements;

"HK$" or "Hong Kong Dollar"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee of the Company established by the Company for the purposes of considering the Merger, which comprises all of the independent non-executive Directors of the Company, being Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang;
"Independent Financial Adviser"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company upon approval by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Merger;
"Independent H Shareholders"	the H Shareholders other than the Offeror and parties acting in concert with it;
"Jin Shao HK"	Shanghai Jin Shao (HK) Investment & Management Co., Limited (上海錦韶(香港)投資管理有限公司), a private company limited by shares incorporated in Hong Kong, a wholly-owned subsidiary of the Offeror;
"Joint Announcement"	the announcement jointly published by the Offeror and the Company dated 24 November 2021, which states, amongst other things, the proposal of the Merger in accordance with the Merger Agreement;
"Last Full Trading Date"	16 November 2021, the last full trading day prior to the halt of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement;
"Last Trading Date"	17 November 2021, the last trading day prior to the halt of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement;

"Latest Practicable Date"	29 March 2022, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained therein;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Long-stop Date"	23 November 2022, being the last date the Pre-Condition, the Conditions to effectiveness and the Conditions to implementation can be satisfied, unless the Offeror and the Company otherwise agree, subject to the consent of the SFC;
"Macau"	the Macau Special Administrative Region of the People's Republic of China;
"Merger"	the proposed merger by absorption of the Company by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement;
"Merger Agreement"	the merger agreement entered into between the Offeror and the Company on 24 November 2021 in relation to the Merger;
"Nomura"	Nomura International (Hong Kong) Limited, the financial adviser to the Offeror. Nomura is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities;
"Nomura Group"	Nomura and persons controlling, controlled by or under the same control as Nomura, all of which are presumed to be acting in concert with the Offeror under class (5) of the definition of acting in concert in the Takeovers Code;
"Offer Period"	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 24 November 2021 (the date of the Joint Announcement) and ending on the Delisting Date or the date on which the Merger is not approved or otherwise lapses, whichever is earlier;

"Offeror"	Jin Jiang International Holding Company Limited (錦江國際(集團)有限公司), a company incorporated in the PRC with limited liability, the controlling Shareholder interested in 75% of the issued share capital of the Company as at the date of this Composite Document;
"Orient Capital"	Orient Capital (Hong Kong) Limited, the financial adviser to the Offeror. Orient Capital is a subsidiary of Orient Securities International Financial Group Limited and a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities;
"Orient Securities Group"	Orient Capital and persons controlling, controlled by or under the same control as Orient Capital, all of which are presumed to be acting in concert with the Offeror under class (5) of the definition of acting in concert in the Takeovers Code;
"Overseas Shareholders"	Shareholders whose names appear on the register of members of the Company and whose addresses are in a place outside Hong Kong, if any;
"Pacific Asset Management"	Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司), a company incorporated in the PRC with limited liability, a non-wholly owned subsidiary of CPIC;
"PRC" or "China"	the People's Republic of China;
"PRC Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time;
"PRC Laws"	any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations as may be in force and publicly available in the PRC from time to time;
"Pre-Condition"	has the meaning given to it in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" in the "*LETTER FROM THE BOARD*" in this Composite Document;
"Relevant Period"	the period commencing from 24 May 2021 (i.e. the date that is six months prior to the publication date of the Joint Announcement) and ending on the Latest Practicable Date;

"Right"	has the meaning given to it in "*EXPECTED TIMETABLE*" of this Composite Document;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time);
"Shanghai SASAC"	Shanghai Municipal State-owned Assets Supervision and Administration Commission;
"Shareholders"	collectively, the H Shareholders and the Domestic Shareholder;
"Shares"	collectively, the H Shares and the Domestic Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	The Code on Takeovers and Mergers (as revised, supplemented or otherwise modified from time to time);
"trading day"	a day on which the Stock Exchange is open for dealing or trading in securities;
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
"U.S. Exchange Act"	the U.S. Securities Exchange Act of 1934, as amended;
"%"	per cent.

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)

Executive Directors:
Mr. Zhao Qi *(Chairman)*
Mr. Chen Liming *(Vice Chairman)*
Mr. Ma Mingju
Ms. Zhou Wei
Mr. Sun Yu

Independent Non-executive Directors:
Mr. Ji Gang
Dr. Rui Mingjie
Mr. Shen Liqiang

Legal address of the Company:
Room 316–318
No. 24 Yang Xin Dong Road
Shanghai, the PRC

Principal place of business in the PRC:
26/F., Union Building
No. 100 Yan'an East Road
Shanghai, the PRC

Principal place of business in Hong Kong:
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong

1 April 2022

To the Shareholders

PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY THE OFFEROR

1. INTRODUCTION

On 24 November 2021, the Offeror and the Company published the Joint Announcement to announce that the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Condition and the Conditions. After the completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

This letter forms part of the Composite Document and sets out, amongst other things, certain background information of the Offeror, details of the Merger, the reasons for the Merger and the intentions of the Offeror in relation to the Merger.

2. PROPOSED MERGER

Pursuant to the Merger Agreement, conditional upon, among others, the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions set out in the section headed "*3. PRINCIPAL TERMS OF THE MERGER AGREEMENT*" below, the Offeror will pay the Cancellation Price in the amount of HK$3.10 per H Share to the H Shareholders in cash, but will not be required to pay consideration for the Domestic Shares as the sole Domestic Shareholder. The amount of aggregate Cancellation Price required to be paid by the Offeror to cancel the H Shares held by H Shareholders is HK$4,313,650,000.

On 28 March 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company, and the Company will be eventually deregistered.

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, if applicable) of the Pre-Condition and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), pay the Cancellation Price to all H Shareholders in accordance with the Merger Agreement.

All rights attaching to such H Shares (except for the right to receive the Cancellation Price) shall cease to have effect and the relevant H Shares shall be cancelled with effect from the Delisting Date. The share certificates for H Shares will cease to have effect as documents or evidence of title.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

Parties

(1) the Offeror; and

(2) the Company.

Overview of the Merger

Subject to the terms and conditions of the Merger Agreement, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption.

After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company, and the Company will be eventually deregistered.

Consideration

Pursuant to the Merger Agreement, conditional upon, among others, the fulfilment (or waiver, as applicable) of the Pre-Condition, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed "*Pre-Condition to the Merger Agreement becoming effective*", "*Conditions to effectiveness*" and "*Conditions to implementation*" below, the Offeror will pay the Cancellation Price in the amount of HK$3.10 per H Share to the H Shareholders in cash, but will not be required to pay consideration for the Domestic Shares as the sole Domestic Shareholder.

Settlement of the consideration to which H Shareholders are entitled will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such H Shareholders.

Pre-Condition to the Merger Agreement becoming effective

The Merger Agreement was subject to the satisfaction of a pre-condition, being the review, approval, filing or registration, as applicable, with or by (a) the National Development and Reform Commission of the PRC (as applicable), (b) Ministry of Commerce of the PRC or its local authorities (as applicable) and (c) the State Administration of Foreign Exchange of the PRC or its local authorities (as applicable), (d) State-owned Assets Supervision and Administration Commission of the State Council or its local authorities or authorised units (as applicable), and such other applicable governmental approvals in respect of the Merger having been obtained or completed (the "**Pre-Condition**"). Save for the governmental approvals as mentioned in (a), (b), (c) and (d) above, the Offeror is not aware of any other applicable governmental approvals which are required in respect of the Merger.

The Pre-Condition is not waivable. If the Pre-Condition is not satisfied by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

On 28 March 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

Conditions to effectiveness

After the Pre-Condition is satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is waivable) (the "**Conditions to effectiveness**"):

(1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws;

(2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders' Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by the Long-stop Date, the Merger Agreement will be terminated by either party. Please also refer to the paragraph headed "*Termination*" in this section.

As at the Latest Practicable Date, none of the Conditions to effectiveness has been satisfied or waived.

Conditions to implementation

After the Merger Agreement becomes effective upon satisfaction of the Pre-Condition and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied or waived, as applicable (the "**Conditions to implementation**", together with the Conditions to effectiveness, collectively, the "**Conditions**"):

(1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;

(2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and

(3) there being no law, restriction or prohibition of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition to implementation (1) above and the Offeror shall be entitled to waive Condition to implementation (2) above. Condition to implementation (3) above is not waivable. If the above Conditions to implementation are not satisfied or if applicable, waived, by the Long-stop Date, the Merger Agreement will be automatically terminated. Please also refer to the paragraph headed "*Termination*" in this section.

As at the Latest Practicable Date, none of the Conditions to implementation has been satisfied or waived.

Payment of consideration

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, if applicable) of the Pre-Condition and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), pay the Cancellation Price to all H Shareholders.

All rights attaching to such H Shares (except for the right to receive the Cancellation Price) shall cease to have effect and the relevant H Shares shall be cancelled with effect from the Delisting Date. The share certificates for H Shares will cease to have effect as documents or evidence of title.

Payment of consideration to the H Shareholders is deemed to be completed once the Offeror or any entity designated by it has despatched to the H Shareholders the cheques for such consideration in accordance with the Merger Agreement.

The Company's Undertakings

Unless with the prior written consent of the Offeror, the Company shall not issue any Shares, create or grant (or permit the creation, issue or grant) of convertible securities, options or warrants in respect of Shares of the Company, conduct any acquisitions or disposals which may constitute a discloseable transaction or above under Chapter 14 of the Listing Rules, declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders of the Company, enter into contracts otherwise than in the ordinary course of business, or cause the Company or any subsidiary or associated company to buy back, purchase or redeem any Shares of the Company or provide financial assistance for any such buy-back, purchase or redemption, or any other actions that may constitute a frustrating action under Rule 4 of the Takeovers Code since the date of the Merger Agreement till the termination of the Merger Agreement or the Delisting Date (whichever is earlier).

As at the date of this Composite Document, the Company has no outstanding dividend that has been declared, made but not yet paid. In addition, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of this Composite Document up to the date on which all of the Pre-Condition and Conditions are satisfied or waived (as applicable), or the date on which the Merger is not approved or otherwise lapsed (as the case may be).

Right of a Dissenting Shareholder

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or other Shareholders who have approved the Merger (collectively the "**Consenting Shareholders**") to acquire its Shares at a "fair price". Such written notice should be lodged with the office of the Board of the Company at 26/F., Union Building, No. 100 Yan'an East Road, Shanghai, PRC or alternatively at the Company's principal place of business in Hong Kong at Room 3203, 32nd Floor, Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong by hand or by post within the Declaration Period.

Pursuant to the Merger Agreement, if any Dissenting Shareholder exercises its right to request the Company and/or other Consenting Shareholders to acquire its Shares at a "fair price" during the Declaration Period, the Offeror may, upon the request by the Company and/or the Consenting Shareholders, assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a "fair price".

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

(1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and (if applicable) the H Shareholders' Class Meeting;

(2) such Dissenting Shareholder having been validly registered as a shareholder on the share register of the Company since the record date for the EGM and (if applicable) the H Shareholders' Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and

(3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

(1) such Shareholder has undertaken to the Company to waive its right;

(2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; or

(3) any Share held by such Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval obtained from the relevant pledgee, third party or competent authority.

The Shareholders should note that there is no administrative guidance on the substantive as well as procedural rules as to how the "fair price" will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process; (ii) whether any favourable results will be granted to the Dissenting Shareholders; and (iii) the cost which may be incurred by the Dissenting Shareholders, in such process for determining the "fair price".

Under the Articles, whenever any disputes or claims arise between the H Shareholders and the Company, the H Shareholders and the Company's directors, supervisors, general manager or other senior management officers, or the H Shareholders and the Domestic Shareholders, in respect of any rights or obligations arising from the Articles, the PRC Company Law or any rights or obligations conferred or imposed by any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration. If a Dissenting Shareholder decides to exercise its right to request the Company and/or the Consenting Shareholders to acquire its Shares at a "fair price", the Company/the Offeror will explain to such Dissenting Shareholder that the Cancellation Price, which was determined after taking into account the factors as set out in the section headed "*4. CANCELLATION PRICE*" below, is fair. If the matter cannot be resolved, the Dissenting Shareholder may bring such dispute or claim arising from the determination of the "fair price" to the relevant arbitration body.

For the avoidance of doubt, if the Merger does not proceed as a result of the Conditions not being satisfied (or waived, if applicable) or if the Merger otherwise lapses or does not become unconditional, the Dissenting Shareholders (if any) shall not be entitled to exercise such rights as described above.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

(1) by either the Offeror or the Company, if

(i) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination);

(ii) any of the Conditions to effectiveness not having been satisfied on or before the Long-stop Date; or

(2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings given by the Company under the Merger Agreement or any other agreement related to the Merger Agreement which has a material impact on the Merger and such breach cannot be remedied by the Company within 30 days following written notice from the Offeror; or

(3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings given by the Offeror under the Merger Agreement or any other agreement related to the Merger Agreement which has a material impact on the Merger and such breach cannot be remedied by the Offeror within 30 days following written notice from the Company.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and the Company may only invoke any or all of the conditions (1) to (3) set out in the paragraph headed "*Conditions to implementation*" in this section or terminate the Merger Agreement in accordance with the paragraph headed "*Termination*" in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror or the Company in the context of the Merger.

The Conditions to effectiveness must be satisfied before the Merger Agreement will become effective. The Merger Agreement becoming effective is therefore a possibility only. Further, Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions to implementation being satisfied or waived, as applicable. Neither the Company nor the Offeror provides any assurance that any or all of the Conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

4. CANCELLATION PRICE

Comparisons of value

The Cancellation Price is HK$3.10 per H Share. The Cancellation Price per H Share represents:

(a) a premium of approximately 1.64% over the closing price per H Share of HK$3.05 as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 33.62% over the closing price per H Share of HK$2.32 on the Stock Exchange on 17 November 2021, being Last Trading Date;

(c) a premium of approximately 56.57% over the closing price per H Share of HK$1.98 on the Stock Exchange on 16 November 2021, being the Last Full Trading Date;

(d) a premium of approximately 63.16% over the average closing price of HK$1.90 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Full Trading Date;

(e) a premium of approximately 67.57% over the average closing price of HK$1.85 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Full Trading Date;

(f) a premium of approximately 77.14% over the average closing price of HK$1.75 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Full Trading Date;

(g) a premium of approximately 85.63% over the average closing price of HK$1.67 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Full Trading Date;

(h) a premium of approximately 86.75% over the average closing price of HK$1.66 per H Share based on the average closing price of H Shares on the Stock Exchange for the 90 trading days immediately prior to and including the Last Full Trading Date;

(i) a premium of approximately 52.71% to the Group's restated net asset value attributable to the Shareholders per Share of approximately HK$2.03 as at 31 December 2020, based on the exchange rate of HK$1: RMB0.84164, being the median exchange rate on 31 December 2020 as announced by the People's Bank of China;

(j) a premium of approximately 9.93% to the Group's unaudited net asset value attributable to the Shareholders per Share of approximately HK$2.82 as at 30 June 2021, based on the exchange rate of HK$1: RMB0.83208, being the median exchange rate on 30 June 2021 as announced by the People's Bank of China; and

(k) a premium of approximately 8.77% to the Group's audited net asset value attributable to the Shareholders per Share of approximately HK$2.85 as at 31 December 2021, based on the exchange rate of HK$1: RMB0.81760, being the median exchange rate on 31 December 2021 as announced by the People's Bank of China.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, (i) the closing prices of the H Shares since 1 January 2019 and up to and including the Last Full Trading Date, as well as (ii) the successful and completed privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2021 and up to and including the Last Full Trading Date (the "**Privatisation Cases**").

The Board (including members of the Independent Board Committee, whose views are given after receiving the opinion of the Independent Financial Adviser) considers the Cancellation Price fair and reasonable and in the interest of the Shareholders as a whole on the following basis:

(i) The closing prices of the H Shares since 1 January 2019 and up to and including the Last Full Trading Date ranged from HK$1.08 to HK$2.23 with an average closing price of HK$1.52. The Cancellation price of HK$3.10 is significantly higher than this trading price range and represents a premium of approximately 103.95% over the above average closing price; and

(ii) The average and median premia of the Privatisation Cases over the average closing price for the last 30, 60 and 90 trading days ranged from approximately 61.63% to 68.99% and approximately 46.95% to 59.50% respectively. The Cancellation Price of HK$3.10 presents a premium of approximately 77.14%, 85.63%, and 86.75% over the average closing price of the H Share for the last 30, 60 and 90 trading days immediately prior to and including the Last Full Trading Date, respectively. The premia represented by the Cancellation Price is higher than both the average premia and median premia of the Privatisation Cases stated above.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK$3.05 on 29 March 2022 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK$1.52 on 30 August 2021.

Funding for the Merger

On the basis of (i) the Cancellation Price of HK$3.10 per H Share, and (ii) 1,391,500,000 H Shares in issue as at the date of this Composite Document, the amount of aggregate Cancellation Price required to be paid by the Offeror in cash to cancel the H Shares held by H Shareholders is HK$4,313,650,000.

Jin Shao HK, a wholly-owned subsidiary of the Offeror, has undertaken with the Offeror to pay on its behalf the total consideration for cancellation of the H Shares. The payment of the total consideration for cancellation of the H Shares will be financed by internal resources from the Offeror and its wholly-owned subsidiaries and external borrowings. The Offeror intends to pay the Cancellation Price by a loan facility in the principal amount of HK$4,000,000,000 obtained by Jin Shao HK from Industrial and Commercial Bank of China (Asia) Limited and its internal resources.

The Offeror has appointed Orient Capital and Nomura as its joint financial advisers in connection with the Merger. Orient Capital and Nomura, being the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror's obligations in respect of the full implementation of the Merger.

5. REASONS AND BENEFITS OF THE MERGER

The reasons and benefits of the Merger include:

(1) Recent financial performance of the Group and the uncertainties faced by the Group's businesses

The Group is principally engaged in the investment and operation of hotels, passenger transportation vehicles, logistics and travel agency businesses. The outbreak of the COVID-19 pandemic since the first quarter of 2020 has caused major social and economic impacts to the hotel and travel industry. It has also affected the Group's businesses. For the three years ended 31 December 2019, 2020, and 2021, the Group's revenue amounted to RMB20,977 million, RMB14,202 million, and RMB15,855 million, respectively. During the same periods, the Group's profit attributable to the Shareholders decreased from RMB676 million for 2019, to RMB291 million for 2020, and further decreased to RMB8 million for 2021, representing a decrease of 98.8% as compared to the same period of 2019.

As mentioned in the Company's annual results announcement for the year ended 31 December 2021, with the effective prevention and control of the pandemic in China, the domestic hotel market had seen a gradual recovery in occupancy rates as compared to 2020. There was also a gradual recovery in the occupancy rates for the Group's overseas business from the second half of 2021. However, uncertainties and volatilities exist in such recovery and the average occupancy rates for 2021 were still below the pre-pandemic levels as illustrated in the table below:

	Average occupancy rate			**ADR** *(Note 1)*			**RevPAR** *(Note 2)*		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Full service hotels in the PRC									
— 5-star luxury hotels	45%	33%	72%	RMB737	RMB720	RMB872	RMB333	RMB241	RMB627
— 4-star luxury hotels	57%	43%	63%	RMB400	RMB413	RMB533	RMB228	RMB178	RMB338
Select service hotels in the PRC									
— Middle-end hotels	68%	66%	78%	RMB246	RMB233	RMB260	RMB167	RMB155	RMB203
— Budget hotels	59%	54%	72%	RMB153	RMB141	RMB160	RMB90	RMB75	RMB115
Overall	64%	61%	75%	RMB214	RMB196	RMB211	RMB138	RMB119	RMB157
Select service hotels in overseas									
— Middle-end hotels	42%	34%	60%	EUR63	EUR64	EUR66	EUR26	EUR22	EUR39
— Budget hotels	47%	38%	67%	EUR51	EUR50	EUR54	EUR24	EUR19	EUR36
Overall	46%	37%	65%	EUR54	EUR53	EUR57	EUR25	EUR20	EUR37

Source: Annual results announcements of the Company

Notes:

(1) ADR: room revenue divided by rooms in use.

(2) RevPAR: room revenue divided by number of rooms available after deducting permanent house use.

Further, there have been cases of occasional regional COVID-19 outbreak in China and overseas. In particular, the new waves of Omicron cases in China in the first quarter of 2022 continue to bring uncertainties to the Group's businesses. It is expected that travel restrictions and quarantine requirements will continue to be in force in the near term. The Group's businesses in China, in particular, the hotel, food and restaurants, and travel agency businesses may continue to be negatively affected, and it is uncertain when or how quickly the demand on leisure and business travels will recover to pre-pandemic levels. On the other hand, the ongoing Russo-Ukrainian conflict started in February 2022 might continue to affect and bring uncertainties to the Group's overseas business.

The Offeror and the Board are of the view that the Merger would provide the H Shareholders an excellent opportunity to realise their investments in the Company at a premium and at a time when the market outlook of the Group is uncertain.

(2) Share price performance and liquidity

The price of the H Shares has underperformed its peers in recent years. In terms of price-to-earnings ratio ("**PER**") and price-to-book ("**PB**") ratio, the H Shares have been trading at a significant discount to most of its peers over the past three years.

The Offeror has identified four companies, namely Huazhu Group Limited ("**Huazhu Group**"), BTG Hotels (Group) Co., Limited ("**BTG Hotels**"), GreenTree Hospitality Group Limited ("**GreenTree**") and Shangri-La Asia Limited ("**Shangri-La Asia**") as comparable peers ("**Comparable Peers**") based on following criteria:

(i) Hotel chain operators with at least 50.0% of revenues derived from Mainland China directly, according to their latest published full year financial statements; and

(ii) Market capitalisation of at least HK$5.0 billion as at the Last Full Trading Date.

The following tables summarised the performance of the Company and the Comparable Peers (in terms of PER and PB ratio) over the last three years:

	Average PER *(Note 1)*					
Company (stock code)	**2019 Jan–Jun**	**2019 Jul–Dec**	**2020 Jan–Jun**	**2020 Jul–Dec**	**2021 Jan–Jun**	**2021 Jul–Last Full Trading Day**
The Company (2006.HK)	**12.0**	**9.0**	**10.1**	**Loss making**	**27.0**	**13.3**
BTG Hotels (600258.SH)	20.8	20.9	36.0	Loss making	Loss making	87.2
GreenTree (GHG.NYSE)	21.7	17.8	24.9	36.4	31.3	20.1
Huazhu Group (HTHT.NASDAQ; 1179.HK)	99.3	84.9	39.1	Loss making	Loss making	143.9
Shangri-La Asia (69.HK)	25.0	24.9	20.3	Loss making	Loss making	Loss making
Mean	35.8	31.5	26.1	Not meaningful	29.2	66.1
Median	21.7	20.9	24.9	Not meaningful	29.2	53.6
Maximum	99.3	84.9	39.1	36.4	31.3	143.9
Minimum	12.0	9.0	10.1	36.4	27.0	13.3

Company (stock code)	2019 Jan–Jun	2019 Jul–Dec	2020 Jan–Jun	2020 Jul–Dec	2021 Jan–Jun	2021 Jul–Last Full Trading Day
	Average PB Ratio *(Note 2)*					
The Company (2006.HK)	**1.0**	**0.7**	**0.8**	**0.8**	**0.8**	**0.6**
BTG Hotels (600258.SH)	2.2	2.0	1.8	2.3	3.0	2.8
GreenTree (GHG.NYSE)	5.4	4.3	4.8	4.7	4.2	2.6
Huazhu Group (HTHT.NASDAQ; 1179.HK)	11.3	10.0	11.5	13.7	10.4	8.7
Shangri-La Asia (69.HK)	0.8	0.6	0.5	0.5	0.6	0.5
Mean	4.1	3.5	3.9	4.4	3.8	3.0
Median	2.2	2.0	1.8	2.3	3.0	2.6
Maximum	11.3	10.0	11.5	13.7	10.4	8.7
Minimum	0.8	0.6	0.5	0.5	0.6	0.5

Source: (i) FactSet, (ii) annual/interim results announcements of the Company, (iii) annual/interim/quarterly results announcements of the Comparable Peers

Notes:

(1) Calculated by dividing the respective market capitalisation on each trading day by the respective trailing twelve months profits attributable to the ordinary shareholders, as extracted from published financial statements, and averaging the PER on each trading day.

(2) Calculated by dividing the respective market capitalisation on each trading day by the respective net asset value attributable to the ordinary shareholders, as extracted from published financial statements, and averaging the PB Ratio on each trading day.

In addition, the trading liquidity of the H Shares has also been relatively low for an extended period of time. The average daily turnover of the H Shares for the 12-month period up to and including the Last Full Trading Date was 1.83 million shares per trading day, representing only approximately 0.13% of the total issued H Shares as at the Last Full Trading Date.

The Offeror and the Board consider that the depressed share price and the low liquidity of the Shares makes it difficult for the H Shareholders to execute substantial on-market disposals without affecting the market price of the Shares.

Furthermore, the performance of the stock market in Hong Kong has been quite volatile in recent months. Since the Joint Announcement date and up to and including the Latest Practicable Date, the Hang Seng Index dropped by 2,758 points (approximately 11.2%) and closed between a range of 24,966 points and 18,415 points. In contrast, the Cancellation Price has been fixed at HK$3.10 per H Share, which will not change despite the decline of the Hang Seng Index or the broader market.

The Offeror and the Board believe that the Merger provides an excellent opportunity for the H Shareholders to dispose of their Shares at a compelling premium over the market price without having to suffer from any illiquidity discount, market volatility and settlement risk.

(3) Function of a listing platform and equity fund-raising ability

Since initial public offering of the H Shares on the Stock Exchange in 2006, the Company has not raised any capital through equity issuance or public bond offerings, primarily due to the unsatisfactory price performance and low liquidity of the H Shares. With the relatively low valuation level and sluggish trading volumes of the H Shares as abovementioned, the ability for the Company to raise funds from the equity market without significant dilution is limited.

(4) Cost savings and re-allocation of resources

Maintaining the listing status of the H Share requires the Group to incur administrative, compliance and other listing related costs and expenses. After the completion of the Merger, the H Shares will be delisted from the Stock Exchange, which is expected to benefit the Company from savings in costs related to the compliance and maintenance of the listing status of the Company.

The Offeror and the Company's management will also be able to re-allocate management resources originally applied towards the Group's administration, compliance and other matters relating to its listing status towards the business operations.

(5) Increased attributable interest and streamlining of decision making process

The privatisation of the Company would allow the Offeror to further increase its attributable interest in the Company, and following the implementation of the Merger, the Offeror would assume all of the Company's assets, liabilities and business affairs and be able to enjoy the flexibility to manage the Company's business with a more simplified corporate governance structure and could avoid the pressure from market expectations and stock price fluctuation as a listed company.

The Board (including members of the Independent Board Committee, whose views are given after receiving the opinion of the Independent Financial Adviser) is of the view that the terms of the Merger are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

6. FUTURE INTENTION OF THE OFFEROR

After completion of the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror that it will continue to carry on the existing business of the Company.

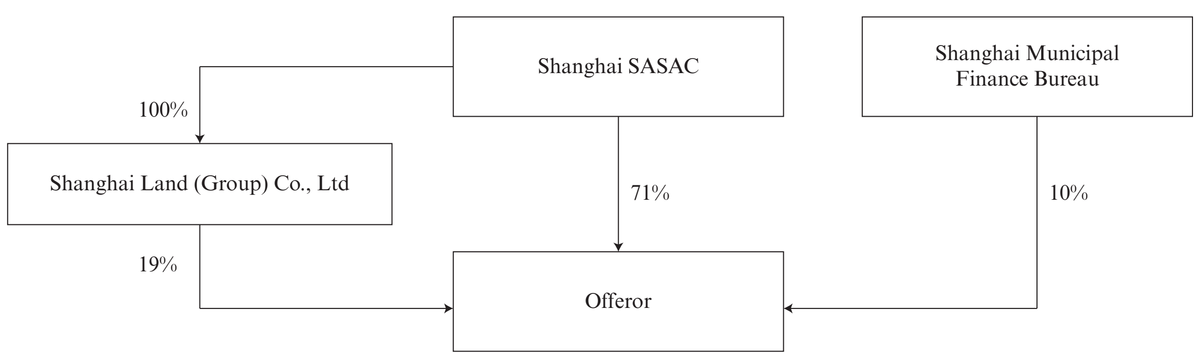
The Offeror does not have any immediate plan to introduce any major changes to the existing business of the Company (including any significant redeployment or disposal of the fixed assets as well as listed securities owned by the Company) after the Merger. Specifically, the Offeror does not have any immediate plan to (i) initiate any major assets or business restructuring plan between members of the Offeror and the Group (including its A shares listed subsidiaries), (ii) redevelop any major properties or dispose any major properties owned by the Group, (iii) re-list the Company or part of its business in the PRC or on any other overseas stock exchanges, and (iv) realise or dispose the equity interests in the A shares listed subsidiaries of the Group. The Offeror does not have any immediate plan to make any significant changes to the continued employment of the employees of the Company and its subsidiaries or discontinue the employment contracts of employees of the Company (other than in the ordinary course of business). The Offeror does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Offeror.

The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

7. INFORMATION ON THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 13 April 1991. As at the Latest Practicable Date, the Offeror is owned as to 71% by Shanghai SASAC, 19% by Shanghai Land (Group) Co., Ltd. which is wholly-owned by Shanghai SASAC and 10% by Shanghai Municipal Finance Bureau. The Offeror is one of the largest hotel and tourism conglomerates in terms of scale in the PRC.



(2) Information on the Company

The Company is a joint stock company with limited liability incorporated in the PRC. 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.

Set out below is the financial information of the Group for the years ended 31 December 2019, 2020 and 2021 as extracted from the annual report of the Company for the year ended 31 December 2020 and the annual results announcement of the Company for the year ended 31 December 2021 respectively prepared in accordance with Hong Kong Financial Reporting Standards.

	For the year ended 31 December		
	2021	**2020**	**2019**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(audited)		
		(Restated)	(Restated)
		(Note 1)	*(Note 2)*
Total assets	65,070,073	61,738,203	63,439,576
Revenue	15,854,560	14,202,264	20,977,074
Profit for the year	289,589	454,029	1,641,706

Notes:

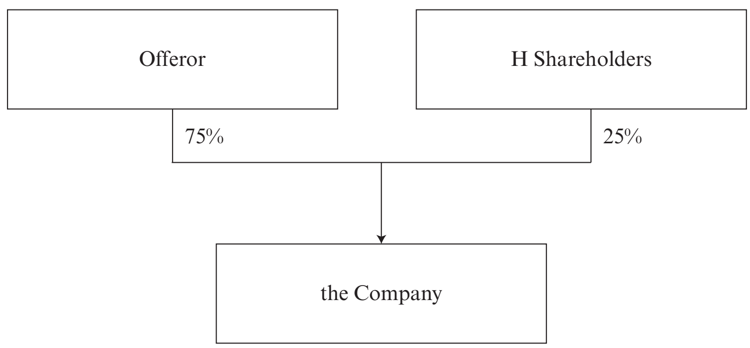
(1) As disclosed in the Company's annual results announcement for the year ended 31 December 2021, certain amounts presented in the consolidated financial statements of the Group as at 31 December 2020 and for the year ended then were restated as a result of the acquisition of 100% equity interest in Shanghai Yijiyou Information Technology Company Limited by a subsidiary of the Company, which is regarded as a common control combination and accounted for in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

(2) As disclosed in the Company's annual report for the year ended 31 December 2020, certain amounts presented in the consolidated financial statements of the Group as at 31 December 2019 and for the year ended then were restated as a result of the acquisition of 100% equity interests in Shanghai Gaoxiao Taxi Company Limited by a subsidiary of the Company, which is regarded as a common control combination and accounted for in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

(3) Shareholding in the Company

As at the Latest Practicable Date, the total issued shares of the Company are 5,566,000,000 Shares, which comprise 1,391,500,000 H Shares and 4,174,500,000 Domestic Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:



Notes:

(1) The percentages in the diagram above are expressed as percentages of the total issued Shares of the Company.

(2) All of the issued Domestic Shares, representing 75% of the Company's total issued share capital, are directly held by the Offeror.

(3) None of the Directors of the Company holds any H Shares of the Company. Based on information publicly available to the Company and so far as the Directors of the Company are aware, at least 25% of the Company's total issued share capital was held by the public (within the meaning of the Listing Rules) as at the Latest Practicable Date.

(4) Orient Capital and Nomura are the joint financial advisers to the Offeror in respect of the Merger. Accordingly, Orient Capital, Nomura and members of the Orient Securities Group and Nomura Group are presumed to be acting in concert with the Offeror in respect of shareholdings of the Company in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code (except in respect of the Shares held by members of the Orient Securities Group or the Nomura Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding the Shares held on behalf of non-discretionary investment clients of the Orient Securities Group and Nomura Group). As at the Latest Practicable Date, (i) members of the Nomura Group legally and beneficially owns a total of 9,832,000 H Shares (long position) and 7,864,000 H Shares (short position), representing approximately 0.18% (long position) and 0.14% (short position) of the total issued share capital respectively and approximately 0.71% (long position) and 0.57% (short position) of the total issued H Shares respectively, and (ii) save for Orient Securities (Hong Kong) Limited, a member of the Orient Securities Group, is holding certain H Shares for and on behalf of its non-discretionary investment clients, the Orient Securities Group does not self-own any Shares of the Company.

As at the Latest Practicable Date, the Offeror owns all of the 4,174,500,000 issued Domestic Shares directly in the Company, representing 75% of the voting interests in the Company.

As at the Latest Practicable Date, there are no outstanding options, warrants, convertible securities, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company.

(4) Results of the application to the Executive to rebut the "acting in concert" presumption

As disclosed in the Joint Announcement, as at 30 June 2021, Pacific Asset Management owns 264,700,000 H Shares of the Company, representing approximately 19.02% of the total issued H Shares or 4.76% of the total issued Shares as set out in the Company's interim report for the six months ended 30 June 2021. Pacific Asset Management is a non-wholly owned subsidiary of CPIC. Based on publicly available information as disclosed in CPIC's quarterly report for the nine months ended 30 September 2021, CPIC is in turn owned as to approximately 13.79% by Shenergy (Group) Co., Ltd., 5.70% by Shanghai State-Owned Assets Operation Co., Ltd. and 1.66% by Shanghai International Group Co., Ltd. (collectively, the "**Shanghai SASAC Shareholders**"). Each of the Shanghai SASAC Shareholders is wholly-owned by Shanghai SASAC. As (i) the Offeror is directly and indirectly owned as to 90% by Shanghai SASAC and (ii) Shanghai SASAC indirectly holds an aggregate of approximately 21.15% of CPIC through the Shanghai SASAC Shareholders, the Offeror is presumed to be acting in concert with CPIC under the Class 1 Presumption.

As disclosed in the announcement jointly published by the Offeror and the Company on 8 December 2021, the Offeror had submitted an application to the Executive to rebut the Class 1 Presumption, and has obtained the Executive's ruling that the Class 1 Presumption is rebutted. The basis and justifications for the rebuttal of the Class 1 Presumption provided in the application for rebuttal included (among others) the following:

(i) Pacific Asset Management is an insurance asset management company established in the PRC and is regulated by the CBIRC. Pacific Asset Management invested in shares listed on the Stock Exchange (including the Company's Shares) through entrusted overseas insurance investment funds in accordance with the Interim Measures for the Administration of Overseas Investment with Insurance Funds (保險資金境外投資管理暫行辦法) and the relevant implementation rules. The investment in the Company's Shares is an independent decision made by the investment committee of Pacific Asset Management. Further, pursuant to Article 4 of the Administrative Measures for the Use of Insurance Funds (保險資金運用管理辦法) issued by the CBIRC, which CPIC (as an insurance company) is subject to, insurance funds shall be used independently and no shareholders of insurance group (holding) companies or insurance companies may interfere with the operation of insurance funds in violation of laws and regulations. Given that the investment in the Company is made by Pacific Asset Management on behalf of CPIC's subsidiary in the utilization of insurance funds, based on the aforementioned regulations, CPIC shall independently manage its investment in the Company and no approval from Shanghai SASAC in this regard is required. Accordingly, Shanghai SASAC did not have control of, or have influence on, CPIC's exercise of the voting rights in the Company.

(ii) Each of the Shanghai SASAC Shareholders has its own corporate governance policies and board of directors, who oversee the decision-making process of the respective entity. Despite Shanghai SASAC's shareholding in each of the Shanghai SASAC Shareholders, not all investment decisions of these entities are subject to the supervision of Shanghai SASAC. Further, each of the Shanghai SASAC Shareholders has different investment focus and nature with independent financial and business operations. The Offeror, Shanghai SASAC or their respective representatives or nominees on the one hand did not have any discussion or communication of any form with CPIC, its directors or their respective representatives or nominees on the other hand in the exercise of their respective voting rights in the Company in the past.

As (i) the Class 1 Presumption is rebutted; (ii) none of the relationships or scenarios under class (2) to class (9) presumptions in the definition of "acting in concert" under the Takeovers Code applies in respect of the Offeror and CPIC; and (iii) the Offeror and CPIC do not actively cooperate to obtain or consolidate control of the Company pursuant to any agreement or understanding, Pacific Asset Management is entitled to vote on the resolutions in respect of the Merger at the H Shareholders' Class Meeting and the EGM.

8. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

The Pre-Condition has been fulfilled on 28 March 2022. None of the Conditions to effectiveness and the Conditions to implementation has been fulfilled or waived as at the Latest Practicable Date.

The Merger complies with Rule 2.10 of the Takeovers Code and is governed by the Takeovers Code. The Company does not intend to retain its listing on the Stock Exchange upon satisfaction (or waiver, if applicable) of all the Conditions, and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange and the date on which the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason. In such cases, no cancellation of the Shares will take place pursuant to the Merger Agreement and the Company's public float would not be affected as a result of the Merger not being approved or otherwise lapses or does not become unconditional.

Pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, in the event where the Merger has not become or been declared unconditional, or has been withdrawn or has lapsed, neither the Offeror nor any person who acted in concert with the Offeror in the Offer Period, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Merger is withdrawn or lapses either (i) announce an offer or possible offer for the Company or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

9. BOARD APPROVAL, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board approved the Merger and its related matters at its board meeting on 21 November 2021.

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors of the Company, being Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang. Such committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. Please refer to the section headed "*LETTER FROM THE INDEPENDENT BOARD COMMITTEE*" in this Composite Document.

The Company has appointed Somerley Capital Limited as its Independent Financial Adviser to provide advice to the Independent Board Committee in respect of the Merger. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. For the opinions and advice of the Independent Financial Adviser, please refer to the section headed "*LETTER FROM THE INDEPENDENT FINANCIAL ADVISER*" in this Composite Document.

10. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement and the Merger are conditional on (i) the approval by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (ii) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

The H Shareholders or (as the case may be) the Independent H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the registrar of H Shares, Computershare Hong Kong Investor Services Limited, on Tuesday, 26 April 2022 and who have completed all necessary registration procedures will be entitled to attend the EGM and the H Shareholders' Class Meeting.

No reply slip is required for Shareholders to attend the Company's general meetings or class meetings pursuant to the Articles.

Suspension of registration of Share transfers

The register of members of the Company will be closed from Thursday, 21 April 2022 to Tuesday, 26 April 2022, during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the Independent H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with (for H Shareholders) the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or (for the Domestic Shareholder) the Company's correspondence address at 26/F., Union Building, No.100 Yan'an East Road, Shanghai, the PRC no later than 4:30 p.m. on Wednesday, 20 April 2022.

Proxy forms

Whether or not you intend to attend the EGM or the H Shareholders' Class Meeting, you are strongly urged to complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules and Rule 2.9 of the Takeovers Code, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

The PRC Company Law does not require any Shareholders to abstain from voting in respect of the Merger in the EGM.

The Offeror and the parties acting in concert with it will not be entitled to vote at the H Shareholders' Class Meeting in accordance with Rule 2.10 of the Takeovers Code.

There are no other restrictions imposed on any Shareholders or Independent H Shareholders to cast votes on the relevant resolutions at the EGM and the H Shareholders' Class Meeting respectively.

11. TAXATION

Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the Merger or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, Orient Capital and Nomura as the joint financial advisers to the Offeror or the Independent Financial Adviser, nor their respective directors or any person participating in the Merger, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights.

Hong Kong stamp duty

When the Cancellation Price is paid, the corresponding H Shares will be cancelled. Therefore, the implementation of the Merger does not involve the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.13% of the consideration by each of the seller and the buyer. The stamp duty payable will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

12. RECOMMENDATION OF THE BOARD

The Board (including members of the Independent Board Committee, whose views are given in the section headed "*LETTER FROM THE INDEPENDENT BOARD COMMITTEE*" in this Composite Document) is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Merger Agreement and taken into account the advice from the Independent Financial Adviser, the Independent Board Committee is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Board recommends that the Shareholders vote in favour of the resolutions in relation to the Merger at the EGM and the H Shareholders' Class Meeting.

13. OTHER INFORMATION

Your attention is drawn to other information set out in the appendices to this Composite Document.

In considering what actions to take in connection with the Merger, you should consider your own tax and financial positions and, if you are in doubt, you should consult your own professional advisers.

By order of the board of
Shanghai Jin Jiang Capital Company Limited*
Ma Mingju
Executive Director and CEO

* *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**".*

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)

1 April 2022

To the Independent H Shareholders

Dear Sir or Madam,

(1) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY THE OFFEROR; (2) PROPOSED WITHDRAWAL OF LISTING; (3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING; AND (4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

INTRODUCTION

We refer to the composite document dated 1 April 2022 jointly issued by the Company and the Offeror (the "**Composite Document**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Composite Document shall have the same meaning when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent H Shareholders as to whether the terms of the Merger are, or are not, fair and reasonable and as to voting.

Somerley Capital Limited has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise us as to whether or not the terms of the Merger are fair and reasonable so far as the Independent H Shareholders are concerned and as to voting. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from the Independent Financial Adviser on pages 36 to 82 of the Composite Document. We also wish to draw your attention to, and advise you to read, the letter from the Board on pages 8 to 33 of the Composite Document, the letter from Independent Financial Adviser on pages 36 to 82 of the Composite Document and the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Merger and are therefore able to consider the terms of the Merger and to make recommendations to the Independent H Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter, we concur with the view of the Independent Financial Adviser and consider the terms of Merger to be fair and reasonable so far as the Independent H Shareholders are concerned.

Accordingly, we concur with the recommendation of the Independent Financial Adviser, and would recommend the Independent H Shareholders to vote in favour of the Merger.

Notwithstanding our views and recommendation in respect of the terms of the Merger, the Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in doubt, the Shareholders should consult their own professional advisers for professional advice.

Yours faithfully
For and on behalf of
THE INDEPENDENT BOARD COMMITTEE

Mr. Ji Gang
Independent Non-Executive Director

Dr. Rui Mingjie
Independent Non-Executive Director

Mr. Shen Liqiang
Independent Non-Executive Director

Set out below is the text of a letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Composite Document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

1 April 2022

To: the Independent Board Committee

Dear Sirs,

(1) PROPOSED MERGER BY ABSORPTION OF THE COMPANY BY THE OFFEROR AND (2) PROPOSED WITHDRAWAL OF LISTING

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Merger, details of which are set out in the Composite Document dated 1 April 2022, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 24 November 2021, the Offeror and the Company entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions. After the completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

The Independent Board Committee consisting of all the independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang, has been established to advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. With the approval of the Independent Board Committee, we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in these regards.

We are not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Merger. During the past two years, there was no engagement between the Company and Somerley. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion and recommendations, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed, among others, (i) annual reports of the Company for the years ended 31 December 2019 and 2020, and its annual results announcement for the year ended 31 December 2021, and (ii) relevant information contained in the Composite Document. We have discussed with the Directors their statements set out in the section headed "4. Material Change" in Appendix I to the Composite Document that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date. We have also reviewed the trading performance of the H Shares on the Stock Exchange.

We have sought and received confirmation from the Directors that all material information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendations as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have assumed that all representations contained or referred to in the Composite Document are true as at the date of the Composite Document and will continue to be true up to the end of the Offer Period. H Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such representations during the Offer Period.

We have not considered tax and regulatory implications on the Independent H Shareholders as regards the Merger since these depend on their individual circumstances. In particular, the Independent H Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE MERGER

The principal terms of the Merger are summarised below. The Independent H Shareholders are urged to read the Composite Document including its appendices in full.

The Merger and the consideration

Pursuant to the Merger Agreement, the Offeror will pay the Cancellation Price in the amount of **HK$3.10 per H Share** to the Independent H Shareholders in cash as soon as possible and in any event no later than seven (7) business days after the fulfilment (or waiver, as applicable) of the Pre-Condition and the Conditions (by 17 May 2022 based on the expected timetable). No consideration is payable in respect of the Domestic Shares as the Offeror is the sole Domestic Shareholder.

As set out in the letter from the Board, the Cancellation Price has been determined on a commercial basis after taking into account, among other things, (i) the closing prices of the H Shares since 1 January 2019 and up to and including the Last Full Trading Date, as well as (ii) the successful and completed privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2021 and up to and including the Last Full Trading Date. Our independent analysis on the share price performance of the H Shares and the privatisation precedents is set out in the section below headed "4. Analysis of price performance and trading liquidity" and "5. Privatisation precedents" respectively.

All rights attaching to such H Shares (except for the right to receive the Cancellation Price) shall cease to have effect and the relevant H Shares shall be cancelled with effect from the Delisting Date. The share certificates for H Shares will cease to have effect as documents or evidence of title.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so. Independent H Shareholders should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

Subject to the terms and conditions of the Merger Agreement, the Merger will be implemented by the Offeror merging with the Company by way of merger by absorption. After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company, and the Company will be eventually deregistered.

Pre-Condition to the Merger Agreement becoming effective

The Merger Agreement was subject to the satisfaction of the Pre-Condition, being the review, approval, filing or registration, as applicable, with or by (a) the National Development and Reform Commission of the PRC (as applicable), (b) the Ministry of Commerce of the PRC or its local authorities (as applicable) and (c) the State Administration of Foreign Exchange of the PRC or its local authorities (as applicable), (d) the State-owned Assets Supervision and Administration Commission of the State Council or its local authorities or authorised units (as applicable), and such other applicable governmental approvals in respect of the Merger having been obtained or completed.

On 28 March 2022, the Offeror and the Company jointly announced that the Pre-Condition had been satisfied.

Conditions to effectiveness

After the Pre-Condition is satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is waivable) (being the Condition(s) to effectiveness):

(1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws; and

(2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders' Class Meeting, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution(s) is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by 23 November 2022 (being the Long-stop Date), the Merger Agreement will be terminated by either party.

As at the Latest Practicable Date, none of the Conditions to effectiveness had been satisfied or waived.

Conditions to implementation

After the Merger Agreement becomes effective, the implementation of the Merger shall be subject to the following conditions being satisfied or waived, as applicable (being the Condition(s) to implementation):

(1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;

(2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and

(3) there being no law, restriction or prohibition of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition to implementation (1) above and the Offeror shall be entitled to waive Condition to implementation (2) above. Condition to implementation (3) above is not waivable.

If the above Conditions to implementation are not satisfied or if applicable, waived, by 23 November 2022 (being the Long-stop Date), the Merger Agreement will be automatically terminated.

As at the Latest Practicable Date, none of the Conditions to implementation had been satisfied or waived.

The Company's Undertakings

Unless with the prior written consent of the Offeror, the Company shall not issue any Shares, create or grant (or permit the creation, issue or grant) of convertible securities, options or warrants in respect of Shares, conduct any acquisitions or disposals which may constitute a discloseable transaction or above under Chapter 14 of the Listing Rules, declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders, enter into contracts otherwise than in the ordinary course of business, or cause the Company or any subsidiary or associated company to buy back, purchase or redeem any Shares or provide financial assistance for any such buy-back, purchase or redemption, or any other actions that may constitute a frustrating action under Rule 4 of the Takeovers Code since the date of the Merger Agreement till the termination of the Merger Agreement or the Delisting Date (whichever is earlier).

As at the Latest Practicable Date, the Company has no outstanding dividend that has been declared, made but not yet paid. In addition, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of the Composite

Document up to the date on which all of the Conditions are satisfied or waived (as applicable), or the date on which the Merger is not approved or otherwise lapsed (as the case may be).

Right of a Dissenting Shareholder

According to the Articles, any Dissenting Shareholder may by written notice request the Company and/or other Shareholders who have approved the Merger (collectively the "**Consenting Shareholders**") to acquire its Shares at a "fair price". Pursuant to the Merger Agreement, if any Dissenting Shareholder exercises its right, subject to the criteria as described in the paragraph headed "Right of a Dissenting Shareholder" under the section headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT" in the Letter from the Board, to request the Company and/or other Consenting Shareholders to acquire its Shares at a "fair price" during the Declaration Period, the Offeror may, upon the request by the Company and/or the Consenting Shareholders, assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a "fair price".

The Independent H Shareholders should note that there is no administrative guidance on the substantive as well as procedural rules as to how the "fair price" will be determined under the PRC Laws. Therefore, no assurance can be given as to (i) the time required for the process; (ii) whether any favourable results will be granted to the Dissenting Shareholders; and (iii) the cost which may be incurred by the Dissenting Shareholders, in such process for determining the "fair price".

Under the Articles, whenever any disputes or claims arise between the H Shareholders and the Company, the H Shareholders and the Company's directors, supervisors, general manager or other senior management officers, or the H Shareholders and the Domestic Shareholders, in respect of any rights or obligations arising from the Articles, the PRC Company Law or any rights or obligations conferred or imposed by any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration. If a Dissenting Shareholder decides to exercise its right to request the Company and/or the Consenting Shareholders to acquire its Shares at a "fair price", the Company/the Offeror will explain to such Dissenting Shareholder that the Cancellation Price is fair. If the matter cannot be resolved, the Dissenting Shareholder may bring such dispute or claim arising from the determination of the "fair price" to the relevant arbitration body.

For the avoidance of doubt, if the Merger does not proceed as a result of the Conditions not being satisfied (or waived, if applicable) or the Merger otherwise lapses or does not become unconditional, the Dissenting Shareholders (if any) shall not be entitled to exercise their right as described above.

Proposed withdrawal of listing of H Shares

The Company does not intend to retain its listing on the Stock Exchange upon satisfaction (or waiver, if applicable) of all the Conditions, and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange and the date on which the formal delisting of the H Shares will become effective.

Based on the expected timetable, the EGM and the H Shareholders' Class Meeting will be held on 26 April 2022. The last day for dealings in H Shares on the Stock Exchange will be 26 April 2022, and the expected date and time of withdrawal of listing of H Shares will be 5 May 2022. For additional information, please see the expected timetable in the Composite Document.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason.

Pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, in the event where the Merger has not become or been declared unconditional, or has been withdrawn or has lapsed, neither the Offeror nor any person who acted in concert with the Offeror in the Offer Period, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Merger is withdrawn or lapses, either (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Reasons for and benefits of the Merger

The Board is of the view that the terms of the Merger are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Summarised below are the key reasons for and benefits of the Merger, details of which are set out in the section headed "5. REASONS AND BENEFITS OF THE MERGER" in the Letter from the Board.

Recent financial performance of the Group and the uncertainties faced by the Group's businesses

The outbreak of the COVID-19 pandemic since early 2020 has caused major social and economic impacts to the hotel and travel industry, and has negatively affected the Group's businesses. With the effective prevention and control of the pandemic in China, the domestic hotel market has seen a gradual recovery in occupancy rates in 2021 as compared to 2020. There was also a gradual recovery in the occupancy rates for the Group's overseas business from the second half of 2021. However, uncertainties and volatilities remain, and the average occupancy rates of the Group's hotels in 2021 were still below the pre-pandemic levels.

Further, there have been cases of occasional regional COVID-19 outbreak in China and overseas. In particular, the new wave of Omicron cases in China in the first quarter of 2022 continue to bring uncertainties to the Group's businesses. It is expected that travel restrictions and quarantine requirements will continue to be in force in the near term. The Group's businesses in China, in particular, the hotel, food and restaurants, and travel agency businesses may continue to be negatively affected, and it is uncertain when or how quickly the demand on leisure and business travels will recover to the pre-pandemic levels. On the other hand, the ongoing Russo-Ukrainian conflict started in February 2022 might continue to affect and bring uncertainties to the Group's overseas business.

H Share price performance and liquidity

The price of the H Shares has underperformed its peers in recent years. The H Shares have been trading at a significant discount to most of its peers over the past three years, in terms of price-to-earnings ratio and price-to-book ratio. Our independent analysis on the Company's peers is set out in the section below headed "6. Comparable companies".

In addition, the trading liquidity of the H Shares has been relatively low for an extended period of time. The average daily turnover of the H Shares for the 12-month period up to and including the Last Full Trading Date was approximately 1.83 million shares per trading day, representing only approximately 0.13% of the total issued H Shares as of the Last Full Trading Date. Please refer our further analysis in the section below headed "4. Analysis of the price performance and trading liquidity".

Function of a listing platform and equity fund-raising ability

Since initial public offering of the H Shares on the Stock Exchange in 2006, the Company has not raised any capital through equity issuance or public bond offerings primarily due to the unsatisfactory price performance and low liquidity of the H Shares. With the relatively low valuation level and sluggish trading volumes of the H Shares, the ability for the Company to raise funds from the equity market without significant dilution is limited.

Cost savings

Maintaining the listing status of the H Shares requires the Group to incur administrative, compliance and other listing related costs and expenses. After the completion of the Merger, the H Shares will be delisted from the Stock Exchange, which is expected to benefit the Company from savings in costs related to the compliance and maintenance of the listing status of the Company.

Streamlining of decision making process

Following the implementation of the Merger, the Offeror would assume all of the Company's assets, liabilities and business affairs and be able to enjoy the flexibility to manage the Company's business with a more simplified corporate governance structure and could avoid the pressure from market expectations and stock price fluctuation as a listed company.

2. Information and prospects of the Group

(i) Background and principal activities

The Company is a joint stock company incorporated in the PRC with limited liability. It had a total of 5,566,000,000 issued Shares, comprising (i) 1,391,500,000 H Shares which have been listed on the Main Board of the Stock Exchange since December 2006 and (ii) 4,174,500,000 unlisted Domestic Shares. The H Shares have a market capitalisation of approximately HK$4.2 billion as at the Latest Practicable Date.

The Group is principally engaged in the PRC Full Service Hotel Business, the Select Service Hotel Business, the Passenger Transportation Vehicles and Logistics Business, the Travel Agency Business, and other related businesses. The Group is structured as an integrated hospitality and travel services provider, offering hospitality services tailored to all segments ranging from budget accommodation to 5-star luxary hotels. Set out below are the brief introduction of the Group's main business segments.

- *PRC Full Service Hotel Business*: Provision of management to other parties to operate full service hotels and operation of self-owned full service hotels in the PRC, which accounted for approximately 8.7% of the Group's consolidated revenue in 2021.

As at 31 December 2021, the Group owned or managed 81 full service hotels in operation, among which (i) 62 hotels were owned by third parties but managed by the Group, (ii) 18 hotels were owned and managed by the Group, and (iii) 1 hotel was owned by the Group but managed by a third party. In addition, there were 12 full service hotels under development that were owned by third parties but will be managed or operated by the Group.

- *Select Service Hotel Business*: Provision of management and franchising to other parties to operate select service hotels and operation of self-owned select service hotels, primarily (a) in the PRC under brands including "Jin Jiang Metropolo", "Jin Jiang Inn" and those operated by Plateno Group and Vienna Hotels, and (b) in Europe under brands operated by GDL, as further discussed below. The above business is held by the Group through Shanghai Jin Jiang International Hotels Co., Ltd. (上海錦江國際酒店股份有限公司) ("**Jin Jiang Hotels**"), a 45.05% owned subsidiary listed on the Shanghai Stock Exchange (A Share Stock Code: 600754, B Share Stock Code: 900934), which generated revenue accounting for approximately 70.6% of the Group's consolidated revenue in 2021;

  As at 31 December 2021, there were 10,613 select service hotels in operation, including 9,355 hotels located in the PRC and the remaining 1,258 hotels located mainly in Europe and other countries in Asia. Out of the 10,613 select service hotels, 9,692 hotels were owned by third parties but operated under franchises granted by the Group, about 689 hotels were rented and operated by the Group from third parties, and about 232 hotels were owned and managed by the Group. On the same date, there were 4,739 select service hotels under development that are owned by third parties but will be managed or operated by the Group or franchisees, and 21 select service hotels under development that will be owned and managed by the Group;

- *Passenger Transportation Vehicles and Logistics Business*: Investment and operation of passenger transportation vehicles, logistics and related businesses, conducted through Shanghai Jin Jiang Online Network Service Co., Ltd. (上海錦江在線網絡服務股份有限公司) ("**Jin Jiang Online**"), a 39.26% owned subsidiary listed on Shanghai Stock Exchange (A Share Stock Code: 600650, B Share Stock Code: 900914), which generated revenue accounting for approximately 15.8% of the Group's consolidated revenue in 2021; and

- *Travel Agency Business*: Investment and operation of travel agency and related businesses, conducted through Shanghai Jin Jiang International Travel Co., Ltd. (上海錦江國際旅遊股份有限公司) ("**Jin Jiang Travel**"), a 50.21% owned subsidiary listed on Shanghai Stock Exchange (B Share Stock Code: 900929), which generated revenue accounting for approximately 1.8% of the Group's consolidated revenue in 2021.

As set out in the Company's 2021 annual results announcement, in terms of the number of hotel guest rooms in operation, the Group, together with the guest rooms in operation of Radisson Hotel Group owned by the Offeror, ranked second in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in August 2021.

Recent notable acquisitions

In recent years, the Group continued to focus its strategy of "intensive domestic business development, global deployment and multinational operations" and integrate its hotel related businesses to leverage synergies from acquisitions made in the prior years. The notable ones included:

- The acquisition of 100% shares in Groupe du Louvre ("**GDL**", which is principally engaged in the operation of various chain select service hotel business in Europe under the brands of, among others, "Premiere Classe", "Campanile", "Kyriad" and "Golden Tulip") at a consideration of approximately EUR1.3 billion (equivalent to approximately RMB8.8 billion) by Jin Jiang Hotels in February 2015. According to Jin Jiang Hotels' annual results and reports, GDL contributed revenue of approximately EUR234.3 million in 2020 and approximately EUR301.8 million in 2021 to Jin Jiang Hotels, the accounts of which are also consolidated into those of the Company;

- The acquisition of approximately 81.0% equity interests in Keystone Lodging Holdings Limited ("**Plateno Group**", which is principally engaged in operating chain hotels in the PRC under the brands of, among others, "Lavande", "James Joyce Coffetel", "IU", "7 Days Inn" and "Pai") at a consideration of approximately US$1.2 billion (equivalent to approximately RMB8.1 billion) by Jin Jiang Hotels in February 2016. Jin Jiang Hotels subsequently acquired the remaining interests in Plateno Group between 2017 and 2021. According to Jin Jiang Hotels' annual results and reports, Plateno Group contributed revenue of approximately RMB2,837.9 million in 2020 and approximately RMB3,228.0 million in 2021 to Jin Jiang Hotels; and

- The acquisition of 80% equity interests in Vienna Hotels Group Co., Ltd. ("**Vienna Hotels**", which is principally engaged in operating chain hotels in the PRC under the brands of, among others, "Venus Royal", "Vienna International", "Vienna Classic" and "Vienna Hotels") at a consideration of approximately RMB1.7 billion by Jin Jiang Hotels in July 2016. According to

Jin Jiang Hotels' annual results and reports, Vienna Hotels contributed revenue of approximately RMB2,717.5 million in 2020 and approximately RMB3,262.6 million in 2021 to Jin Jiang Hotels.

Operational statistics

Set out below are the major operational statistics of the PRC Full Service Hotel Business and the Select Service Hotel Business, including average occupancy rate, room revenue divided by guess rooms in use ("**ADR**") and room revenue per number of room(s) available (after deducting permanent house use) ("**RevPAR**"), for the three years ended 31 December 2019, 2020 and 2021:

	Average occupancy rate For the year ended 31 December			**ADR per room For the year ended 31 December**			**RevPAR per room For the year ended 31 December**		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Full service hotels in the PRC									
— 5-star luxury hotels	45%	33%	72%	RMB737	RMB720	RMB872	RMB333	RMB241	RMB627
— 4-star luxury hotels	57%	43%	63%	RMB400	RMB413	RMB533	RMB228	RMB178	RMB338
Select service hotels in the PRC									
— Middle-end hotels	68%	66%	78%	RMB246	RMB233	RMB260	RMB167	RMB155	RMB203
— Budget hotels	59%	54%	72%	RMB153	RMB141	RMB160	RMB90	RMB75	RMB115
Overall	64%	61%	75%	RMB214	RMB196	RMB211	RMB138	RMB119	RMB157
Select service hotels in overseas									
— Middle-end hotels	42%	34%	60%	EUR63	EUR64	EUR66	EUR26	EUR22	EUR39
— Budget hotels	47%	38%	67%	EUR51	EUR50	EUR54	EUR24	EUR19	EUR36
Overall	46%	37%	65%	EUR54	EUR53	EUR57	EUR25	EUR20	EUR37

As shown in the above, performance of full service hotels and select service hotels deteriorated substantially in 2020 as compared to 2019, mainly due to the negative impacts arising from the outbreak of the COVID-19 pandemic and the resulting travel restrictions since early 2020. In 2021, the PRC hotels partially recovered from the low in 2020 as the pandemic was contained in the PRC, while the overseas hotels remained operating at low occupancy rates, despite some recovery following the gradual relaxation of anti-epidemic measures and restrictions by certain European nations in the second half of 2021.

For full service hotels in the PRC, average occupancy rate of 5-star luxury hotels in 2020 decreased by 39 percentage points to 33%, and RevPAR decreased by approximately 61.6% to RMB241 in 2020 as compared to 2019. In 2021, both the average occupancy rate and the RevPAR of 5-star luxury hotels experienced a rebound, to 45% and to RMB333 respectively, but were still substantially below the levels in 2019, when average occupancy rate was 72% and RevPAR was RMB627. The overall operations of 4-star luxury hotels in the PRC were relatively less affected by the pandemic in 2020, and had also seen a rebound in 2021.

Select service hotels in the PRC were, compared to other categories, less affected by the COVID-19 pandemic. Average occupancy rate dropped 14 percentage points to 61% in 2020, while RevPAR dropped approximately 24.2% to RMB119 in 2020. The rebound in 2021 was also milder compared to other categories, with average occupancy rate slightly raised to 64% and RevPAR raised to RMB138. Regarding select service hotels in overseas, the overall average occupancy rate and RevPAR decreased by 28 percentage points and approximately 45.9% respectively in 2020 as compared to 2019. In 2021, the average occupancy rate recovered by 9 percentage points to 46%, while RevPAR increased to EUR25.

Based on our discussions with the management of the Group, despite a gradual recovery from COVID-19 seen in the PRC during the year 2021, performance of the Group's PRC hotels remained notably lower than the levels in 2019, especially for the 5-star luxury hotels, as the reduced international leisure and business travels are still bringing a negative impact to such business. As regards the operations of the Group's overseas hotels, the average occupancy rate and the ADR remained at low levels despite some recovery in 2021. The gradual easing of restrictions within the Europe Union is expected to bring benefits to tourism industry in the region, the full effect of which is yet to be known. The time required for the Group's PRC and European operations to return to the pre-pandemic levels rest largely with, among others, the ongoing development of COVID-19 situation, the re-emergence of any contagious variant and its severity, and the time required for domestic and international travellers to restore confidence in travelling. As a whole, there are still various uncertainties and challenges facing by the Group, including travel restrictions between countries and regions, the mutation of the COVID-19 virus leading to a surge in new cases globally since late December 2021, and the latest surge in confirmed COVID-19 cases in China since March 2022 resulted in the PRC government's relatively restrictive measures in the affected regions. These in turn caused negative impacts on the Group's hotel related businesses. Generally speaking, the Group's hotel related businesses have not yet to return to the pre-pandemic levels.

(ii) Financial information

Financial performance

The following table sets out a summary of the consolidated statements of profit or loss of the Group for the three years ended 31 December 2019, 2020 and 2021, as extracted and summarised from the Company's 2021 annual results announcement and annual reports. Further details and other financial information of the Group are set out in Appendix I to the Composite Document.

	For the year ended 31 December		
	2021	**2020**	**2019**
	(audited)	*(restated)*	*(restated)*
		(Note 1)	*(Note 2)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**15,854,560**	**14,202,264**	**20,977,074**
Cost of sales	(11,695,544)	(11,459,332)	(14,904,687)
Gross profit	4,159,016	2,742,932	6,072,387
Gross profit margin	26.2%	19.3%	28.9%
Other income and gain	968,453	2,875,028	779,108
Selling and marketing expenses	(1,117,999)	(1,071,995)	(1,360,815)
Administrative expenses	(2,705,616)	(2,606,173)	(2,455,660)
Net impairment losses on financial assets	(22,933)	(66,437)	(5,011)
Other expenses and losses	(153,104)	(225,117)	(116,628)
Operating profit	**1,127,817**	**1,648,238**	**2,913,381**
Finance costs — net	(771,300)	(924,474)	(965,276)
Share of results of joint ventures and associates	128,602	132,232	276,626
Profit before income tax	485,119	855,996	2,224,731
Income tax expense	(195,530)	(401,967)	(583,025)
Profit for the year	289,589	454,029	1,641,706
Profit attributable to the Shareholders	**8,293**	**290,873**	**675,731**
Earnings per share — Basic and diluted *(RMB cents)*	0.15	5.23	12.14
Proposed dividend per share *(RMB cents)*	—	1.02	6.20

Notes:

(1) *In July 2021, the Group, through Jin Jiang Online, acquired 100% equity interests in Shanghai Yijiyou Information Technology Company Limited ("**Yijiyou**", a company principally engaged in computer and network engineering, development and maintenance of computer software and hardware, computer systems integration, software design, technological development relating to computers, information technology and other related businesses), which was regarded as a common control combination and accounted for using the principles of merger accounting in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. Comparative figures as at 31 December 2020 and for the year ended then were restated in accordance with the above accounting treatment*

(2) *In October 2020, the Group, through Jin Jiang Online, acquired 100% equity interests in Shanghai Gaoxiao Taxi Company Limited ("**Gaoxiao Taxi**", a company principally engaged in taxi operation in the PRC), which was regarded as a common control combination and accounted for using the principles of merger accounting in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. Comparative figures as at 31 December 2019 and for the year ended then were restated in accordance with the above accounting treatment*

(i) Revenue

Revenue of the Group, in particular those generated from its hotel and travel agency businesses, showed a significant decline in 2020, mainly due to the impact of the COVID-19 pandemic. Although some recovery was noted in 2021 as compared to 2020, the Group's revenue is still substantially below the pre-pandemic levels. Details of the Group's revenue by business segments and the respective contribution to total revenue are set out in the table below.

	For the year ended 31 December					
	2021		**2020**		**2019**	
	(RMB million)	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*
PRC Full Service Hotel Business	1,373	8.7	1,176	8.3	2,046	9.8
Select Service Hotel Business managed and operated in the PRC	8,896	56.1	7,833	55.2	10,695	51.0
Select Service Hotel Business managed and operated overseas	2,290	14.5	1,837	12.9	4,104	19.6
Passenger Transportation Vehicles and Logistics Business	2,509	15.8	2,579	18.2	2,543	12.1
Travel Agency Business	293	1.8	302	2.1	1,123	5.3
Other businesses	494	3.1	475	3.3	466	2.2
Total revenue	15,855	100.0	14,202	100.0	20,977	100.0
Revenue derived from the PRC market	13,564	85.6	12,352	87.0	16,734	79.8

PRC Full Service Hotel Business

Revenue from the PRC Full Service Hotel Business primarily comprises (i) accommodation revenue, (ii) food and beverage sales including catering for wedding banquets and conferences and room catering services for guests, and (iii) rental income from the leasing of shops at the hotels for retails and exhibition purposes.

In 2020, revenue from the PRC Full Service Hotel Business decreased by approximately 42.5% year-on-year to approximately RMB1,176 million, principally due to the decreases in accommodation revenue (mainly caused by the substantial decline in the ADR and the average occupancy rate of the hotels) and food and beverage sales under the impact of the COVID-19 pandemic.

In 2021, the PRC Full Service Hotel Business recorded revenue of approximately RMB1,373 million, representing an approximately 16.8% year-on-year increase. This was principally due to the recovery in the average occupancy rate and therefore RevPAR of the hotels following the COVID-19 pandemic being brought under control to a certain extent in China, as compared to 2020 which was worse affected by the COVID-19 pandemic.

Select Service Hotel Business

Revenue from the Select Service Hotel Business mainly comprises (i) accommodation revenue, (ii) hotel management and franchise fee including initial entrance fee, service fee and on-going management fee and (iii) revenue from catering and sale of hotel supplies and products. It represents the largest source of revenue for the Group, accounting for approximately 68.1% to 70.6% of its total revenue during the above periods.

The PRC Select Service Hotel Business was impacted by the COVID-19 pandemic in 2020 to a lesser extent than the PRC Full Service Hotel Business. Revenue decreased by approximately 26.8% year-on-year to approximately RMB7,833 million. Based on our discussions with the management of the Group, the relatively better performance was mainly attributable to the expansion of Jin Jiang Hotels' franchised hotel network, with a net increase of 892 select service hotels in 2020, and the difference in the hotels' positioning (the PRC Full Service Hotel Business mainly focus on international guests, while the PRC Select Service Hotel mainly focus on domestic guests).

Revenue from the overseas Select Service Hotel Business recorded substantial decrease of approximately 55.2% year-on-year to approximately RMB1,837 million. This was mainly as a result of the COVID-19 pandemic starting to spread at a faster pace since second quarter of 2020, with daily cases continuing to increase throughout the year in Europe and globally.

In 2021, overall Select Service Hotel Business recorded revenue of approximately RMB11,186 million, representing an approximately 15.7% year-on-year increase, principally due to (i) the gradual improvement and recovery in the operations of the PRC Select Service Hotels Business following the COVID-19 pandemic being brought under control to a certain extent in China, (ii) a net increase of 1,207 select service hotels in PRC during the year, and (iii) the gradual improvement and recovery in the operations of the overseas Select Service Hotels Business subsequent to the gradual relaxation of restrictive measures imposed major European nations.

Passenger Transportation Vehicles and Logistics Business

Revenue from the Passenger Transportation Vehicles and Logistics Business mainly derived from (i) the trading of automobiles and the provision of automobiles repair and maintenance services, (ii) the provision of passenger transportation vehicles rental services, and (iii) the provision of refrigerated logistics management services.

In 2020, revenue from the Passenger Transportation Vehicles and Logistics Business remained stable and amounted to approximately RMB2,579 million. Based on our discussions with the management of the Group, Jin Jiang Online benefited from the large-scale business resumption since the second quarter of 2020, and completed various transportation service assignments for a number of major events and exhibitions, such as the 13th meeting of the Chinese People's Political Consultative Conference. In addition, Jin Jiang Online's new car sales volume increased by approximately 22.5% year-on-year to about 10,000 units in 2020. The above explained that this segment was relatively less affected by the outbreak of COVID-19 pandemic in 2020 and recorded a revenue growth.

In 2021, the Passenger Transportation Vehicles and Logistics Business recorded revenue of approximately RMB2,509 million, representing an approximately 2.7% year-on-year decrease, principally due to the decrease in Jin Jiang Online's new car sales volume, by approximately 22% year-on-year to about 7,800 units.

Travel Agency Business

Revenue from the Travel Agency Business mainly derived from the provision of travel agency services and related services, including inbound and outbound tourism businesses.

In 2020, revenue from the Travel Agency Business decreased by approximately 73.1% year-on-year to approximately RMB302 million, principally due to the suspension of inbound and outbound tourism businesses as result of the global COVID-19 pandemic.

In 2021, the Travel Agency Business recorded revenue of approximately RMB293 million, representing an approximately 3.0% year-on-year decrease. Based on our discussions with the management of the Group, Jin Jiang Travel has been adjusting its business model to focus on domestic opportunities, including online domestic tourism business and inter-provincial tourism business. However, revenue from such business has yet to offset the decline in revenue from inbound and outbound tourism businesses. The occasional regional COVID-19 outbreaks in China in 2021 also have affected its domestic tourism business.

(ii) Gross profit and gross profit margin

In 2020, gross profit of the Group decreased by approximately 54.8% year-on-year to approximately RMB2,742.9 million, while gross profit margin decreased by approximately 9.6 percentage points to approximately 19.3%. Such decrease was mainly due to (i) the decline in revenue of the Group's hotel and travel agency businesses, attributable to the outbreak of the COVID-19 pandemic as discussed above, and (ii) certain costs of such businesses are relatively inelastic, for example depreciation and amortisation and employee benefit expense.

In 2021, gross profit of the Group increased by approximately 51.6% to approximately RMB4,159.0 million, with gross profit margin increased by approximately 6.9 percentage points to approximately 26.2%, mainly due to the gradual improvement and recovery of the Group's hotel business following the COVID-19 pandemic being brought under control to a certain extent as discussed above.

(iii) Other income and gain

Other income and gain mainly comprise gains on disposals, government grants and dividend from equity investments. In 2020, the Group recorded a significant other income and gain of approximately RMB2,875.0 million compared to RMB779.1 million in 2019, mainly due to (i) non-recurring gains on disposal of subsidiaries of approximately RMB1,485.2 million, out of which approximately RMB1,166.9 million was related the disposal of 22.68% equity interest and fair value remeasurement of the remaining 43.99% equity interests in Sofitel Hyland Shanghai Co., Limited, which owns and operates a 4-star luxury hotel in Shanghai, the PRC, and (ii) a substantial increase in government grants by approximately RMB405.3 million as a result of certain of the Group's hotels being expropriated by local government.

In 2021, the Group recorded other income and gain of approximately RMB968.5 million, representing mainly government grants of approximately RMB479.5 million and dividend income from equity investments of approximately RMB189.1 million and interest income from bank deposits of approximately RMB143.7 million.

(iv) Operating profit

Operating profit of the Group amounted to approximately RMB1,648.2 million in 2020, representing a decrease of approximately RMB1,265.1 million or 43.4% as compared to that of 2019. The decrease was mainly due to the substantial decline in the Group's revenue and gross profit as explained above, and the increase in administrative expenses, partly offset by an increase in other income and gain, in particular the non-recurring gains on disposals as mentioned above.

In 2021, the Group recorded operating profit of approximately RMB1,127.8 million, representing an approximately 31.6% year-on-year decrease, principally due to the decrease in other income and gain due to the absence of non-recurring disposal gains which happened in 2020, partly offset by the gradual improvement and recovery of the Group's hotel business, as explained above.

(v) Profit attributable to the Shareholders

Profit attributable to the Shareholders in 2020 amounted to approximately RMB290.9 million, representing a decrease of approximately 57.0% as compared to that of 2019. The decrease was mainly due to the decline in operating results of the Group' hotel and travel agency businesses under the impact of the COVID-19 pandemic, including a loss of approximately RMB892.2 million suffered by the Group's overseas Select Service Hotel Business as opposed to a profit of approximately RMB196.5 million in 2019, and the fact that certain costs of the Group are relatively inelastic. In other words, the decline in the Group's revenue would have a greater impact on its profitability, given the business model of the Group.

In 2021, the Group recorded a profit attributable to the Shareholders of approximately RMB8.3 million, representing a substantial decrease of approximately 97.1% as compared to that of 2020, mainly attributable to the decrease in the disposal gains.

Shareholders should note that the Group's recent profitability was affected by a number of non-recurring items, such as gains on disposals of subsidiaries and/or property, plant and equipment, and impairment loss on intangible assets and property, plant and equipment. Had such non-recurring items been excluded (without taking into account the related tax and non-controlling interests effect), the Group would record losses of approximately RMB2,085 million and RMB544 million for the year 2020 and 2021. The Group's earnings before net interest expenses, taxes, depreciation and amortisation of property, plant and equipment and intangible assets ("**EBITDA**") amounted to approximately RMB2,926 million and RMB2,270 million for the year 2020 and 2021. Had the above mentioned non-recurring items been excluded, the adjusted EBITDA would be approximately RMB550 million and RMB1,717 million respectively.

(vi) Dividend

The Company paid a final dividend of RMB1.02 cents (inclusive of tax) per Share for the year 2020, as compared to RMB6.20 cents (inclusive of tax) per Share for the year 2019. No dividend was declared for the year 2021.

As set out in the Letter from the Board, the Company does not intend to declare, pay and/or make any dividend or other distribution between the date of the Joint Announcement up to the date on which all of the Pre-Condition and Conditions are satisfied or waived (as applicable), or the date on which the Merger is not approved or otherwise lapses (as the case may be).

Financial position

The following table sets out a summary of the consolidated statement of financial position of the Group as at 31 December 2019, 2020 and 2021, as extracted and summarised from the Company's 2021 annual results announcement and annual reports. Further details and other financial information of the Group are set out in Appendix I to the Composite Document.

	As at 31 December		
	2021	**2020**	**2019**
	(audited)	*(restated)*	*(restated)*
		(Note 1)	*(Note 2)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Property, plant and equipment	9,348,766	10,239,256	11,082,208
Right-of-use assets	10,358,825	11,614,589	11,786,218
Investment properties	401,560	433,059	464,574
Intangible assets	17,832,965	18,681,963	18,514,081
Bank deposits	2,900,000	—	31,000
Other non-current assets	5,862,824	5,748,295	6,174,922
	46,704,940	46,717,162	48,053,003
Cash and bank deposits	12,831,032	9,518,129	10,746,104
Other current assets	5,534,101	5,502,912	4,640,469
	18,365,133	15,021,041	15,386,573

	As at 31 December		
	2021	**2020**	**2019**
	(audited)	*(restated)*	*(restated)*
		(Note 1)	*(Note 2)*
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Borrowings	6,504,151	2,540,844	2,761,652
Lease liabilities	1,241,894	1,593,539	1,633,990
Trade and other payables and accruals	10,598,943	8,367,850	8,703,151
Other current liabilities	1,206,539	1,615,904	1,590,976
	19,551,527	14,118,137	14,689,769
Borrowings	10,270,121	14,961,856	14,523,858
Lease liabilities	8,278,712	9,472,036	9,996,397
Trade and other payables and accruals	1,200,454	1,201,847	2,354,089
Other non-current liabilities	1,917,606	2,140,944	2,240,275
	21,666,893	27,776,683	29,114,619
Total assets	**65,070,073**	**61,738,203**	**63,439,576**
Total liabilities	**41,218,420**	**41,894,820**	**43,804,388**
Equity attributable to the Shareholders	**12,950,359**	**9,490,942**	**9,229,238**
Equity attributable to the Shareholders per share (RMB) *(Note 3)*	**2.33**	**1.71**	**1.66**

Notes:

(1) In July 2021, the Group, through Jin Jiang Online, acquired 100% equity interests in Yijiyou, which was regarded as a common control combination and accounted for using the principles of merger accounting in accordance with the relevant accounting guideline. Comparative figures as at 31 December 2020 and for the year ended then were restated in accordance with the above accounting treatment

(2) In October 2020, the Group, through Jin Jiang Online, acquired 100% equity interests in Gaoxiao Taxi, which was regarded as a common control combination and accounted for using the principles of merger accounting in accordance with the relevant accounting guideline. Comparative figures as at 31 December 2019 and for the year ended then were restated in accordance with the above accounting treatment

(3) Calculated based on equity attributable to the Shareholders divided by the number of issued Shares outstanding as at the end of the relevant year

(i) Intangible assets

As at 31 December 2021, intangible assets of the Group mainly comprise goodwill, brandnames and trademarks, amounting to approximately RMB17.8 billion and accounting for approximately 27.4% of its total assets. This was mainly attributable to the Group's acquisitions of hotel businesses in prior years including GDL, Plateno Group and Vienna Hotels. As confirmed by management of the Group, value-in-use of the relevant intangible assets were assessed at the end of each financial year, and no impairment loss was recognised in the past three years.

(ii) Right-of-use assets and lease liabilities

As at 31 December 2021, the Group's recognised right-of-use assets mainly relate to hotel properties rented for operation by the Group and land use rights in the PRC, amounting to approximately RMB10.4 billion. Such right-of-use assets, together with related lease liabilities of approximately RMB9.5 billion, were recognised by the Group in accordance with the Hong Kong Financial Reporting Standards 16 Leases, with related depreciation expenses and interest expenses charged to the statement of profit or loss each year.

(iii) Property, plant and equipment and investment properties

As at 31 December 2021, the Group's property, plant and equipment mainly relate to the freehold land in Europe and hotel properties in Europe and the PRC, amounting to approximately RMB9.3 billion. According to the accounting policies of the Company, property, plant and equipment (other than construction-in-progress which is stated at cost less accumulated impairment, if any) are stated at historical cost less depreciation and impairment, if any. No depreciation is charged on freehold land.

As confirmed by the management of the Group, the Group owned about 251 hotel properties in total as at 31 December 2021, including (i) 19 full service hotels, mainly located in Shanghai, the PRC, and (ii) 232 select service hotels, mainly located in Europe.

Part of the land use right and hotel properties are held by the Group for long-term rental yields and/or for capital appreciation, and was classified as investment properties and measured initially at cost less accumulated depreciation and impairment losses, if any, amounting to approximately RMB0.4 billion as at 31 December 2021.

(iv) Cash and bank deposits

As at 31 December 2021, the Group held (i) cash and cash equivalents of approximately RMB11.6 billion, (ii) bank deposits with maturities over 12 months of approximately RMB2.9 billion, (iii) bank deposits with maturities over 3 months of approximately RMB0.8 billion, and (iv) restricted cash of approximately RMB0.5 billion, mainly consisting of (a) mandatory reserve deposit placed with the People's Bank of China by a subsidiary of the Group, which acts as a non-bank financial institution to provide intra-group financial services to subsidiaries, joint ventures and associates of the Group and the Offeror, and (b) deposit pledged for bank acceptance drafts.

(v) Borrowings

As at 31 December 2021, the Group had (i) bank and other borrowings of approximately RMB12.0 billion, mainly denominated in EUR and RMB and bearing effective interest rates ranging from approximately 1.1% to 4.6% per annum, and approximately 50.7% of which are repayable within one year, and (ii) borrowings from related parties of approximately RMB4.8 billion, mainly from members of the Offeror, the holding company of the Company, bearing effective interest rates ranging from approximately 0.3% to 4.5% per annum, and approximately 9.3% of which are repayable within one year.

The Group's gearing ratio, which is calculated as total borrowings and total lease liabilities divided by total assets, was approximately 40.4% as at 31 December 2021, slightly below the level of approximately 46.3% as at 31 December 2020. Net debt of the Group as at 31 December 2021, being cash and bank deposits of approximately RMB15.8 billion minus total borrowings of approximately RMB16.8 billion, amounted to approximately RMB1.0 billion.

(vi) Equity attributable to the Shareholders

The Group recorded equity attributable to the Shareholders of approximately RMB13.0 billion (or approximately RMB2.33 or HK$2.85 per Share) as at 31 December 2021, as compared to approximately RMB9.5 billion (or approximately RMB1.71 or HK$2.03 per Share) as at 31 December 2020. The increase was mainly due to Jin Jiang Hotels' A shares private placing in March 2021 of approximately RMB5.0 billion, resulting in the Group recognising (a) approximately RMB4.1 billion in other reserves, leading to the increase in equitable attributable to the Shareholders, and (b) approximately RMB0.9 billion as an increase in non-controlling interest.

(iii) Future prospects

According to the Company's 2021 annual results announcement, the development of the Group's principal business is negatively affected by a number of factors, including global political and economic conditions and structural supply in the hotel industry. The unexpected outbreak of the COVID-19 pandemic in early 2020 has dealt an enormous blow to operations of the global hotel industry and tourism. In the first quarter of 2022, the COVID-19 outbreak emerged in various regions in China and overseas countries or regions.

PRC market

According to the statistics released by the National Bureau of Statistics of China[1], the gross domestic product ("**GDP**") of the PRC grew year-on-year by approximately 6.1%, 2.2% and 8.1% in 2019, 2020 and 2021 respectively. GDP growth picked up quickly in the first half of 2021, at approximately 18.3% and 7.9% in the first and second quarter of 2021 respectively, but slowed down to approximately 4.9% and 4.0% in the third and fourth quarter.

According to the same source[2], the number of star-rated hotels in China continued to decrease in the past two years, from approximately 10,000 as at the end of 2019 to approximately 8,400 as at the end of 2020, and further down to approximately 6,800 as at the end of 2021, representing a decrease of approximately 32% during the two-year period. The occupancy rate of star-rated hotels in China was approximately 55.2%, 39.0% and 42.2%, respectively during 2019, 2020 and the first three quarters of 2021. While the Group has continued to expand its PRC hotel portfolio, substantial decrease in star-rated hotels in China did not bring a substantial increase in general occupancy rate as shown above, with the Group's PRC hotel operation also inevitably affected, as shown in the Group's operational statistics in the section above headed "2. Information and prospects of the Group".

We have also researched statistics regarding the China travel industry, which is highly correlated to the Group's hotel business in the PRC. According to the statistics released by the Ministry of Culture and Tourism of the PRC[3], the total number of domestic trips taken were approximately 6.0 billion, 2.9 billion and 3.2 billion respectively during 2019, 2020 and 2021. Domestic tourism revenue dropped from approximately RMB5.7 trillion in 2019 to approximately RMB2.2 trillion in 2020, but rebound to approximately RMB2.9 trillion in 2021. The above statistics in general indicated that the PRC economic environment and the China hotel and travel industry partially recovered from the COVID-19 pandemic in 2021, but are still substantially below the pre-pandemic levels.

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1 *as retrieved from the National Bureau of Statistics of China's website at http://www.stats.gov.cn/xxgk/sjfb/zxfb2020/202201/t20220118_1826501.html on the Latest Practicable Date*

2 *as retrieved from the National Bureau of Statistics of China's website at http://www.stats.gov.cn/tjsj/ndsj/2021/indexch.htm on the Latest Practicable Date*

3 *as retrieved from the Ministry of Culture and Tourism of the PRC's website at http://zwgk.mct.gov.cn/zfxxgkml/tjxx/202201/t20220124_930626.html on the Latest Practicable Date*

The Ministry of Culture and Tourism of the PRC published "the 14th Five-Year Cultural and Tourism Development Plan" on 29 April 2021, which strives to enhance local tourism resources and develop cultural and heritage projects. Moreover, according to the statistics of the National Health Commission of the PRC[4], as of 28 March 2022, there were a total of approximately 3.3 billion doses of COVID-19 vaccine being administrated in the PRC. The above are encouraging signs of the recovery of hotel and travel industry. Nevertheless, the resurgence in number of confirmed COVID-19 cases in the PRC since March 2022 due to the spreading of Omicron variant, and the consequential restrictive measures, again put pressure on the industry. The PRC government has been imposing stringent prevention measures such as travel restrictions.

European market

According to the statistics released by Eurostat, the statistical office of the European Union[5], the real GDP growth rate in the European Union fluctuated in the past three years, being approximately 1.8%, (5.9)% and 5.3% in 2019, 2020 and 2021 respectively. We further note from the report titled "EUROPEAN TOURISM 2021 — TRENDS & PROSPECTS (Q4/2021)" published by European Travel Commission, an association in the travel sector representing the national tourism organisations of the countries of Europe[6], the total number of domestic and international tourist overnight stays in Western Europe decreased from approximately 4,800 million in 2019 to approximately 2,300 million in 2020, before slightly recovered to approximately 3,000 million in 2021. The above statistics in general indicated that the European market and the hotel and travel industry were hit hard by the COVID-19 pandemic in 2020, and that despite the economy recovery in 2021, the travel and tourism demand is still below the pre-pandemic levels.

According to the Company's 2021 annual results announcement, European nations gradually relaxed the anti-epidemic measures and restrictions during 2021. However, we note that the Omicron variant has been rapidly spreading globally since late 2021, with daily new Omicron cases of over a million in Europe in January 2022. Despite a decreasing number in Europe is noted, with daily Omicron cases roughly between 0.5 to 1 million in March 2022, the daily new confirmed Omicron cases around

4 *as retrieved from the National Health Commission of the PRC's website at http://www.nhc.gov.cn/jkj/s7915/202203/7bd1cdabf9574dc78bcbdf02fe02290b.shtml on the Latest Practicable Date*

5 *s retrieved from Eurostat's website at https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en on the Latest Practicable Date*

6 *as retrieved from European Travel Commission's website at https://etc-corporate.org/uploads/2022/02/Quarterly-Report-Q4–2021_Public-1.pdf on the Latest Practicable Date*

the world remained at high levels since 2022 up to and including the Latest Practicable Date. The gradual easing of restrictions within the European Union is expected to bring benefits to tourism industry in the region, the full effect of which is yet to be known. The full recovery of the Group's overseas operations back to its pre-pandemic levels is subject to a high level of uncertainty, depending the ongoing development of the COVID-19 situation in the European region.

Separately, there is currently an armed conflict in Ukraine involving Russian military, which resulted in sanctions from certain western nations. The current volatile situation may potentially deteriorate to an armed conflict of wider scale, which may cause disruptions to businesses in the region or internationally, and may further impact the Group's operations in particular in Europe.

Having considered the above and barring unforeseen circumstances, we concur with the Directors' view that the broad prospects for future development still hold encouragement for the hotel and travel industry. However, short-term prospects in the coming one to two years are full of uncertainties and challenges, in particular the mutation of the COVID-19 virus and the high levels of daily new Omicron cases globally as mentioned above, and the time required for the demand for the leisure and business travels to recover to the pre-pandemic levels.

3. Offeror's future intention regarding the Company

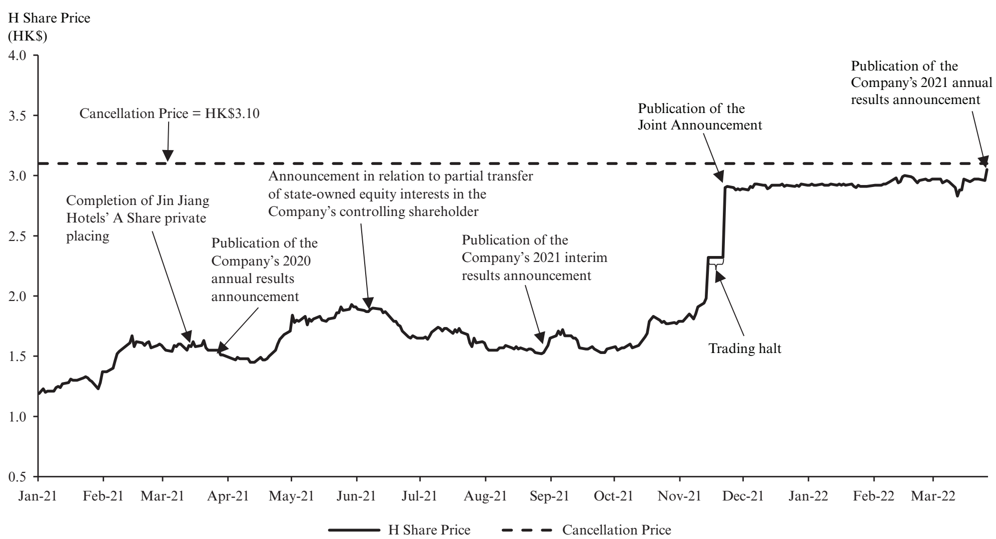
As set out in the section headed "6. FUTURE INTENTION OF THE OFFEROR" in the Letter from the Board, after the completion of the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror that it will continue to carry on the existing business of the Company.

The Offeror does not have any immediate plan to introduce any major changes to the existing business of the Company (including any significant redeployment or disposal of the fixed assets as well as listed securities owned by the Company) after the Merger. Specifically, the Offeror does not have any immediately plan to (i) initiate any major assets or business restructuring plan between members of the Offeror and the Group (including its A shares listed subsidiaries), (ii) redevelop any major properties or dispose any major properties owned by the Group, (iii) re-list the Company or part of its business in the PRC or on any other overseas stock exchanges, and (iv) realise or dispose the equity interests in the A shares listed subsidiaries of the Group. The Offeror does not have any immediate plan to make any significant changes to the continued employment of the employees of the Company and its subsidiaries or discontinue the employment contracts of employees of the Company (other than in the ordinary course of business). The Offeror does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Offeror.

4. Analysis of price performance and trading liquidity

(i) Historical price performance of the H Shares

Set out below is the movement of the daily closing prices of the H Shares during the period from 1 January 2021 up to and including the Latest Practicable Date (the "**Review Period**"), and a comparison between the historical price performance of the H Shares and the Cancellation Price of HK$3.10 during the Review Period. We consider that the Review Period covers the recent one full year and the first quarter of 2022 (up to the Latest Practicable Date), which represents a reasonable period to demonstrate the trading trend of the H Shares under recent market sentiment for the purpose of evaluating the Cancellation Price.



Source: Bloomberg

As illustrated in the above share price chart, the H Shares have been trading on the market consistently at prices below the Cancellation Price of HK$3.10 per H Share during the Review Period.

In late March 2021, the Company published its 2020 annual results, showing a year-on-year decrease profit attributable to the Shareholders of approximately 55.8%, principally due to the unsatisfactory performance of the Group's hotel business as a result of the COVID-19 pandemic. Based on our discussions with the management of the Group, the PRC government has commenced to roll out vaccination programs in response to the COVID-19 pandemic since late 2020, and broadly speaking has brought the pandemic under control in the PRC. The H Share price generally trended upward in the first half of 2021, from HK$1.19 in the beginning of 2021 to a six-month high of HK$1.93 on 1 June 2021.

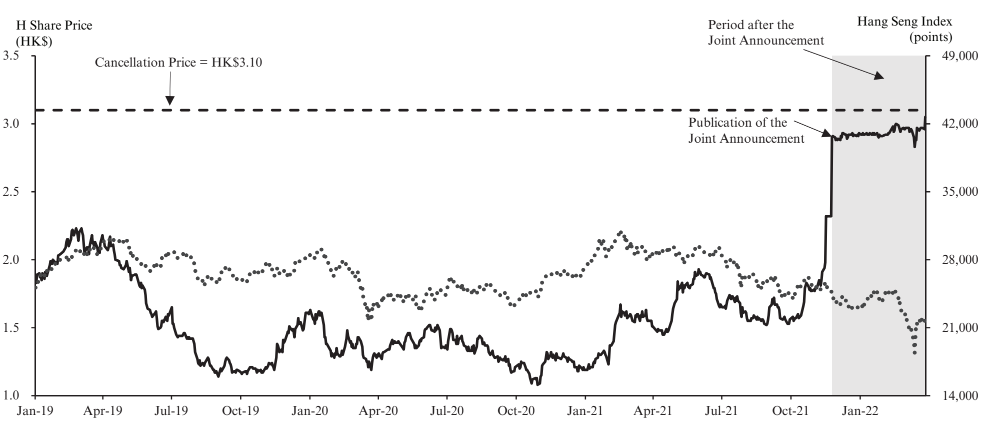
Throughout June to late-August 2021, the market price of the H Shares trended downward and closed at HK$1.52 on 30 August 2021. On 31 August 2021, the Group released its 2021 interim results, showing increases in revenue and operating profit by approximately 28.0% and 275.3% respectively, as compared to the same period in 2020, due to the notable recovery from the Group's domestic business. Subsequently, the market price of the H Shares fluctuated within a range of between HK$1.53 and HK$1.83 throughout the period until early November 2021.

The market price of the H Shares continued to climb in November 2021 and closed at HK$1.98 on 16 November 2021, being the Last Full Trading Date. It surged by approximately 17.2% to HK$2.32 in the morning of 17 November 2021, being the Last Trading Date, after which trading in the H Shares was halted.

After the publication of the Joint Announcement on 24 November 2021, market price of the H Shares increased by HK$0.58 or approximately 25.0% and closed at HK$2.90 on the next trading day when trading resumed. Since then, the H Share price has broadly tracked the Cancellation Price, closing at HK$3.05 as at the Latest Practicable Date, being the day on which the Company published its 2021 annual results.

The market price of the H Shares, in our opinion, is currently influenced by the terms of the Merger, in particular the Cancellation Price. If the Merger fails, the market price of the H Shares may not remain at the current level.

In addition to the above analysis, we have looked into the H Share price performance for a longer period covering the then trading positions and market conditions before the outbreak of the COVID-19 pandemic. Set out below is the movement of the H Share price during the period from 1 January 2019 up to and including the Latest Practicable Date (the "**3-Year Period**"), and the comparison of the H Share price performance with the Cancellation Price during such period. We consider the 3-Year Period to be a reasonable duration as it covers one full year before the outbreak of the COVID-19 pandemic, which is the purpose of analysing an extended period to evaluate the Cancellation Price as stated above.



Source: Bloomberg

We note that the H Shares have consistently been trading below the Cancellation Price of HK$3.10 per H Share during the 3-Year Period, especially before publication of the Joint Announcement. The H Share price underperformed the Hang Seng Index over 85% of the trading days during the 3-Year Period prior to publication of the Joint Announcement.

After reaching a high of HK$2.23 in February 2019, the H Share price trended generally downward, dipping to a low of HK$1.14 on 2 September 2019 and closing at around HK$1.60 at the end of 2019, before the outbreak of COVID-19 pandemic. The H Share price traded at an average price of around HK$1.50 since 2020 and up to the Last Trading Date on 17 November 2021. In late 2021, the Hang Seng Index generally trended downward, while the market price of the H Shares has broadly tracked the Cancellation Price after the publication of the Joint Announcement.

The Cancellation Price represents premiums of (i) approximately 93.8% to the closing price of HK$1.60 at the end of 2019, shortly before the outbreak of the COVID-19 pandemic, (ii) more than 100% over the average closing price of approximately HK$1.50 per H Share since 2020 and approximately HK$1.52 per H Share during the 3-Year Period, prior to publication of the Joint Announcement.

(ii) Trading liquidity of the H Shares

Set out in the table below are the monthly total trading volumes of the H Shares and the percentages of such monthly total trading volumes to the total issued H Shares and the public float of the Company during the Review Period:

	Monthly total trading volume of the H Shares *(Note 1)*	**Percentage of the monthly total trading volume of the H Shares to the total issued H Shares and public float of the Company** *(Note 2)*
2021		
January	47,603,040	3.4%
February	85,056,000	6.1%
March	54,914,232	3.9%
April	69,066,000	5.0%
May	52,200,000	3.8%
June	33,138,000	2.4%
July	15,214,120	1.1%
August	9,340,000	0.7%
September	13,718,000	1.0%
October	20,576,000	1.5%
November	168,470,722	12.1%
December	109,662,760	7.9%

	Monthly total trading volume of the H Shares *(Note 1)*	Percentage of the monthly total trading volume of the H Shares to the total issued H Shares and public float of the Company *(Note 2)*
2022		
January	67,272,800	4.8%
February	35,228,000	2.5%
From 1 March to the Latest Practicable Date	100,282,000	7.2%

Notes:

(1) Sourced from Bloomberg and the Company

(2) Calculated based on the monthly total trading volumes of the H Shares divided by the total number of the issued H Shares all of which were held by public as confirmed by the Company, at the end of each month (or at the Latest Practicable Date for March 2022)

As illustrated in the above table, except for the higher level of trading volume in November 2021 and December 2021 following publication of the Joint Announcement, monthly trading volume of the H Shares represented approximately 0.7% to 7.2% of the total issued H Shares and, the issued Shares constituting the public float of the Company. Considering the absolute number of H Shares traded ranging from 9.3 million to 52.2 million H Shares in the past six months before the Joint Announcement, broadly speaking, we do not consider the H Shares to be actively traded. Consequently, some downward pressure on the H Share price may result if the H Shareholders wish to sell a significant number of H Shares in the market. The Merger represents a good opportunity for the Independent H Shareholders to exit at a fixed cash price (i.e. Cancellation Price of HK$3.10 per H Share), which also represents considerable premiums over the historical average closing price of the H Shares before the Joint Announcement, as further discussed in the section below.

(iii) Cancellation Price comparisons

The Cancellation Price of HK$3.10 per H Share represents:

(a) a premium of approximately 33.6% over the closing price per H Share of HK$2.32 on the Stock Exchange on 17 November 2021, being Last Trading Date;

(b) a premium of approximately 56.6% over the closing price per H Share of HK$1.98 on the Stock Exchange on 16 November 2021, being the Last Full Trading Date;

(c) a premium of approximately 63.2% over the average closing price of HK$1.90 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Full Trading Date;

(d) a premium of approximately 67.6% over the average closing price of HK$1.85 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Full Trading Date;

(e) a premium of approximately 77.1% over the average closing price of HK$1.75 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Full Trading Date;

(f) a premium of approximately 85.6% over the average closing price of HK$1.67 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Full Trading Date;

(g) a premium of approximately 86.8% over the average closing price of HK$1.66 per H Share based on the average closing price of H Shares on the Stock Exchange for the 90 trading days immediately prior to and including the Last Full Trading Date;

(h) a premium of approximately 52.7% to the Group's restated net asset value attributable to the Shareholders per Share of approximately HK$2.03 as at 31 December 2020, based on the restated equity attributable to the Shareholders of approximately RMB1.71 per Share and the exchange rate of HK$1: RMB0.84164, being the central parity rate as announced by the People's Bank of China on 31 December 2020; and

(i) a premium of approximately 8.8% to the Group's audited net asset value attributable to the Shareholders per Share of approximately HK$2.85 as at 31 December 2021, based on the audited equity attributable to the Shareholders of approximately RMB2.33 per Share and the exchange rate of HK$1: RMB0.81760, being the central parity rate as announced by the People's Bank of China on 31 December 2021.

The Cancellation price represents a premium of approximately 33.6% over the closing price of the H Shares on the Last Trading Date. We note the H Share price increased substantially by approximately 17.2% in the morning of the Last Trading Date before a trading halt was announced mid-day. If such significant price increase on the Last Trading Date is excluded, the Cancellation price represents a higher premium of approximately 56.6% over the closing price of the H Share on the Last Full Trading Date.

Excluding the effect of the significant increase on the Last Trading Date, the Cancellation Price of HK$3.10 per H Share represents (a) premiums in a range of approximately 56.6% to 86.8% over the (average) closing prices of the H Shares for different periods prior to publication of the Joint Announcement as shown above; and (b) premiums of approximately 52.7% and 8.8% over the Group's net asset value attributable to the Shareholders per Share respectively as at 31 December 2020 and 2021 respectively. As discussed in the section above headed "2. Information and prospects of the Group — Financial information", the A shares private placing by Jin Jiang Hotels took place during the first half of 2021, which substantially increased the net asset value of the Group, and in turn reduce the premium over such net asset value per Share as represented by the Cancellation Price.

The Cancellation Price represents a premium of approximately 1.6% over the closing H Share price of HK$3.05 as at the Latest Practicable Date.

5. Privatisation precedents

We have compared the Merger with privatisation proposals of companies listed on the Main Board of the Stock Exchange announced since 1 January 2021 and up to the date immediately prior to the Latest Practicable Date, excluding privatisation proposals which were not or are yet to be approved or completed (or, where applicable, required acceptance level were not or are yet to be achieved), or failed (the "**Privatisation Precedents**"). In our view, the abovementioned review period represents a reasonable period to identify sufficient precedents to demonstrate the pricing of recent successful privatisations of the Main Board listed companies in Hong Kong under recent market sentiment. We are also of the view that the Privatisation Precedents represent an exhaustive list that we were able to identify from website of the Stock Exchange, based on the above selection criteria.

The table below illustrates the premiums/(discounts) represented by the cancellation consideration/offer price over the respective last trading date and respective last 5, 10, 30, 60 and 90 trading days average share prices, as well as the respective net asset value per share in respect of the privatisation proposals:

Date of the first Rule 3.5/3.7 announcement	Offeree company (stock code)	Method of privatisation	Premium/(discount) of cancellation consideration/offer price over/(to) the closing price per share on the last trading date (*Notes 1 and 2*)	the average closing price per share for the last 5 trading days (*Notes 1 and 2*)	the average closing price per share for the last 10 trading days (*Notes 1 and 2*)	the average closing price per share for the last 30 trading days (*Notes 1 and 2*)	the average closing price per share for the last 60 trading days (*Notes 1 and 2*)	the average closing price per share for the last 90 trading days (*Notes 1 and 2*)	the latest published net asset value attributable to owners of the company per share (*Note 2*)
15-Oct-21	Yorkey Optical International (Cayman) Ltd. (2788.HK) (*Note 3*)	Scheme of arrangement	75.3%	95.9%	101.0%	102.6%	101.1%	96.8%	24.3%
30-Sep-21	C.P. Pokphand Co. Ltd. (43.HK)	Scheme of arrangement	19.8%	22.3%	17.9%	27.1%	34.5%	30.0%	7.5%
6-Sep-21	Hop Hing Group Holdings Limited (47.HK)	Scheme of arrangement	73.9%	74.7%	76.2%	70.9%	62.8%	60.9%	57.8%
12-Aug-21	Good Friend International Holdings Inc. (2398.HK)	Scheme of arrangement	50.0%	73.6%	73.8%	61.6%	49.0%	38.9%	31.6%
27-Jul-21	Nature Home Holding Company Limited (2083.HK) (*Note 4*)	Merger by absorption	39.3%	38.2%	38.0%	31.6%	30.9%	38.4%	(19.0%)
9-Jul-21	Beijing Capital Land Ltd. (2868.HK, "**Beijing Capital Land**")	Merger by absorption	62.8%	62.2%	76.9%	127.4%	149.9%	142.5%	(37.7%)
25-Jun-21	Bestway Global Holding Inc. (3358.HK)	Scheme of arrangement	27.0%	29.5%	32.8%	47.1%	62.8%	72.1%	13.3%
18-May-21	Chong Hing Bank Limited (1111.HK) (*Note 4*)	Scheme of arrangement	97.0%	101.2%	102.5%	107.3%	109.8%	113.5%	(9.2%)
20-Apr-21	Inner Mongolia Energy Engineering Co. Ltd. (1649.HK)	Voluntary general offer	51.3%	55.4%	54.6%	41.0%	30.1%	25.5%	67.6%
28-Feb-21	Xiezhong International Holdings Limited (3663.HK)	Scheme of arrangement	17.6%	17.6%	20.8%	25.9%	38.7%	41.8%	116.2%
25-Feb-21	Sichuan Languang Justbon Services Group Co., Ltd. (2606.HK)	Mandatory general offer	39.4%	45.4%	46.6%	46.8%	59.6%	57.4%	218.1%

Date of the first Rule 3.5/3.7 announcement	Offeree company (stock code)	Method of privatisation	Premium/(discount) of cancellation consideration/offer price over/(to) the closing price per share on the last trading date *(Notes 1 and 2)*	the average closing price per share for the last 5 trading days *(Notes 1 and 2)*	the average closing price per share for the last 10 trading days *(Notes 1 and 2)*	the average closing price per share for the last 30 trading days *(Notes 1 and 2)*	the average closing price per share for the last 60 trading days *(Notes 1 and 2)*	the average closing price per share for the last 90 trading days *(Notes 1 and 2)*	the latest published net asset value attributable to owners of the company per share *(Note 2)*
5-Feb-21	Zhejiang Cangnan Instrument Group Company Limited (1743.HK)	Share buy-back offer	15.2%	13.6%	13.1%	18.0%	25.2%	4.4%	20.2%
27-Jan-21	New Century Real Estate Investment Trust (1275.HK)	Very substantial disposal	14.3%	22.7%	23.5%	34.0%	52.6%	61.6%	2.5%
22-Jan-21	Zhuhai Holdings Investment Group Limited (908.HK)	Scheme of arrangement	37.8%	36.7%	37.5%	52.4%	56.1%	57.4%	76.4%
21-Jan-21	Polytec Asset Holdings Limited (208.HK)	Scheme of arrangement	61.3%	58.6%	63.2%	72.5%	94.2%	104.1%	(53.0%)
20-Jan-21	Zhejiang New Century Hotel Management Co., Ltd. (1158)	Voluntary general offer	24.7%	23.9%	22.3%	20.8%	19.7%	20.3%	186.0%
17-Jan-21	HKC (Holdings) Limited (190.HK, "**HKC**")	Scheme of arrangement	120.4%	122.3%	123.0%	119.5%	109.3%	100.3%	(70.2%)
13-Jan-21	China Machinery Engineering Corporation (1829.HK)	Merger by absorption	45.1%	73.4%	93.7%	118.5%	126.9%	126.3%	(29.4%)
	Maximum		*120.4%*	*122.3%*	*123.0%*	*127.4%*	*149.9%*	*142.5%*	*218.1%*
	Minimum		*14.3%*	*13.6%*	*13.1%*	*18.0%*	*19.7%*	*4.4%*	*(70.2%)*
	Average		*48.5%*	*53.7%*	*56.5%*	*62.5%*	*67.4%*	*66.2%*	*33.5%*
	Median		*42.3%*	*50.4%*	*50.6%*	*49.8%*	*57.9%*	*59.2%*	*16.8%*
	The Company								
	— Up to and including the Last Full Trading Date		56.6%	63.2%	67.6%	77.1%	85.6%	86.8%	8.8%
	— Up to and including the Last Trading Date		33.6%						

Source: Bloomberg and website of the Stock Exchange

Notes:

(1) Up to and including the last trading date of the shares/units prior to publication of the Rule 3.5 announcement or the initial Rule 3.7 announcement (where applicable)

(2) Subject to rounding differences

(3) The relevant premiums of Yorkey Optical International (Cayman) Ltd. are calculated based on the revised cancellation price of HK$0.999 per scheme share

(4) We note that trading in shares of Nature Home Holding Company Limited was suspended with effect from the afternoon trading session, while trading of shares of Chong Hing Bank Limited was suspended during the morning trading session, pending the release of their respective Rule 3.5 announcement. For illustrative and a better comparison purpose, the relevant calculation of premiums/discounts are based on the closing price and the average closing price up to and including the last full trading date of the shares prior to publication of the Rule 3.5 announcement

Based on the table above, the average and median premiums of the Privatisation Precedents over the (average) closing price on the last trading date, and for last 5, 10, 30, 60 and 90 trading days range from approximately 48.5% to 67.4% and approximately 42.3% to 59.2% respectively. The generally higher average premiums as compared to the median premiums are mainly due to the exceptionally higher premiums seen in a few Privatisation Precedents including Beijing Capital Land (towards the longer term averages) and HKC (towards the shorter term averages). As such, we consider that the median premiums of the Privatisation Precedents may offer a better analysis compared to the average premiums which are relatively more prone to distortion by outliers.

The H Share price surged by approximately 17.2% to HK$2.32 in the morning of 17 November 2021 (i.e. the Last Trading Date) before a trading halt was announced mid-day. The management of the Group is not aware of the reasons for this. We therefore consider it more appropriate to compare the Cancellation Price to the historical price performance of the H Shares up to the Last Full Trading Date instead of the Last Trading Date. On this basis, all the premiums represented by the Cancellation Price of HK$3.10 per H Share over the average closing price of the H Shares are well above the corresponding median of premiums of the Privatisation Precedents. We consider the premiums represented by the Cancellation Price of HK$3.10 per H Share are favourable to the Independent H Shareholders, and we consider such premiums to be an important advantage of the Merger to the Independent H Shareholders.

The Privatisation Precedents show a wide range of premium over and discount to the respective net asset value per share, from an approximately 70.2% discount and an approximately 218.1% premium, with a mean and median premiums of 33.5% and 16.8% respectively. The Cancellation Price represents a premium of approximately 8.8% to the Group's audited net asset value per Share of approximately HK$2.85 as at 31 December 2021, which, given the wide range of premium and discount, is considered close to the above median and fall well within the range of the Privatisation Precedents.

6. Comparable companies

We have analysed companies (the "**Comparable Companies**") listed on the Stock Exchange that (i) primarily engage in hotel chain operation and management, with revenue of at least HK$1 billion and over 50% of their hotel revenue derived from the PRC market, according to their latest published full year financial statements, and (ii) have market capitalisation of at least HK$1 billion as at the Latest Practicable Date. As there are only two Comparable Companies, namely Huazhu Group Limited (HTHT.NASDAQ; 1179.HK, "**Huazhu Group**") and Shangri-La Asia Limited (69.HK, "**Shangri-La Asia**") that we could identify on the Stock Exchange, both of which recorded net losses in 2021, we have expanded, on a best effort basis, the search for Comparable Companies to companies listed on recognised stock exchanges outside Hong Kong that can be identified on Bloomberg. A total of four Comparable Companies were identified, which in our view represents an exhaustive list based on the criteria above. We note that the business model of the Comparable Companies and the Group's hotel business are not entirely identical, as further discussed below. However, having taken into account (i) all the Comparable Companies fall within the above selection criteria such that the primary business of the Group and all the Comparable Companies are similar, (ii) the primary business of all the Comparable Companies have their centre of gravity in the PRC, we consider the Comparable Companies to be fair and representative comparable for the purpose of this analysis, and the research on the Comparable Companies provides a meaningful analysis for the Independent H Shareholders.

Shares of BTG Hotels (Group) Co., Limited ("**BTG Hotels**") and Green Tree Hospitality Group Limited ("**Green Tree Hospitality**") are traded on the Shanghai Stock Exchange and the New York Stock Exchange respectively. Prices of these shares may potentially be subject to market sentiment and different views of valuation by investors in those markets. Nevertheless, since BTG Hotels and GreenTree Hospitality derive a majority of hotel revenue from the PRC market and therefore have their centre of gravity in the PRC, we consider that these factors are likely to be the primary determinants of value. On this basis, we consider that BTG Hotels and GreenTree Hospitality are valid Comparable Companies. Adjustment to the multiples of Comparable Companies trading in other stock markets in the analysis below is not considered appropriate as it would involve substantial subjective judgments as to how to quantify different market sentiments and views of valuation. In our opinion, it is not a common practice to make such adjustments in analysing comparable companies.

After adjusting for the non-recurring Adjustment Items (as defined below), the Company recorded losses for the year 2020 and for the trailing twelve months, which means an analysis of price to earnings ratio is not practicable. Consequently, in evaluating the fairness and reasonableness of the Cancellation Price, we consider Enterprise Value to EBITDA ("**EV/EBITDA**") ratio to be a more meaningful measure. Analysis of price to book ratio is also included as a secondary measure.

Details of our findings are set out below:

Company (stock code)	Percentage of revenue contributed by hotel chain operation and management	Percentage of hotel revenue derived from the PRC market	Market capitalisation as at the Latest Practicable Date	EV to 2020's EBITDA ("2020 EV/ EBITDA ratio")	EV to trailing twelve months EBITDA ratio ("TTM EV/ EBITDA ratio")	Price to book ratio ("P/B ratio")
			(HK$ million)	*(times)*	*(times)*	*(times)*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*
Huazhu Group (HTHT.NASDAQ; 1179.HK)	97.9%	89.5%	86,752	Negative	42.0	6.4
BTG Hotels (Group) Co., Limited (600258.SH)	95.2%	100%	31,646	60.9	17.4	3.2
Shangri-La Asia (69.HK)	90.3%	54.7%	21,943	Negative	35.3	0.5
GreenTree Hospitality Group Limited (GHG.NYSE)	97.3%	100%	4,164	9.2	8.1	1.5
			Mean	35.1	25.7	2.9
			Median	35.1	26.4	2.4
			Maximum	60.9	42.0	6.4
			Minimum	9.2	8.1	0.5
The Company at the Cancellation Price	**79.2%**	**81.8%**	**17,255** *(Note 6)*	**47.3** *(Note 7)*	**15.1** *(Note 8)*	**1.1**

Source: Comparable Companies' filings published on the relevant stock exchange and Bloomberg

Notes:

(1) As extracted from the latest published full year financial statements

(2) Being the sum of the products of (i) the respective closing price as quoted on the relevant stock exchange and (ii) the respective number of issued shares as at the Latest Practicable Date. Due to time zone differences, the market capitalisation of Greentree Hospitality is based on the closing price on 28 March 2022, the last trading day prior to the Latest Practicable Date

*(3) Calculated by dividing the respective enterprise value ("**EV**", being the sum of the respective (i) market capitalisation, (ii) non-controlling interests, and (iii) interest-bearing borrowings, minus cash and bank deposits) by the respective earnings before net interest expenses, taxes, depreciation and amortisation of property, plant and equipment and/or intangible assets ("**EBITDA**"), adjusting for non-recurring items, including gain/loss on disposal of subsidiaries/associates and/or property, plant and equipment, and impairment loss (without taking into account the related tax and noncontrolling interests effect), as applicable (collectively, the "**Adjustment Items**"), as extracted from the 2020 published full year financial statements*

(4) *Calculated by dividing the respective EV by the respective EBITDA for the year 2021 or the trailing twelve months, where available, adjusting for the Adjustment Items, calculated based on the most recently published financial information, as applicable. For the purpose of this analysis, Huazhu Group and Shangri-La Asia's TTM EV/EBITDA ratios are based on the respective EBITDA for the year 2021, while BTG Hotels' TTM EV/EBITDA ratio is based on its EBITDA for the trailing twelve months ended 30 June 2021 and GreenTree Hospitality's TTM EV/EBITDA ratio is based on its EBITDA for the trailing twelve months ended 30 September 2021*

(5) *Calculated by dividing the respective market capitalisation by the respective consolidated net assets attributable to the ordinary shareholders, as extracted from the latest published financial statements*

(6) *Being the product of (a) the Cancellation Price of HK$3.10 per H Share, and (b) the 5,566,000,000 issued Shares as at the Latest Practicable Date*

(7) *Calculated by dividing the Company's EV of approximately HK$31,949 million (calculated as per the note (3) above, being the sum of the Company's market capitalisation of HK$17,255 million as represented by the Cancellation Price, non-controlling interests of approximately RMB10,901 million (equivalent to approximately HK$13,410 million) and net debt of approximately RMB1,043 million (equivalent to approximately HK$1,283 million) as at 31 December 2021) by its 2020 adjusted EBITDA of approximately RMB550 million (equivalent to approximately HK$677 million), based on the exchange rate of HK$1: RMB0.81289, being the central parity rate as announced by the People's Bank of China on the Latest Practicable Date*

(8) *Calculated by dividing the Company's EV of approximately HK$31,949 million by its 2021 adjusted EBITDA of approximately RMB1,717 million (equivalent to approximately HK$2,112 million), based on the exchange rate of HK$1: RMB0.81289, being the central parity rate as announced by the People's Bank of China on the Latest Practicable Date*

As discussed in the section above headed "2. Information and prospects of the Group", the vast majority of the Group's portfolio of hotels are either operated under a franchise model or leased from third-party hotel owners, while hotels directly owned by the Group only represented a small portion. As at 31 December 2021, about 251 (or approximately 2.3%) out of the Group's portfolio of 10,694 hotels in operations were owned and managed by the Group, with the remaining hotels owned by third parties but managed by the Group or operated under franchises granted by the Group, for which the Group would receive management fees or franchise fees. Given the above, we consider the profit and cash flow generating ability of the Group, or the EV/EBITDA ratio, to be more relevant in evaluating the Group (particularly having considered its hotel business mainly under franchise model as mentioned above) against the Comparable Companies as opposed to the P/B ratio (which is more relevant for assets heavy business, such as real estate owners and developers).

EV/EBITDA ratio

As discussed in previous sections, the hotel and tourism industries in the PRC were negatively affected by the outbreak of COVID-19 pandemic since early 2020, which led to a sharp decline in hotel and tourism performance. We note that both Huazhu Group and Shangri-La Asia recorded a negative adjusted EBITDA in 2020, so their 2020 EV/EBITDA ratios are not applicable. BTG Hotels recorded a low level of adjusted EBITDA in 2020, representing a drop of approximately 79.5% from that in 2019, translating to a high 2020 EV/EBITDA ratio of approximately 60.9 times. The 2020 EV/EBITDA ratios of the Comparable Companies (comprising BTG Hotels and GreenTree Hospitality) has a wide range from approximately 9.2 times to 60.9 times, with a mean of approximately 35.1 times. The 2020 EV/EBITDA ratio of the Company as represented by the Cancellation Price is approximately 47.3 times, which is higher than the above mean.

The TTM EV/EBITDA ratios of the Comparable Companies, which capture the latest available financial information of the Comparable Companies, range from approximately 8.1 times to 42.0 times, with a mean and median of approximately 25.7 times and 26.4 times respectively. We note that two Comparable Companies with higher TTM EV/EBITDA ratios, being Huazhu Group and Shangri-La Asia, recorded adjusted losses (in terms of EBITDA) in 2020 but turned around and recorded positive adjusted EBITDA in 2021. The TTM EV/EBITDA of the Company (reflecting financial information in 2021) as represented by the Cancellation Price is approximately 15.1 times, which is below the mean and median, but falls well within the range of the TTM EV/EBITDA ratio of the Comparable Companies.

We note that the TTM EV/EBITDA ratio of the Company falls below the mean and median of the Comparable Companies, which may not be considered beneficial in terms of assessing the Cancellation Price. On the other hand, the 2020 EV/EBITDA ratio of the Company was higher than the mean of the Comparable Companies. Overall, both ratios of the Company are well within the respective range of multiples of the Comparable Companies.

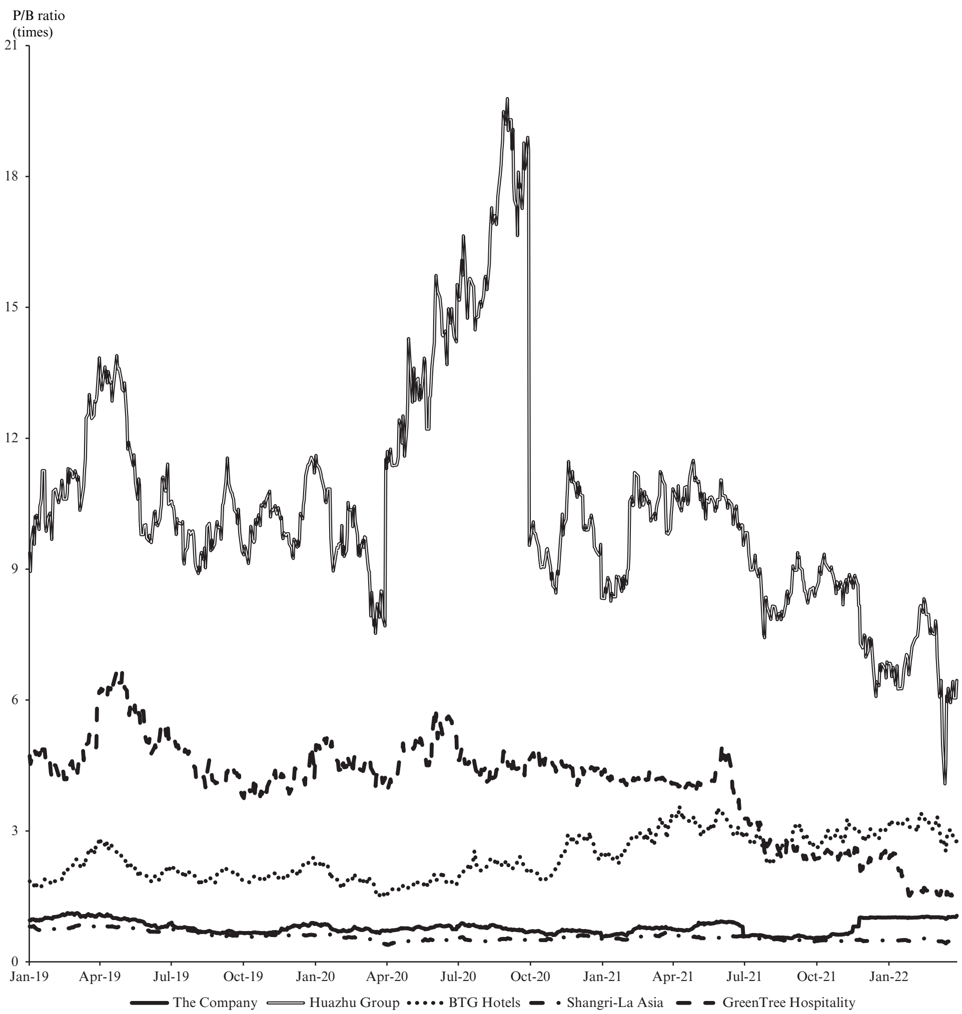
P/B ratio

The P/B ratios of the Comparable Companies also have a wide range, from approximately 0.5 times to 6.4 times, with a mean and median of approximately 2.9 times and 2.4 times respectively. The P/B ratio of the Company as represented by the Cancellation Price of approximately 1.1 times is lower than the mean and median of the P/B ratio of the Comparable Companies, but higher than that of Shangri-La Asia, which has a P/B ratio of approximately 0.5 times.

We further note that except for Shangri-La Asia which owned approximately 80% of its hotel properties, other Comparable Companies mainly carried out their hotel business under franchise model and a small portion of the hotel properties were rented and/or owned by them. In terms of self-owned property assets (being the sum of land and buildings under property, plant and equipment and investment properties) to total assets, based on the latest published financial statements and on a best effort basis, Huazhu Group has the lowest ratio of approximately 0.4%, whereas Shangri-La Asia has the highest ratio of approximately 45.0%. The self-owned property assets to total assets ratios of BTG Hotels, Greentree Hospitality and the Company are approximately 9.8%, 13.3% and 10.3%. The above suggests that Shangri-La Asia operates a relatively asset-heavy business model, which may explain its P/B ratio being much lower than the other Comparable Companies, while Huazhu Group has a relatively extreme asset-light business model, which may explain its P/B ratio being much higher than the other Comparable Companies. The franchise model is mainly driven by the management fees and/or franchise fees generated, while the self-owned model relies heavily on capital investment which directly reflects on balance sheet. The above may partly explain the difference in the P/B ratios between the Company and the Comparable Companies.

We consider that the more asset heavy the business model of a company is, the more relevant the analysis of P/B ratio will be. In the case of the Company, with self-owned property assets to total assets ratio of approximately 10.3%, which is between two extremes of Huazhou Group (being approximately 0.4%) and Shangri-La Asia (being approximately 45.0%), we consider the P/B ratios based on prices as at the Latest Practicable Date provide an additional analysis in assessing the merits of the Cancellation Price, but should be considered secondary to EV/EBITDA ratio analysis, as suggested in the paragraph above.

In addition to analysing the P/B ratios of the Comparable Companies as at the Latest Practicable Date, we also analysed the P/B ratios movement of the Company and the Comparable Companies for the 3-Year Period, and the comparison of their P/B ratios during such period is as follows:



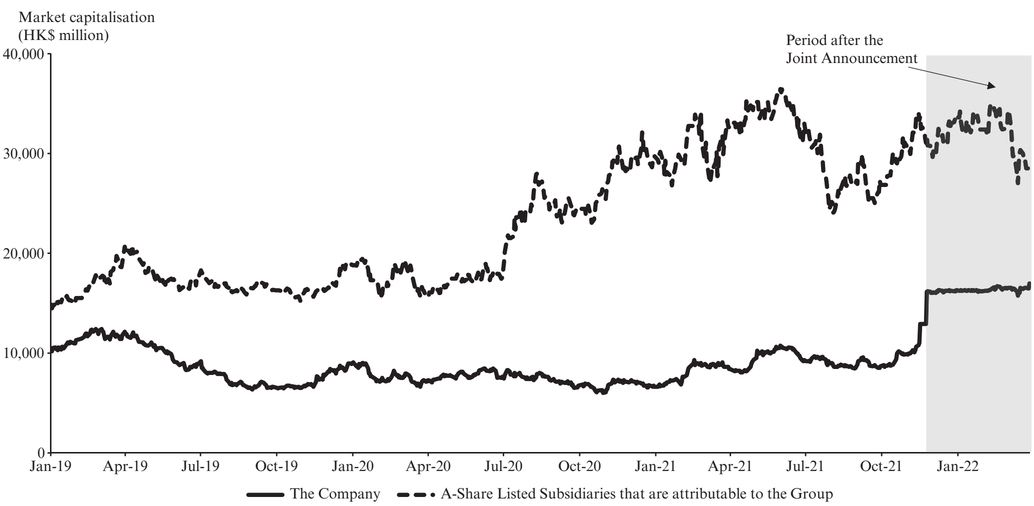
Source: Bloomberg

During the 3-Year Period prior to publication of the Joint Announcement, the historical P/B ratios of the Company range from approximately 0.5 times to 1.1 times, with a mean and median of approximately 0.8 times. The P/B ratio of the Company as represented by the Cancellation Price of approximately 1.1 times is higher than the daily mean and equal to the high end of the historical P/B ratios of the Company during the 3-Year Period. The recent increase in P/B ratios of the Company was largely due to the increase in the H Share price following publication of the Joint Announcement. Despite the P/B ratio as represented by the Cancellation Price of 1.1 times being lower than most of the Comparable Companies as at the Latest Practicable Date, the above chart shows that the historical P/B ratios of the Company were, at all time during the 3-Year Period, substantially lower than the P/B ratios of the Comparable Companies (other than Shangri-La Asia).

7. Valuation of the Company based on market prices of A-Share Listed Subsidiaries

As discussed in the section above headed "2. Information and prospects of the Group — Background and principal activities", three business segments of the Group, namely the Select Service Hotel Business, the Passenger Transportation Vehicles and Logistics Business and the Travel Agency Business (in total accounting for approximately 90% of the Group's consolidated revenue in 2020 and 2021), are carried out by Jin Jiang Hotels, Jin Jiang Online and Jin Jiang Travel respectively (each listed on Shanghai Stock Exchange, collectively, the "**A-Share Listed Subsidiaries**"). In theory, the valuation of the Company could be referenced to a sum-of-the-parts analysis (i.e. the market prices of the A-Share Listed Subsidiaries that are attributable to the Group, plus the value of the Group's remaining businesses (other than those carried out by the A-Share Listed Subsidiaries, such as the PRC Full Service Hotel Business). However, valuation metrics are very different on Shanghai Stock Exchange and the Stock Exchange, which can be demonstrated by the difference in the price-to-earnings and the price-to-book ratios of the SSE Composite Index and the Hang Seng Index, being the market indicators of Shanghai and Hong Kong stock market. As at the Latest Practicable Date, the SSE Composite Index has a price-to-earning ratio of approximately 13.8 times and a price-to-book ratio of approximately 1.5 times, while the Hang Seng Index a price-to-earning ratio of approximately 8.3 times and a price-to-book ratio of approximately 0.9 times (sourced from Bloomberg). It should be noted that the two stock markets are subject to differences in the monetary policies, stock market regulations, composition of investors and their perspectives on specific stocks or industries in different markets, and type of investment products available between Shanghai and Hong Kong stock markets. Due to policy restrictions, there is currently no effective arbitrage between the two stock markets, such that there can be a wide price spread between A shares and H shares of the same company being traded at significantly different prices. As a result of the above difference between the two stock markets, movement of the Company's market capitalisation may not be in line with the aggregate market capitalisation of the A-Share Listed Subsidiaries that are attributable to the Group.

The chart below illustrates a comparison between the historical trends between the aggregate market capitalisation of the A-Share Listed Subsidiaries that are attributable to the Group and the market capitalisation of the Company during the 3-Year Period. The value of the Group's remaining businesses (other than those carried out by the A-Share Listed Subsidiaries) has not yet been taken into account, for illustrative purpose.



Notes:

(1) The aggregate market capitalisations of the A-Share Listed Subsidiaries were calculated based on the sum of their respective closing market capitalisation sourced from Bloomberg, and taking into account a dilution of the Group's interests in Jin Jiang Hotels from approximately 50.32% to approximately 45.05% on 19 March 2021 as a result of Jin Jiang Hotels' A shares private placing

(2) The market capitalisations of the Company were sourced from Bloomberg

As shown in the above, the closing market capitalisation of the Company has always been substantially lower than the aggregate market capitalisations of the A-Share Listed Subsidiaries that are attributable to the Group, representing discounts ranging from approximately 26.0% to 78.3% up to the Last Full Trading Date. Following publication of the Joint Announcement, the market price of the H Shares increased substantially and broadly tracked against the Cancellation Price. As a result, the discounts narrowed to a range of approximately 41.6% to 61.7% up to the Latest Practicable Date. The aggregate market capitalisations of the A-Share Listed Subsidiaries that are attributable to the Group as at the Latest Practicable Date is set out in below table.

	Market capitalisation as at the Latest Practicable Date *(Note)* *(HK$ million)* A	**Interest held by the Group as at the Latest Practicable Date** *(%)* B	**Total** *(HK$ million)* A × B
Jin Jiang Hotels	57,761	45.05	26,021
Jin Jiang Online	5,744	39.26	2,255
Jin Jiang Travel	1,531	50.21	769
The aggregate market capitalisations of the A-Share Listed Subsidiaries that are attributable to the Group			29,045

Source: Bloomberg

Note: Being the sum of the products of (i) the respective closing price as quoted on the relevant stock exchange and (ii) the respective number of issued shares as at the Latest Practicable Date, based on the exchange rate of HK$1: RMB0.81289, being the central parity rate as announced by the People's Bank of China on the Latest Practicable Date

As at the Latest Practicable Date, the aggregate market capitalisations of the A-Share Listed Subsidiaries that are attributable to the Group was approximately HK$29,045 million. This is approximately 2.6 times the market capitalisation of the Company of approximately HK$11,021 million as at the Last Full Trading Date (calculated based on the closing price per H Share of HK$1.98 on the Stock Exchange and the 5,566,000,000 issued Shares), approximately 1.7 times the value of the Company of approximately HK$17,255 million as implied by the Cancellation Price, and approximately 1.7 times the market capitalisation of the Company as at the Latest Practicable Date.

As mentioned in the section above headed "Offeror's future intention regarding the Company", the Offeror does not have any immediately plan to realise or dispose its equity interests in the A-Share Listed Subsidiaries, and we are advised that it is the intention of the Offeror to continue holding the A-Share Listed Subsidiaries for long term investment purpose. As such, the aggregate market capitalisations of the A-Share Listed Subsidiaries attributable to the Group have no direct relationship to the value of the Shares and it may not be a meaningful information for the Shareholders to evaluate the merits of the Merger, or to expect the Group's attributable market capitalisations of the A-Share Listed

Subsidiaries is readily realisable. The Independent H Shareholders may only be able to realise their investments in the H Shares as opposed to their indirect attributable interests in the A-Share Listed Subsidiaries.

Based on the analysis above, we have concluded that such comparison lacks any significant validity in the context of the Merger. In assessing the fairness and reasonableness of the Merger, we have principally focused on the fundamental analysis of the Group's financial performance, financial position and prospects, as well as the review of historical H Share price performance, the Privatisation Precedents and the Comparable Companies, as further elaborated elsewhere in this letter.

DISCUSSION

In reaching our opinion and recommendations on the Merger, we have taken into account the factors set out under the section headed "PRINCIPAL FACTORS AND REASONS CONSIDERED" above, none of which can be considered in isolation. We would like to draw the attention of the Independent H Shareholders in particular to the points summarised below.

The COVID-19 pandemic brought about a challenging environment to the Group

The Group is principally engaged in (i) PRC Full Service and Select Service Hotel Business, contributing roughly three quarters of the Group's revenue, with vast majority of its hotel portfolio operated under franchise model, and (ii) Passenger Transportation Vehicles and Logistics Business, Travel Agency Business and other businesses. The business and financial performance of the Group in 2020 and 2021 were adversely affected by the outbreak of the COVID-19 pandemic, which led to a substantial reduction in tourism and business travels domestically and globally. The Group suffered adjusted losses (excluding certain non-recurring items) of approximately RMB2.1 billion and RMB0.5 billion in 2020 and 2021 respectively. While the long-term prospects for future development may still hold encouragement for the hotel and travel industry, the short-term prospects are clouded by uncertainties and challenges, in particular due to the continued negative impact from the widespread COVID-19 pandemic. The Group's performance is still significantly below the pre-pandemic level, especially the Group's overseas operation, and the time required for the demand for leisure and business travel to recover to the pre-pandemic levels is uncertain. Potential escalation in armed conflicts surrounding Ukraine may result in wider impact on the tourism industry and the Group's operations in Europe.

Cancellation Price represents substantial premiums over historical prices of the H Shares

From the Independent H Shareholders' perspective, the realisable value of their investment in the Company depends principally on the H Share price. We consider the substantial premiums of the Cancellation Price over historical prices of the H Shares to be one of the most important advantages of the Merger to the Independent H Shareholders. The Cancellation Price of HK$3.10 per H Share is substantially above the closing prices of the H Shares during the 3-Year Period, in particular during the period before publication of the Joint Announcement, after which the H Share price tended to trade broadly in line with the Cancellation Price. The Cancellation Price represents (i) premiums of approximately

33.6% and 56.6% over the closing prices of the H Shares on the Last Trading Date and the Last Full Trading Date respectively, and (ii) premiums of between approximately 63.2% to 86.8% over the 5 to 90 trading days average closing prices of the H Shares before the Joint Announcement. Due to the substantial increase in share price on the Last Trading Date before a trading halt was announced mid-day, we consider that emphasis should be put on the premiums over the closing price on the Last Full Trading Date and the longer-term average market prices of the H Shares. From a longer-term perspective, the Cancellation Price is substantially higher than the historical closing prices of the H Shares during the 3-Year Period, especially during the period before the publication of the Joint Announcement.

The Merger presents an exit opportunity to realise the H Shares, which have not been actively traded during the Review Period

During the Review Period, we consider the H Shares have not been actively traded, except for the surge in trading volume recorded from November 2021 following the release of the Joint Announcement. Accordingly, the Merger provides an exit opportunity for the Independent H Shareholders (especially those with significant shareholdings) who would like to realise their investments in the H Shares at a fixed cash price without the likely effect of putting downward pressure on the price of the H Shares.

Privatisation Precedents

The terms of privatisation proposals in the Hong Kong market provide a general guide to the premium over market prices needed to secure a successful privatisation. The premiums represented by the Cancellation Price over the closing H Share price on the Last Full Trading Date and average H Share closing prices over the 5 to 90 trading days ranging from 56.6% to 86.8% are, across all periods, significantly higher than the respective medians of the Privatisation Precedents. We consider such premiums, and the premium with reference to those of the Privatisation Precedents, to be an important advantage of the Merger to the Independent H Shareholders.

Cross check against the Comparable Companies

The outbreak of the COVID-19 pandemic has seriously affected the hospitality industry in general, including the performance of the Company and the Comparable Companies. As the Company recorded adjusted losses for the year 2020 and 2021, an analysis based on price to earnings ratio is not practicable. The 2020 EV/EBITDA ratio as represented by the Cancellation Price of 47.3 times is higher than the mean ratio of 35.1 times, while the Company's TTM EV/EBITDA ratio of 15.1 times is below the mean and median ratios of 25.7 times and 26.4 times of the Comparable Companies. Overall, we consider the EV/EBITDA ratios of the Company are well within the respective range of multiples of the Comparable Companies.

The Company's P/B ratio of 1.1 times as represented by the Cancellation Price is higher than that of Shangri-La Asia of 0.5 times, but lower than those of the remaining three Comparable Companies ranging from 1.5 times to 6.4 times. The even wider range (relative to EV/EBITDA ratio) of the Comparable Companies' P/B ratios may be explained by their different business models. In particular, a significant portion of Shangri-La Asia's hotel portfolio is self-owned, while only a negligible portion of Huazhu Group's hotel portfolio is self-owned, thus affecting the balance sheet intensity and the P/B ratios of the Comparable Companies. In any case, the Company has for a long time been trading at a lower P/B ratio relative to the other Comparable Companies. Overall, we consider the analysis of EV/EBITDA ratio to be more relevant in evaluating the Group against the Comparable Companies as opposed to P/B ratio.

A-Share Listed Subsidiaries

The Company's attributable interests in its three A-Share Listed Subsidiaries have a combined market value substantially higher than value of the Company as represented by the Cancellation Price. However, the Hong Kong stock market (where the H Shares are listed) and the Shanghai stock market (where shares of those subsidiaries are listed) are subject to different sets of policies and market conditions, and that the above discrepancy in market values has always been the case historically. In our view, such comparison lacks any significant validity in the context of the Merger, given the different valuation metrics and policies between the Hong Kong market and the A share market, and the intention by the Offeror to continue holding the A-Share Listed Subsidiaries for long term investment purpose. In assessing the fairness and reasonableness of the Merger, we have principally focused on the analyses as elaborated elsewhere in this letter.

A better offer from other source is unlikely

Given the Offeror holds 75% of the issued Shares and has maintained majority voting control in the Company since its listing, it is unlikely that another third party will seek to acquire the H Shares at a price comparable to or better than the Cancellation Price without the consent of the Offeror.

Independent H Shareholders should note that the Cancellation Price will not be increased and the Offeror does not reserve the right to do so. The Offeror will not be allowed to increase the Cancellation Price following the making of this statement. The H Shares closed at HK$3.05 on the Latest Practicable Date, which we consider to be principally influenced by the Cancellation Price. If the Merger fails, the market price of the H Shares may not remain at the current level, and the Offeror and its concert parties may not in normal circumstances put forward another similar proposal for at least 12 months.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent H Shareholders to vote in favour of the relevant resolution to be proposed at the EGM and H Shareholders' Class Meeting to approve the Merger Agreement, the Merger and the relevant arrangements.

The H Shares have traded below the Cancellation Price during the Review Period and closed at HK$3.05 on the Latest Practicable Date, a 1.6% discount to the Cancellation Price. Bearing in mind the comments above, Independent H Shareholders who are very risk adverse may consider selling in the market prior to the EGM and H Shareholders' Class Meeting. There is still a possibility that the H Share price may exceed the Cancellation Price before the EGM and H Shareholders' Class Meeting, although based on recent price movements we consider this unlikely. In the event that the market price of the H Shares exceeds the Cancellation Price so that the sale proceeds, net of all transaction costs, exceed the amount receivable under the Merger, the Independent H Shareholders should consider selling their H Shares in the market.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021

The following is a summary of the financial information for each of the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 as extracted from the respective published audited consolidated financial statements of the Group as set forth in the annual report of the Company for the year ended 31 December 2020, and the annual results announcement of the Company for the year ended 31 December 2021, respectively.

	For the year ended 31 December 2021 *RMB'000*	**For the year ended 31 December 2020** *RMB'000*	**For the year ended 31 December 2019** *RMB'000*
		(Restated*)	(Restatedˆ)
	Audited		
Revenue	15,854,560	14,202,264	20,977,074
Profit before income tax	485,119	855,996	2,224,731
Income tax expense	(195,530)	(401,967)	(583,025)
Profit attributable to:			
Shareholders of the Company	8,293	290,873	675,731
Non-controlling interests	281,296	163,156	965,975
Total comprehensive income attributable to:			
Shareholders of the Company	9,588	159,982	731,051
Non-controlling interests	282,026	68,556	1,040,310
Other income and gain	968,453	2,875,028	779,108
Other expenses and losses	(153,104)	(225,117)	(116,628)
Dividends	—	56,773	345,092
Dividends per share	—	1.02 cents	6.2 cents
Earnings per share for profit attributable to shareholders of the Company			
— Basic and diluted	0.15 cents	5.23 cents	12.14 cents

Notes:

* As disclosed in the Company's annual results announcement for the year ended 31 December 2021, certain amounts presented in the consolidated financial statements of the Group as at 31 December 2020 and for the year ended then were restated as a result of the acquisition of 100% equity interest in Shanghai Yijiyou Information Technology Company Limited by a subsidiary of the Company, which is regarded as a common control combination and accounted for in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

ˆ As disclosed in the Company's annual report for the year ended 31 December 2020, certain amounts presented in the consolidated financial statements of the Group as at 31 December 2019 and for the year ended then were restated as a result of the acquisition of 100% equity interests in Shanghai Gaoxiao Taxi Company Limited by a subsidiary of the Company, which is regarded as a common control combination and accounted for in accordance with Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, there are no other items of income or expense which are material for each of the three years ended 31 December 2019, 2020 and 2021.

The consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 were audited by PricewaterhouseCoopers. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended 31 December 2019, 2020 and 2021. The consolidated financial statements of the Group for the years ended 31 December 2019 and 2020 were restated due to the reasons as disclosed above.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021

The Company is required to set out or refer to in this Composite Document the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the years ended 31 December 2019, 2020 and 2021 as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020; and (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021, together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for the year ended 31 December 2019 (including the notes thereto) are set out from pages 94 to 252 in the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**") which was published on 28 April 2020 on the websites of the Company and the Stock Exchange https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802146.pdf).

The restated consolidated financial statements of the Group for the year ended 31 December 2019 (including the notes thereto) (the "**2019 Financial Statements**") are set out from pages 112 to 264 in the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**") which was published on 28 April 2021 on the websites of the Company and the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042802322.pdf). Details of the restatement of 2019 financial information have been set out in "7. INFORMATION ON THE OFFEROR AND THE COMPANY" section in this Composite Document and Note 37 to the 2020 Annual Report.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 and the restated comparative financial information for the year ended 31 December 2020 (including the notes thereto) (the "**2020 Financial Statements and 2021 Financial Statements**") are set out from pages 11 to 31 and 44 to 46 in the announcement of the annual results of the Company for the year ended 31 December 2021 (the "**2021 Annual Results Announcement**") which was published on 29 March 2022 on the websites of the Company and the Stock Exchange (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0329/2022032902912.pdf). Details of the restatement of 2020 financial information have been set out in "7. INFORMATION ON THE OFFEROR AND THE COMPANY" section in this Composite Document.

The 2019 Financial Statements (but not any other parts of 2020 Annual Report) and the 2020 Financial Statements and 2021 Financial Statements (but not any other parts of the 2021 Annual Results Announcement) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

At the close of business on 31 December 2021, being the latest practicable date for the purpose of this indebtedness statement, the Group had total borrowings of RMB16,774.3 million and total lease liabilities of RMB9,520.6 million as set forth below:

Borrowings

	Secured	**Guaranteed**	**Unsecured and Unguaranteed**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	1,036,610	3,248,865	7,671,735	11,957,210
Related party borrowings	–	–	4,817,062	4,817,062
Total	1,036,610	3,248,865	12,488,797	16,774,272

Among the secured bank borrowings, an amount of RMB959.0 million was pledged by the equity interest in a subsidiary of the Group, an amount of RMB34.8 million was pledged by the property, plant and equipment of certain subsidiaries of Groupe Du Louvre located in Poland and the rest of RMB42.9 million was pledged by certain inventories of a subsidiary of the Group. All of the secured bank borrowings were unguaranteed.

The guaranteed bank borrowings amounted to RMB3,248.9 million were guaranteed by the Offeror. The guaranteed bank borrowings were unsecured.

Lease liabilities

Lease liabilities of the Group, in respect of freehold land and land use rights, buildings, equipment and others, amounted to approximately RMB9,520.6 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 December 2021.

4. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1 RESPONSIBILITY STATEMENT

As at the date of this Composite Document, the Offeror's directors are Mr. Zhao Qi, Mr. Zhang Xiaoqiang, Ms. Zan Lin, Mr. Shao Zhengping, Mr. Wang Qiang, Mr. Liu Hongzhong and Mr. Zhang Weihua. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than in relation to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

As at the date of this Composite Document, the executive Directors of the Company are Mr. Zhao Qi, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive Directors of the Company are Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than in relation to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

2 SHARE CAPITAL OF THE COMPANY

(a) Authorised and issued share capital

As at the Latest Practicable Date, the authorised share capital of the Company was RMB5,566,000,000, and the total issued share capital of the Company was RMB5,566,000,000, consisting of 1,391,500,000 H Shares with a par value of RMB1.00 each and 4,174,500,000 Domestic Shares with a par value of RMB1.00 each.

All of the Shares currently in issue rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Since 31 December 2021, being the date of the last audited consolidated financial statements of the Company, up to the Latest Practicable Date, the Company has not issued any Shares.

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than the Shares as disclosed above.

(b) Listing

The H Shares are listed and traded on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

3 MARKET PRICES

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK$3.05 on 29 March 2022 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK$1.52 on 30 August 2021.

The table below shows the closing prices of the H Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Date; and (iii) the last business day of each of the calendar months during the Relevant Period:

Date	Price per Share *HK$*
31 May 2021	1.89
30 June 2021	1.67
30 July 2021	1.61
31 August 2021	1.53
30 September 2021	1.56
29 October 2021	1.77
17 November 2021 (Last Trading Date) (*Note*)	2.32
30 November 2021	2.88
31 December 2021	2.93
31 January 2022	2.91
28 February 2022	2.97
29 March 2022 (Latest Practicable Date)	3.05

Note: the last trading day prior to the halt of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement.

4 DISCLOSURE OF INTERESTS

(a) Interests of the directors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register required to be kept pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules or (iv) to be disclosed in accordance with the Takeovers Code.

(b) Interests of substantial shareholders in the securities of the Company

As at the Latest Practicable Date, the following persons or entities (other than the Directors and chief executives of the Company) had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of Shareholders	Capacity/Nature of interest	Number and class of Shares held	Approximate percentage of the same class of securities as at the Latest Practicable Date	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
The Offeror	Beneficial owner	4,174,500,000 Domestic Shares (Long position)	100%	75%
Pacific Asset Management	Others *(Note 1)*	264,700,000 H Shares (Long position)	19.02%	4.76%
Kwok Hoi Hing (郭海慶)	Beneficial owner	180,948,000 H Shares (Long position)	13.00%	3.25%
Citigroup Inc. *(Note 2)*	Interest of controlled corporation/ approved lending agent	69,956,721 H Shares (Long position)	5.02%	1.26%
		236,000 H Shares (Short position)	0.01%	0.00%
		69,720,721 H Shares (Shares available for lending)	5.01%	1.25%
UBS Group AG	Interest of controlled corporation	93,023,672 H Shares (Long position)	6.69%	1.67%
JPMorgan Chase & Co	Interest of controlled corporation/person having a security interest in shares/ approved lending agent	76,229,759 H Shares (Long position)	5.47%	1.37%
		54,593,480 H Shares (Short position)	3.92%	0.98%
		267,999 H Shares (Lending pool)	0.01%	0.00%

Notes:

(1) Pacific Asset Management invested the Shares as manager and on behalf of China Pacific Life Insurance Ltd.

(2) In addition to the interests disclosed above, Citigroup Inc. held derivative interests in respect of 92,000 H Shares (long position) and JPMorgan Chase & Co held derivative interests in respect of 3,874,000 H Shares (long position) and 53,299,760 H Shares (short position).

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other persons or entities (other than the Directors and the chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

(c) Additional disclosure of interests

As at the Latest Practicable Date:

(i). none of the Directors was interested in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

(ii). none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" in the Takeovers Code (but excluding any exempt principal trader and exempt fund managers and also excluding Shares held on behalf of non-discretionary investment clients of the Orient Securities Group and Nomura Group), owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save as disclosed in the sub-paragraph headed "*Shareholding in the Company*" in the section headed "LETTER FROM THE BOARD";

(iii). there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company's associates by virtue of classes (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person;

(iv). no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;

(v). none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to vote in favour or against the Merger; and

(vi). none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5 DISCLOSURE OF INTERESTS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

As at the Latest Practicable Date:

(i). the Company did not own any shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror; and

(ii). none of the Directors had any interest in the shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror.

6 DEALINGS IN THE SHARES BY THE COMPANY

(i). During the Relevant Period, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;

(ii). During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" in the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, except for dealings in the H Shares and equity swaps for non-discretionary investment clients of Nomura Group and Orient Securities Group;

(iii). During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and (iv). During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no person between whom there is arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company's associates by virtue of classes (2), (3) or (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

7 DEALINGS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

8 DISCLOSURE OF INTERESTS IN THE SHARES BY THE OFFEROR

As at the Latest Practicable Date:

(i). none of the Offeror or the directors of the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save as disclosed in the sub-paragraph headed "*Shareholding in the Company*" in the section headed "*LETTER FROM THE BOARD*";

(ii). none of the concert parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares (except those concert parties which were exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code and also excluding Shares held on behalf of non-discretionary investment clients of the Orient Securities Group and Nomura Group), save as disclosed in the sub-paragraph headed "*Shareholding in the Company*" in the section headed "*LETTER FROM THE BOARD*";

(iii). there was no existing holding of voting rights and rights over Shares in respect of which the Offeror or any person acting in concert with it had received an irrevocable commitment to vote for or against the resolutions in respect of the Merger;

(iv). save for the Merger Agreement and the transactions contemplated thereunder, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Merger;

(v). there was no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition of the Merger; and (vi). none of the Offeror or any of the concert parties of the Offeror had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of the Shares.

The Offeror confirms that there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(a) the Offeror and any person acting in concert with it or (b) the Company, its subsidiaries or associated companies from the date on which the Merger is reasonably in contemplation to the Latest Practicable Date.

9 DEALINGS IN THE SHARES BY THE OFFEROR

(i). Except for dealings in the H Shares and equity swaps for non-discretionary investment clients of Nomura Group and Orient Securities Group, none of the Offeror or the directors of the Offeror or any of the concert parties of the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

(ii). No person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the concert parties of the Offeror had dealt for value in the Shares or any convertible securities, warranties, options or derivatives in respect of the Shares during the Relevant Period.

10 ARRANGEMENTS IN CONNECTION WITH THE MERGER

(a) Arrangements affecting the Directors

As at the Latest Practicable Date:

(i). no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Merger;

(ii). save for the Merger, there were no agreements or arrangements between any Director and any other person which was conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and

(iii). there were no material contracts entered into by the Offeror in which any Director had a material personal interest.

(b) Arrangements with the Company in connection with the Merger

(i). The emolument of the Directors will not be affected by the Merger or by any associated transactions; and (ii). As at the Latest Practicable Date, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against (as the case may be) the resolutions in respect of the Merger.

(c) Arrangement with the Offeror in connection with the Merger

(i). Save for the Merger Agreement, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Merger.

(ii). Save for the Merger and the transactions contemplated thereunder, there is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Merger.

(iii). As at the Latest Practicable Date, the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Merger to any other person.

(iv). As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with the Offeror and any other person.

11 MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business carried on or intended to be carried on by the members of the Group) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date, which are or may be material.

(i) On 26 October 2020, the Company and SIG Asset Management Co., Ltd. ("**SIGAM**") entered into an asset and equity transaction contract, pursuant to which SIGAM agreed to transfer and the Company agreed to acquire 12.50% equity interests in Beijing Kunlun Hotel Co., Ltd. for a transaction amount of RMB421,043,879.01. On the same date, the Company and SIGAM entered into an asset and equity transaction contract, pursuant to which the Company agreed to transfer and SIGAM agreed to acquire 22.68% equity interests in Sofitel Hyland Shanghai Co., Ltd. ("**Sofitel Hyland**") for a transaction amount of RMB421,040,679.42;

(ii) On 26 October 2020, the Company and SIGAM entered into an asset and equity transaction contract, pursuant to which SIGAM agreed to transfer and the Company agreed to acquire 35% equity interests in Shanghai Jian Guo Hotel Co., Ltd. for a transaction amount of RMB534,569,655.20. On the same date, the Company and SIGAM entered into an asset and equity transaction contract, pursuant to which the Company agreed to transfer and SIGAM agreed to acquire 28.80% equity interests in Sofitel Hyland for a transaction amount of RMB534,654,831.00;

(iii) On 23 November 2020, the Company and Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd. ("**Hongqiao United**") entered into a capital increase agreement, pursuant to which, the registered capital of Shanghai Yangtze Hotel Company Limited ("**Yangtze Hotel**", a non-wholly owned subsidiary of the Company) will increase from RMB451,811,628 to RMB1,000,000,000, and the Company and Hongqiao United agreed to contribute RMB435,474,251.47 and RMB874,525,748.53, respectively, to Yangtze Hotel to subscribe for its increased registered capital of RMB548,188,372;

(iv) On 24 December 2020, Shanghai Shanghai Food Co., Ltd. ("**Shanghai Food**"), a subsidiary of Shanghai Jin Jiang Online Network Service Company Limited, entered into a property requisition and compensation agreement with Huangpu Housing Management Bureau and Huangpu No. 3 Property Requisition Company, pursuant to which Huangpu Housing Management Bureau shall requisition the property situated at No. 1218 Waima Road owned by Shanghai Food and shall compensate Shanghai Food in the aggregate amount of RMB1,141,897,091.85; and

(v) the Merger Agreement.

12 MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

13 CONSENT AND QUALIFICATIONS

The following are the names and qualifications of the professional advisers whose letter, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
Orient Capital	the financial adviser to the Offeror, in connection with the Merger, a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activities;

Name	Qualifications
Nomura	the financial adviser to the Offeror, in connection with the Merger, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities;
Somerley Capital Limited	the independent financial adviser to the Independent Board Committee, in connection with the Merger, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.

Each of the above professional advisers has given and has not withdrawn its consent to the issuance of this Composite Document with the inclusion therein of its opinions, and the references to its name and opinions in the form and context in which it respectively appears.

14 SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into, or amended within six months before the date of commencement of the Offer Period; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

15 MISCELLANEOUS

(i) Information regarding the Offeror and the principal members of the Offeror's concert group is as follows:

  (a) The registered address of the Offeror is 23/F., Union Building, No. 100 Yan'an East Road, Shanghai.

  (b) The directors of the Offeror are Mr. Zhao Qi, Mr. Zhang Xiaoqiang, Ms. Zan Lin, Mr. Shao Zhengping, Mr. Wang Qiang, Mr. Liu Hongzhong and Mr. Zhang Weihua.

  (c) The Offeror is owned as to 71% by Shanghai SASAC, 19% by Shanghai Land (Group) Co., Ltd. which is wholly-owned by Shanghai SASAC and 10% by Shanghai Municipal Finance Bureau.

(ii) Orient Capital is the financial adviser to the Offeror in relation to the Merger and its address is 28/F-29/F, 100 Queen's Road Central, Central, Hong Kong.

(iii) Nomura is the financial adviser to the Offeror in relation to the Merger and its address is 30th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(iv) The registered office address of the Company is Room 316–318, No. 24 Yang Xin Dong Road, Shanghai, the PRC and the principal place of business of the Company in Hong Kong is at Room 3203, 32nd Floor, Shun Tak Centre, West Tower, 200 Connaught Road Central, Hong Kong.

(v) As at the Latest Practicable Date, the Board of the Company comprises Mr. Zhao Qi, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei, Mr. Sun Yu, Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang.

(vi) The address of Somerley Capital Limited is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.

(vii) In case of inconsistency, the English version of this Composite Document shall prevail over the Chinese version.

16 DOCUMENTS ON DISPLAY

Copies of the following documents are available on display (1) on the website of the Company at www.jinjiangcapital.com; (2) on the website of the SFC at www.sfc.hk; and (3) on the website of the Stock Exchange (www.hkexnews.com.hk) until the date on which the Offer Period ends or the date on which the Merger are withdrawn or lapse, whichever is the earliest:

(1) the Articles;

(2) the articles of association of the Offeror;

(3) the annual reports of the Company for each of the two years ended 31 December 2019 and 2020;

(4) the annual results announcement of the Company for the year ended 31 December 2021;

(5) the letter from the Board, the text of which is set out from pages 8 to 33 of this Composite Document;

(6) the letter from the Independent Board Committee, the text of which is set out from pages 34 to 35 of this Composite Document;

(7) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out from pages 36 to 82 of this Composite Document;

(8) the material contract(s) referred to in the sections headed "*11. Material Contracts*" of this Appendix II;

(9) the written consents referred to in the sections headed "*13. Consent and Qualifications*" of this Appendix II;

(10) this Composite Document.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shanghai Jin Jiang Capital Company Limited (the "**Company**") (the "**EGM**") will be held at 1:30 p.m. on Tuesday, 26 April 2022 at Jin Jiang Grand Hall, 59 South Maoming Road, Huangpu District, Shanghai, the PRC for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document (the "**Composite Document**") jointly issued by the Company and Jin Jiang International Holding Company Limited (the "**Offeror**") dated 1 April 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 24 November 2021 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.

   (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board
Shanghai Jin Jiang Capital Company Limited*
Ma Mingju
Executive Director and CEO

Shanghai, the PRC
1 April 2022

Notes:

(A) As set out in the Composite Document, it is one of the Conditions to effectiveness of the Merger Agreement that the special resolution in the EGM approving the Merger Agreement is passed by not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM.

(B) For the purpose of determining the Shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company (the "**Register of Members**") will be closed from Thursday, 21 April 2022 to Tuesday, 26 April 2022 (both dates inclusive), during which period no transfer of Shares will be registered. Shareholders of the Company whose names appear on the Register of Members on Tuesday, 26 April 2022 are entitled to attend and vote at the EGM.

(C) To be eligible to attend and vote at the EGM, shareholders of the Company's H shares shall lodge all transfer documents together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company's H share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 April 2022.

(D) Each holder of H Shares of the Company who has the right to attend and vote at the EGM is entitled to appoint in writing one (or, if he/she/it holds two or more issued Shares, more than one) proxy, whether a shareholder or not, to attend and vote on his behalf at the EGM. The form of proxy shall contain the number and class of the Shares to be represented by the proxy. If several persons are authorised as the proxies of a Shareholder, the form of proxy shall specify the number and class of Shares to be represented by each proxy.

(E) The form of proxy must be signed by the appointor or his attorney duly authorised in writing or, in the case of the shareholder being a legal person, must be either executed under its common seal or under the hand of its directors(s) or attorney(s) duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other authorisation documents, must be notarised.

(F) For holders of H shares of the Company, the form of proxy and, if the form of proxy is signed by a person under a power of attorney or other authority on behalf of the appointor, the notarially certified copies of that power of attorney or other authorisation documents (if any), must be delivered to the Company's H share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 24 hours before the time appointed for holding the EGM (i.e. no later than Monday, 25 April 2022 at 1:30 p.m.) or any adjournment thereof in order for such documents to be valid.

(G) Each holder of domestic shares of the Company is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. Notes (C) to (E) also apply to holders of domestic shares of the Company, except that the form of proxy or the notarially certified copies of any power of attorney or other authorisation documents (if any) must be delivered to the Office of the Board of the Company, the address of which is set out below, not later than 24 hours before the time appointed for holding the EGM (i.e. no later than Monday, 25 April 2022 at 1:30 p.m.) or any adjournment thereof in order for such documents to be valid. Details of the Office of the Board of Directors are as follows:

26/F., Union Building
No. 100 Yan'an East Road
Shanghai
The People's Republic of China
Postal code: 200002
Tel: (86 21) 2037 5105
Fax: (86 21) 6323 8221

(H) Delivery of the form of proxy shall not preclude a Shareholder from subsequently attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(I) If a proxy attends the EGM on behalf of a shareholder, he/she should produce his identity card and the form of proxy signed by the shareholder or his legal representative or his duly authorised attorney, specifying the date of its issuance. If a corporate shareholder appoints its corporate representative to attend the EGM, such representative should produce his identity card and the notarised copy of the resolution passed by the board of directors or other authorities of such corporate shareholder.

(J) The EGM is expected to last for half a day. Shareholders attending the EGM are responsible for their own transportation and accommodation expenses.

As at the date of this notice, the executive directors of the Company are Mr. Zhao Qi, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive directors of the Company 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**".*

Shanghai Jin Jiang Capital Company Limited*

上 海 錦 江 資 本 股 份 有 限 公 司

（於中華人民共和國註冊成立的股份有限公司）

（股份代號：02006）

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that H shareholders' class meeting of Shanghai Jin Jiang Capital Company Limited (the "**Company**") (the "**H Shareholders' Class Meeting**") will be held at 2:00 p.m. on Tuesday, 26 April 2022 or immediately following the conclusion of the EGM or any adjournment thereof on Tuesday, 26 April 2022 at Jin Jiang Grand Hall, 59 South Maoming Road, Huangpu District, Shanghai, the PRC for the purpose of considering and, if thought fit, passing the following resolutions. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document (the "**Composite Document**") jointly issued by the Company and Jin Jiang International Holding Company Limited (the "**Offeror**") dated 1 April 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 24 November 2021 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.

   (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board
Shanghai Jin Jiang Capital Company Limited*
Ma Mingju
Executive Director and CEO

Shanghai, the PRC
1 April 2022

Notes:

(A) As set out in the Composite Document, it is one of the Conditions to effectiveness of the Merger Agreement that (a) the special resolution in the H Shareholders' Class Meeting approving the Merger under the Merger Agreement is approved by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against such resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

(B) For the purpose of determining the H Shareholders who will be entitled to attend and vote at the H Shareholders' Class Meeting, the register of members of the Company (the "**Register of Members**") will be closed from Thursday, 21 April 2022 to Tuesday, 26 April 2022 (both dates inclusive), during which period no transfer of Shares will be registered. Independent H Shareholders of the Company whose names appear on the Register of Members on Tuesday, 26 April 2022 are entitled to attend and vote at the H Shareholders' Class Meeting.

(C) To be eligible to attend and vote at the H Shareholders' Class Meeting, the Independent H Shareholders shall lodge all transfer documents together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the Company's H share registrar and transfer office, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 20 April 2022.

(D) Each holder of H Shares of the Company who has the right to attend and vote at the H Shareholders' Class Meeting is entitled to appoint in writing one (or, if he/she/it holds two or more issued H Shares, more than one) proxy, whether a shareholder or not, to attend and vote on his behalf at the H Shareholders' Class Meeting. The form of proxy shall contain the number of the H Shares to be represented by the proxy. If several persons are authorised as the proxies of a H Shareholder, the form of proxy shall specify the number of H Shares to be represented by each proxy.

(E) The form of proxy must be signed by the appointor or his attorney duly authorised in writing or, in the case of the shareholder being a legal person, must be either executed under its common seal or under the hand of its directors(s) or attorney(s) duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other authorisation documents, must be notarised.

(F) The form of proxy and, if the form of proxy is signed by a person under a power of attorney or other authorisation documents on behalf of the appointor, a notarially certified copy of that power of attorney or other authorisation documents, must be delivered to the Company's H share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 24 hours before the time appointed for holding the H Shareholders' Class Meeting (i.e. no later than Monday, 25 April 2022 at 2:00 p.m.) or any adjournment thereof in order for such documents to be valid.

(G) Delivery of the form of proxy shall not preclude an Independent H Shareholder from subsequently attending and voting in person at the H Shareholders' Class Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(H) If a proxy attends the H Shareholders' Class Meeting on behalf of a H Shareholder, he/she should produce his identity card and the form of proxy signed by the H Shareholder or his legal representative or his duly authorised attorney, specifying the date of its issuance. If a corporate shareholder appoints its corporate representative to attend the H Shareholders' Class Meeting, such representative should produce his identity card and the notarised copy of the resolution passed by the board of directors or other authorities of such corporate shareholder.

(I) The H Shareholders' Class Meeting is expected to last for half a day. Shareholders attending the H Shareholders' Class Meeting are responsible for their own transportation and accommodation expenses.

As at the date of this notice, the executive directors of the Company are Mr. Zhao Qi, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive directors of the Company 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**".*