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Shanghai Jin Jiang Capital Company Limited*

上海錦江資本股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02006)

ANNOUNCEMENT CONNECTED TRANSACTION DISPOSAL OF 70% EQUITY INTEREST IN DA HUA COMPANY

On 31 March 2020, Jin Jiang Hotels (a subsidiary of the Company) entered into the Equity Transfer Agreement with Jin Jiang International Investment, pursuant to which, Jin Jiang Hotels agreed to dispose and Jin Jiang International Investment agreed to acquire 70% equity interest in Da Hua Company at cash consideration of RMB171,441,616.06. Upon completion of the transaction, Da Hua Company will cease to be a subsidiary of Jin Jiang Hotels and the Company.

As at the date of this announcement, Jin Jiang International Investment is a wholly-owned subsidiary of the controlling shareholder of the Company, Jin Jiang International. As such, Jin Jiang International Investment constitutes a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Equity Transfer Agreement and the transactions in relation to the disposal of Xi'an Company and Zhengzhou Company conducted previously shall be aggregated. For details of the disposal of Xi'an Company and Zhengzhou Company, please refer to the announcement of the Company dated 8 January 2020. As the highest applicable percentage ratio of the transaction contemplated under the Equity Transfer Agreement and the transactions in relation to the disposal of Xi'an Company and Zhengzhou Company when aggregated exceeds 0.1% but is lower than 5%, the transaction contemplated under the Equity Transfer Agreement after aggregation shall comply with the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

On 31 March 2020, Jin Jiang Hotels (a subsidiary of the Company) entered into the Equity Transfer Agreement with Jin Jiang International Investment, pursuant to which, Jin Jiang Hotels agreed to dispose and Jin Jiang International Investment agreed to acquire 70% equity interest in Da Hua Company at cash consideration of RMB171,441,616.06. Upon completion of the transaction, Da Hua Company will cease to be a subsidiary of Jin Jiang Hotels and the Company.

II. EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised below:

Date: 31 March 2020

Parties: (1) Jin Jiang Hotels, as transferor
(2) Jin Jiang International Investment, as transferee

Subject Assets: Subject to the terms and conditions of the Equity Transfer Agreement, Jin Jiang Hotels shall transfer 70% equity interest held by it in Da Hua Company to Jin Jiang International Investment. Upon completion of the transaction, Jin Jiang Hotels will hold 30% equity interest in Da Hua Company and Da Hua Company will cease to be a subsidiary of Jin Jiang Hotels and the Company.

Consideration: The consideration of the transfer of 70% equity interest in Da Hua Company is RMB171,441,616.06. The consideration has been determined based on the total shareholders' equity of Da Hua Company as at 31 December 2019 (i.e. the valuation benchmark date) valued at RMB244,916,594.37 according to the asset valuation report of Da Hua Company prepared by the Appraiser, using the asset-based approach, in proportion to the equity interest transferred.

Payment: The consideration shall be settled in cash in one lump sum by Jin Jiang International Investment to Jin Jiang Hotels within five business days upon the signing and effectiveness of the Equity Transfer Agreement.

Closing: 31 March 2020 (or otherwise agreed by both parties) will be the closing date of the transaction, and both parties shall sign and exchange a closing confirmation letter on the closing date.

Both parties shall act in a cooperative manner to proceed with the changes in registration with relevant authority within 15 business days from the closing date.

III. INFORMATION OF THE COMPANY, JIN JIANG HOTELS, JIN JIANG INTERNATIONAL INVESTMENT AND DA HUA COMPANY

Information of the Company

The Company is principally engaged in full service hotel operation and management, select service hotel operation and franchising, restaurant operation, passenger transport logistics, travel agency and other related businesses.

Information of Jin Jiang Hotels

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

Information of Jin Jiang International Investment

Jin Jiang International Investment is principally engaged in investment management, equity investment management, industrial investment, investment consulting, corporate marketing planning, property management, real estate consulting and asset management, etc. Jin Jiang International Investment is a wholly-owned subsidiary of Jin Jiang International which is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

Information of Da Hua Company

Da Hua Company principally operates Da Hua Hotel in Shanghai and provides accommodation and food and beverage services.

Financial Information

Set out below is the audited financial statements of Da Hua Company prepared in accordance with the PRC accounting standards for business enterprises:

	For the year ended 31 December	
	2018	2019
	(RMB)	(RMB)
Revenue	19,394,179.45	19,774,089.60
Profit before taxation	110,458.70	2,206,432.39
Profit after taxation	110,458.70	2,206,432.39

According to the audited financial statements of Da Hua Company prepared in accordance with the PRC accounting standards for business enterprises, the audited book value of the net asset of Da Hua Company as at 31 December 2019 was RMB-6,494,400.88. According to the asset valuation report of Da Hua Company prepared by the Appraiser using the asset-based approach, the net asset value of Da Hua Company as at 31 December 2019 was valued at RMB244,916,594.37.

The main reason for the substantially higher appraised value of Da Hua Company over its book value of its net asset is set out as follows:

Da Hua Company is an enterprise with heavy assets as majority of its operating premises is self-owned property. Da Hua Company has higher investment in fixed assets which leads to a higher proportion in book value and the book value of buildings and structures accounted for a higher proportion in its total assets. Taking into account the relatively low rental-to-price ratio of the property market in Shanghai and the fact that the main part of the buildings and constructions of Da Hua Company is an Excellent Historical Building in Shanghai in good condition, which was built before the establishment of the People's Republic of China and went through multiple repairs afterwards, the use of market approach to evaluate the building and structure will more appropriately reflect the value of the property. Meanwhile, a number of similar express hotels exist in the nearby area of Da Hua Company, which has increased the competition and negatively affected the annual profit forecast for the future under the income approach. As a result, the appraised value under the asset-based approach is higher than that under the income approach. For the purpose of this valuation, since the asset-based approach more appropriately reflects the market value of the operating premises owned by Da Hua Company, the valuation under the asset-based approach is the conclusive value.

The Board, including the independent non-executive Directors, is of the view, after considering the reasons above and reviewing the valuation report, that the valuation on Da Hua Company using the asset-based approach by the Appraiser is fair and reasonable.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Board is of the view that conducting relevant transaction under the Equity Transfer Agreement can, on one hand, realize the gain from appreciation of value in assets, and on the other hand, is in line with the investment and development strategy of light asset of Jin Jiang Hotels. The Company intends to utilize net proceeds received from the transaction under the Equity Transfer Agreement as the Group's general working capital.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement (including the consideration) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, but the transaction is not conducted in the Group's ordinary and usual course of business due to its nature. Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu, holding positions at Jin Jiang International, have abstained from voting on the relevant resolution of the Board in respect of the approval of the Equity Transfer Agreement. Save as disclosed above, none of the other Directors has a material interest in the transaction or is required to abstain from voting on the relevant resolution of the Board.

The Company expects that it will realize a gain before tax of approximately RMB251,410,995.25, based on the consideration of transfer of 70% equity interest in Da Hua Company, the fair value of and the net book value attributable to the remaining equity interest in Da Hua Company after the transfer.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Jin Jiang International Investment is a wholly-owned subsidiary of the controlling shareholder of the Company, Jin Jiang International. As such, Jin Jiang International Investment constitutes a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the transaction contemplated under the Equity Transfer Agreement and the transactions in relation to the disposal of Xi'an Company and Zhengzhou Company conducted previously shall be aggregated. For details of the disposal of Xi'an Company and Zhengzhou Company, please refer to the announcement of the Company dated 8 January 2020. As the highest applicable percentage ratio of the transaction contemplated under the Equity Transfer Agreement and the transactions in relation to the disposal of Xi'an Company and Zhengzhou Company when aggregated exceeds 0.1% but is lower than 5%, the transaction contemplated under the Equity Transfer Agreement after aggregation shall comply with the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

VI. DEFINITIONS

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

“Appraiser”	Shanghai Orient Asset Appraisal Co., Ltd. (上海東洲資產評估有限公司)
“Board”	the board of directors of the Company
“Company”	Shanghai Jin Jiang Capital Company Limited (上海錦江資本股份有限公司), a joint stock limited company established in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“controlling shareholder”	has the meaning ascribed to such term under the Listing Rules
“Da Hua Company”	Shanghai Jin Jiang Da Hua Hotel Company Limited (上海錦江達華賓館有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Jin Jiang Hotels as at the date of this announcement
“Da Hua Hotel”	Jinjiang Metropolo Classic Hotel (Jing'an Temple, Shanghai) (錦江都城經典酒店(上海靜安寺店)) located at 914-918 Yan'An West Road, Changning District, Shanghai, and operated by Da Hua Company
“Directors”	the directors of the Company

“Equity Transfer Agreement”	the equity transfer agreement entered into by Jin Jiang Hotels and Jin Jiang International Investment on 31 March 2020 in relation to the transfer of 70% equity interests in Da Hua Company to Jin Jian International Investment from Jin Jiang Hotels, details of which are disclosed in this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jin Jiang Hotels”	Shanghai Jin Jiang International Hotels Company Limited (上海錦江國際酒店股份有限公司), a 50.32%-owned subsidiary of the Company
“Jin Jiang International”	Jin Jiang International Holding Company Limited (錦江國際(集團)有限公司), the controlling shareholder of the Company which is interested in 75% issued share capital of the Company
“Jin Jiang International Investment”	Shanghai Jin Jiang International Investment and Management Company Limited (上海錦江國際投資管理有限公司), a wholly-owned subsidiary of Jin Jiang International
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to such terms under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Xi’an Company”	Xi’an Jin Jiang Inn Company Limited (西安錦江之星旅館有限公司), a company incorporated in the PRC with limited liability
“Zhengzhou Company”	Zhengzhou Jin Jiang Inn Company Limited (鄭州錦江之星旅館有限公司), a company incorporated in the PRC with limited liability

“%”

per cent

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

Shanghai, the PRC, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang.

* *The Company is registered as a non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) under its Chinese name and the English name “**Shanghai Jin Jiang Capital Company Limited**”.*