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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)

CONNECTED TRANSACTION CAPITAL INCREASE TO FINANCE COMPANY

On 24 June 2020, the Company, Jin Jiang International, Jin Jiang Hotel and Finance Company entered into the Capital Increase Agreement, pursuant to which, the registered capital of Finance Company is proposed to increase from RMB500 million to RMB1 billion, and the Company and Jin Jiang International agreed to contribute RMB656,910,000 and RMB154,090,000, respectively, to Finance Company to subscribe for its increased registered capital of RMB500 million on the basis of the owners' interests of Finance Company of RMB811,000,000 as at the Valuation Benchmark Date. The surplus part of RMB311,000,000 in aggregate will be recorded in the capital reserve of Finance Company.

As at the date of this announcement, Finance Company is an indirect wholly-owned subsidiary of the Company. The Company directly holds 90% of the issued share capital of Finance Company, and Jin Jiang Hotel, a wholly-owned subsidiary of the Company, holds 10% of the issued share capital of Finance Company. Upon completion of the Capital Increase, the Company, Jin Jiang International and Jin Jiang Hotel will hold 85.5%, 9.5% and 5% of the issued share capital of Finance Company, respectively. Upon completion of the Capital Increase, Finance Company will remain a subsidiary of the Company and its results will continue to be consolidated into the financial statements of the Group. Upon completion of the Capital Increase, the shareholding in Finance Company by the Company will decrease to 90.5% from 100%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under the Rule 14.29 of the Listing Rules.

As at the date of this announcement, Jin Jiang International is the controlling shareholder of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Capital Increase Agreement exceeds 0.1% but is lower than 5%, the transaction contemplated under the Capital Increase Agreement shall comply with the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules.

I. INTRODUCTION

On 24 June 2020, the Company, Jin Jiang International, Jin Jiang Hotel and Finance Company entered into the Capital Increase Agreement, pursuant to which, the registered capital of Finance Company is proposed to increase from RMB500 million to RMB1 billion, and the Company and Jin Jiang International agreed to contribute RMB656,910,000 and RMB154,090,000, respectively, to Finance Company to subscribe for its increased registered capital of RMB500 million on the basis of the owners' interests of Finance Company of RMB811,000,000 as at the Valuation Benchmark Date. The surplus part of RMB311,000,000 in aggregate will be recorded in the capital reserve of Finance Company.

As at the date of this announcement, Finance Company is an indirect wholly-owned subsidiary of the Company. The Company directly holds 90% of the issued share capital of Finance Company, and Jin Jiang Hotel, a wholly-owned subsidiary of the Company, holds 10% of the issued share capital of Finance Company. Upon completion of the Capital Increase, the Company, Jin Jiang International and Jin Jiang Hotel will hold 85.5%, 9.5% and 5% of the issued share capital of Finance Company, respectively. Upon completion of the Capital Increase, Finance Company will remain a subsidiary of the Company and its results will continue to be consolidated into the financial statements of the Group. Upon completion of the Capital Increase, the shareholding in Finance Company by the Company will decrease to 90.5% from 100%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under the Rule 14.29 of the Listing Rules.

II. CAPITAL INCREASE AGREEMENT

The key terms of the Capital Increase Agreement are summarised as follows:

Date: 24 June 2020

Parties:

- (1) the Company;
- (2) Jin Jiang International;
- (3) Jin Jiang Hotel; and
- (4) Finance Company

Nature of transaction: The registered capital of Finance Company is proposed to increase from RMB500 million to RMB1 billion, and the Company and Jin Jiang International agreed to contribute RMB656,910,000 and RMB154,090,000, respectively, to Finance Company to subscribe for its increased registered capital of RMB500 million on the basis of the owners' interests of Finance Company of RMB811,000,000 as at the Valuation Benchmark Date. The surplus part of RMB311,000,000 in aggregate will be recorded in the capital reserve of Finance Company. Upon completion of the Capital Increase, the Company, Jin Jiang International and Jin Jiang Hotel will hold 85.5%, 9.5% and 5% of the issued share capital of Finance Company, respectively. Upon completion of the Capital Increase, Finance Company will remain a subsidiary of the Company and its results will continue to be consolidated into the financial statements of the Group.

The Company will finance the Capital Increase by its own funds.

The table below sets forth the shareholders and the shareholding of Finance Company as at the date of this announcement and upon completion of the Capital Increase:

Shareholders	As at the date of this announcement		Upon completion of the Capital Increase	
	Registered capital (RMB million)	Shareholding percentage (%)	Registered capital (RMB million)	Shareholding percentage (%)
The Company	450.0	90.0	855.0	85.5
Jin Jiang Hotel	50.0	10.0	50.0	5.0
Jin Jiang International	—	—	95.0	9.5
Total	<u>500.0</u>	<u>100.0</u>	<u>1,000.0</u>	<u>100.0</u>

Composition of the board of directors of Finance Company:

Prior to the Capital Increase, the board of directors of Finance Company was comprised of five members. Subsequent to the Capital Increase, the number of the members of the board of directors of Finance Company will expand to six and Jin Jiang International is entitled to appoint such additional director.

Pricing policy:

The respective amounts contributed by the Company and Jin Jiang International in the Capital Increase were arrived at after arm's length negotiations, taking into consideration the owners' interests of Finance Company as at the Valuation Benchmark Date set out in the Valuation Report prepared by the Appraiser by using market-based approach, the operation requirement of Finance Company and its business development in the future.

Payment terms:

The Company and Jin Jiang International shall pay to the designated account of Finance Company within 60 business days upon the entering into of the Capital Increase Agreement.

Completion of the Capital Increase:

Completion of the Capital Increase will take place upon the approval by the Shanghai Bureau of the China Banking and Insurance Regulatory Commission of the Capital Increase and the completion of the procedures for changes in registration in the PRC.

III. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Board is of the view that the Capital Increase to Finance Company by the Company and Jin Jiang International on non-proportional basis pursuant to the Capital Increase Agreement is beneficial to the coordination of the assets, capital and funds of the Company, to support the business development of Finance Company and to enhance the capital of Finance Company as well as to comply with the requirements from the China Banking and Insurance Regulatory Commission on the optimisation of the shareholding structure of Finance Company.

The Board, including the independent non-executive Directors, is of the view that the terms of the Capital Increase 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 Capital Increase 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.

IV. INFORMATION ON FINANCE COMPANY

Finance Company is an indirect wholly-owned subsidiary of the Company as at the date of this announcement, principally engaging in provision of financial services to members of Jin Jiang group, such as settlement of transaction payment, entrusted loans and entrusted investment services, deposits taking and provision of loans.

The table below sets forth the audited financial figures of Finance Company for the years ended 31 December 2018 and 2019 prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2018	2019
	<i>(RMB)</i>	
Net profit before taxation and non-recurring items	78,497,806.65	69,985,618.94
Net profit after taxation and non-recurring items	56,048,255.32	51,198,618.67

According to the audited financial statements of Finance Company for the year ended 31 December 2019, the book value of net asset of Finance Company as at 31 December 2019 was RMB732,478,804.79.

V. LISTING RULES IMPLICATIONS

Upon completion of the Capital Increase, the shareholding in Finance Company by the Company will decrease to 90.5% from 100%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under the Rule 14.29 of the Listing Rules.

As at the date of this announcement, Jin Jiang International is the controlling shareholder of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under the Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Capital Increase Agreement exceeds 0.1% but is lower than 5%, the transaction contemplated under the Capital Increase Agreement shall comply with the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under the Chapter 14A of the Listing Rules.

VI. GENERAL INFORMATION

Information on the Company

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

Information on Jin Jiang International

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

Information on Jin Jiang Hotel

Jin Jiang Hotel is a wholly-owned subsidiary of the Company, principally engaging in the operation of the Jin Jiang Hotel which is a grand hotel in Shanghai and provision of accommodation and catering services.

VII. DEFINITIONS

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

“Appraiser”	Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司)
“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
“Capital Increase”	the non-proportional capital increase to Finance Company contributed by the Company and Jin Jiang International pursuant to the Capital Increase Agreement, details of which are disclosed in the announcement
“Capital Increase Agreement”	the capital increase agreement entered into by the Company, Jin Jiang International, Jin Jiang Hotel and Finance Company on 24 June 2020, pursuant to which the Company and Jin Jiang International agreed to make non-proportional capital increase to Finance Company, details of which are disclosed in the paragraph headed “II. Capital Increase Agreement” of the announcement
“controlling shareholder”	has the meaning ascribed to such term under the Listing Rules
“Directors”	the directors of the Company
“Finance Company”	Jin Jiang International Finance Company Limited, an indirect wholly-owned subsidiary of the Company as at the date of the announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jin Jiang Hotel”	Jin Jiang Hotel Company Limited (上海錦江飯店有限公司), a wholly-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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	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
“Valuation Benchmark Date”	30 June 2019
“Valuation Report”	the valuation report dated 20 December 2019 issued by the Appraiser
“%”	per cent

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

Shanghai, the PRC, 24 June 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**”.*