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**HJ Capital (International) Holdings Company Limited**  
**華金國際資本控股有限公司\***  
*(incorporated in Bermuda with limited liability)*  
**(Stock Code: 982)**

## **CONTINUING CONNECTED TRANSACTION HOTEL CONSULTANCY SERVICES FRAMEWORK AGREEMENT**

### **HOTEL CONSULTANCY SERVICES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 2 December 2018 in relation to the Trial Management Agreement.

On 29 April 2019 (after trading hours), the Management Company and Zhuhai Huafa entered into the Hotel Consultancy Services Framework Agreement, pursuant to which Zhuhai Huafa agreed to retain and the Management Company agreed to provide, the Hotel Consultancy Services for a term not exceeding three years commencing from the fulfilment (or waiver under any circumstances, where applicable) of all conditions precedent set out in this announcement to 31 December 2021.

### **LISTING RULES IMPLICATIONS**

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into the Hotel Consultancy Services Framework Agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the Hotel Consultancy Services Framework Agreement are over 5% and the annual service fees receivable by the Management Company is greater than HKD10,000,000, the entering into of the Hotel Consultancy Services Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Hotel Consultancy Services Framework Agreement, the transactions contemplated thereunder, and its annual cap for each of the three years ending on 31 December 2021 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Hotel Consultancy Services Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in connection with the Hotel Consultancy Services Framework Agreement; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 2 December 2018 in relation to the trial provision of hotel management services by the Management Company.

The Board is pleased to announce that on 29 April 2019 (after trading hours), the Management Company and Zhuhai Huafa entered into the Hotel Consultancy Services Framework Agreement.

## **HOTEL CONSULTANCY SERVICES FRAMEWORK AGREEMENT**

The principal terms of the Hotel Consultancy Services Framework Agreement are set out below:

### **Date**

29 April 2019

### **Parties**

- (a) The Management Company
- (b) Zhuhai Huafa

### **Services to be provided**

The Management Company agreed to provide, and Zhuhai Huafa agreed to accept, the Hotel Consultancy Services in respect of the Hotels. The Hotel Consultancy Services are more particularly set out below.

## Term of Service

The Hotel Consultancy Services Framework Agreement is entered into for a term (the “**Term**”) not exceeding three years commencing from the fulfilment (or waiver under any circumstances, where applicable) of all the conditions precedent set out in the section titled “conditions precedent” below to 31 December 2021.

## Hotel Consultancy Services

The Hotel Consultancy Services to be provided by the Management Company pursuant to the Hotel Consultancy Services Framework Agreement shall comprise the following, which shall be provided directly to the Hotels:

Services Type	Services	
Type 1 Management services provided to the Consultancy Hotels	Monitor the operation and management of the Consultancy Hotels	Monitor, inter alia, the following aspects of the Consultancy Hotels: (i) daily revenue, fees, profits; (ii) projects, asset management, purchase, delivery management; (iii) food and beverages quality; and (iv) quality of customer services, etc.
	Financial and performance benchmark analysis	Analyse, inter alia, (i) average room rate; (ii) occupancy rate; (iii) revenue per available room (RevPAR); and (iv) gross/operating profit, etc.
	Market positioning and marketing strategy evaluation and advice	(i) evaluate the market positioning of the Consultancy Hotels;  (ii) analyse sales and pricing strategies of the Hotels; and  (iii) provide advice on improving performance; etc.
	Human resources evaluation and management	(i) evaluate the existing organisational structure, staff efficiency and performance review systems of the Consultancy Hotels; and (ii) control labour costs and improve employee work efficiency, etc.

Facilities and equipment evaluation and advice	(i) evaluate the level of depreciation of operating facilities; and (ii) advise on upgrading or improvement proposals, etc.
Information system evaluation and advice	(i) evaluate the property management system (PMS), central reservation system (CRS) and revenue management system (RMS) of the Consultancy Hotels; and (ii) recommend applicable operation tools, etc.
Hotel revenue management monitor	(i) analyse revenue management status of the Consultancy Hotels; and (ii) improve inventory management, etc.

Type 2 Consultation services provided to Target Hotels	Provide general consultancy services to the Target Hotels, including but not limited to (i) market and financial feasibility studies; (ii) hotel brand introduction and negotiation; (iii) design management and cost management consultancy; (iv) staff professional skills training; and (v) hotel operation commencement preparation management and consulting
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The Management Company and Zhuhai Huafa agree that they shall make corresponding adjustments to the above Hotel Consultancy Services according to needs of individual projects.

### **Individual services agreements**

As the Hotel Consultancy Services Framework Agreement only sets out the framework of the Hotel Consultancy Services to be provided generally, in respect of the specific services to be provided by the Management Company, the Management Company shall enter into separate services agreements to set out the scope of services, service fee charging standard, timetable and payment methods, etc. (the “**Individual Services Agreements**”) with Zhuhai Huafa in accordance with the specific requirements of each individual projects. The service scope shall be within that of the Hotel Consultancy Services and the service fees per year shall not be higher than the annual cap for the respective year. The terms and service fees of the Individual Service Agreements shall be negotiated and agreed through arm’s length negotiations between the Management Company and Zhuhai Huafa. The terms shall not be better than those entered into between the Management Company and independent third parties while the service fees shall be determined using an appropriate, reasonable and fair valuation method and shall not be lower than that of the service fees received by the Management Company from Independent third parties in similar transactions. In the event of conflicts between the terms of the Individual Services Agreements and the Hotel Consultancy Services Framework Agreements, the terms of Hotel Consultancy Services Framework Agreement shall prevail.

## **Payment**

Unless otherwise agreed between the Parties, the service fees for the Hotel Consultancy Services shall be settled as follows:

- (a) Regarding the service fees for Type 1 Hotel Consultancy Services, the Management Company shall issue an invoice to Zhuhai Huafa within 5 China business days after the end of each calendar month. The relevant Zhuhai Huafa Group Company(ies) shall pay to the Management Company the relevant service fees within 15 China business days after receiving and confirming the relevant invoice.
- (b) Regarding the service fees for Type 2 Hotel Consultancy Services, the Management Company shall issue an invoice to the relevant service recipient(s) within 15 China business days after completion of the relevant Hotel Consultancy Services. The relevant service recipient(s) shall pay to the Management Company the relevant service fees within 15 China business days after receiving and confirming the invoice. Zhuhai Huafa shall procure the relevant service recipient(s) to make such payments, and shall unconditionally undertake to pay to the Management Company the relevant service fees where the relevant service recipient(s) fails to make such payments within 30 China business days after receiving and confirming the relevant invoice.

## **Termination**

The Parties may terminate the Hotel Consultancy Services Framework Agreement prior to the expiration of the service period with written consent by the Management Company and Zhuhai Huafa. Upon termination of the Hotel Consultancy Services Framework Agreement, the relevant Individual Services Agreements shall be terminated accordingly.

## **Conditions precedent**

The provision of the Hotel Consultancy Services is conditional upon fulfillment or waiver in writing (as the case may be) of the following conditions precedent:

- (a) the Company having obtained its Independent Shareholders' approval of the Hotel Consultancy Services Framework Agreement and the transactions contemplated thereunder;
- (b) all the necessary approvals from local government regarding the transactions contemplated under the Hotel Consultancy Services Framework Agreement having been obtained by Zhuhai Huafa (if any);
- (c) the Management Company not breaching any of the representations and warranties under the Hotel Consultancy Services Framework Agreement and such representations and warranties remaining true, accurate, complete and not misleading; and
- (d) all the necessary authorisations, registrations, filings, confirmations, permits, consents and approvals for the transactions contemplated under the Hotel Consultancy Services Framework Agreement having been obtained by the Management Company and Zhuhai Huafa.

Zhuhai Huafa may, in writing, relinquish or waive the fulfillment of conditions precedent set out in (c) and (d) above. The condition precedent set out in (a) above cannot be relinquished or waived. If any of the conditions precedent cannot be fulfilled (or relinquished or waived under any circumstances, where applicable) on or before 31 December 2019 (or such other date as agreed in writing between the Parties to the Hotel Consultancy Services Framework Agreement), the Hotel Consultancy Services Framework Agreement and the transaction contemplated thereunder shall be forthwith terminated and be of no effect.

## **ANNUAL CAPS AND BASIS OF ANNUAL CAPS**

In considering the service fees annual caps under the Hotel Consultancy Services Framework Agreement, the Directors have considered a number of factors including:

- (a) comparable market practice for fees payable under an agreement entered into for not more than three years; and
- (b) the service fees received by the Management Company under the Trial Management Agreement.

Having considered the above factors, the Directors propose that the annual cap (inclusive of applicable taxes) for the Hotel Consultancy Services Framework Agreement for each of the three years ending 31 December 2021 shall be as follows:

	<b>Date of commencement of the Term to 31 December 2019 (RMB millions)</b>	<b>1 January 2020 to 31 December 2020 (RMB millions)</b>	<b>1 January 2021 to 31 December 2021 (RMB millions)</b>
Type 1 <sup>(1)</sup>	6.13	7.36	12.39
Type 2 <sup>(2)</sup>	7.70	7.20	6.90
<b>Total</b>	<b>13.83</b>	<b>14.56</b>	<b>19.29</b>

*Notes:*

- (1) The service fee for Type 1 Hotel Consultancy Services shall be 3%–5% (except as otherwise provided under the Hotel Consultancy Services Framework Agreement) of the aggregate monthly revenue of the Hotels (subject to relevant Individual Services Agreements)
- (2) The service fees for Type 2 Hotel Consultancy Services take into account the resources inputs costs of the Management Company, specific service scope and complexity, project urgency, market practice and past transaction amount, which shall be collected separately according to individual items.

## **INTERNAL CONTROL MEASURES**

The Group will adopt internal control procedures and corporate governance measures in relation to the transactions contemplated under the Hotel Consultancy Services Framework Agreement.

- (a) The senior management of the Management Company shall be responsible for monitoring whether the terms of the Hotel Consultancy Services Framework Agreement as agreed are fair and reasonable and no less favourable than those offered to independent third parties;
- (b) The finance department of the Group is responsible for monitoring the service fees for the Hotel Consultancy Services to ensure that they are in accordance with the Hotel Consultancy Services Framework Agreement and the annual caps are not exceeded. In addition, the finance department will also conduct overall review on a monthly basis. Where the finance department is aware of any potential non-compliance or that the annual caps are exceeded, the finance department will escalate the matter to the senior management of the Company who will co-ordinate at the Group level to take remedial actions and ensure the basis of annual caps are followed and are not exceeded;
- (c) the senior management of the Company will review the draft Individual Services Agreements and will escalate the matter to the independent non-executive Directors if the senior management is of the opinion that there is any non-compliance issue. The independent non-executive Directors would further review the draft Individual Services Agreements and take appropriate actions to ensure that such transactions are conducted within the Hotel Consultancy Services Framework Agreement, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- (d) the auditors of the Company will conduct annual review on the transactions contemplated under the Hotel Consultancy Services Framework Agreement and Individual Services Agreements and provide their view to the Board.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that any new provision of Hotel Consultancy Services to be agreed pursuant to the Hotel Consultancy Services Framework Agreement will be on normal commercial terms and no less favourable to the Group than those available from independent third parties.

## **INFORMATION ON THE GROUP AND THE MANAGEMENT COMPANY**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial advisory services, securities underwriting and consultancy, securities and futures brokerage, equity research business, money lending business, financial printing services, hotel management and advisory services and consultancy services in relation to convention and event planning both in Hong Kong and PRC.

The Management Company is an indirect wholly-owned subsidiary of the Company, whose scope of business includes, inter alia, hotel, resort and high-end apartment management; hotel management consultancy; business information consultancy (other than financial consultancy); hotel marketing services; leasing; equipment rental; conferences services; reservation services; branding and marketing; business management and vocational training; celebration and event services.

## **INFORMATION ON ZHUHAI HUAFU**

Zhuhai Huafa is an investment holding company and the indirect owner of the Hotels. Zhuhai Huafa is an indirect controlling shareholder of the Company and therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Save for the foregoing, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Zhuhai Huafa is not in any other way connected with the Company.

## **REASONS FOR ENTERING INTO THE HOTEL CONSULTANCY SERVICES FRAMEWORK AGREEMENT**

As mentioned in the announcement dated 2 December 2018 in relation to the Trial Management Agreement, the Company has been enhancing the competitiveness of its core business, it has always been seeking to diversify the business of the Group and explore new business opportunities, and with the establishment of the Management Company as an indirect wholly-owned subsidiary of the Company, the Group possesses the necessary expertise and personnel to provide, inter alia, Hotel Consultancy Services. Further, as a result of the success in providing hotel management services pursuant to the Trial Management Agreement, the Company is confident that the Management Company is capable of providing the Hotel Consultancy Services to a wider range of hotels owned and operated by Zhuhai Huafa and its subsidiaries and can satisfy the requirements and up to the standards required by Zhuhai Huafa. Hence, the Management Company decided to enter into the Hotel Consultancy Services Framework Agreement to provide to Zhuhai Huafa the Hotel Consultancy Services for a longer term of not exceeding three years after the trial of three months.

## **LISTING RULES IMPLICATION**

As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into the Hotel Consultancy Services Framework Agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the Hotel Consultancy Services Framework Agreement are over 5% and the annual service fees receivable by the Management Company is greater than HKD10,000,000, the entering into of the Hotel Consultancy Services Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Hotel Consultancy Services Framework Agreement, the transactions contemplated thereunder, and its annual cap for each of the three years ending on 31 December 2021 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Hotel Consultancy Services Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in connection with the Hotel Consultancy Services Framework Agreement; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Listing Rules.

## **GENERAL INFORMATION**

All executive Directors and Ms. Zhang Kuihong, the non-executive Director, are directors and/or senior management of Zhuhai Huafa and therefore are deemed to have material interests in the transactions under the Hotel Consultancy Services Framework Agreement, and have abstained from voting on the relevant Board resolutions. Other than those Directors mentioned above, none of the other Directors has or is deemed to have a material interest in the transactions under the Hotel Consultancy Services Framework Agreement.

The Directors (except the independent non-executive Directors, who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the terms of the Hotel Consultancy Services Framework Agreement and the transactions contemplated thereunder (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; and (iii) are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and the annual caps thereof mentioned above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“business day(s)”	has the meaning ascribed thereto under the Listing Rules

“China business day(s)”	any day(s) falling within Monday to Friday inclusive but excluding any statutory holiday for all PRC citizens under PRC law, subject to PRC authority’s decision to swap between a working day (i.e. a day falling within Monday to Friday inclusive) and a rest day (i.e. Saturday or Sunday), in which case the authority’s decision shall be conclusive
“Company”	HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 982)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consultancy Hotels”	The St. Regis Zhuhai (珠海瑞吉酒店) located in Zhuhai City, Guangdong Province, PRC and Taicang Tahoe Huafa Pullman Hotel* (太倉泰禾華發鉅爾曼酒店) located in Taicang City, Jiangsu Province
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hotel Consultancy Services”	the services to be provided by the Management Company to Zhuhai Huafa in respect of each of the Hotels as more particularly described in this announcement
“Hotel Consultancy Services Framework Agreement”	the agreement for the provision of the Hotel Consultancy Services dated 29 April 2019 and entered into between the Management Company and Zhuhai Huafa
“Hotels”	the Consultancy Hotels and the Target Hotels
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, namely Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi, established to give recommendation to the Independent Shareholders in relation to the Hotel Consultancy Services Framework Agreement

“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholder(s)”	Shareholder(s) other than Huajin Investment Company Limited, an indirect wholly owned subsidiary of Zhuhai Huafa
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Company”	Zhuhai Hengqin Xinqu Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司), a company established under the laws of PRC, and an indirect wholly-owned subsidiary of the Company
“Parties”	the parties to the Hotel Consultancy Services Framework Agreement, and “Party” means any one of them
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Hotel Consultancy Services Framework Agreement
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“ Target Hotels “	hotels owned by, under construction and proposed to be constructed by Zhuhai Huafa group, including but not limited to the Consultancy Hotels, Fushan Science and Technology Park Science and Technology Centre project (富山科技園科創中心項目), Zhuhai Jinwan Aviation City Hotel project (珠海金灣航空城酒店項目), Zhuhai SZM International Coast Garden Hotel project on Land Plot A8 (珠海十字門國際海岸花園A8地塊酒店項目), Weihai Jiulong Bay Seaside Resort Hotel (威海九龍灣海邊度假酒店), Weihai Jiulongwan Super High-rise Hotel (威海九龍灣超高層酒店), Suzhou Taicang Hefa Hotel (蘇州太倉禾發酒店), Island Hotel (Dong’ao Island) project (海島酒店(東澳島)項目), Island Hotel (Wanshan Island) project (海島酒店(萬山島)項目), City Transportation Land Plot No. 16 project (城運16號地項目) and Chengyun Land Plot No. 26 project (城運26號地項目), etc.
“Trial Management Agreement”	the agreement for the provision of hotel management services by the Management Company on a trial basis as referred to in the announcement by the Company dated 2 December 2018
“Zhuhai Huafa”	Zhuhai Huafa Group Company Limited (珠海華發集團有限公司), a state-owned enterprise wholly-owned by Zhuhai State-owned Asset Supervision and Administration Commission and a controlling shareholder of the Company
“Zhuhai Huafa Group Company”	any one of Zhuhai Huafa and its subsidiaries and associates

By order of the Board  
**HJ Capital (International) Holdings Company Limited**  
**Li Guangning**  
*Chairman*

Hong Kong, 29 April 2019

*As at the date of this announcement, the Board comprises Mr. Li Guangning (Executive Director and Chairman); Mr. Xie Wei (Executive Director and Chief Executive Officer) and Ms. Guo Jin (Executive Director); Ms. Zhang Kuihong, Mr. Shong Hugo and Mr. Qie Yan (all being Non-executive Directors); Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi (all being Independent Non-executive Directors).*

\* for identification purpose only