

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



Shanghai Jin Jiang Capital Company Limited*

上海錦江資本股份有限公司

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

(Stock Code: 02006)

DISCLOSEABLE TRANSACTION CAPITAL INCREASE TO YANGTZE HOTEL AND DEEMED DISPOSAL

On 23 November 2020, the Company and Hongqiao United entered into the Capital Increase Agreement, pursuant to which, the registered capital of Yangtze Hotel 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 on the basis of the owners' equity interests of Yangtze Hotel of RMB1,317,154,491.19 as at the Valuation Benchmark Date. The surplus part of RMB761,811,628 in aggregate will be recorded in the capital reserve of Yangtze Hotel.

As at the date of this announcement, the Company and Hongqiao United hold 66.67% and 33.33% equity interests of Yangtze Hotel, respectively, and Yangtze Hotel is a non wholly-owned subsidiary of the Company. Upon completion of the Capital Increase, the Company and Hongqiao United will hold 50% equity interests of Yangtze Hotel, respectively, while Yangtze Hotel will remain a subsidiary of the Company and its financial results will continue to be consolidated into that of the Group. Upon completion of the Capital Increase, the Company's shareholding percentage in Yangtze Hotel will decrease from 66.67% to 50%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transaction contemplated under the Capital Increase Agreement exceeds 5% but is lower than 25%, the transaction contemplated under the Capital Increase Agreement shall comply with the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

I. INTRODUCTION

On 23 November 2020, the Company and Hongqiao United entered into the Capital Increase Agreement, pursuant to which, the registered capital of Yangtze Hotel 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 on the basis of the owners' equity interests of Yangtze Hotel of RMB1,317,154,491.19 as at the Valuation Benchmark Date. The surplus part of RMB761,811,628 in aggregate will be recorded in the capital reserve of Yangtze Hotel.

As at the date of this announcement, the Company and Hongqiao United hold 66.67% and 33.33% equity interests of Yangtze Hotel, respectively, and Yangtze Hotel is a non wholly-owned subsidiary of the Company. Upon completion of the Capital Increase, the Company and Hongqiao United will hold 50% equity interests of Yangtze Hotel, respectively, while Yangtze Hotel will remain a subsidiary of the Company and its financial results will continue to be consolidated into that of the Group. Upon completion of the Capital Increase, the Company's shareholding percentage in Yangtze Hotel will decrease from 66.67% to 50%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

II. CAPITAL INCREASE AGREEMENT

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

- Date:** 23 November 2020
- Parties:** (1) the Company; and
(2) Hongqiao United

Nature of transaction:

The registered capital of Yangtze Hotel 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 on the basis of the owners' equity interests of Yangtze Hotel of RMB1,317,154,491.19 as at the Valuation Benchmark Date. The surplus part of RMB761,811,628 in aggregate will be recorded in the capital reserve of Yangtze Hotel. Upon completion of the Capital Increase, the Company and Hongqiao United will hold 50% equity interests of Yangtze Hotel, respectively, while Yangtze Hotel will remain a subsidiary of the Company and its financial results will continue to be consolidated into that of the Group.

The Company will conduct the Capital Increase by its self-owned funds.

The table below sets forth the shareholders and the shareholding of Yangtze Hotel 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)	Shareholding percentage (%)	Registered capital (RMB)	Shareholding percentage (%)
The Company	301,207,752	66.67	500,000,000	50.0
Hongqiao United	150,603,876	33.33	500,000,000	50.0
Total	451,811,628	100.0	1,000,000,000	100.0

Governance structure:

Save as the adjustment to the shareholders' capital contribution and the shareholding in Yangtze Hotel, the other matters set out in the articles of association of Yangtze Hotel (including but not limited to decision-making mechanism of shareholders' meeting and board meeting and composition of board of directors), directors, supervisors and senior management of Yangtze Hotel remain unchanged.

- Pricing policy:** The respective amounts contributed by the Company and Hongqiao United in the Capital Increase were determined based on the owners' equity interests of Yangtze Hotel as at the Valuation Benchmark Date set out in the Valuation Report prepared by the Appraiser by using the asset-based approach.
- Payment terms:** The Company and Hongqiao United shall pay the amounts to the designated account of Yangtze Hotel before 25 November 2020.
- Completion of the Capital Increase and sharing of profits and losses** The Company and Hongqiao United shall collaborate with Yangtze Hotel for completing relevant procedures required by the PRC laws and governmental authorities within 10 days upon the signing of the Capital Increase Agreement. Completion of the Capital Increase shall take place upon the completion of the relevant procedures.

For the period from the Valuation Benchmark Date to the completion date of changes in the industrial and commercial registration of Yangtze Hotel, any increase or decrease in net assets and the corresponding interests in Yangtze Hotel incurred due to the profit or loss from its operating activities shall be shared by the Company and Hongqiao United in accordance with their respective shareholdings after the Capital Increase.

III. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Board is of the view that the Capital Increase to Yangtze Hotel by the Company and Hongqiao United on a non-proportional basis pursuant to the Capital Increase Agreement is beneficial to reduce the liability scale of Yangtze Hotel, ensure its continuous and stable operation and support its further business development.

The Board (including the independent non-executive Directors) is of the view that the contractual terms of the Capital Increase Agreement are fair and reasonable and based on normal commercial terms and the Capital Increase is 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. None of the Directors has a material interest in the transaction or is required to abstain from voting on the relevant resolution of the Board.

As the Company will not lose control over Yangtze Hotel upon the completion of the Capital Increase, no profit or loss arising from the Capital Increase will be recorded in the consolidated income statement of the Company.

IV. INFORMATION ON YANGTZE HOTEL

Yangtze Hotel is principally engaged in provision of hotel accommodation, food and beverage as well as banquet services.

As at the date of this announcement, Yangtze Hotel is a non wholly-owned subsidiary of the Company, and 33.33% of its equity interests is held by Hongqiao United and Hongqiao United is therefore a substantial shareholder of Yangtze Hotel. As (1) Hongqiao United is connected only with Yangtze Hotel; and (2) calculated in accordance with the relevant applicable percentage ratios under the Listing Rules, the percentage ratios of Yangtze Hotel's total assets, profits and revenue to the Group's total assets, profits and revenue for the year ended 31 December 2019, respectively, are less than 5%, Yangtze Hotel meets the criteria of "an insignificant subsidiary" as set out in Rule 14A.09 of the Listing Rules. Therefore, in accordance with Chapter 14A of the Listing Rules, Hongqiao United is not a connected person of the Company.

The table below sets forth the audited financial information of Yangtze Hotel prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	For the year ended 31 December	
	2018	2019
	<i>(RMB)</i>	
Net loss before taxation and non-recurring items	23,169,404.01	28,828,682.53
Net loss after taxation and non-recurring items	23,169,404.01	29,060,911.67

As set out in the audited financial statements of Yangtze Hotel prepared in accordance with the PRC Accounting Standards for Business Enterprises, the audited book value of the net assets of Yangtze Hotel was RMB482,223,361.14 as at 31 December 2019. As at the Valuation Benchmark Date, the audited book value of the net assets of Yangtze Hotel was RMB407,315,960.91. As set out in the Valuation Report prepared by the Appraiser under the asset-based approach, the owners' equity interests of Yangtze Hotel was valued at RMB1,317,154,491.19 as at the Valuation Benchmark Date.

The appraised value of Yangtze Hotel is significantly higher than its book value of the net assets due to the following reasons:

The appraised values of the fixed assets and intangible assets of Yangtze Hotel are higher than their book value, principally due to the substantial appreciation of appraised value in buildings and constructions as well as land use rights: (1) the appraised net value of its buildings and constructions carries a substantial appreciation of 475.83%, principally because the construction costs of hotel

properties have been increasing in recent years and the economic life of hotel properties is longer than its depreciable life in accounting; (2) the appraised value of intangible assets, i.e. the land use rights, carrying an appreciation of 44.12%, principally because the market value of land use rights is higher than that in book cost.

V. LISTING RULES IMPLICATIONS

Upon completion of the Capital Increase, the Company's shareholding in Yangtze Hotel will decrease from 66.67% to 50%. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) of the transaction contemplated under the Capital Increase Agreement exceeds 5% but is lower than 25%, the transaction contemplated under the Capital Increase Agreement shall comply with the reporting and disclosure requirements under Chapter 14 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 Hongqiao United

Hongqiao United is principally engaged in the centralised development and operation of Shanghai Hongqiao Economic and Technological Development Zone as well as real estate operation business. Hongqiao United is wholly-owned by Shanghai Land Min Hong (Group) Co., Ltd. (上海地產閔虹(集團)有限公司), which is wholly-owned by Shanghai Land (Group) Co., Ltd. (上海地產(集團)有限公司) which is 100% held by Shanghai State-owned Assets Supervision and Administration Commission.

VII. DEFINITIONS

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

“Appraiser”	Shanghai Cai Rui Assets Evaluation Co., Ltd. (上海財瑞資產評估有限公司)
“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 Yangtze Hotel contributed by the Company and Hongqiao United pursuant to the Capital Increase Agreement, details of which are disclosed in this announcement
“Capital Increase Agreement”	the capital increase agreement entered into by the Company and Hongqiao United on 23 November 2020, pursuant to which the Company and Hongqiao United will make non-proportional capital increase to Yangtze Hotel, details of which are disclosed in the paragraph headed “II. Capital Increase Agreement” of this announcement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongqiao United”	Shanghai Hongqiao Economic & Technological Development Zone United Development Co., Ltd. (上海虹橋經濟技術開發區聯合發展有限公司)
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Valuation Benchmark Date”	30 September 2020
“Valuation Report”	the valuation report dated 17 November 2020 issued by the Appraiser
“Yangtze Hotel”	Shanghai Yangtze Hotel Company Limited (上海揚子江大酒店有限公司), a company incorporated in accordance with the PRC laws with limited liability, as at the date of this announcement, a non wholly-owned subsidiary of the Company
“%”	per cent

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

Shanghai, the PRC, 23 November 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**”.*