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Shanghai Jin Jiang International Hotels (Group) Company Limited*

上海錦江國際酒店(集團)股份有限公司

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

(Stock Code: 02006)

MAJOR TRANSACTION PROPOSED ACQUISITION OF 100% SHARES IN GROUPE DU LOUVRE

On 3 November 2014, Jin Jiang International Investment entered into the Put Option Agreement with the Vendor (its attachments consisting of the Share Purchase Agreement, the Closing Escrow Agreement and the Receivable Assignment Agreement, which are proposed to be entered into), and Jin Jiang International Investment entered into the Deposit Escrow Agreement with the Vendor and Maître Edouard Mourgue-Molines (as escrow agent). The main content of the relevant agreements are set out below. The Vendor and Jin Jiang International Investment have agreed that Jin Jiang International Investment may designate its affiliate to be the acquirer in the Proposed Transaction. On 12 November 2014, Jin Jiang International requested the Company and Jin Jiang Hotels Development, a subsidiary of the Company, to assess and confirm whether they would participate in the Proposed Transaction as acquirers. On 6 January 2015, Jin Jiang International Investment issued a Letter of Grant of Right of Participation to the Company and Jin Jiang Hotels Development, agreeing to grant the Company and Jin Jiang Hotels Development (including their respective subsidiaries) the right of acquisition of 100% of the shares of GDL. Should the Company or Jin Jiang Hotels Development agree to acquire the above shares, after the exercise of the Put Option by the Vendor in accordance with the Put Option Agreement, it shall execute the Transaction Documents as the acquirer and shall pay an amount equal to the Deposit to Jin Jiang International Investment after such execution of the Transaction Documents.

On 14 January 2015, the Board and the board of directors of Jin Jiang Hotels Development both agreed to participate in the Proposed Transaction through Luxembourg Sailing Investment, a wholly owned subsidiary of Jin Jiang Hotels Development.

The Company and Jin Jiang International had been actively looking at the Target Group and other potential targets for the past 3 years. The Company has been actively participating in the entire process of the Proposed Transaction thus far, including the discussion and negotiation of the preliminary agreements (i.e. Put Option Agreement and Deposit Escrow Agreement), as the intention of the Company and Jin Jiang International was always for the Proposed Transaction to be handled by the Group due to the business and market positioning of the Group. Due to timing constraints, restrictions arising from the competitive open bid process for the Proposed Transaction and the significant status accorded by the Vendor to Jin Jiang International as the parent of the Company, Jin Jiang International (through its wholly-owned subsidiary, Jin Jiang International Investment), in support of the Company, signed such preliminary agreements for and on behalf of the Group. The independent non-executive Directors (together with the other Directors) believe that the terms of the Proposed Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Target Group is a world-leading hotel chain (based on the numbers of hotels owned), which is principally engaged in the operation of various chain budget hotel businesses through the brands of Premie‘ re Classe, Campanile, Kyriad series (Kyriad and Kyriad prestige) and the operation of upscale hotel businesses through the brand of Golden Tulip series (Tulip Inn, Golden Tulip and Royal Tulip).

As of 30 June 2014, the Target Group (via LHG, its subsidiary) owns, manages and operates (via franchise arrangements) 1,115 hotels with 91,154 hotel rooms in 46 countries around the world, of which 970 hotels are in Europe, which accounted for approximately 87.00% of its total hotels, of which 820 hotels are in France, which accounted for approximately 84.54% of its hotels in Europe. In addition, the Target Group has hotel operations covering major European countries such as Italy, the United Kingdom, and the Netherlands. Meanwhile, the Target Group is also expanding its global market and has entered into the hotel markets of United States, the Middle East, Africa, Asia and other regions.

As the applicable percentage ratios of the Proposed Transaction is expected to exceed 25% but are lower than 100%, the Proposed Transaction if entered into may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Proposed Transaction will be subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. Jin Jiang International, which is the controlling shareholder of the Company and directly owns 75% of the issued share capital (or 4,174,500,000 domestic shares) of the Company, does not have any material interest in the Proposed Transaction. No Shareholder (including Jin Jiang International) would be required to abstain from voting at the general meeting of the Company, if convened, to approve the Proposed Transaction. The Proposed Transaction would accordingly be approved in writing by Jin Jiang International pursuant to Rule 14.44 of the Listing Rules, and no general meeting of the Company is required to be convened.

The Company expects that it will take time to prepare the information required to be included in the Circular and is applying to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares.

A. PARTICIPATION IN THE PROPOSED TRANSACTION

Reference is made to the announcements of the Company dated 12 November 2014, 21 November 2014, 28 November 2014, 5 December 2014, 12 December 2014, 19 December 2014, 23 December 2014, 30 December 2014, 6 January 2015 and 13 January 2015.

On 3 November 2014, Jin Jiang International Investment entered into the Put Option Agreement with the Vendor (its attachments consisting of the Share Purchase Agreement, the Closing Escrow Agreement and the Receivable Assignment Agreement, which are proposed to be entered into), and Jin Jiang International Investment entered into the Deposit Escrow Agreement with the Vendor and Maître Edouard Mourgue- Molines (as escrow agent). The main content of the relevant agreements are set out below. The Vendor and Jin Jiang International Investment have agreed that Jin Jiang International Investment may designate its affiliate to be the acquirer in the Proposed Transaction. On 12 November 2014, Jin Jiang International requested the Company and Jin Jiang Hotels Development, a subsidiary of the Company, to assess and confirm whether they would participate in the Proposed Transaction as acquirers. On 6 January 2015, Jin Jiang International Investment issued a Letter of Grant of Right of Participation to the Company and Jin Jiang Hotels Development, agreeing to grant the Company and Jin Jiang Hotels Development (including their respective subsidiaries) the right of acquisition of 100% of the shares of GDL. Should the Company or Jin Jiang Hotels Development agree to acquire the above shares, after the exercise of the Put Option by the Vendor in accordance with the Put Option Agreement, it shall execute the Transaction Documents as the acquirer and shall pay an amount equal to the Deposit to Jin Jiang International Investment after such execution of the Transaction Documents.

On 14 January 2015, the Board and the board of directors of Jin Jiang Hotels Development both agreed to participate in the Proposed Transaction through Luxembourg Sailing Investment, a wholly owned subsidiary of Jin Jiang Hotels Development.

The Company and Jin Jiang International had been actively looking at the Target Group and other potential targets for the past 3 years. The Company has been actively participating in the entire process of the Proposed Transaction thus far, including the discussion and negotiation of the preliminary agreements (i.e. Put Option Agreement and Deposit Escrow Agreement), as the intention of the Company and Jin Jiang International was always for the Proposed Transaction to be handled by the Group due to the business and market positioning of the Group. Due to timing constraints, restrictions arising from the competitive open bid process for the Proposed Transaction and the significant status accorded by the Vendor to Jin Jiang International as the parent of the Company, Jin Jiang International (through its wholly-owned subsidiary, Jin Jiang International Investment), in support of the Company, signed such preliminary agreements for and on behalf of the Group. The independent non-executive Directors (together with the other Directors) believe that the terms of the Proposed Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Transaction Documents have not been signed yet, and these documents shall be signed, subject to the approval of the Proposed Transaction by the shareholders of Jin Jiang Hotels Development and after the exercise of the Put Option under the Put Option Agreement by the Vendor (which is expected to take place no later than 30 April 2015).

As of the date of this announcement, the outstanding approvals for Luxembourg Sailing Investment to execute the Transaction Documents include the following:

a. the filing of the Valuation Report with and the approval of the proposal for the Proposed Transaction by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government or its authorised institution;

b. the filing of the outbound investment under the Proposed Transaction with the NDRC;

c. the filing of the outbound investment under the Proposed Transaction with the China (Shanghai) Pilot Free Trade Zone Administration management committee;

d. the approval of the Proposed Transaction by the shareholders of Jin Jiang Hotels Development; and

e. the approval of the execution of the Receivable Assignment Agreement by the directors of Star SDL Holdings S.à r.l..

Put Option Agreement

On 3 November 2014, the Vendor (as beneficiary) and Jin Jiang International Investment (as offeror) entered into the Put Option Agreement. The key terms of the Put Option Agreement are summarised as follows:

Put Option

Jin Jiang International Investment has granted the Vendor the Put Option with respect to the Proposed Transaction.

Exercise of the Put Option

The Put Option shall be exercisable by the Vendor during a period of five (5) business days as from the date of conclusion of the information/consultation procedure with the central works' council of LHG ("**Works Council**"). The period of exercise of the Put Option shall expire on 28 February 2015 ("**Expiration Date**"), and the Put Option shall automatically expire at 00:01 a.m. (Paris time) on the day immediately following the Expiration Date. Should such information/consultation procedure not be concluded by the Expiration Date, either party may extend the period of exercise of the Put Option by a period of two (2) months following the Expiration Date (i.e. ending on 30 April 2015 ("**Extended Expiration Date**")) by notice in writing to the other party on or before twelve noon (Paris Time) on the Expiration Date.

Should the Works Council render its opinion on the Proposed Transaction by the Expiration Date (or the Extended Expiration Date), such information/consultation procedure shall end. In the event that the Works Council has not rendered its opinion on the Proposed Transaction at the time of its last meeting or latest by the Extended Expiration Date, provided that Jin Jiang International Investment has complied with all its obligations regarding such information/consultation procedure, the Works Council shall be regarded as having *de facto* rendered an unfavourable opinion, and such information/consultation procedure shall end.

Upon the satisfaction of the condition for the exercise of the Put Option, the Vendor may request Jin Jiang International Investment to execute the Transaction Documents. Should the condition for the exercise of the Put Option not be satisfied, or should the Vendor decide not to exercise the right to request Jin Jiang International Investment to perform the acquisition commitment, the Proposed Transaction shall terminate.

The Vendor shall exercise the Put Option by giving a letter to Jin Jiang International Investment. The Put Option, once exercised shall not be revoked.

Exclusivity

The Vendor has undertaken that, during the period commencing on the date of the Put Option Agreement and expiring on the date on which the Vendor shall have received from Jin Jiang International Investment a copy of the bank wire transfer instructions instructing the deposit to be credited to the bank account opened with the escrow agent ("**Trigger Date**"), the Vendor shall not enter into any agreement relating to the Proposed Transaction or a similar transaction with any third party other than Jin Jiang International Investment. Immediately on the Trigger Date, the Vendor shall terminate any and all discussions and negotiations with any third party other than Jin Jiang International Investment in relation to the Proposed Transaction or any similar transaction.

The Vendor has also given similar exclusivity undertakings that are applicable during the period commencing on the Trigger Date and expiring on the earlier of the date of execution of the Share Purchase Agreement and the Expiration Date (or Extended Expiration Date).

Liability for Breach

The Vendor shall compensate Jin Jiang International Investment if, by the Extended Expiration Date and provided that Jin Jiang International Investment has complied with all its obligations under the relevant terms, the condition for the exercise of the Put Option has been satisfied but the Vendor does not exercise the Put Option, or the Closing Condition has not been satisfied, or Closing has not successfully occurred as at the date of Closing due to the Vendor's own doing. Jin Jiang International Investment shall compensate the Vendor if Jin Jiang International Investment violates its relevant obligations and Closing has not successfully occurred.

Transfer

No party may assign any of its rights, interests, or obligations under the Put Option Agreement without the prior written approval of the other party, provided that Jin Jiang International Investment may assign any or all of its rights and interests hereunder to one or more of its affiliates.

Legally binding

The Put Option Agreement constitutes a firm and binding promise by Jin Jiang International Investment to enter into the Share Purchase Agreement and Receivable Assignment Agreement and otherwise consummate the Proposed Transaction in accordance with the terms and conditions thereof if the Vendor exercises the Put Option.

Deposit Escrow Agreement

On 3 November 2014, the Vendor (as beneficiary), Jin Jiang International Investment (as offeror) and Maître Edouard Mourgue-Molines (as escrow agent) entered into the Deposit Escrow Agreement. The key terms of the Deposit Escrow Agreement are summarised as follows:

Deposit

Pursuant to the Deposit Escrow Agreement, Jin Jiang International Investment has agreed to place a deposit ("**Deposit**") in the escrow account in accordance with the terms and conditions therein.

Release of Deposit

The Deposit shall be released to Jin Jiang International Investment if: (1) by the Extended Expiration Date, the condition for the exercise of the Put Option has been satisfied but the Vendor has not exercised the Put Option; (2) by the Extended Expiration Date, the Vendor shall not have obtained the derogation from the French *Autorité des Marchés Financiers* associated with the carve-out of the shares of Baccarat from GDL described in the Carve-Out; or (3) Closing has not occurred due to the Vendor deciding not to exercise the Put Option despite the condition for the exercise of the Put Option having been satisfied, or the Vendor violating its relevant obligations in respect of Closing.

The Deposit shall be released to the Vendor if: (1) Closing has not occurred due to Jin Jiang International Investment violating its relevant obligations in respect of Closing; or (2) Closing successfully occurs, which amount shall be credited towards the Price for the Share Purchase.

As disclosed in the announcement of the Company dated 6 January 2015, should the shareholders of Jin Jiang Hotels Development approve the participation of the Proposed Transaction through its indirectly wholly-owned subsidiary, Luxembourg Sailing Investment, and should the Vendor exercise the Put Option in accordance with the Put Option Agreement, Luxembourg Sailing Investment shall pay the principal of the Deposit to Jin Jiang International Investment after the execution of the Transaction Documents.

B. MAIN CONTENTS OF THE PROPOSED TRANSACTION

The key terms of the Transaction Documents are summarised as follows:

Share Purchase Agreement

Date

To be executed within five (5) business days following the receipt of the letter indicating the Vendor's exercise of the Put Option.

Parties

Purchaser: Luxembourg Sailing Investment

Vendor: Star SDL Investment Co S.à r.l.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and the ultimate beneficial owner of the Vendor are third parties independent of the Group and connected persons of the Group.

Assets to be acquired

100% of the shares of GDL. On the date of Closing, the Vendor (and its relevant affiliate) shall also assign to Luxembourg Sailing Investment the Receivable under the Receivable Assignment Agreement.

Price for the Share Purchase

Subject to the EBITDA Adjustment, the Price for the Shares Purchase is estimated to be equal to an amount (which is within a range of €1.25 billion (equivalent to approximately HK$11,437,500,000) to €1.5 billion (equivalent to approximately HK$13,725,000,000)) minus the amount of the estimated closing net financial indebtedness of the Target Group. As at 30 June 2014, the net financial indebtedness of the Target Group is approximately €828 million (equivalent to approximately HK$7,576,200,000).

The estimated closing net financial indebtedness of the Target Group mainly comprises of the Receivable and the Syndicated Loan, specifically including:

1. *Receivable*

   The outstanding amount due from the Target Group in respect of certain financial indebtedness to the Vendor and its affiliate net of the cash advanced by the Target Group to the Vendor and such affiliate as at the date of Closing (the "**Receivable**"). As at 30 June 2014, the net value of the Receivable is approximately €0.54 billion (equivalent to approximately HK$4,941,000,000).

2. *Syndicated Loan*

   The aggregate amount of principal and accrued interest owed under the Loan Agreements by the Target Group to banks as at the date of Closing (the "**Syndicated Loan**"). As at 30 June 2014, the amount of the Syndicated Loan is approximately €0.29 billion (equivalent to approximately HK$2,653,500,000).

   The aggregate amount of the Price for the Share Purchase and the Price for the Receivable Assignment (i.e. the Consideration) payable by Luxembourg Sailing Investment to the Vendor and its affiliate is within a range of €0.96 billion (equivalent to approximately HK$8,784,000,000) to €1.21 billion (equivalent to approximately HK$11,071,500,000). The amount of the actual Consideration shall be determined on the basis of various factors, including the Valuation Report, business and commercial factors and commercial negotiations between the parties, and will be adjusted in accordance with the price adjustment mechanism set out in the Share Purchase Agreement.

   The Consideration will be payable in cash in, and will be, as currently contemplated, be funded by internal resources (which shall account for not less than 30% of the Consideration) and bank borrowings.

   The Consideration will be paid by Luxembourg Sailing Investment by wire transfer to the bank account designated by the Vendor.

Price Adjustment Mechanism

The Price for the Share Purchase will be adjusted in accordance with the price adjustment mechanism as follows:

Closing Net Financial Indebtedness Adjustment

(i) if the amount of the closing net financial indebtedness is greater than the amount of the estimated closing net financial indebtedness, the Price for the Share Purchase shall be reduced by an amount equal to the adjustment; and

(ii) if the amount of the closing net financial indebtedness is lower than the amount of the estimated closing net financial indebtedness, the Price for the Share Purchase shall be increased by an amount equal to the adjustment.

EBITDA Adjustment

In the event the 2014 EBITDA as finally determined is lower than the estimated EBITDA figure previously confirmed by the parties, then the Price for the Share Purchase shall be reduced (the "**EBITDA Adjustment**") by an amount equal to the difference between the estimated EBITDA figure and the 2014 EBITDA multiplied by a fixed multiple. In the event the 2014 EBITDA as finally determined is equal to or higher than the estimated EBITDA figure previously confirmed by the parties, the Price for the Share Purchase shall not be adjusted.

Basis of Consideration

The Share Transfer Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The Consideration was determined with reference to: (i) the Valuation Report using income approach; (ii) the financial statements, operations and business of the Target Group; (iii) commercial factors, such as the future business potential of the Target Group and the long-term strategic, business and restructuring plans of the Company; and (iv) the fairness and reasonableness of such Consideration.

As the Valuation Report was prepared on a discounted cash flow basis under the income approach, under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows will be regarded as a profit forecast. The Company will comply with the requirements of Rule 14.60A and Rule 14.62 of the Listing Rules in the Circular.

Closing Condition

Closing shall be contingent upon the satisfaction of the following condition precedent: the Vendor shall have obtained the derogation from the French *Autorité des Marchés Financiers* associated with the carve-out of the Baccarat shares from GDL described in the Carve-Out.

If the first business day on or by which the Closing Condition has been fulfilled (the "**Unconditional Date**") has not occurred on or before 30 April 2015, the Share Purchase Agreement shall automatically terminate (other than certain surviving provisions) on the date immediately following the fifth business day following 30 April 2015.

Date of Closing

Closing shall take place on the last business day of the month during which the Unconditional Date occurs. In the event such last business day is less than five (5) business days following the Unconditional Date, Closing shall take place on the last business day of the month immediately following the month during which the Unconditional Date occurs.

On Closing, Luxembourg Sailing Investment shall, on behalf of the Target Group, repay the outstanding amount of principal and accrued interest under the Syndicated Loan of the Target Group.

Carve-Out

Between the date of the Share Purchase Agreement and the date of Closing, the Vendor shall procure that the Carve-Out is completed.

Indemnification Escrow

In order to secure the indemnification obligations under the Share Purchase Agreement, a portion of the estimated Price for Share Purchase (the "**Indemnification Escrow Amount**") shall be paid at Closing to the closing escrow account, to be held in accordance with the terms of the Closing Escrow Agreement. The Indemnification Escrow Amount shall be released from the closing escrow account in accordance with the terms and conditions of the Closing Escrow Agreement. Notwithstanding the foregoing, in the event that on or prior to the Closing, the parties shall have agreed to implement indemnification insurance arrangements, the amount of the Indemnification Escrow Amount shall be reduced to zero, provided, however, that such implementation shall be without prejudice to the Vendor's indemnification obligations under the Share Purchase Agreement for the portion of such obligations in excess of the amount recoverable by the purchaser pursuant to such indemnification insurance arrangements.

Receivable Assignment Agreement

Date

To be executed within five (5) business days following the receipt of the letter indicating the Vendor's exercise of the Put Option.

Parties

Assignors:	the Vendor Star SDL Holdings S.à r.l., the sole shareholder of the Vendor (collectively, the "**Assignors**")
Assignee:	Luxembourg Sailing Investment

Assignment and Purchase of Receivable

The Assignors shall assign to Luxembourg Sailing Investment, and Luxembourg Sailing Investment shall purchase and assume from the Assignors, the Assignors' respective full title, rights, interests and benefits in and to the Receivable.

Consideration and Payment

The Price for the Receivable Assignment is payable by Luxembourg Sailing Investment in accordance with the terms and conditions of the Share Purchase Agreement.

Closing

The consummation of the proposed assignment of the Receivable under the Receivable Assignment Agreement shall be held simultaneously with Closing.

Closing Escrow Agreement

Luxembourg Sailing Investment, the Vendor and an escrow agent (to be appointed) will execute the Closing Escrow Agreement within five (5) business days following the receipt of the letter indicating the Vendor's exercise of the Put Option, the content of which contains, among other things, the provision for the payment and release of the Indemnification Escrow Amount.

C. REASON FOR AND BENEFIT OF THE PROPOSED TRANSACTION

The Group is principally engaged in Full Service Hotels operation and management, Select Service Hotel operation and franchising, restaurant operation and other hotel-related businesses.

The Board considers that the reasons for participation in the Proposed Transaction by the Group are as follows:

(i) Help the Group to seize the opportunities in the European tourism and hotel market

In recent years, the scale of Chinese outbound tourism has developed rapidly. According to the statistics in the Bluebook of China's Tourism Economy (中國旅遊經濟藍皮書), China has become the world's largest outbound tourism consumer. Europe is a favorite destination of outbound tourism for Chinese tourists and France is one of the most popular countries for Chinese tourists. By virtue of the increasing frequency of business activities and the expansion of Chinese outbound tourism market, the European hotel industry is expected to embrace a new growth.

The Board believes that Europe has the largest hotel market in the world, and that the Proposed Transaction will help the Group to quickly enter into the European market and seize the opportunities in the European tourism and hotel market.

(ii) Help the Group to realize its internationalization strategy, and improve its business scale and market share.

Upon Closing, the asset size and business coverage of the Group will be substantially improved. By virtue of the Target Group's solid foundation and industry position in the European hotel industry, the Group can quickly expand its businesses in the international market and realize its internalization strategy. In addition, the Group can accumulate experience in overseas mergers and acquisitions and cross-border corporate management through the Proposed Transaction, which in turn can enhance the competitive strength of the Group in the international hotel industry and obtain a decisive advantage in its future development.

The Board believes that the Target Group enjoys a relatively high market position and extensive recognition in Europe and around the world. After Closing, the Group will control GDL which will entitle the Group to the valued hotel assets and brands of GDL, improve the current business scale and market share of the Group, expand new business development space for the Company and establish a sustainable business model for Jin Jiang Hotels Development.

(iii) Help the Group to consummate its brand series and enhance its brand image.

Upon Closing, the Group will own the hotel business brands, including Première Classe, Campanile, Kyriad series (Kyriad and Kyriad prestige) and the Golden Tulip series (Tulip Inn, Golden Tulip and Royal Tulip), which are owned, managed and operated by the Target Group, which scope covers numerous budget hotels and a few middle and high-end hotels. As The Target Group has an advantage in various market segments, the Proposed Transaction will help the Group to consummate its brand series. Through the Proposed Transaction, the Board believes that the Group's hotel businesses will be able to share common resources and build a pan-China/Europe, world-leading brand of chain hotels. The Board believes that the implementation of its brand strategy can expand the size and influence of the Group, promote its core competitive strength and enhance its corporate value.

(iv) Help the Group to achieve mutual complementarity and synergy.

The Group is a leading operator of Full Service Hotels and Select Service Hotels and has rich domestic channels and resources and a strong resource integration capability in the PRC market. The Target Group is a strong operator of budget hotels and middle-range hotels in Europe with wide overseas channels and resources, has a mature management system, an experienced international management team and an advanced business model. As such, the Proposed Transaction will help the Group and the Target Group achieve mutual complementarity and synergy, and rapidly improve operating efficiency and competitive strength.

Through the Proposed Transaction, the Group will actively merge the complementary advantages with the Target Group on areas such as operation, management, finance, technology, marketing, brand and culture, achieve synergy, and realize sharing of common resources in the hotel industry. At the same time, the Group can obtain important resources, such as long-standing brands, talent and technology, from well-known foreign hotel management groups, to improve the international management standard of the Group.

The Directors (including the independent non-executive Directors) believe that the terms of the Proposed Transaction are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

D. INFORMATION OF THE VENDOR AND THE TARGET GROUP

Information on the Vendor

The Vendor is the sole shareholder of GDL with no other principal business activities. The Vendor is an indirect subsidiary of the Starwood Capital Group, a leading international real estate investment fund incorporated in the U.S..

Information on the Target Group

The business and financial information of the Target Group as at the date of the announcement is set out as follows:

Business

GDL, a société par actions simplifiée incorporated under the laws of France, which is 100% owned by the Vendor, is mainly engaged in investment holding. GDL owns the 100% shareholding interest in Star Eco and LHG is the direct subsidiary of Star Eco.

The Target Group is a world-leading hotel chain (based on the numbers of hotels owned), which is principally engaged in the operation of various chain budget hotel businesses through the brands of Première Classe, Campanile, Kyriad series (Kyriad and Kyriad prestige) and the operation of upscale hotel businesses through the brand of Golden Tulip series (Tulip Inn, Golden Tulip and Royal Tulip).

As of 30 June 2014, the Target Group (via LHG, its subsidiary) owns, manages and operates (via franchise arrangements) 1,115 hotels with 91,154 hotel rooms in 46 countries around the world, of which 970 hotels are in Europe, which accounted for approximately 87.00% of its total hotels, of which 820 hotels are in France, which accounted for approximately 84.54% of its hotels in Europe. In addition, the Target Group has hotel operations covering major European countries such as Italy, the United Kingdom, and the Netherlands. Meanwhile, the Target Group is also expanding its global market and has entered into the hotel markets of United States, the Middle East, Africa, Asia and other regions.

The aforesaid hotel brands owned by LHG cover budget hotels and upscale hotels, and can meet the demands of different customer groups as its brand positioning is clear. The chain hotel businesses of LHG are operated through three main business models: Direct operation, franchising and fiduciary management, which accounted for approximately 22.87%, 51.66% and 25.47% of its total operating hotels respectively.

Financial information

According to the relevant financial statements of the Target Group, which has been prepared in accordance with International Financial Reporting Standards, the audited consolidated financials of the Target Group for the two financial years ended 30 June 2013 ("**FY2013**") and 30 June 2014 ("**FY2014**") were as follows:

	FY2013 *(€'000)*	**FY2014** *(€'000)*
Revenue	**455,217**	**444,193**
EBITDA	**89,452**	**100,066**
Operating income before non-recurring income and expenses	**50,792**	**62,643**
Other operating income (loss) *(Note 1)*	42,129	(38,978)
Operating income	**92,921**	**23,665**
Net income (loss) before tax	**50,229**	**(7,223)**
Income tax expense	(19,008)	(15,246)
Net income (loss) after tax *(Note 1)*	**31,221**	**(22,469)**

	As of 30 June 2013 *(€'000)*	**As of 30 June 2014** *(€'000)*
Total non-current assets	**1,158,515**	**1,005,869**
Total current assets	**337,381**	**181,177**
Assets classified as held for sale *(Note 2)*	9,754	178,524
Total assets	**1,505,649**	**1,365,570**
Total non-current liabilities	**(300,085)**	**(217,542)**
Total current liabilities	**(718,198)**	**(556,343)**
Liabilities directly associated with assets classified as held for sale *(Note 2)*	(6,411)	(92,344)
Total liabilities	**(1,024,694)**	**(866,229)**
Net assets *(Note 3)*	**480,956**	**499,342**

Notes:

1. Net income after tax has decreased from approximately €31.22 million (equivalent to approximately HK$285,663,000) for FY2013 to a loss of €22.47 million (equivalent to approximately HK$205,600,500) for FY2014, which was mainly due to varying non-recurring gain or loss for FY2013 and FY2014 resulting from the assets restructuring of the Target Group since 2013. Other operating income for FY2013 amounting to €42.13 million (equivalent to approximately HK$385,489,500) included proceeds from the favourable settlement of a litigation case, and other operating loss for FY2014 amounting to €38.98 million (equivalent to approximately HK$356,667,000) included the loss on a disposal project.

2. Assets under the Carve-Out are classified as assets held for sales and liabilities relating to assets held for sales in accordance with their respective statuses as at the dates of the balance sheets.

3. Certain assets of GDL will be carved-out prior to Closing, therefore the financial information relating to the Proposed Transaction as provided above only represents the consolidated financial information of the Target Group as at each balance sheet date and for each financial year so as to reflect the operating status of the assets of the Target Group. The pro forma financial information of the Target Group after the Carve-Out will be disclosed in the announcement to be published on Closing and in the Circular. The consolidated financial information provided in the above table may not fully reflect the operating status of the Target Group after the completion of the Carve-Out.

According to the consolidated financial statements of the Target Group, which has been prepared in accordance with International Financial Reporting Standards, as at 30 June 2014, the audited consolidated net asset value of the Target Group was €499,342,000 (equivalent to approximately HK$4,568,979,300). According to the Valuation Report prepared by the PRC Valuer, the appraised enterprise value of the Target Group was €1,484,410,000 (equivalent to approximately HK$13,582,351,500) and the appraised equity value of the Target Group was €636,469,000 (equivalent to approximately HK$5,823,691,350).

E. IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios of the Proposed Transaction is expected to exceed 25% but are lower than 100%, the Proposed Transaction if entered into may constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Proposed Transaction will be subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. Jin Jiang International, which is the controlling shareholder of the Company and directly owns 75% of the issued share capital (or 4,174,500,000 domestic shares) of the Company, does not have any material interest in the Proposed Transaction. No Shareholder (including Jin Jiang International) would be required to abstain from voting at the general meeting of the Company, if convened, to approve the Proposed Transaction. The Proposed Transaction would accordingly be approved in writing by Jin Jiang International pursuant to Rule 14.44 of the Listing Rules, and no general meeting of the Company is required to be convened.

The Company expects that it will take time to prepare the information required to be included in the Circular and is applying to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Transaction may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution in dealing in the Shares.

For other details of the Proposed Transaction, please visit the website of the Shanghai Stock Exchange (www.http://www.sse.com.cn/assortment/stock/list/stockdetails/announcement/index.shtml?COMPANY_CODE=600754&static=t).

F. DEFINITIONS

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

"Assignors"	has the meaning as set out on page 9 of this announcement

"Baccarat"	Baccarat, a *société anonyme* incorporated under the laws of France. Baccarat is an indirectly owned subsidiary of GDL, which is principally engaged in the manufacturing of crystal.
"Board"	the board of directors of the Company
"business day"	a day on which banks are open for business in France, PRC and Hong Kong (i.e., excluding Saturdays, Sundays and public holidays in France, PRC and Hong Kong)
"Carve-Out"	(i) the carve-out of the Baccarat shares from the Target Group; and (ii) the disposal of certain investment holding companies and certain luxury hotel companies by the Target Group before Closing
"Circular"	the circular to be issued by the Company to the Shareholders as required under the Listing Rules in respect of the Proposed Transaction
"Closing"	the closing of the Proposed Transaction under the Share Purchase Agreement
"Closing Condition"	the condition to Closing, as set out under the paragraph headed "Closing Condition" on page 8 of this announcement
"Closing Escrow Agreement"	the closing escrow agreement to be entered into among the Vendor (as vendor), Luxembourg Sailing Investment (as purchaser) and an escrow agent to be appointed prior to Closing
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited* (上海錦江國際酒店(集團)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
"Consideration"	the consideration for the Proposed Transaction (comprising the Price for the Share Purchase and the Price for the Receivable Assignment)
"Deposit"	has the meaning as set out on page 6 of this announcement
"Deposit Escrow Agreement"	the deposit escrow agreement in relation to the Proposed Transaction dated 3 November 2014 entered into among the Vendor (as beneficiary), Jin Jiang International Investment (as offeror) and Maître Edouard Mourgue-Molines (as escrow agent)
"Directors"	the directors of the Company
"EBITDA"	earnings before interest, tax, depreciation and amortization
"EBITDA Adjustment"	has the meaning as set out on page 8 of this announcement
"Expiration Date"	has the meaning as set out on page 4 of this announcement

"Extended Expiration Date"	has the meaning as set out on page 4 of this announcement
"Full Service Hotels"	hotels which are based on comprehensive hotel functions and facilities, and provide all-rounded quality services for guests
"Group"	the Company and its subsidiaries
"GDL"	Groupe du Louvre, a *société par actions simplifiée* incorporated under the laws of France. GDL owns the 100% shareholding interest in Star Eco
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of the Special Administrative Region of Hong Kong of the PRC
"Indemnification Escrow Amount"	has the meaning as set out on page 9 of this announcement
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited, which is a joint stock limited company incorporated in the PRC with its A shares and B shares listed on the Shanghai Stock Exchange and a subsidiary of the Company
"Jin Jiang International"	錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited), which is the controlling shareholder of the Company and owns a 75% shareholding interest in the issued share capital of the Company
"Jin Jiang International Investment"	上海錦江國際投資管理有限公司 (Shanghai Jin Jiang International Investment and Management Co., Ltd.), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of Jin Jiang International
"Letter of Grant of Right of Participation"	the letter of grant of right of participation dated 6 January 2015 issued by Jin Jiang International Investment to the Company and Jin Jiang Hotels Development
"LHG"	Louvre Hotels Group, a *société par actions simplifiée* incorporated under the laws of France
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended and modified from time to time
"Loan Agreements"	the credit agreement dated 28 July 2011 among GDL, Star Eco, LHG, mandated lead arrangers and initial lenders and security agent
"Luxembourg Sailing Investment"	Sailing Investment Co, S.a r.l, a company to be incorporated under the laws of Luxembourg and indirectly wholly-owned by Jin Jiang Hotels Development

"NDRC"	The National Development and Reform Commission of the PRC
"percentage ratios"	has the meaning ascribed to such term under the Listing Rules
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Valuer"	Shanghai Dongzhou Asset Appraisal Co., Ltd.
"Price for the Receivable Assignment"	the price for the proposed assignment of the Receivable from the Assignors to Luxembourg Sailing Investment pursuant to the Receivable Assignment Agreement
"Price for the Share Purchase"	the price for the proposed acquisition of all the shares of GDL by Luxembourg Sailing Investment from the Vendor pursuant to the Share Purchase Agreement
"Proposed Transaction"	the proposed acquisition of all the shares of GDL by Luxembourg Sailing Investment from the Vendor pursuant to the Share Purchase Agreement, and the proposed assignment of the Receivable by the Vendor to Luxembourg Sailing Investment pursuant to the Receivable Assignment Agreement
"Put Option"	the put option granted by Jin Jiang International Investment in favour of the Vendor with respect to the Proposed Transaction under the Put Option Agreement
"Put Option Agreement"	the put option agreement regarding the Proposed Transaction dated 3 November 2014 entered into between the Vendor (as beneficiary) and Jin Jiang International Investment (as offeror)
"Receivable"	has the meaning as set out on page 7 of this announcement
"Receivable Assignment Agreement"	the receivable assignment agreement in relation to the Proposed Transaction to be entered into among the Vendor, Star SDL Holdings S.à r.l. (together with the Vendor as assignors) and Luxembourg Sailing Investment (as assignee)
"RMB"	Renminbi, the lawful currency of the PRC
"Select Service Hotels"	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
"Share Purchase Agreement"	the share purchase agreement in relation to the Proposed Transaction to be entered in to between Luxembourg Sailing Investment and the Vendor
"Shareholders"	the shareholders of the Company
"Star Eco"	Star Eco SAS, a *société par actions simplifiée* incorporated under the laws of France.

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Syndicated Loan"	has the meaning as set out on page 7 of this announcement
"Target Group"	GDL, Star Eco and LHG together with its subsidiaries
"Transaction Documents"	The Share Purchase Agreement, Receivable Assignment Agreement and Closing Escrow Agreement
"Trigger Date"	has the meaning as set out on page 5 of this announcement
"Unconditional Date"	has the meaning as set out on page 8 of this announcement
"U.S."	The United States of America
"Valuation Report"	the valuation report on the Target Group prepared by the PRC Valuer dated 14 January 2015
"Vendor"	Star SDL Investment Co S.à r.l., a *société à responsabilité limitée* incorporated under the laws of Luxembourg. The Vendor owns 100% of the shares of GDL
"Works Council"	has the meaning as set out on page 4 of this announcement
"2014 EBITDA"	the EBITDA determined on the basis of the consolidated audited financial statements at the level of LHG for the 12-month period ended on 31 December 2014
"€" or "euros"	Euros, the lawful currency of the European Union

For illustration purposes only, an exchange rate of €1.0 to HK$9.15 is used in this announcement. No representation is made that any amount in HK$ or € is or could have been or could be converted at such rate or at any other rate or at all.

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited
Kang Ming
Executive Director and Joint Company Secretary

Shanghai, the PRC, 14 January 2015

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Yang Yuanping, Mr. Shao Xiaoming, Mr. Han Min and Mr. Kang Ming, and the independent non-executive Directors are Mr. Ji Gang, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu and Mr. Shen Chengxiang.

* *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 International Hotels (Group) Company Limited".*