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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)

ANNOUNCEMENT

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
ACQUISITION OF 12.0001% EQUITY INTEREST IN KEYSTONE
BY JIN JIANG HOTELS DEVELOPMENT**

Reference is made to the circular of the Company dated 23 October 2015 in relation to the acquisition agreements in respect of the acquisition of 81.0034% equity interest in Keystone by Jin Jiang Hotels Development, a subsidiary of the Company, and the Shareholders' Agreement with Prototal Enterprises Limited.

**ACQUISITION OF 12.0001% EQUITY INTEREST IN KEYSTONE BY JIN JIANG
HOTELS DEVELOPMENT**

On 20 October 2017, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Equity Transfer Agreement with Prototal Enterprises Limited (wholly-owned by Mr. He), pursuant to which Jiang Hotels Development shall acquire 12.0001% equity interest in Keystone held by Prototal Enterprises Limited for a cash consideration of RMB1,204,778,376.39. Following the completion of the transactions, the percentage of Jin Jiang Hotels Development's shareholdings in Keystone will increase from 81.0034% to 93.0035%.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Keystone is a non-wholly-owned subsidiary of the Company. Prototal Enterprises Limited, a company wholly owned by Mr. He, is a substantial shareholder of Keystone directly holding 12.0001% equity interest in Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. He and Prototal Enterprises Limited are connected persons of the Company at the subsidiary level. Accordingly, transactions under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the Equity Transfer Agreement, as the applicable percentage exceeds 5% but is lower than 25%, transactions under such agreement constitute discloseable transactions under Chapter 14 of the Listing Rules and connected transactions under Chapter 14A of the Listing Rules. Given that (i) transactions under the Equity Transfer Agreement are connected transactions with connected persons at the subsidiary level on normal commercial terms or better; (ii) the Board of the Company has approved the transactions; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the transactions are fair and reasonable and are on normal commercial terms or better, and are in the interests of the Company and the shareholders as a whole, in accordance with the provisions of Rule 14A.101 of the Listing Rules, the Company is exempted from compliance with requirements relating to circular, independent financial advice and shareholders' approval, but shall comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the circular of the Company dated 23 October 2015 in relation to the acquisition agreements in respect of the acquisition of 81.0034% equity interest in Keystone by Jin Jiang Hotels Development, a subsidiary of the Company, and the Shareholders' Agreement with Prototal Enterprises Limited.

The Board hereby announces that, on 20 October 2017, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Equity Transfer Agreement with Prototal Enterprises Limited (wholly-owned by Mr. He), pursuant to which Jin Jiang Hotels Development shall acquire 12.0001% equity interest in Keystone held by Prototal Enterprises Limited for a cash consideration of RMB1,204,778,376.39. Following the completion of the transactions, the percentage of Jin Jiang Hotels Development's shareholdings in Keystone will increase from 81.0034% to 93.0035%.

II. EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date: 20 October 2017

Parties: (1) Prototal Enterprises Limited (as transferor)
(2) Jin Jiang Hotels Development (as transferee)

Subject assets: Subject to the terms and conditions of the Equity Transfer Agreement, Jin Jiang Hotels Development agrees to acquire the 12.0001% equity interest in Keystone held by Prototal Enterprises Limited.

Consideration: The two parties have agreed following negotiations that the consideration for the said transfer of equity interest shall be RMB1,204,778,376.39. The said transaction price is inclusive of tax payable for the transfer of shares. Profit or loss of Keystone proportionate to such shares shall become attributable to Jin Jiang Hotels Development as from 1 January 2017.

The terms of the Equity Transfer Agreement have been arrived at through arm's length negotiations on the basis of normal commercial terms. The consideration has been determined and negotiated in accordance with market-based principles (including (i) the financial information (such as profit and net debt position), operations and businesses of Keystone; and (ii) the future business potential of Keystone, the long-term strategy, the future business plans of the Group and other commercial factors and figures for reference).

Payment: Jin Jiang Hotels Development shall make a payment equivalent to the consideration minus the estimated tax amount payable for the transfer of the equity interest to Prototal Enterprises Limited on the completion date. The consideration shall be computed in RMB and paid in U.S. Dollars. The two parties shall complete the transactions within 5 working days after Jin Jiang Hotels Development has completed currency exchange in respect of the consideration.

Conditions precedent: In accordance with relevant provisions, including the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the transaction shall be tabled at the general meeting of Jin Jiang Hotels Development for consideration.

III. INFORMATION ON THE COMPANY, THE TRANSFEROR AND KEYSTONE

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 the Transferor

Prototal Enterprises Limited (寶全企業有限公司), a company incorporated in the British Virgin Islands and wholly-owned by Mr. He. Apart from holding equity interests in Keystone, Prototal Enterprises Limited (寶全企業有限公司) is not engaged in the operation of any other businesses.

Information on Keystone

Keystone is an investment holding company incorporated in the Cayman Islands on 12 December 2012 with limited liability. Keystone is principally engaged, through its subsidiaries, in the operation of high- to low-end brands in the market for select service hotels, including mainly economy hotels under the brand of 7 Days and mid- to up-scale select service hotels.

Keystone Group is a leading hotel chain group in the PRC focused on the operation of economy hotels as its core business. Through a "light-asset + multi-brand + globalised" development strategy, it has established its presence in the market for select service hotels covering a variety of high- to low-end brands. As of 30 June 2017, Keystone Group had

3,258 hotels in operation providing 270,101 rooms in aggregate and 4,571 hotels for which management agreements had been signed providing 385,480 rooms in aggregate, located in 457 cities in the PRC and elsewhere.

Within the Keystone Group, 七天酒店(深圳)有限公司 (7 Days Hotel (Shenzhen) Co., Ltd.) is principally engaged in the operation of the existing leased and operated hotels (the leasing business), while 七天四季酒店(廣州)有限公司 (7 Days Four Seasons Hotels (Guangzhou) Co., Ltd) is principally engaged in the development of the franchise business. Mid-market and innovative brands are incubated through a brand joint venture platform. Selected businesses in the economy hotel operations of 7 Days have started to be operated as independent companies, forming membership management platforms, supply-chain management platforms and other investment platforms. A financial service platform has also been established with the launch of Bo Le Xiang (“鉅樂享”), the first Internet-based financial product of the hotel industry that provides franchisees and member enterprises with financial services, including value-added services that facilitate the growth of the core business, such as loans/crowdfunding and finance leasing.

Financial Information

Set out below is the audited consolidated financial statements of Keystone Group prepared in accordance with the PRC accounting standards for business enterprises:

	Year ended 31 December		Six months ended
	2015	2016	30 June
	(in approximate RMB million)	(in approximate RMB million)	(in approximate RMB million)
Revenue	3,655.1	3,562.1	1,838.6
Profit before taxation	261.9	63.9	169.2
Profit after taxation	141.0	4.2	112.1

According to the consolidated financial statements of Keystone Group prepared in accordance with the PRC accounting standards for business enterprises, the audited consolidated net asset value of the target group as at 30 June 2017 was approximately RMB3,472.1 million.

Following the completion of the acquisition, Keystone will remain a subsidiary of the Company and its financial results and state of affairs will continue to be consolidated into the financial statements of the Company.

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

The Board is of the view that the said adjustment of the equity interest structure will further consolidate the Company’s resources and lower the Company’s administrative costs. It will enable the Company to exercise management in a more thorough manner and to streamline its organisational structure and business divisions, and is conducive to the Company’s future strategic development and planning.

The Board (including the independent non-executive Directors) is of the view that the terms of the Equity Transfer Agreement (including the consideration) are fair and reasonable having been arrived at on normal commercial terms, and are in the interests of the Company and its shareholders as a whole, although it has not been conducted during the Group's ordinary or usual course of business owing to the nature of the transactions. None of the Directors of the Company are materially interested in the transactions concerned or are required to abstain from voting in respect of the relevant resolution of the Board.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Keystone is a non-wholly-owned subsidiary of the Company. Prototal Enterprises Limited, a company wholly owned by Mr. He, is a substantial shareholder of Keystone directly holding 12.0001% equity interest in Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. He and Prototal Enterprises Limited are connected persons of the Company at the subsidiary level. Accordingly, transactions under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

With respect to the Equity Transfer Agreement, as the applicable percentage exceeds 5% but is lower than 25%, transactions under such agreement constitute discloseable transactions under Chapter 14 of the Listing Rules and connected transactions under Chapter 14A of the Listing Rules. Given that (i) transactions under the Equity Transfer Agreement are connected transactions with connected persons at the subsidiary level on normal commercial terms or better; (ii) the Board of the Company has approved the transactions; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the transactions are fair and reasonable and are on normal commercial terms or better, and are in the interests of the Company and the shareholders as a whole, in accordance with the provisions of Rule 14A.101 of the Listing Rules, the Company is exempted from compliance with requirements relating to circular, independent financial advice and shareholders' approval, but shall comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules.

VI. DEFINITIONS

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

“Board”	the board of directors of the Company
“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 company incorporated in the PRC with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the agreement entered into between Jin Jiang Hotels Development (as transferee) and Prototal Enterprises Limited (as transferor) on 20 October 2017 in respect of the transfer of 12.0001% equity interest in Keystone
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited (上海錦江國際酒店發展股份有限公司), a joint stock company incorporated in the PRC with limited liability with its A shares and B shares listed on the Shanghai Stock Exchange and a subsidiary of the Company
“Keystone”	Keystone Lodging Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands
“Keystone Group”	Keystone and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. He”	Mr. He Boquan (何伯權先生), who wholly owns Prototal Enterprises Limited
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders’ Agreement” the shareholders’ agreement dated 18 September 2015 entered into by Jin Jiang Hotels Development and Mr. He

“%” percentage

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Zhang Qian
Executive Director and Chief Executive Officer

Shanghai, the PRC, 20 October 2017

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Zhang Qian and Mr. Han Min, and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin.

* *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”.*