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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)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus in which the Company disclosed information in relation to the Continuing Connected Transactions between the Group and Jin Jiang International and/or its associates, which are governed by the Agreements.

Jin Jiang International is the controlling shareholder of the Company. Jin Jiang International and its associates are therefore connected persons of the Company under the Listing Rules.

The Continuing Connected Transactions under the Agreements will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Listing Rules.

Since each of the applicable percentage ratios for the Continuing Connected Transactions calculated on an annual basis is more than 0.1% but less than 2.5%, in accordance with Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement.

I. BACKGROUND

Reference is made to the Prospectus in which the Company disclosed information in relation to the Continuing Connected Transactions between the Group and Jin Jiang International and/or its associates, which are governed by the Agreements. Details of the Continuing Connected Transactions are set out below.

II. CONTINUING CONNECTED TRANSACTIONS

(i) Leases

Dates: 30 November 2004, 20 February 2006, 16 June 2006, 25 August 2006, 21 September 2006, 22 September 2006 and 10 November 2006

Parties: (i) certain associates of Jin Jiang International as landlord;
and
(ii) certain members of the Group as tenant

Properties: 11 commercial properties located in Shanghai

Terms: Each of the Leases has a current term due to expire on 31 December 2008. Upon the expiry of such initial term, each of the Leases shall automatically extend for further terms of 3 years with the rent to be agreed by the parties based on the then prevailing market price, subject to the fulfilment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party. On or prior to 30 September 2008, i.e. 3 months before the termination of each of the Leases, no party issued the notice of termination in respect of any of the Leases. Each of the Leases will be automatically renewed for another term of three years, which will expire on 31 December 2011.

Aggregate Rental: Approximately RMB11.04 million, 12.69 million and 13.71 million for the years ending 31 December 2009, 2010 and 2011, respectively, which shall be paid monthly in advance (except for two leases, which shall be paid quarterly in advance), and which is inclusive of the expected future figures of utility charges and administrative fees as disclosed in the Prospectus.

(ii) Long Term Leases

Dates: 10 June 1996 and 6 February 2006

Parties: (i) certain associates of Jin Jiang International as landlord;
and
(ii) certain members of the Group as tenant

Terms: Each of the Long Term Leases has a current term of 20 years and will expire on 30 June 2016 and 31 December 2026, as the case may be, unless the relevant member of the Group gives to the lessor at least 1 year's prior written notice of termination. On or prior to the date of this announcement, no relevant member of the Group has issued the written notice of termination in respect of any of the Long Term Leases.

As previously disclosed in the Prospectus, the reason why the terms of the Long Term Leases are over 3 years is because the Group has to make large capital investments in such properties to develop them into Jin Jiang Inn Budget Hotels and it is in the Company's best interest that long term leases are entered into to secure the stability of such budget hotels' operation and recover such capital investments. The Directors are of the view that it is normal business practice for contracts of this type to be of such duration.

Properties: 2 commercial properties located in Shanghai

Rental: Approximately RMB10.05 million, 10.07 million and 10.56 million for the years ending 31 December 2009, 2010 and 2011, respectively, which shall be paid quarterly or semi-annually in advance, as the case may be, and which is inclusive of the expected future figures of utility charges and administrative fees.

As disclosed in the Prospectus, the rental was negotiated on an arm's length basis and on normal commercial terms.

(iii) Master Agreements

Date: 20 November 2006

Parties: (i) Jin Jiang International as provider and/or recipient (as the case may be); and
(ii) the Company as provider and/or recipient (as the case may be)

Terms:

Each of the Master Agreements has a current term due to expire on 31 December 2008. Upon the expiry of such initial term, each of the Master Agreements shall automatically extend for further terms of 3 years, subject to the fulfilment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party. On or prior to 30 September 2008, i.e. 3 months before the termination of each of the Master Agreements, no party issued the notice of termination in respect of any of the Master Agreements. Each of the Master Agreements will be automatically renewed for another term of three years, which will expire on 31 December 2011.

Nature of transactions:

(a) Master Food and Beverage Services and Provision of Food Agreement:

- (i) provision of food; (ii) food and beverage services; and (iii) other related or ancillary goods and services by Jin Jiang International and its associates to the Group as well as by the Group to Jin Jiang International and its associates

(b) Master Hotel Supporting Services Agreement:

- (i) provision of IT services, laundry services, lift maintenance services, film development services, printing services, telecommunication and electronic products, telephone services, hotel-related goods and other hotel supporting services; and (ii) other related or ancillary goods and services by Jin Jiang International and its associates to the Group

(c) Master Provision of Hotel Rooms Agreement:

- (i) provision of hotel rooms; and (ii) other related or ancillary goods and services by the Group to Jin Jiang International and its associates; and

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate, under the Master Agreements.

As the implementation agreements are simply further elaborations on the provision of products and services as contemplated by each of the Master Agreements, as such, they do not constitute new categories of connected transactions.

Prices: Each relevant product or service must be provided in accordance with the following general pricing principles:

- Stated-Prescribed Prices; or
- where there is no State-Prescribed Price, then according to relevant market prices.

Payment for goods and services under the Master Agreements is usually settled monthly or quarterly in arrears, as the case may be.

III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Due to the long-term relationship between the Company and Jin Jiang International and/or its associates, the Company considers that it is beneficial to continue to enter into the Continuing Connected Transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Group's business.

The Board (including independent non-executive Directors) considers that the Agreements are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. LISTING RULES IMPLICATIONS

Jin Jiang International is the controlling shareholder of the Company. Jin Jiang International and its associates are therefore connected persons of the Company under the Listing Rules.

The Continuing Connected Transactions under the Agreements will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Listing Rules.

The historical amounts of the Continuing Connected Transactions under the Agreements for the two years ended 31 December 2007 and for the period from 1 January 2008 to 31 October 2008 and the relevant annual caps for each of the three years ended or ending 31 December 2008 were as follows:

Items	Historical Figures (RMB million)			Annual Caps (RMB million)		
	For the year ended 2006	For the year ended 2007	1 January 2008 to 31 October 2008	For the year ended 2006	For the year ended 2007	For the year ending 2008
<i>Expenditure Items:</i>						
1) Leases and Long Term Leases	5.9	18.3	15.7	9	23	24
2) Master Food and Beverage Services and Provision of Food Agreement	28.3	27.2	20.6	35	38	42
3) Master Hotel Supporting Services Agreement	7.6	6.5	5.4	N/A	N/A	N/A
<i>Revenue Items:</i>						
1) Master Food and Beverage Services and Provision of Food Agreement	2.5	3.3	2.5	N/A	N/A	N/A
2) Master Provision of Hotel Rooms Agreement	31.8	24.1	18	43	47	52

The annual caps for the Continuing Connected Transactions for the three years ending 31 December 2011 are set out in the table below. The annual caps for the Leases and Long Term Leases have been determined based on the future rental payments agreed between the parties and the expected future figures of utility charges and administrative fees, while the annuals caps for the other Continuing Connected Transactions have been determined based on the estimated amount of transactions involved with reference to the historical transaction volumes, the estimated potential growth of the Group, the estimated impact brought by Shanghai World Expo to be held in year 2010 and the expected economic growth of China. The Directors (including the independent non-executive Directors) consider the annual caps to be fair and reasonable.

Items	Annual Caps (RMB million)		
	For the year ending 2009	For the year ending 2010	For the year ending 2011
<i>Expenditure Items:</i>			
1) Leases and Long Term Leases	22	23	25
2) Master Food and Beverage Services and Provision of Food Agreement	33	43	47
3) Master Hotel Supporting Services Agreement	9.2	12	13.1
<i>Revenue Items:</i>			
1) Master Food and Beverage Services and Provision of Food Agreement	4	5.1	5.6
2) Master Provision of Hotel Rooms Agreement	38	49	54

Since (I) each of the highest annual cap for the 3 years ending 2011 in respect of (a) the Leases and the Long Terms Leases; (b) the provision of goods and services to the Group under the Master Food and Beverage Services and Provision of Food Agreement; and (c) the Master Hotel Supporting Services Agreement is more than 0.1% but less than 2.5% of the consideration ratio; and (II) each of the highest annual cap for the 3 years ending 2011 in respect of (a) the provision of goods and services by the Group under the Master Food and Beverage Services and Provision of Food Agreement; and (b) the Master Provision of Hotel Rooms Agreement is more than 0.1% but less than 2.5% of the revenue ratio, in accordance with Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement.

V. GENERAL INFORMATION

The Group is principally engaged in star-rated hotel operation and management, budget hotel operation and franchising, restaurant operation and other hotel-related businesses.

Jin Jiang International (together with its subsidiaries and associates) are principally engaged in hotel operation and management, travel, passenger transportation, as well as food and beverages.

VI. DEFINITIONS

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

“Agreements”	the Leases, the Long Term Leases and the Master Agreements
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China
“Company”	上海錦江國際酒店（集團）股份有限公司 (Shanghai Jin Jiang International Hotels (Group) Company Limited), a joint stock limited company established in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Continuing Connection Transactions”	the continuing connected transactions which have been and will continue to be entered into between (1) the Group; and (2) Jin Jiang International and/or its associates, details of which are set out in section II of this announcement;
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Jin Jiang International”	means 錦江國際（集團）有限公司 (Jin Jiang International Holdings Company Limited), the controlling shareholder of the Company
“Leases”	the 11 leases entered into between the Group and certain associates of Jin Jiang International, pursuant to which certain associates of Jin Jiang International have leased certain properties to the Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Term Leases”	the 2 leases entered into between the Group and certain associates of Jin Jiang International, pursuant to which certain associates of Jin Jiang International have leased certain properties to the Group with a term of 20 years
“Master Agreements”	the Master Food and Beverage Services and Provision of Food Agreement, the Master Hotel Supporting Services Agreement and the Master Provision of Hotel Rooms Agreement

“Master Food and Beverage Services and Provision of Food Agreement”	the master food and beverage services and provision of food agreement entered into between the Company and Jin Jiang International
“Master Hotel Supporting Services Agreement”	the master hotel supporting services agreement dated entered into between the Company and Jin Jiang International
“Master Provision of Hotel Rooms Agreement”	the master provision of hotel rooms agreement entered into between the Company and Jin Jiang International
“Prospectus”	the prospectus dated 30 November 2006 issued by the Company
“RMB”	the lawful currency of China
“State-Prescribed Price(s)”	for the purposes of the Master Agreements, the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant PRC government authorities
“subsidiary”	has the same meaning ascribed thereto under the Listing Rules

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

Shanghai, China, 16 December 2008

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, Mr. Yuan Gongyao, Mr. Xu Zurong, Mr. Han Min and Mr. Kang Ming, the non-executive Director is Mr. Shen Maoxing, and the independent nonexecutive Directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name “Shanghai Jin Jiang International Hotels (Group) Company Limited”.*