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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: 2006)

Discloseable Transaction: Capital Injection into 上海錦江國際旅館投資有限公司 (Shanghai Jin Jiang International Hotel Investment Company Limited)

The Board is pleased to announce that on 26 January 2007, the Company entered into the Agreement with Jin Jiang Hotels Development. Pursuant to the Agreement, the Company and Jin Jiang Hotels Development agreed to inject capital into Jin Jiang International Hotel Investment in proportion to their respective current shareholding in such company. The Company's shareholding and Jin Jiang Hotels Development's shareholding in Jin Jiang International Hotel Investment will remain unchanged at 80% and 20% respectively, after completion of the capital injection. The relevant percentage ratios applicable to such transaction for the purpose of Chapter 14 of the Listing Rules is more than 5% but less than 25%, and therefore the Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing details of the Agreement will be despatched to the Shareholders shortly.

THE AGREEMENT

- 1. Date** : 26 January 2007
- 2. Party A** : The Company
- Party B** : Jin Jiang Hotels Development, a 50.15% owned subsidiary of the Company

3. Capital Injection

Under the Agreement, the Company and Jin Jiang Hotels Development have agreed to inject capital into Jin Jiang International Hotel Investment, a subsidiary of the Company which is 80% directly owned by it, in the following manner:

	Contribution to the registered capital (RMB)	Contribution to the capital reserve (RMB)	Total amount (RMB)
The Company	740,000,000 (equivalent to approximately HK\$742,971,888)	360,000,000 (equivalent to approximately HK\$361,445,783)	1,100,000,000 (equivalent to approximately HK\$1,104,417,671)
Jin Jiang Hotels Development	185,000,000 (equivalent to approximately HK\$185,742,972)	90,000,000 (equivalent to approximately HK\$90,361,446)	275,000,000 (equivalent to approximately HK\$276,104,418)

The above capital contributions to be made by the Company shall be in cash. The above capital contributions to be made by Jin Jiang Hotels Development shall be in cash and by the transfer of assets of and equity interest in certain budget hotels.

The total capital contribution by the Company is RMB1,100,000,000 (equivalent to approximately HK\$1,104,417,671). The Company intends to partly satisfy this amount by using the amount of HK\$1,091.6 million from the net proceeds of the Listing as mentioned in the prospectus of the Company dated 30 November 2006. In light of the appreciation of Renminbi against Hong Kong Dollar, the Renminbi equivalent amount of HK\$1,091.6 million is expected to be less than RMB1,100,000,000 (equivalent to approximately HK\$1,104,417,671). Therefore, the Company will satisfy any such shortfall using its internal resources.

The total capital contribution by Jin Jiang Hotels Development is RMB275,000,000 (equivalent to approximately HK\$276,104,418). Jin Jiang Hotels Development intends to partly satisfy this amount by transferring assets of and equity interests in certain budget hotels at their total appraised value as at 31 October 2006 of RMB274,421,100 (equivalent to approximately HK\$275,523,193). For the remaining amount of RMB578,900 (equivalent to approximately HK\$581,225), Jin Jiang Hotels Development intends to contribute cash from its internal resources.

Hotel Assets

The assets of the following budget hotels shall be transferred: Shanghai Jin Jiang International Hotels Development Company Limited Beijing Jin Ya Hotel, Shanghai Jin Jiang International Hotels Development Company Limited Shenyang Jin Ya Hotel, Shanghai Jin Jiang International Hotels Development Company Limited Changzhou Jin Chang Branch and Shanghai Jin Jiang International Hotels Development Limited Company Changchun Branch.

Equity Interests

Equity interests in the following budget hotels shall be transferred: 95% equity interest in Shanghai Jin Ya Hotel Company Limited, 50% equity interest in Tianjin Jin Jiang Inn Company Limited and 50% equity interest in Qingdao Jin Jiang Inn Company Limited. Before and after the transfer of such equity interests, the direct shareholding interest in such companies held by the Group remains unchanged.

4. Completion

Under the Agreement, the Company and Jin Jiang Hotels Development have agreed to fully effect their respective capital contributions within half a year after the signing of the Agreement. No conditions are attached to the capital injection and there is no long stop date for the fulfilment of conditions for the capital injection.

5. Shareholding

As at the date of this announcement, the Company holds a 80% equity interest and Jin Jiang Hotels Development holds the remaining 20% equity interest in Jin Jiang International Hotel Investment. The Company's shareholding and Jin Jiang Hotels Development's shareholding in Jin Jiang International Hotel Investment will remain unchanged at 80% and 20% respectively, after completion of the capital injection.

REASONS FOR ENTERING INTO THE AGREEMENT

Jin Jiang International Hotel Investment is principally engaged in investing in Jin Jiang Inn Budget Hotels. In order to expand the coverage of Jin Jiang Inn Budget Hotels in the PRC, Jin Jiang International Hotel Investment needs additional capital from its shareholders. Therefore, the Company and Jin Jiang Hotels Development have entered into the Agreement to inject capital into Jin Jiang International Hotel Investment.

The Board also confirms that the transaction contemplated under the Agreement was entered into on normal commercial terms and on terms that are fair and reasonable, in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

1. The Group is principally engaged in Star-rated hotel operation and management, budget hotel operation and franchising, restaurant operation and other hotel-related businesses.
2. Jin Jiang Hotels Development is principally engaged in Star-rated hotel management operations and chain restaurants operation. Its A shares and B shares are listed on the Shanghai Stock Exchange and the remaining shareholders of Jin Jiang Hotels Development are holders of shares in circulation.
3. Jin Jiang International Hotel Investment is principally engaged in investing in Jin Jiang Inn Budget Hotels.

DISCLOSEABLE TRANSACTION

The relevant percentage ratios applicable to the Agreement for the purpose of Chapter 14 of the Listing Rules is more than 5% but less than 25%, and therefore it constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, among other things, details of the Agreement will be despatched to the Shareholders shortly.

OVERSEAS REGULATORY ANNOUNCEMENT

Since the Company is the controlling shareholder of Jin Jiang Hotels Development, the Agreement constitutes a connected transaction of Jin Jiang Hotels Development under the relevant PRC rules and regulations. Please refer to the Overseas Regulatory Announcement to be released by the Company in Hong Kong on 29 January 2007.

CLARIFICATION ANNOUNCEMENT

The Company notes that there is a typographical error in the English text of its clarification announcement issued on 26 January 2007. The undersigned date of the English text of that clarification announcement should be 25 January 2007, rather than 25 January 2006.

DEFINITIONS

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

“Agreement”	the capital increase agreement entered into by and between the Company and Jin Jiang Hotels Development in relation to the injection of capital into Jin Jiang International Hotel Investment
“associates”	has the meaning ascribed to such term under the Listing Rules
“Board”	the board of directors of the Company
“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, of which 1,391,500,000 H shares are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jin Jiang Hotels Development”	上海錦江國際酒店發展股份有限公司 (Shanghai Jin Jiang International Hotels Development Company Limited), a non-wholly owned subsidiary of the Company which is incorporated as a joint stock limited company in the PRC and whose A shares and B shares are listed on the Shanghai Stock Exchange as at the date of this announcement
“Jin Jiang Inn”	錦江之星旅館有限公司 (Jin Jiang Inn Company Limited), a non-wholly owned subsidiary of the Company which is incorporated as a limited liability company in the PRC
“Jin Jiang Inn Budget Hotel”	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Inn, or which are owned by third parties to which Jin Jiang Inn has granted a franchise
“Jin Jiang International Hotel Investment”	上海錦江國際旅館投資有限公司 (Shanghai Jin Jiang International Hotel Investment Company Limited), a non-wholly owned subsidiary of the Company which is incorporated as a limited liability company in the PRC
“Listing”	the listing of the Company’s H Shares on the Main Board of The Stock Exchange of Hong Kong Limited, which commenced on 15 December 2006
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“percentage ratio”	has the meaning ascribed to such term under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Substantial Hotel Interests”	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company

By order of the Board of
Shanghai Jin Jiang International Hotels (Group) Company Limited
Kang Ming, Yuen Chin Yau
Joint Company Secretaries

Shanghai, the People’s Republic of China

26 January 2007

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 non-executive Directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Mr. Rui Mingjie, Mr. Yang Menghua, Mr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

The exchange rate adopted in this announcement for illustration purposes only is HK\$1 = RMB0.996

** The Company is registered as an oversea 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”.*

*Please also refer to the published version of this announcement in **South China Morning Post**.*