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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

CONNECTED TRANSACTION

ACQUISITION OF 3.49825% 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 Party Zheng.

ACQUISITION OF 3.49825% EQUITY INTEREST IN KEYSTONE BY JIN JIANG HOTELS DEVELOPMENT

On 23 November 2018, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Equity Transfer Agreement with Ever Felicitous Limited (held as to 77.84% by Mr. Zheng), Fortune News International Limited (wholly-owned by Mr. Zheng) and Mr. Zheng, pursuant to which Jin Jiang Hotels Development shall acquire 3.49825% equity interest in Keystone held in aggregate by Ever Felicitous Limited and Fortune News International Limited for a cash consideration of RMB351,216,077.14. Following the completion of the transactions, the percentage of Jin Jiang Hotels Development's shareholdings in Keystone will increase from 93.0035% to 96.50175%.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Keystone is a non-wholly-owned subsidiary of the Company, and Mr. Zheng is a director of Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. Zheng is a connected person of the Company at the subsidiary level. Accordingly, transactions contemplated under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of transactions contemplated under the Equity Transfer Agreement exceeds 0.1% but is lower than 5%, the transactions concerned shall comply with the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement 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 Party Zheng.

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II. EQUITY TRANSFER AGREEMENT

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

- Date:** 23 November 2018
- Parties:**
- (1) Ever Felicitous Limited (as transferor)
 - (2) Fortune News International Limited (as transferor)
 - (3) Mr. Zheng (as transferor)
 - (4) 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 3.49825% equity interest in Keystone held in aggregate by Ever Felicitous Limited and Fortune News International Limited.

Consideration: The two parties have agreed following negotiations that the consideration for the said transfer of equity interest shall be RMB351,216,077.14. The said transaction price is inclusive of tax payable for the transfer of shares. Profit or loss of Keystone proportionate to such shares (excluding distribution of 2017 Keystone profit to Party Zheng pursuant to the shareholders' resolution of Keystone dated 31 May 2018) shall become attributable to Jin Jiang Hotels Development as from 1 January 2018.

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 and 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 shares to Party Zheng 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.

III. INFORMATION ON THE COMPANY, THE TRANSFERORS 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 Transferors

Ever Felicitous Limited is a company incorporated in the British Virgin Islands with limited liability in which Mr. Zheng holds 77.84% equity interest. Other than holding equity interest in Keystone, Ever Felicitous Limited is not engaged in the operation of any other businesses.

Fortune News International Limited is a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Zheng. Other than holding equity interest in Keystone, Fortune News International Limited 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 2018, Keystone Group had 3,544 hotels in operation providing 290,162 rooms in aggregate and 5,281 hotels for which management agreements had been signed providing 452,763 rooms in aggregate, located in 315 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/crowd-funding 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
	2016	2017	30 June 2018
	<i>(in approximate RMB million)</i>	<i>(in approximate RMB million)</i>	<i>(in approximate RMB million)</i>
Revenue	3,562.1	3,985.3	2,009.5
Profit before taxation	63.9	443.1	235.2
Profit after taxation	4.2	295.9	153.3

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 Keystone Group as at 30 June 2018 was approximately RMB3,986.5 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 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, and Mr. Zheng is a director of Keystone. In accordance with Chapter 14A of the Listing Rules, Mr. Zheng is a connected person of the Company at the subsidiary level. Accordingly, transactions contemplated under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of transactions contemplated under the Equity Transfer Agreement exceeds 0.1% but is lower than 5%, the transactions concerned shall comply with the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement 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 Mr. Zheng, Ever Felicitous Limited and Fortune News International Limited (as transferors) on 23 November 2018 in respect of the transfer of 3.49825% 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. Zheng”	Mr. Zheng Nanyan (鄭南雁先生), who owns 77.84% equity interest in Ever Felicitous Limited and wholly owns Fortune News International Limited
“Party Zheng”	Mr. Zheng, Ever Felicitous Limited and Fortune News International Limited, collectively
“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 between Jin Jiang Hotels Development and Party Zheng
“%”	percentage

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Zhang Jue
Joint Company Secretary

Shanghai, the PRC, 23 November 2018

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming and Mr. Zhang Qian; 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**”.*