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Shanghai Jin Jiang Capital Company Limited*

上海錦江資本股份有限公司

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

(Stock Code: 02006)

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

Reference is made to the Company's announcement dated 23 November 2018 and circular dated 23 October 2015 in relation to the 2018 Equity Transfer Agreement in respect of the acquisition of 3.49825% equity interest in Keystone by Jin Jiang Hotels, a subsidiary of the Company, the acquisition agreements in respect of the acquisition of 81.0034% equity interest in Keystone by Jin Jiang Hotels and the Shareholders' Agreement with Party Zheng, respectively.

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

On 29 June 2021, Jin Jiang Hotels, a subsidiary of the Company, entered into the Equity Transfer Agreement with Fortune News International Limited (ultimately wholly-owned by Mr. Zheng) and Mr. Zheng, pursuant to which Jin Jiang Hotels shall acquire 3.49825% equity interest in Keystone held by Fortune News International Limited at a cash consideration of RMB351,216,077.14. Following the completion of the transaction, the percentage of Jin Jiang Hotels's shareholdings in Keystone will increase from 96.50175% to 100%.

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. Therefore, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Equity Transfer Agreement exceeds 1% but is less than 5%, the transaction 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 Company's announcement dated 23 November 2018 and circular dated 23 October 2015 in relation to the 2018 Equity Transfer Agreement in respect of the acquisition of 3.49825% equity interest in Keystone by Jin Jiang Hotels, a subsidiary of the Company, the acquisition agreements in respect of the acquisition of 81.0034% equity interest in Keystone by Jin Jiang Hotels and the Shareholders' Agreement with Party Zheng, respectively.

On 29 June 2021, Jin Jiang Hotels, a subsidiary of the Company, entered into the Equity Transfer Agreement with Fortune News International Limited (ultimately wholly-owned by Mr. Zheng) and Mr. Zheng, pursuant to which Jin Jiang Hotels shall acquire 3.49825% equity interest in Keystone held by Fortune News International Limited at a cash consideration of RMB351,216,077.14. Following the completion of the transaction, the percentage of Jin Jiang Hotels's shareholdings in Keystone will increase from 96.50175% to 100%.

II. EQUITY TRANSFER AGREEMENT

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

Date: 29 June 2021

Parties:

- (1) Jin Jiang Hotels (as transferee)
- (2) Fortune News International Limited (as transferor)
- (3) Mr. Zheng (as transferor)
- (4) Keystone (as target company)

Subject assets: Subject to the terms and conditions of the Equity Transfer Agreement, Jin Jiang Hotels agrees to acquire the 3.49825% equity interest in Keystone held by Fortune News International Limited.

Consideration: The 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 2020 Keystone profit to Party Zheng pursuant to the shareholders' resolution of Keystone dated 25 May 2021) shall become attributable to Jin Jiang Hotels as from 1 January 2021.

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 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 paid in RMB. Jin Jiang Hotels and Party Zheng shall complete the transaction at a time and place agreed by the both parties in writing.

Mr. Zheng's obligations after completion: Party Zheng shall acquire the shares of Jin Jiang Hotels within a designated period following the completion, and the shares acquired shall be subject to a lockup period of two years.

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 Transferors

Fortune News International Limited is a company incorporated in the British Virgin Islands with limited liability and is ultimately wholly-owned by Mr. Zheng. Fortune News International Limited is principally engaged in investment.

Information on Keystone

Keystone is an investment holding company incorporated in the Cayman Islands on 12 December 2012 with limited liability. Specialised in consumer experience, Keystone is a pioneer of the “Brand First” philosophy in China’s hotel industry that forges and operates brands based on the value demands and preferences of consumers. Currently, the Plateno circle of living experience covers close to 20 brands, serving 150 million members in more than 470 cities nationwide in association with the Company.

The core business of Keystone Group primarily consists of economy hotels under 7 Days (including over 2,000 hotels under the 7 Days, Premium and IU, II brands), as well as the mid-to-high end franchise hotel business currently under vigorous development. 7 Days Hotel (Shenzhen) Co., Ltd. (七天酒店(深圳)有限公司) is principally engaged in the operation of the existing leased and operated hotels (the leasing business), while 7 Days Four Seasons Hotels (Guangzhou) Co., Ltd (七天四季酒店(廣州)有限公司) is principally engaged in the development of the franchise business. Mid-end and innovative brands are incubated through a brand joint venture platform.

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	
	2019	2020
	(in approximate RMB million)	(in approximate RMB million)
Revenue	4,497.9	2,837.9
Profit before taxation	782.2	336.4
Profit after taxation	590.5	241.4

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 31 December 2020 was approximately RMB4,267.5 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, strengthen its control over subsidiaries, enhance the efficiency of decision-making and lower its administrative costs. It will enable the Company 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 transaction. None of the Directors are materially interested in the transaction 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. Therefore, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Equity Transfer Agreement exceeds 1% but is less than 5%, the transaction 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:

“2018 Equity Transfer Agreement”	the agreement entered into between Jin Jiang Hotels (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
“Board”	the board of directors of the Company
“Company”	Shanghai Jin Jiang Capital Company Limited* (上海錦江資本股份有限公司), a joint stock limited company established in the PRC, the H shares of which are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the agreement entered into between Jin Jiang Hotels (as transferee), Mr. Zheng and Fortune News International Limited (as transferors) on 29 June 2021 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”	Shanghai Jin Jiang International Hotels Company Limited (上海錦江國際酒店股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and B shares of which are 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 wholly owns Fortune News International Limited

“Party Zheng”	Mr. Zheng and Fortune News International Limited, collectively
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders’ Agreement”	the shareholders’ agreement dated 18 September 2015 entered into between Jin Jiang Hotels and Party Zheng
“%”	percentage

By Order of the Board
Shanghai Jin Jiang Capital Company Limited*
Zhang Jue
Joint Company Secretary

Shanghai, the PRC, 29 June 2021

As at the date of this announcement, the executive Directors are Mr. Zhao Qi, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Ma Mingju, Ms. Zhou Wei and Mr. Sun Yu; and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie and Mr. Shen Liqiang.

* *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 Capital Company Limited**”.*