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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)

DISCLOSEABLE TRANSACTION AND PRICE-SENSITIVE INFORMATION MERGER AGREEMENT GUARANTEE IN RELATION TO THE MERGER AGREEMENT

Financial Adviser to the Company



Reference is made to the announcement of the Company dated 6 July 2009 in relation to the establishment of HAC.

The Company is pleased to announce that on 18 December 2009, the Purchasers (all of which are indirect jointly-controlled entities of the Company) have entered into the Merger Agreement with the Target Companies in relation to the Mergers. After the Mergers, Interstate Hotels & Resorts, Inc., a company whose shares are listed on the New York Stock Exchange (NYSE:IHR), shall remain as the general partner of Interstate Operating Company, L.P. and shall become a wholly-owned subsidiary of HAC.

Concurrently upon the signing of the Merger Agreement, the Company has entered into the Guarantee in favor of the Target Companies, to guarantee the Obligations to the extent that the Company's liabilities shall not exceed the Cap.

Under Chapter 14 of the Listing Rules, the Mergers do not amount to notifiable transactions.

As one of the applicable percentage ratios for the Guarantee, which is calculated according to the Cap, is more than 5%, but less than 25%, the Guarantee constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

This announcement is also made pursuant to Rule 13.09(1) of the Listing Rules.

I. INFORMATION ON THE MERGER AGREEMENT

1. The Mergers

The Mergers are comprised of (i) the merger of HAC Merger Sub with and into Interstate Hotels & Resorts, Inc., with Interstate Hotels & Resorts, Inc. as the surviving corporation and becoming a wholly-owned subsidiary of HAC; and (ii) the merger of Merger Partnership with and into Interstate Operating Company, L.P., with Interstate Operating Company, L.P. as the surviving partnership.

2. Results of the Mergers

Each share of common stock of Interstate Hotels & Resorts, Inc. issued and outstanding immediately prior to the effective time of the Mergers shall be converted into the right to receive an amount in cash, without interest, equal to USD2.25 (equivalent to approximately HKD17.55) per share. The total payment to be paid by the Purchasers to the holders of common stock is approximately USD75.14 million (equivalent to approximately HKD586.10 million).

Each unit of the limited partnership interests in Interstate Operating Company, L.P. (other than those units held by Interstate Hotels & Resorts, Inc. or any of its wholly-owned subsidiaries or by HAC or any of its wholly-owned subsidiaries) issued and outstanding immediately prior to the effective time of the Mergers shall be converted into the right to receive an amount in cash, without interest, equal to USD2.25 (equivalent to approximately HKD17.55) per unit on an as-converted basis. The total payment to be paid by the Purchasers to the holders of limited partnership interests is approximately USD0.13 million (equivalent to approximately HKD1 million).

Upon the effective time of the Mergers, the Purchasers shall pay approximately USD75.30 million (equivalent to approximately HKD587.03 million) to hold all equity interests in the Target Companies.

After the Mergers, Interstate Hotels & Resorts, Inc., a company whose shares are listed on the New York Stock Exchange (NYSE:IHR), shall remain as the sole general partner of Interstate Operating Company, L.P. and shall become a wholly-owned subsidiary of HAC. The Company will indirectly hold 50% equity interests in Interstate Hotels & Resorts, Inc. through HAC, the jointly-controlled entity established by the Company and the JV Partner.

3. Conditions

The Mergers are subject to various conditions having been satisfied, or waived by the party entitled to the benefit thereof, on or prior to the Closing Date, the material conditions of which are summarised as follows:

(i) Conditions to the Purchasers and Target Companies' Obligations to Effect the Mergers

(a) Approval by Stockholders of Interstate Hotels & Resorts, Inc..

The Merger Agreement shall have been duly adopted by the Requisite Company Vote.

(b) Antitrust.

The waiting period applicable to the consummation of the Mergers under the HSR Act if applicable, shall have expired or been terminated.

(c) No Injunctions or Restraints.

There shall be no effective injunction, writ or preliminary restraining order or any order of any nature issued by a governmental entity of competent jurisdiction to the effect that the Mergers may not be consummated as provided in the Merger Agreement, no proceeding or lawsuit shall be pending by any governmental entity for the purpose of obtaining any such injunction, writ or preliminary restraining order and no written notice shall have been received from any governmental entity indicating an intent to restrain, prevent, materially impair or delay or restructure the transactions contemplated by the Merger Agreement.

(ii) Conditions to Obligations of the Purchasers

(a) Representations and Warranties.

- certain specified representations and warranties of the Target Companies set forth in the Merger Agreement shall be true and correct in all respects, without regard to any materiality or qualifications of the material adverse effect to Interstate Hotels & Resorts, Inc. contained in such representations and warranties, as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct in all respects as of that specified date), unless the failure or failures of all such representations and warranties to be so true and correct in all respects would not, in the aggregate, have material adverse effect to Interstate Hotels & Resorts, Inc.;
- certain specified representations and warranties of the Target Companies shall be true and correct in all material respects as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct in all material respects as of that specified date); and
- certain specified representations and warranties of the Target Companies shall be true and correct in all respects as of the Closing Date.

(b) Performance of Obligations.

The Target Companies shall have performed in all material respects all obligations required to be performed by each of them under the Merger Agreement at or prior to the Closing Date.

(c) No Default under Existing Financing Documents.

No lender or agent of the lenders under any of the Existing Financing Documents shall have provided valid written notice to Interstate Hotels & Resorts, Inc. of any material default under any such Existing Financing Document that is not capable of being cured or for which no remaining cure period exists, and the amendments to the Existing Financings specified in the disclosure letter of Target Companies shall be in full force and effect.

(iii) Conditions to Obligations of the Target Companies

(a) Representations and Warranties.

The representations and warranties of each of the Purchasers set forth in the Merger Agreement shall be true and correct in all respects, without regard to any materiality or qualifications of the material adverse effect to HAC contained in such representations and warranties as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which shall be true and correct in all respects as of that specified date), unless the failure or failures of all such representations and warranties to be so true and correct in all respects would not, in the aggregate, have material adverse effect to HAC.

(b) Performance of Obligations.

Each of the Purchasers shall have performed in all material respects all obligations required to be performed by it under the Merger Agreement at or prior to the Closing Date.

4. Termination

The Merger Agreement may be terminated at any time prior to the completion of the Mergers under specified circumstances as stipulated in the Merger Agreement (i) by mutual written consent of HAC and Interstate Hotels & Resorts, Inc.; or (ii) by either HAC or Interstate Hotels & Resorts, Inc.; or (iii) by HAC alone; or (iv) by Interstate Hotels & Resorts, Inc. alone.

Except as otherwise provided in the Merger Agreement, if the Merger Agreement is terminated pursuant to the termination clause of the Merger Agreement, it shall become void and of no further force and effect, with no liability on the part of any party to the Merger Agreement (or any stockholder, director, officer, employee, agent or representative of such party), except that if such termination results from the wilful and material (i) failure of any party to perform its obligations; or (ii) breach by any party of its representations or warranties contained in the Merger Agreement, then, subject to the maximum amount of remedies available to the Purchasers and Interstate Hotels & Resorts, Inc. respectively, such party shall be fully liable for any liabilities incurred or suffered by the other parties as a result of such failure or breach.

5. Expenses Following Termination

The Merger Agreement provides that, upon termination under specified circumstances, Interstate Hotels & Resorts, Inc. would be required to pay HAC a termination fee in an amount equal to USD3 million (equivalent to approximately HKD23.4 million). In addition to the termination fee, upon termination under specified circumstances, Interstate Hotels & Resorts, Inc. will also be required to reimburse HAC for certain out-of-pocket costs and expenses in an amount up to USD1.5 million (equivalent to approximately HKD11.7 million) or USD3.5 million (equivalent to approximately HKD27.3 million), depending on the circumstances.

6. Injection of Further Capitals

Upon successful consummation of the Mergers, HAC agrees to contribute, on or prior to the first anniversary of the Closing Date, cash equity to Interstate Operating Company, L.P. in an aggregate amount equal to at least USD12 million.

II. THE GUARANTEE

Concurrently upon the signing of the Merger Agreement, the Company, as guarantor, has entered into the Guarantee, in favor of the Target Companies, to guarantee the Obligations to the extent that the Company's liabilities shall not exceed the Cap.

The main terms of the Guarantee are summarised as follows:

1. Date:

18 December 2009

2. Parties:

Guarantor : the Company

Other parties : Interstate Hotels & Resorts, Inc. and Interstate Operating Company, L.P.

3. Obligations Covered:

The Company absolutely, unconditionally and irrevocably guarantees to the Target Companies the Obligations; provided, that in no event shall the Company's liability under the Guarantee exceed the Cap.

4. Term:

The Guarantee shall terminate and the Company shall have no further obligations under the Guarantee as of the earliest of (i) the effective time of the Mergers; and (ii) one year from the date of the Guarantee (except to the extent that, prior to such anniversary date, the Target Companies shall have provided written notice to the Company of claims under the Guarantee).

III. REASONS AND BENEFITS FOR ENTERING INTO THE MERGER AGREEMENT AND THE GUARANTEE

1. Reasons and Benefits for Entering into the Merger Agreement

Upon the effective time of the Mergers, the Company and the JV Partner will indirectly hold all equity interests in Interstate Hotels & Resorts, Inc.. The Mergers, which are in line with the developing strategy of the Group, help to accelerate the globalisation of the Group, enlarge its market share in the worldwide market, promote the brand image of Jin Jiang Hotels, and further increase the core competitive strength of the Group in hospitality industry by introducing advanced international hotel management expertise.

Interstate Hotels & Resorts, Inc. is a leading independent hotel management company, whose hotels assets portfolio and network system will have synergy effects in the operation of the Group, therefore this investment has relatively high investment value to the Group.

2. Reasons and Benefits for Entering into the Guarantee

The purpose of providing a guarantee by the Company in favour of the Target Companies is to further strengthen HAC's bargaining power, and thus facilitates the entering into the Merger Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Guarantee are fair and reasonable and in the interest of the Shareholders as a whole.

IV. FINANCIAL EFFECTS

1. Financial Effects of Entering into the Merger Agreement

The entering into of the Merger Agreement has no immediate material financial effect on the Group's earnings, net assets and liabilities.

Upon the effective time of the Mergers, Interstate Hotels & Resorts, Inc. will become a jointly-controlled entity (but not a subsidiary) of the Group, and therefore its accounts will be proportionally consolidated into the accounts of the Group.

2. Financial Effects of Entering into the Guarantee

The entering into of the Guarantee has no immediate material financial effect on the Group's earnings, net assets and liabilities.

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.

Interstate Hotels & Resorts, Inc., together with its subsidiary Interstate Operating Company, L.P., is a leading hotel real estate investor and the largest independent hotel management company in the United States. Interstate Hotels & Resorts, Inc. and its affiliates manages and/or has ownership interests in a total of 232 hospitality properties with more than 46,000 rooms in 37 states, the District of Columbia, Russia, India, Mexico, Belgium, Canada, Ireland and England. Interstate Hotels & Resorts, Inc. has ownership interests in 56 of those properties, including six wholly-owned assets.

VI. IMPLICATION UNDER THE LISTING RULES

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Target Companies and their respective ultimate beneficial owner is not a connected person and is independent of any director, chief executive or substantial shareholder or the controlling shareholder of the Company or its subsidiaries or any of their respective associates.

Under Chapter 14 of the Listing Rules, the Mergers do not amount to notifiable transactions.

As one of the applicable percentage ratios for the Guarantee, which is calculated according to the Cap, is more than 5%, but less than 25%, the entering into of the Guarantee constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. This announcement is also made pursuant to Rule 13.09(1) of the Listing Rules.

VII. DEFINITIONS

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

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Cap”	USD12.5 million (equivalent to approximately HKD97.5 million)
“Capital Gathering”	Capital Gathering, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company
“China”	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
“Closing Date”	the date on which the closing of the Mergers occur
“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
“Director(s)”	the directors of the Company

“Existing Financings”	any outstanding loans to Interstate Hotels & Resorts, Inc. or any subsidiary of Interstate Hotels & Resorts, Inc. by any person other than Interstate Hotels & Resorts, Inc. or any subsidiary of Interstate Hotels & Resorts, Inc.
“Existing Financing Document”	each loan document set forth in the disclosure letter delivered by Target Companies, together with any amendments and guarantees related thereto
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee dated 18 December 2009 executed by the Company in favour of the Target Companies to guarantee the Obligations
“HAC”	Hotel Acquisition Company, LLC, a Delaware limited liability company and is jointly-owned as to 50% by Capital Gathering and 50% by the JV Partner
“HAC Merger Sub”	HAC Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of HAC
“HSR Act”	the Hart-Scott-Rodino Antitrust Improvements Act of 1976
“JV Partner”	a joint venture partner who is holding a 50% shareholding interests in HAC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger Agreement”	the agreement and plan of merger, dated 18 December 2009, entered into by and among the Purchasers and the Target Companies in relation to the Mergers
“Merger Partnership”	HAC Merger Partnership, L.P., a Delaware limited partnership and a subsidiary of HAC Merger Sub
“Mergers”	the (i) merger of HAC Merger Sub with and into Interstate Hotels & Resorts, Inc., with Interstate Hotels & Resorts, Inc. as the surviving corporation and becoming a wholly-owned subsidiary of HAC; and (ii) merger of Merger Partnership with and into Interstate Operating Company, L.P., with Interstate Operating Company, L.P. as the surviving partnership
“Obligations”	the due and punctual performance and discharge of the payment obligations of the Purchasers under the Merger Agreement
“Purchasers”	HAC, HAC Merger Sub and Merger Partnership
“Requisite Company Vote”	the adoption of the Merger Agreement by the holders of a majority in voting power of the issued and outstanding shares of common stock of Interstate Hotels & Resorts, Inc. entitled to vote thereon
“Shareholder(s)”	the shareholder(s) of the Company

“subsidiary” has the same meaning ascribed thereto under the Listing Rules

“Target Companies” Interstate Hotels & Resorts, Inc., and Interstate Operating Company, L.P.

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

Shanghai, China, 20 December 2009

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, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

The exchange rates adopted in this announcement for illustration purposes only is USD1.00 = HKD7.80

* *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**”.*