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)

2008 FINAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company" or "Jin Jiang Hotels") is pleased to announce the final results of the Company and its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2008 (the "Year"). These results have been reviewed by the audit committee of the Board.

The Company continued to report revenue growth in 2008, recording sales revenue of approximately RMB3,402,808,000, which represented a 6.4% increase over the previous year. The operating profit of the Company for the Year decreased by 18.3% to approximately RMB500,230,000 (2007: RMB641,791,000); the profit attributable to equity holders of the Company decreased by 29.5% to RMB270,255,000 (2007: RMB383,417,000). The main factor of the decrease is the less gain from disposal of assets, including disposal of available-for-sale financial assets, disposal of an investment in Jiu Long Hotel, disposal of investment in associates and compensation on lease termination of a Jin Jiang Inn Budget Hotel (2008: RMB109,100,000; 2007: RMB291,589,000). Excluding the above factor, the operating profit increased by 11.7%, or approximately RMB40,928,000.

2008 was an extraordinary year, during which the worldwide financial tsunami triggered by the U.S. sub-prime crisis coupled with the snowstorm disaster which occurred in the PRC's central and southern regions and the "5.12" Sichuan mega earthquake, have brought unprecedented challenges to the global economy, as well as China's tourism industry. Influenced by various adverse macroeconomic factors, the tourism and hotel industries of Shanghai were hard-hit to varying degrees, the number of inbound foreign visitors was on a downward trend and there was an over-supply of star-rated hotels. Notwithstanding the above, relying on our industry leadership, diversified product portfolio and strong brand advantage, complemented by a proactive but prudent business strategy, the Group was able not only to attain turnover growth despite adverse market conditions, but also to win numerous national and international awards, underpinning industry recognition of its achievements in hotel operations and management, both at national and international levels. As at 31 December 2008, the Group had 465 hotels and budget hotels in operation or under development, with over 80,000 rooms, covering an extensive network of 120 cities in 31 provinces, autonomous regions and municipalities in China.

Looking ahead, despite the growing competition in the industry fueled by increasing supply of hotels, Jin Jiang Hotels will, through the implementation of a series of corporate strategies, endeavor to further expand its star-rated hotels and budget hotels businesses, proactively expand its nationwide strategic hotel network and enhance its service quality, thereby strengthen our core competitiveness and promote the Group's sustainable development. Meanwhile, the Group will fully utilize the growing importance of the hotel and tourism industries in China's economic development and seize the rosy prospects and vast opportunities in international and domestic tourism. We will also be fully prepared for upcoming major events such as Shanghai World Expo 2010, with a view to capturing future growth opportunities.

FINANCIAL OVERVIEW

		Year ended 31 December	
	RMB	**2008**	2007
Revenue	*in millions*	**3,403**	3,197
Profit attributable to equity holders of the Company	*in millions*	**270**	383
Basic earnings per share	*cents*	**5.92**	8.40
Proposed final dividend per share	*cents*	**2.10**	3.00
EBITDA	*in millions*	**1,071**	1,169

		As at 31 December	
		2008	2007
Available-for-sale financial assets	*in millions*	**1,224**	4,831
Net assets (total equity)	*in millions*	**8,379**	10,898
Net assets per share	*Yuan*	**1.84**	2.39
Total assets	*in millions*	**10,380**	13,828
Total liabilities	*in millions*	**2,001**	2,930
Gearing ratio (total borrowings to total assets)		**5.2%**	3.6%

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Revenue	3	**3,402,808**	3,197,065
Cost of sales	4	**(2,353,925)**	(2,125,081)
Gross profit		**1,048,883**	1,071,984
Other income		**241,635**	381,413
Selling and marketing expenses	4	**(159,685)**	(159,954)
Administrative expenses	4	**(602,207)**	(605,638)
Other expenses		**(28,396)**	(46,014)
Operating profit		**500,230**	641,791
Finance costs		**(44,308)**	(92,716)
Share of results of associates		**72,760**	98,099
Profit before income tax		**528,682**	647,174
Income tax expense	5	**(95,899)**	(111,491)
Profit for the year		**432,783**	535,683
Attributable to:			
Equity holders of the Company		**270,255**	383,417
Minority interests		**162,528**	152,266
		432,783	535,683
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB cents per share) — basic and diluted	6	**5.92**	8.40
Dividends	7	**95,865**	136,950

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,431,269**	4,922,886
Land use rights		**1,043,251**	1,073,274
Intangible assets		**25,538**	19,265
Investments in associates		**317,800**	349,596
Available-for-sale financial assets		**1,224,200**	4,831,463
Deferred income tax assets		**39,935**	50,005
		8,081,993	11,246,489
Current assets			
Inventories		**51,782**	57,649
Trade and other receivables	8	**381,201**	389,478
Restricted cash		**219,728**	190,644
Cash and cash equivalents		**1,644,962**	1,943,291
		2,297,673	2,581,062
Total assets		**10,379,666**	13,827,551

		As at 31 December	
		2008	2007
	Note	***RMB'000***	*RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves			
— Proposed final dividend	7	**95,865**	136,950
— Others		**2,299,486**	3,686,943
		6,960,351	8,388,893
Minority interests		**1,418,638**	2,508,714
Total equity		**8,378,989**	10,897,607
LIABILITIES			
Non-current liabilities			
Borrowings		**275,563**	430,968
Deferred income tax liabilities		**351,671**	1,284,477
		627,234	1,715,445
Current liabilities			
Trade and other payables	9	**1,047,078**	1,029,991
Income tax payable		**63,527**	113,508
Borrowings		**262,838**	71,000
		1,373,443	1,214,499
Total liabilities		**2,000,677**	2,929,944
Total equity and liabilities		**10,379,666**	13,827,551
Net current assets		**924,230**	1,366,563
Total assets less current liabilities		**9,006,223**	12,613,052

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company, formerly known as Shanghai New Asia (Group) Company, was established on 16 June 1995 as a wholly state-owned company with limited liability and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") or its predecessors. Pursuant to an enterprise reorganisation in June 2003, the Company was designated by Shanghai SASAC as a wholly-owned subsidiary of Jin Jiang International Holdings Company Limited ("Jin Jiang International"), which is also a wholly state-owned company directly under the administration and control of Shanghai SASAC. In September 2005, Jin Jiang International allocated its 5% equity interest in the Company to its wholly-owned subsidiary, Shanghai Jin Jiang International Investment and Management Company Limited (formerly known as Shanghai Huating Group Company Limited).

On 11 January 2006, the Company's name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the People's Republic of China (the "PRC" or "Mainland China") by converting its paid-in capital and reserves of Renminbi ("RMB") 3,300,000,000 at 30 September 2005 into 3,300,000,000 ordinary shares of RMB1 per share.

On 15 December 2006 and 20 December 2006, a total of 1,265,000,000 ordinary shares of RMB1 per share newly issued by the Company through a public offer in Hong Kong and an international placing were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Accordingly, the share capital of the Company was increased to RMB4,565,000,000.

The address of the Company's registered office is Room 316–318, No. 24, Yang Xin Road East, Shanghai, the PRC.

The Group is principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Businesses") in Mainland China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new interpretations are mandatory for the financial year ended 31 December 2008.

HK(IFRIC) — Int 11	HKFRS2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the interpretations above did not have any significant impact to the Group.

The following new standards, amendments to standards, interpretations and improvements have been issued but are not effective and have not been early adopted. The Directors anticipate that adoption of these standards, amendments to standards, interpretations and improvements will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1	First-time Adoption of HKFRS and HKAS 27 — Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRS 7 (Amendments)	Financial Instruments: Disclosures: Improving Disclosures about Financial Instruments

Improvements to HKFRSs — Amendments to:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 16	Property, Plant and Equipment
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 29	Financial Reporting in Hyperinflationary Economies
HKAS 31	Interests in Joint Ventures
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

Other minor amendments to:

HKFRS 7	Financial Instruments: Disclosures
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 18	Revenue
HKAS 34	Interim Financial Reporting

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2008.

3. TURNOVER AND SEGMENT INFORMATION

During the year ended 31 December 2008, the Group's Hotel Related Businesses were organized into four main business segments in Mainland China and Hong Kong:

(1) Star-rated hotel operation: ownership and operation of star-rated hotels;

(2) Jin Jiang Inn Budget Hotels: operation of self-owned budget hotels and franchising to budget hotels owned by other parties;

(3) Star-rated hotel management: provision of hotel management services to star-rated hotels owned by the Group or other parties; and

(4) Food and restaurants: operation of fast food or upscale restaurants, moon cake production and related investments.

Other businesses of the Group under the Hotel Related Businesses mainly include intra-group financial services, training and education, and are shown in the segment of "Others".

(a) Turnover

The Group's revenue which represents turnover for the year ended 31 December 2008 is as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Star-rated hotel operation		
— Accommodation revenue	**1,208,146**	1,373,570
— Food and beverage sales	**769,187**	730,782
— Rendering of ancillary services	**128,563**	130,681
— Rental revenue	**140,490**	122,919
— Sales of hotel supplies	**48,527**	42,048
	2,294,913	2,400,000
Jin Jiang Inn Budget Hotels	**983,180**	673,590
Star-rated hotel management	**50,551**	42,504
Food and restaurants	**44,670**	45,913
Others	**29,494**	35,058
	3,402,808	3,197,065

(b) Primary reporting format — business segments

Year ended 31 December 2008

	Star-rated hotel operation *RMB'000*	Jin Jiang Inn Budget Hotels *RMB'000*	Star-rated hotel management *RMB'000*	Food and restaurants *RMB'000*	Others *RMB'000*	Group *RMB'000*
External sales	2,294,913	983,180	50,551	44,670	29,494	3,402,808
Inter-segment sales	92,508	13,610	39,525	4,392	72,287	222,322
Total gross segment sales	2,387,421	996,790	90,076	49,062	101,781	3,625,130
Other income	111,778	25,124	1,729	42,437	60,567	241,635
Operating profit	178,508	129,122	51,477	39,890	101,233	500,230
Finance costs						(44,308)
Share of results of associates	(1,625)	—	—	75,926	(1,541)	72,760
Profit before income tax						528,682
Income tax expense						(95,899)
Profit for the year						432,783
Segment assets	5,432,512	2,910,383	184,245	145,555	1,389,171	10,061,866
Investments in associates	60,871	—	258	251,441	5,230	317,800
Total assets	5,493,383	2,910,383	184,503	396,996	1,394,401	10,379,666
Total liabilities	951,016	703,205	17,412	28,426	300,618	2,000,677
Capital expenditure	342,643	656,351	467	1,057	830	1,001,348
Depreciation of property, plant and equipment	308,626	152,389	547	3,928	368	465,858
Amortization of land use rights	23,759	7,327	—	101	45	31,232
Amortization of intangible assets	349	414	3	—	—	766
Write-down of inventories	449	—	—	—	—	449
Provision for impairment of trade and other receivables	9,488	91	—	—	—	9,579

Year ended 31 December 2007

	Star-rated hotel operation *RMB'000*	Jin Jiang Inn Budget Hotels *RMB'000*	Star-rated hotel management *RMB'000*	Food and restaurants *RMB'000*	Others *RMB'000*	Group *RMB'000*
External sales	2,400,000	673,590	42,504	45,913	35,058	3,197,065
Inter-segment sales	113,365	16,245	47,147	—	46,078	222,835
Total gross segment sales	2,513,365	689,835	89,651	45,913	81,136	3,419,900
Other income	321,425	7,239	478	26,229	26,042	381,413
Operating profit	423,737	89,955	44,223	27,255	56,621	641,791
Finance costs						(92,716)
Share of results of associates	20,199	—	—	82,012	(4,112)	98,099
Profit before income tax						647,174
Income tax expense						(111,491)
Profit for the year						535,683
Segment assets	6,360,216	2,385,825	178,150	184,880	4,368,884	13,477,955
Investments in associates	79,098	—	—	258,086	12,412	349,596
Total assets	6,439,314	2,385,825	178,150	442,966	4,381,296	13,827,551
Total liabilities	1,470,206	360,475	24,279	30,400	1,044,584	2,929,944
Capital expenditure	402,808	602,544	1,002	4,935	507	1,011,796
Depreciation of property, plant and equipment	301,355	97,070	384	3,311	404	402,524
Amortization of land use rights	22,785	3,278	—	61	45	26,169
Amortization of intangible assets	310	408	—	—	—	718
Impairment of property, plant and equipment	7,135	—	—	—	—	7,135
Write-down of inventories	277	—	—	—	—	277
Provision for/(reversal of) impairment of trade and other receivables	42	199	5	(102)	—	144

(c) **Secondary reporting format — geographical segments**

No geographical segment information is presented as more than 90% of the Group's turnover and contribution to operation is attributable to Mainland China market and more than 90% of the Group's assets are located in Mainland China, which is considered as one geographic location with similar risks and returns.

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analyzed as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Cost of inventories sold	**452,947**	413,819
Employee benefit expense	**1,032,119**	981,519
Utility cost and consumables	**384,342**	359,977
Business tax, property tax and other tax surcharges	**236,473**	217,192
Operating leases		
— machinery	**—**	325
— land and buildings	**152,519**	91,396
	152,519	91,721
Auditors' remuneration	**7,970**	10,445
Depreciation of property, plant and equipment	**465,858**	402,524
Amortization of land use rights	**31,232**	26,169
Amortization of intangible assets	**766**	718
Repairs and maintenance	**61,238**	63,445
Provision for impairment of property, plant and equipment	**—**	7,135
Write-down of inventories	**449**	277
Provision for impairment of trade and other receivables	**9,579**	144

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Mainland China current corporate income tax ("CIT")	**119,530**	202,505
Deferred income tax	**(23,631)**	(91,014)
	95,899	111,491

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the Group companies operating in Mainland China during the year ended 31 December 2008 (2007: 33%) as determined in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") and the Detail Implementation Regulations ("DIR") except for as described below.

The Company, Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development"), Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, Shanghai New Asia Café de Coral Company Limited, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited were registered in Shanghai Pudong New Area and entitled to the preferential income tax rates of 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively (2007: 15%).

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary incorporated in Hong Kong during the year ended 31 December 2008 (2007: 17.5%). As at 31 December 2008, the Group's subsidiary incorporated in Hong Kong suffered a taxable loss and declared no Hong Kong profits tax accordingly.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2007: 33%) in Mainland China as follows:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Profit before income tax	**528,682**	647,174
Tax calculated at a tax rate of 25% (2007: 33%)	**132,171**	213,567
Effect of different taxation rates	**(21,146)**	(41,252)
Effect of change of tax rates	**—**	(48,212)
Income not subject to tax	**(26,448)**	(26,114)
Expenses not deductible for tax purposes	**5,803**	9,921
Tax losses for which no deferred income tax assets were recognized	**24,042**	24,469
Utilization of previous unrecognized tax losses	**(333)**	(551)
Effect of share of profit tax of associates	**(18,190)**	(32,373)
Unrealized profit on internal assets transfer	**—**	12,036
Income tax expense	**95,899**	111,491

6. EARNINGS PER SHARE

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**270,255**	383,417
Weighted average number of ordinary shares in issue *(thousands)*	**4,565,000**	4,565,000
Basic earnings per share *(RMB cents)*	**5.92**	8.40

As there are no potentially dilutive securities, there is no difference between the basic and diluted earnings per share.

7. DIVIDENDS

A 2007 final dividend of RMB3.0 cents (2006 final dividend: RMB2.6 cents) per share, totalling RMB136,950,000 (2006 final dividend: RMB118,690,000) was paid in June 2008. The Directors recommend the payment of a final dividend of RMB2.1 cents per share, totalling RMB95,865,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 16 June 2009. These financial statements do not reflect this dividend payable.

	At 31 December	
	2008	2007
	RMB'000	*RMB'000*
Proposed final dividend of RMB2.1 cents (2007: RMB3.0 cents) per share	**95,865**	136,950

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**68,143**	85,910
Less: provision for impairment of trade receivables	**(4,183)**	(5,133)
Trade receivables — net	**63,960**	80,777
Amounts due from related parties	**151,447**	144,756
Prepayments and deposits	**144,070**	138,114
Loans to third parties	**—**	2,632
Receivables on disposal of an investment in Jiu Long Hotel	**15,431**	—
Others	**20,393**	27,923
Less: provision for impairment of other receivables	**(14,100)**	(4,724)
Other receivables — net	**317,241**	308,701
	381,201	389,478

The majority of the Group's sales in its Hotel Related Businesses are retail sales and no credit terms are granted. For certain corporate or travel agency customers, the sales are made with credit terms from 30 to 90 days generally. Ageing analysis of trade receivables at respective balance sheet dates are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current to 3 months	**54,963**	73,426
3 months to 1 year	**7,092**	8,572
Over 1 year	**6,088**	3,912
	68,143	85,910

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Trade payables	**132,520**	148,618
Payables for purchases of property, plant and equipment, and intangible assets	**217,815**	183,290
Amounts due to related parties	**98,114**	89,036
Salary and welfare payables	**252,363**	224,874
Other taxes payable	**62,034**	53,382
Accrued expenses	**18,727**	13,819
Advances from customers and buyers	**151,269**	157,884
Deposits from lessees and constructors	**49,083**	72,301
Others	**65,153**	86,787
	1,047,078	1,029,991

Ageing analysis of trade payables at respective balance sheet dates are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current to 3 months	**112,672**	115,317
3 months to 1 year	**8,668**	30,653
Over 1 year	**11,180**	2,648
	132,520	148,618

10. COMMITMENTS

(a) Capital commitments

Capital expenditure as at 31 December 2008 but not yet incurred is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment — contracted but not provided for	**367,072**	311,459

Besides, the Group is committed to acquire a hotel property in the north-western region of China from an independent third party at a consideration to be determined based on its asset valuation (not exceeding RMB 230,000,000) according to framework agreements signed in December 2007 and July 2008. Acquisition deposit of RMB5,000,000 was paid in January 2008.

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also lease out space in hotels, under non-cancellable operating lease agreements.

Leases with different lessees and lessors are negotiated for terms ranging from 1 year to 20 years with different renewal options, escalation clauses and restrictions on subleasing. When certain rental receipts and lease payments of properties are based on the higher of minimum guaranteed rentals or revenue level based rentals, the minimum guaranteed rentals have been used to arrive at the commitments below.

The future aggregate minimum lease rentals receipts under non-cancellable operating leases are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Not later than 1 year	**144,312**	101,004
Later than 1 year and not later than 5 years	**367,909**	240,002
Later than 5 years	**782,271**	793,302
	1,294,492	1,134,308

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Not later than 1 year	**175,569**	135,080
Later than 1 year and not later than 5 years	**769,160**	551,127
Later than 5 years	**2,277,192**	1,654,669
	3,221,921	2,340,876

11. EVENTS AFTER THE BALANCE SHEET DATE

(a) Equity and assets transfers of Shanghai New Asia Café de Coral Company Limited ("New Asia Café de Coral")

As at 31 December 2008, Shanghai Jin Jiang International Catering Investment Co., Ltd. ("Catering Investment"), a subsidiary of the Group, and Grand Regent China Limited ("Grand Regent China") were the shareholders of New Asia Café de Coral and each held a 50% equity interest of New Asia Café de Coral.

Pursuant to an equity transfer agreement signed between Catering Investment and Grand Regent China on 9 February 2009, Grand Regent China transferred its 25% equity interest in New Asia Café de Coral to Catering Investment, at a consideration of approximately RMB12,272,000. The equity transfer was completed in March 2009 and Catering Investment held 75% equity interest in New Asia Café de Coral thereafter.

Pursuant to an assets transfer agreement signed between New Asia Café de Coral and Shanghai Arena Catering Management Limited ("Arena Catering"), a wholly-owned subsidiary of Grand Regent China on 9 February 2009, New Asia Café de Coral sold the assets of 6 Café de Coral outlets to Arena Catering, at a consideration of approximately RMB5,811,000. The assets transfer was completed in March 2009.

(b) Disposal of equity interest in Shanghai Zhongya Hotel

As of 31 December 2008, the Group held a 45% equity interest in Shanghai Zhongya Hotel, with the carrying amount of RMB214,000.

Pursuant to an agreement signed between two third parties (the "Purchasers") and Jin Jiang Hotels Development on 26 March 2009, Jin Jiang Hotels Development will dispose all its 45% equity interest in Shanghai Zhongya Hotel to the Purchasers, at a consideration of RMB119,820,000.

(c) Partial disposal of equity interest in Shanghai Kentucky Fried Chicken Company Limited ("Shanghai Kentucky")

As of 31 December 2008, the Group held a 49% equity interest in Shanghai Kentucky, with a carrying amount of RMB151,196,000.

Pursuant to the resolution of the board of directors of Jin Jiang Hotels Development dated 26 March 2009, Jin Jiang Hotels Development proposed to dispose of its 7% equity interest in Shanghai Kentucky at a consideration to be determined based on the result of an assets valuation. Such proposal has been listed in Shanghai United Assets and Equity Exchange for public bidding in accordance with the relevant PRC regulation.

(d) Disposal of shares in Shanghai Pudong Development Bank ("PDB")

During the period from 25 February to 4 March 2009, the Group disposed of a total of 4,559,985 A shares in PDB and received net proceeds of approximately RMB78,432,000. The gain on disposal of PDB shares is approximately RMB75,608,000. After the disposal, the Company no longer holds any A shares in PDB.

REVIEW OF OPERATIONS

In 2008, the gradual spread of the worldwide financial tsunami coupled with the several natural disasters which occurred in China caused relatively significant adverse impact on China's tourism and hotel industries. Notwithstanding Beijing's successful hosting of the Olympic Games during the Year did bring about some benefits to certain of the Group's hotels in Beijing, the positive effect brought by the Olympic Games to the hotel industry as a whole was not as strong as expected. However, thanks to a complete and diversified portfolio of assets, sound operations management and effective cost control measures of the Group, the Company sustained stable development and ongoing expansion in its various businesses, including star-rated hotel operations, Jin Jiang Inn Budget Hotels, star-rated hotel management and food and restaurants, as well as accomplished new benchmarks in terms of brand influence, network, management system and human resources. The Company continued to report revenue growth in 2008, recording sales revenue of approximately RMB3,402,808,000, which represented a 6.4% increase over the previous year. The operating profit of the Company for the Year decreased by 18.3% to approximately RMB500,230,000 (2007: RMB641,791,000); the profit attributable to equity holders of the Company decreased by 29.5% to RMB270,255,000 (2007: RMB383,417,000). The main factor of the decrease is the less gain from disposal of assets, including disposal of available-for-sale financial assets, disposal of an investment in Jiu Long Hotel, disposal of investment in associates and compensation on lease termination of a Jin Jiang Inn Budget Hotel (2008: RMB109,100,000; 2007: RMB291,589,000). Excluding the above factor, the operating profit increased by 11.7%, or approximately RMB40,928,000.

As at 31 December 2008, the Company had 465 hotels in operation or under development, with over 80,000 guest rooms, spreading across 120 cities in 31 provinces, autonomous regions and municipalities in China. The Group remained one of the leading hotel groups in the PRC in terms of the number of hotel rooms. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of The International Hotel & Restaurant Association) in July 2008, the Group ranked 17th in the world in terms of the number of hotel rooms.

STAR-RATED HOTEL OPERATION

Star-rated hotel operation is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business where over 80% of our self-managed star-rated hotels are located. The average occupancy rate and room revenue divided by rooms in use ("ADR") of our star-rated hotels in Shanghai suffered a setback in varying degrees as the number of inbound foreign visitors (including visitors from Hong Kong, Macau and Taiwan) received by Shanghai in 2008 dropped 3.8% year-on-year to approximately 6.40 million, while market competition continued to intensify with the rapidly growing supply of luxury star-rated hotels in Shanghai. During the year under review, star-rated hotels contributed approximately RMB2,294,913,000 to the Group's revenue, dropped 4.4% year-on-year, and accounted for 67.4% of the Group's turnover.

Comparison between the performance of the Group's star-rated hotels and other star-rated hotels in the Shanghai market is set out below:

	2008				2007			
	The Group's star-rated hotels in Shanghai		**Other star-rated hotels in Shanghai**		The Group's star-rated hotels in Shanghai		Other star-rated hotels in Shanghai	
	Average occupancy rate *(%)*	**Average room rate** *(RMB)*	**Average occupancy rate** *(%)*	**Average room rate** *(RMB)*	Average occupancy rate *(%)*	Average room rate *(RMB)*	Average occupancy rate *(%)*	Average room rate *(RMB)*
5-star	**57.1**	**989**	**59.9**	**1,233**	67.7	1,006	68.2	1,336
4-star	**61.0**	**668**	**55.2**	**618**	71.6	664	63.5	648
3-star	**58.2**	**366**	**52.0**	**324**	65.9	347	56.9	326
2-star	**65.7**	**295**	**55.6**	**212**	71.2	289	57.4	212

Note:

The statistics in the table above cover the following star-rated hotels of the Group in Shanghai:

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Intercontinental Pudong Shanghai and Renaissance Yangtze Shanghai Hotel;

2. 4-star hotels: Park Hotel, Jian Guo Hotel Shanghai, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel and Sofitel Hyland;

3. 3-star hotels: Jin Jiang Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Da Hua Hotel; and

4. 2-star hotels: East Asia Hotel, Nanjing Hotel and Min Hang Hotel.

The overall occupancy rate of star-rated hotels in Shanghai dropped from 61.5% in 2007 to 55.4% in 2008, according to the statistics published by Shanghai Municipal Tourism Administrative Commission. The average room rate for 2008 was RMB658, down from RMB668 for 2007. Despite the adverse market conditions causing the average occupancy rate of the Group's star-rated hotels in Shanghai to fall by a substantial portion, the average room rate was generally stable. During the Year, turnover growth was reported by Kunlun Hotel, Park Hotel, Metropole Hotel and New Garden Hotel.

The overall refurbishment of Peace Hotel, which commenced during the first half of 2007, continued to progress as scheduled. The hotel is expected to complete renovation by the end of 2009 and re-open for business before the Shanghai World Expo begins.

Guest-room renovation at Jin Jiang Tower was basically completed, leading to notable improvements in the hardware facilities of the guest rooms.

Y.M.C.A Hotel has been under renovation, and the hotel is expected to complete renovation in the second half of 2009 and re-open for operation before the Shanghai World Expo begins.

The Group has always attached importance to energy conservation and actively employed energy-saving technologies to advance the development of green hotels in an orderly fashion. During the year under review, the geo-thermal heat pump system has been gradually introduced to other hotels after the successful trial operation at Da Hua Hotel. The system is now in operation at Min Hang Hotel after completion of the geo-thermal heat pump system conversion works, while such conversion projects are underway at Cypress Hotel, New Garden Hotel and Jinsha Hotel, which are scheduled for completion and trial operation during the first half of 2009.

In line with our strategy to realign the distribution of hotels, the Group disposed of its 9.445% equity interest in Shanghai Jiu Long Hotel Co., Ltd. ("Jiu Long Hotel") in 2008 to Shanghai Greenland Commercial (Group) Co., Ltd. Following the transfer, the Group no longer holds any interest in but retains the right to manage Jiu Long Hotel. Additionally, as of the date of this announcement, negotiations with an independent third party were underway in respect of the acquisition of a hotel in the north-western region of China.

JIN JIANG INN BUDGET HOTELS

Jin Jiang Inn Budget Hotels is a main focus of the Company's business development. The business of Jin Jiang Inn Budget Hotels comprises mainly the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third party hotel owners and the development of budget hotels on the Group's own properties.

Jin Jiang Inn Budget Hotels reported fast turnover growth during the year under review, contributing revenue of approximately RMB983,180,000 to the Group, representing a 46.0% growth over the previous year and accounting for 28.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB62,467,000, representing an 80.8% growth over the previous year.

In 2008, Jin Jiang Inn entered into new agreements for the development of 15 self-managed budget hotels and 65 franchised budget hotels. As at 31 December 2008, there were a total of 360 Jin Jiang Inn Budget Hotels either in operation or under development (including 7 Bestay Hotels Express), offering an aggregate of over 48,000 guest rooms. During 2008, 80 new Jin Jiang Inn Budget Hotels commenced operations, including 26 self-managed hotels and 54 franchised budget hotels. As at 31 December 2008, there were 240 Jin Jiang Inn Budget Hotels in operation.

As at 31 December 2008, the Jin Jiang Inn Budget Hotel's network covered 98 cities in 29 provinces, autonomous regions or municipalities, including 169 budget hotels in the Yangtze River Delta region accounting for approximately 46.9% of the total number of Jin Jiang Inn Budget Hotels. There were 77 and 27 Jin Jiang Inn Budget Hotels in Shanghai and Beijing respectively, which further reinforced the strong foundation of the Group in these two leading regional centres of China. The Jin Jiang Inn Budget Hotels continued to focus its expansion in the regions, such as the eastern regions of China, cities in the central regions and key provinces and municipalities, as well as through the development of operating procedures to further standardize and strengthen the quality control of project development and other measures, to ensure rapid and sound development of the projects. In addition, the Jin Jiang Inn Budget Hotel's network will be gradually expanding into the Pearl River Delta region, the Bohai gulf area and other secondary cities in China. The weighting of franchised hotels further increased to 228 franchised hotels in operation or under development, accounting for 63.3% of the total number of Jiang Jiang Inn Budget Hotels.

During the year under review, Jin Jiang Inn Budget Hotels achieved further enhanced profitability, steadily rising operating revenue, growing corporate scale, reinforced brand and quality leadership, improved systems building and ongoing improvements in management standards. Facilitated by continuous efforts to enhance standardisation for construction works, construction costs were further reduced, with a more efficient project construction management and a faster completion rate. In line with a strong focus on quality enhancement and brand reputation, Jin Jiang Inn Budget Hotels completed the documentation of the "Brand Name Hardware Standards" to provide further standardization in the area.

Jin Jiang Inn Budget Hotels continued to invest in the building of management systems. Its human resources system was increasingly standardised and institutionalised, while the functions of the hotel reception management systems (PMS) were further enhanced through initiatives in information-based construction to serve as a centralised database and contribute to an optimised Jin Jiang Inn information management system. The franchise management system was also further improved to assure pro-active, extensive support for franchised hotels. The effect of assurance measures in supporting performance was further manifested. A platform for the purchase of supplies was built to provide convenience to outlets. The number of customers making reservation via Jin Jiang Inn's website also multiplied.

In addition, Jin Jiang Inn also increased its efforts in collaborating with external parties, such as the issuance of the "BoCom Jin Jiang Inn Credit Card" jointly with the Bank of Communications, which not only enhanced the reputation of Jin Jiang Inn, but also offered convenience to business travelers. Currently, over 250,000 joint membership cards have been issued. Jin Jiang Inn Budget Hotels entered into an overseas room reservation cooperation agreement with Japan Pacific Travel Company (日本太平洋旅遊度假公司), to enhance its brand influence in the overseas market. The parties will join hands to process room reservation in 35 cities including Shanghai, Beijing, Guangzhou, etc. This marked an initial move of Jin Jiang Inn Budget Hotels to tap the overseas market.

The ancillary catering service of Jin Jiang Chef (錦江大廚) and Chef Two Cafe (星連心) (operated based on Hong Kong-style "tea" restaurant) achieved steady progress. Restaurant management was improved as we sought to enhance customer satisfaction through the emphasis on "temperature, speed and passion" to meet consumers' quest for a simple, efficient and convenient lifestyle.

Jin Jiang Inn has been actively exploring new brand development. In March 2009, it officially launched Bestay Hotel Express, a new member of the family of budget hotels featuring more convenience and more affordable prices. The overall design of Bestay Hotel Express is more modernised and simplistic, with more compact space design and layout and an overall feeling of ease and harmony. With the strong support of the central support system of Jin Jiang Inn, Bestay Hotel Express will pursue development by way of both direct operation and franchising. A nationwide reservation hotline (4008208999) and a website for online reservation (www.bestay.com.cn) have already been launched.

STAR-RATED HOTEL MANAGEMENT

As at 31 December 2008, Jin Jiang International Hotel Management Company Limited ("Jin Jiang Hotel Management") managed 100 star-rated hotels with over 29,000 guest rooms, spreading across 49 cities in 21 provinces, autonomous regions and municipalities in China, of which 72 hotels are owned by third parties but managed by the Group.

During the reporting period, Jin Jiang Hotels strengthened its efforts in the building and promotion of service and product standards, such as the introduction of Jin Jiang Oriental Dream (錦江東方之夢) mattress, which were well received by hotels and guests. A management team was deployed at the Jin Jiang World Expo Village Hotel Apartments in the second half of 2008 to prepare for its opening.

For online marketing, Jin Jiang Hotel Management continued to improve Jin Jiang Hotels' central reservation system ("the JREZ system") and expand access to centralised reservations to channel in more patrons. Bookings for over 100,000 room nights were operated through the JREZ system during the Year, representing an increase of 52% against the previous year. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 59% of the patrons.

During the Beijing Olympics, 5 high-end star-rated hotels managed by Jin Jiang (Northern) Management Company Limited, a subsidiary of the Group were signed up to provide accommodation in relation to the Olympic Games. Jin Jiang (Northern) Management Company Limited was also appointed to manage the Beijing Olympics Media Villages. Huating Hotel & Towers was appointed as a hotel for official reception in the Shanghai Games Zone. The international profile of the Group was further enhanced as the effective management of its hotels was well recognised.

In terms of management, the Group continued to enhance its development of the two core products, namely guest-rooms and restaurants. With a strong focus on the standardisation of policies and procedures for hotel operation and management, we strengthened our management system and released 7 hotel operation and management manuals. During the reporting period, the Jin Jiang Hotels Operational Examination Team was set up and the first round of issue-specific inspection was conducted on member hotels in Shanghai.

During the reporting period, the number of signed-up corporate customers continued to grow as the Group provided designated individuals for signing and room reservation services for over 260 corporate customers, who became major sources of patrons for our hotels. The Group's distribution network comprised over 1,500 partners, through which extensive sources for international patrons were secured in substantial growth over 2007. Bookings for over 100,000 room nights were received through the JREZ system in 2008, representing an increase of approximately 52% over the previous year.

During the Year, the Group formed a delegation to take part in tourism exhibitions and marketing programmes held in Melbourne (AIME), Tokyo (JATA), Hong Kong (ITE) and China (CITM). A road-show highlighting Jin Jiang Hotels' welcoming the Olympic Games was also held in Beijing during the Year. Such activities expanded the Company's access to customers and increased the Group's exposure in the international market.

The Group set up the "800" and "400" toll-free reservation hotlines to provide ease of reservation and strived to improve the experience of telephone reservation for patrons. Reservations made via www.jinjianghotels.com, the company website of Jin Jiang Hotel Management Company Limited, also multiplied. The Group will update its reservation websites and launch new marketing activities from time to time to attract more patrons.

During the Year, the Group developed a frequent patron management system with Jin Jiang characteristics known as "Jinjiang Prestige" based on customary practices of the international hotel industry, aiming to enhance customer loyalty and the competitiveness of our hotels by providing customers with a first-hand experience of "courteous reception and efficient services" offered by Jin Jiang. The Group also cooperated with airlines and banks to offer score-points swapping and marketing services, while the joint credit card named "Jin Jiang Dragon Card" and a number of special marketing campaigns were also launched. The system has been applied in 15 of the Group's hotels and plans are underway for implementation at more hotels under the Group in 2009.

In terms of human resources reserve, the Group increased its efforts in the training and amount of back-up human resources with the holding of 2 training sessions for intermediate and senior management staff and 1 session for management trainees.

FOOD AND RESTAURANTS

In 2008, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth. As at the end of 2008, Shanghai KFC had a total of 233 outlets contributing to steady growth in revenue as well as its leading position in Shanghai's fast food market. Other restaurant chains included 5 Café de Coral outlets operated by Shanghai New Asia Café de Coral Company Limited, 62 New Asia Snacks outlets, 21 Yoshinoya outlets and 71 Jing An Bakery outlets, respectively. Chinoise Story operated 2 restaurants, each located in Shanghai and Wuhan respectively.

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 December 2008 as compared with the same period in 2007 is set out below:

	Year ended 31 December 2008		Year ended 31 December 2007	
	RMB in millions	***As a percentage of turnover***	*RMB in millions*	*As a percentage of turnover*
Star-rated hotel operation	**2,294.9**	**67.4%**	2,400.0	75.1%
Jin Jiang Inn Budget Hotels	**983.2**	**28.9%**	673.6	21.1%
Star-rated hotel management	**50.5**	**1.5%**	42.5	1.3%
Food and restaurants	**44.7**	**1.3%**	45.9	1.4%
Others	**29.5**	**0.9%**	35.1	1.1%
Total	**3,402.8**	**100.0%**	3,197.1	100%

(I) Star-rated Hotel Operation

The following table sets out the amount and percentage of contributions from different businesses to the Group's turnover in star-rated hotel operation for the year ended 31 December 2008, together with comparative figures of the same period in 2007:

	Year ended 31 December 2008		Year ended 31 December 2007	
	RMB in millions	***As a percentage of turnover***	*RMB in millions*	*As a percentage of turnover*
— Accommodation revenue	**1,208.1**	**52.6%**	1,373.6	57.2%
— Food and beverage sales	**769.2**	**33.5%**	730.8	30.5%
— Rendering of ancillary services	**128.6**	**5.6%**	130.7	5.4%
— Rental revenue	**140.5**	**6.2%**	122.9	5.1%
— Sales of hotel supplies	**48.5**	**2.1%**	42.0	1.8%
Total	**2,294.9**	**100.0%**	2,400.0	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the Group's hotels. The accommodation revenue of star-rated hotels operation for the Year was approximately RMB1,208,146,000, representing a decrease of 12.0% compared to the same period in 2007. The main factors which affected accommodation revenue were as follows:

(i) Year-on-year decrease in inbound foreign visitors to Shanghai in the aftermath of the financial tsunami that swept through the world with a profound impact on the global economy, coupled with fast-growing supply of high-end star-rated hotels in Shanghai had a severe impact on Shanghai's tourism and hotel industries. Inbound foreign visitors received by Shanghai in 2008 dropped 3.8% year-on-year, according to statistics published by Shanghai Municipal Tourism Administrative Commission.

(ii) Benefited from the Beijing 2008 Olympic Games, Kunlun Hotel recorded substantial year-on-year growth in its daily average room rate of 28.1% as compared to the same period in 2007, resulting in the increase of accommodation revenue of approximately RMB42,124,000.

(iii) Wuhan Jin Jiang contributed RMB16,521,000 in net increase of accommodation revenue for the Year, following its commencement of operations in July 2007.

(iv) Peace Hotel recorded accommodation revenue from January to April 2007 before its suspension for refurbishment since April 2007. Accommodation revenue decreased by RMB9,665,000 as compared to the previous year.

(v) The number of patrons to the Group's hotels dropped as a result of the objective factors such as the "5.12" Wenchuan mega earthquake and adverse climate in central-southern regions caused by rarely seen rainstorm and snowstorm.

Food and beverage sales

The Group's food and beverage sales primarily comprise catering for weddings and conferences, room services for guests and other sales in bars and restaurants in hotels. As the cost of utilities, labour costs and prices of raw materials increased during the Year, menu and banquet prices were accordingly adjusted upwards. As a result, the revenue from food and beverages sales at star-rated hotels increased 5.3% to approximately RMB769,187,000, as compared to the same period in 2007.

Rendering of ancillary services

The revenue from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry services and other guest services. During the Year, the revenue from ancillary services decreased by approximately RMB2,118,000 or approximately 1.6% as compared to the same period in 2007, in line with the reduced number of patrons.

Rental revenue

Rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showroom and other purposes. Rental revenue increased by approximately RMB17,571,000 or approximately 14.3% as compared to the same period in 2007.

Sales of hotel supplies

Turnover from guest amenities and hotel supplies increased by approximately RMB6,479,000, or approximately 15.4% as compared to the same period in 2007. The growth was mainly attributable to the turnover growth due to an increase in the amount of new contracted and managed star-rated hotels and new franchised Jin Jiang Inn Budget Hotels.

(II) Jin Jiang Inn Budget Hotels

ADR and occupancy rate of budget hotels were relatively stable as compared to star-rated hotels. Turnover of Jin Jiang Inn Budget Hotels for the Year amounted to approximately RMB983,180,000, an increase of approximately RMB309,590,000 or approximately 46.0% compared to the previous year. The increase was mainly attributable to the increase in available rooms from the new directly-managed Jin Jiang Inn Budget Hotels which opened during the Year as well as the increase in initial franchise fees and ongoing franchise fees. During the Year, initial and ongoing franchise fees income amounted to approximately RMB62,467,000, representing an 80.8% growth compared to the previous year.

(III) Star-rated Hotel Management

The external sales of star-rated hotel management for 2008 amounted to approximately RMB50,551,000, representing an increase by approximately 18.9% compared to the same period in 2007. Such sales represented mainly the management fee received for hotel management services provided to star-rated hotels not owned by the Group, including newly added managed hotels through Jin Jiang (Northern) Management Company Limited.

(IV) Food and Restaurant Operation and Others

Revenue from the food and restaurant operation and others are mainly derived from Chinoise Story and Shanghai New Asia Food Company Limited. During the Year, revenue from the food and restaurant operations amounted to approximately RMB44,670,000, a decrease of approximately 2.7% as compared to the same period in 2007.

The Group also engaged in other businesses, including the provision of intra-group financial services through Jin Jiang International Finance Company Limited ("Jin Jiang International Finance") and the operation of training schools. During the Year, revenue from such other businesses amounted to RMB29,494,000, a decrease of approximately 16.0% as compared to the same period in 2007.

Cost of sales

Cost of sales for the Year amounted to approximately RMB2,353,925,000, a year-on-year increase in approximately 10.8%. The increase was mainly due to increase in labour costs, energy expenses and commodity cost prices and the increase in amortisation costs and property rental expenses attributable to the opening of new outlets of Jin Jiang Inn Budget Hotels.

Gross profit

For the above reasons, the Group recorded a gross profit of approximately RMB1,048,883,000 for the Year, a decrease of approximately RMB23,101,000 or approximately 2.2% compared to the same period in 2007.

Other income

Other income for the Year included dividend income received from Suzhou, Wuxi and Hangzhou KFCs and from Changjiang Securities amounting to approximately RMB95,514,000 (same period in 2007: approximately RMB35,638,000); a gain of approximately RMB46,432,000 (same period in 2007: approximately RMB166,265,000) from the disposal of shares in PDB; a gain of approximately RMB16,694,000 (same period in 2007: approximately RMB43,313,000) from the disposal of other equity investments; and a gain of approximately RMB22,394,000 (same period in 2007: approximately RMB82,011,000) from the disposal of 9.445% equity interests in Jiu Long Hotel. Other income for the Year decreased by approximately RMB139,778,000 compared to the same period in 2007.

Selling and marketing expenses

Selling and marketing expenses for the Year primarily comprising travel agents commission, advertising expenses and labour costs, amounted to approximately RMB159,685,000 (same period in 2007: approximately RMB159,954,000), representing a decrease of approximately 0.2% as compared to the same period in 2007.

Administrative expenses

Administrative expenses for the Year decreased year-on-year by approximately 0.6% to approximately RMB602,207,000 (same period in 2007: approximately RMB605,638,000), attributable to the increase in labour costs, notwithstanding the decrease of office expenses, telephone charges and decoration and maintenance expenses.

Other expenses

Other expenses of the Group for the Year, primarily consisting of bank charges and losses from the disposal of property, plant and equipment, decreased by approximately 38.3% from 2007 to approximately RMB28,396,000 (same period in 2007: approximately RMB46,014,000). The decrease reflected mainly the reduction of losses from the disposal of property, plant and equipment by approximately RMB16,570,000.

Finance cost

Finance cost, comprising interest expenses in respect of the Group's bank borrowings, amounted to approximately RMB44,308,000 (same period in 2007: approximately RMB92,716,000) for the Year, a decrease by approximately 52.2% compared to the same period in 2007. The decrease was mainly attributable to the repayment of bank borrowings using listing proceeds during the period from April to June 2007, resulting in a year-on-year reduction in interest expenses. In addition, a foreign exchange loss of approximately RMB38,500,000 in respect of foreign currency amounts in the proceeds of the initial public offering of the Company recorded for the same period in 2007 contributed to the increase in finance cost.

Share of results of associates

Results of associates primarily include results of the Group's associates Shanghai Kentucky Fried Chicken Company Limited and Yangtze Shanghai Hotel Limited. Share of results of associates for the Year decreased by approximately 25.8% to approximately RMB72,760,000 (same period in 2007: approximately RMB98,099,000). The decline was mainly attributable to the decrease in share of results from Shanghai Kentucky Fried Chicken Company Limited and Yangtze Shanghai Hotel Limited by approximately RMB5,886,000 and RMB4,630,000 respectively, and from Jiangsu Jin Jiang Nanjing Hotel Company Limited, Wuxi Jinjiang Grand Hotel Company Limited, Shanghai Zhongya Hotel and Chengdu Jinhe Real Estate Company Limited by approximately RMB2,397,000, RMB2,205,000, RMB3,923,000 and RMB5,400,000, respectively, as compared to the same period in 2007.

Taxation

The effective tax rate for the Year was approximately 18.1% (same period in 2007: approximately 17.2%). The effective tax rate for 2008 was lower than the statutory tax rate due to a higher amount of after-tax dividend income which was received during the Year. Lower tax rates for 2007 were mainly attributable to the substantial decrease in income tax expense as a result of adjustments to the Group's deferred income tax assets and liabilities in accordance with the applicable tax rates under the new Corporate Income Tax Law of PRC promulgated in March 2007.

Profit for the Year

As a result of the factors described above, profit for the year ended 31 December 2008 attributable to equity holders of the Company was approximately RMB270,255,000 (same period in 2007: approximately RMB383,417,000), decreasing by approximately RMB113,162,000 or approximately 29.5%.

Pledge of assets

As at 31 December 2008, property of the Group with net book amount of approximately RMB324,038,000 were pledged to banks as security for the Group's borrowings.

Treasury Management

Cash and cash equivalents as at 31 December 2008 and 2007 were approximately RMB1,644,962,000 and RMB1,943,291,000, respectively, providing relatively ample cash flow.

Interest rate and exchange rate risk management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-banking financial institution within the Group. In order to centralise cash resources and improve the efficiency of fund applications, the subsidiaries and associates of the Company deposit most of their cash in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority in case of fund shortage. As a result, the interest expenses of external bank borrowings have decreased. The lending interest rates applicable to the Group are mostly charged at a 5%-10% discount to the prevailing benchmark rate of the People's Bank of China, leading to decrease in interest expenses for borrowings.

During the year under review, the Company was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Company will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

Available-for-sale financial assets

During year under review, 1,843,000 shares in PDB were disposed of, realising an investment gain of approximately RMB46,432,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB31,210,000.

As at 31 December 2008, available-for-sale financial assets held by the Group comprised 4,559,985 shares in PDB (Stock code: 600000.SH) and 13,148,849 shares in Shenzhen Catic Real Estate Co., Ltd. (Stock code: 000043.SZ) as well as 100,637,463 shares in Changjiang Securities Co., Ltd. (Stock code: 000783.SZ) and 675,000 shares in China Quanjude (Group) Co., Ltd. (Stock code: 002186.SZ) held by Jin Jiang Hotels Development, the controlling interest of which is owned by the Company. The Group will continue to gradually dispose of its available-for-sale financial assets based on market conditions.

During the period from 25 February to 4 March 2009, the Company disposed of a total of 4,559,985 A shares in PDB and received net proceeds of approximately RMB78,432,000. Following the above disposal, the Company no longer holds any A shares in PDB.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of budget hotels, upgrading of landmark hotels, brand enhancement strategy, strengthening of hotel management standards and market leadership.

For the purpose of countering the various adverse effects of the financial tsunami on the hotel industry, the Company has formulated various measures for the main goal of reducing costs and improving service quality, which include considering and formulating a guide for hotel operations under the financial crisis to provide member hotels with guidance on aspects such as revenue increase, expenses reduction and risk control; implementing hotel operation and management manuals to improve hotels quality; launching a central procurement system to reduce operational costs; and strengthening marketing efforts for guest-rooms and restaurants so as to increase revenues and reduce expenses as well as to mitigate the negative impacts of the financial tsunami.

Although the global economy has been severely affected by the financial tsunami, the Shanghai World Expo 2010 will bring sound opportunities for the hotel industry of China. Along with the increase of visits to Shanghai by worldwide enterprises to prepare for the World Expo, we expect an increase of hotel patronage in Shanghai in 2009, which would benefit the Group, whose hotels are mostly located in Shanghai.

In the case of the operation of star-rated hotels, the Group plans to upgrade and renovate the facilities and exterior/interior decoration of landmark hotels and luxury hotels which have been in operation for decades. For budget hotels, the strategy will continue to focus on the expansion in the number of outlets and geographical presence in China through organic growth and franchising. In terms of hotel management, more efforts will be devoted to brand building, standardisation and talent recruitment to improve our management quality and acquire more hotel management contracts. In light of the actual circumstances of Jin Jiang Hotel brand, the Group will further optimize its brand development strategic plan, refine its brand character and formulate a framework proposal for Jin Jiang Hotel brand structuring.

The Group is the leading hotel investor cum operator in China. Benefited from its competitive advantages in hotel ownership and management, the Company is well-positioned to strengthen control over its hotels while realising potential value growth for its hotel properties. The Group will enhance future profitability through the redeployment of funds to rationalise the network and distribution of its hotels.

The Group will continue to strengthen its six major platforms namely information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, institutions and systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in China with international competitive advantages.

DIVIDENDS

On 17 April 2009, the Board proposed to declare a final dividend of RMB2.1 cents (tax inclusive) per share for the year ended 31 December 2008.

Pursuant to the Corporate Income Tax Law of PRC and its implementing regulations (hereinafter collectively referred to as the "CIT Law") which took effect on 1 January 2008, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of Hong Kong Securities Clearing Company Nominees Limited, other nominees or trustees, or other organizations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the CIT Law). The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the CIT Law) which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the Company's H share register on 15 June 2009 must deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the seal of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited no later than 4:30 pm on Friday, 15 May 2009, if they do not wish to have the 10% corporate income tax withheld and paid on their behalf by the Company.

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company on 15 June 2009. Any natural person investor whose H shares are registered under the name of non-individual shareholders and who does not wish to have any corporate income tax to be withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration on or before 4:30 p.m. on Friday, 15 May 2009 (for details, please refer to "Closure of the Register of Members" section of this announcement).

The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting. The proposed final dividend will be paid on or before 30 June 2009 to the shareholders whose names appear on the H share register of members of the Company on 15 June 2009.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

CORPORATE GOVERNANCE

The Board has reviewed the "Company Operation and Corporate Governance Guidelines" of the Company and is of the view that such document has incorporated most of the principles and all of the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company was in compliance with the code provisions set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

AUDIT COMMITTEE

The Company's audit committee is a committee established by the Board and its main responsibility is to review and supervise the Company's financial reporting procedures and internal control and to maintain an appropriate relationship with the Company's auditors. The audit committee has adopted the terms of reference set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002.

The members of the audit committee are appointed by the Board. The audit committee of the Company comprises three independent non-executive Directors, Mr. Xia Dawei, Mr. Yang Menghua and Mr. Sun Dajian and one of them possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the audit committee is Mr. Xia Dawei and the secretary to the audit committee is Dr. Ai Gengyun.

The first meeting of the audit committee for 2008 was held on 16 April 2008, in which the consolidated financial statements, internal control report and corporate governance report of the Group for the year 2007 were tabled for review and discussion. The second meeting of the audit committee was held on 27 August 2008, in which the condensed unaudited financial statements and the internal audit work of the Group for the first half year of 2008 were reviewed and discussed. The third audit committee meeting was held on 18 December 2008, in which the audit work, audit strategy and audit risks of the year 2008 were reviewed and discussed. The meeting of the audit committee for 2009 was held on 10 April 2009, in which the consolidated financial statements, internal control report and corporate governance report for the year 2008 were tabled for review and discussion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Sunday, 17 May 2009 to Monday, 15 June 2009, both dates inclusive, during which period no share transfers will be registered. To qualify for the proposed final dividend and to attend the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Friday, 15 May 2009.

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

Shanghai, the People's Republic of China, 17 April 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 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".*