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**Shanghai Jin Jiang International Hotels (Group) Company Limited\***  
**上海錦江國際酒店(集團)股份有限公司**

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

**(Stock Code: 02006)**

**Announcement of the unaudited interim results  
for the six months ended 30 June 2009**

**FINANCIAL SUMMARY**

	<b>Six months ended 30 June 2009 (RMB'000)</b>	<b>Six months ended 30 June 2008 (RMB'000)</b>	<b>Increase/ (Decrease) (%)</b>
Revenue	<b>1,518,735</b>	1,657,302	(8.4%)
Operating profit	<b>257,052</b>	317,444	(19.0%)
Profit attributable to the shareholders of the Company	<b>108,593</b>	177,459	(38.8%)
Earnings per share (expressed in RMB cents per share)	<b>2.38</b>	3.89	(38.8%)

**SUMMARY OF RESULTS**

The Board is pleased to announce the unaudited consolidated interim results of the Group. The interim results have been reviewed by the audit committee of the Company. As at 30 June 2009, profit attributable to the shareholders of the Company decreased by approximately 38.8% and earnings per share decreased by 38.8% to RMB2.38 cents, against the same period of 2008. The decline in operating profit and profit attributable to the shareholders of the Company was mainly attributable to the substantial decline in room revenue generated from Star-rated hotels.

**Unaudited Condensed Consolidated Interim Balance Sheet***At as 30 June 2009*

		As at 30 June 2009 RMB'000	As at 31 December 2008 RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	5	5,635,026	5,431,269
Investment property	5	16,250	—
Land use rights	5	1,028,895	1,043,251
Intangible assets	5	24,837	25,538
Investments in associates		230,066	317,800
Available-for-sale financial assets		2,262,207	1,224,200
Deferred income tax assets		<u>43,017</u>	<u>39,935</u>
		<b><u>9,240,298</u></b>	<b><u>8,081,993</u></b>
Current assets			
Inventories		49,873	51,782
Trade and other receivables	6	464,353	381,201
Restricted cash		207,478	219,728
Cash and cash equivalents		<u>1,457,814</u>	<u>1,644,962</u>
		<b><u>2,179,518</u></b>	<b><u>2,297,673</u></b>
Total assets		<b><u>11,419,816</u></b>	<b><u>10,379,666</u></b>
<b>EQUITY</b>			
Capital and reserves attributable to the shareholders of the Company			
Share capital	1	4,565,000	4,565,000
Reserves			
— Proposed dividend	14	—	95,865
— Others		<u>2,858,809</u>	<u>2,299,486</u>
		<b>7,423,809</b>	<b>6,960,351</b>
Minority interests		<u>1,754,371</u>	<u>1,418,638</u>
Total equity		<b><u>9,178,180</u></b>	<b><u>8,378,989</u></b>

		As at 30 June 2009 <i>RMB'000</i>	As at 31 December 2008 <i>RMB'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings	9	282,701	275,563
Deferred income tax liabilities		<u>602,638</u>	<u>351,671</u>
		<u><b>885,339</b></u>	<u><b>627,234</b></u>
Current liabilities			
Trade and other payables	8	1,016,932	1,047,078
Income tax payable		80,677	63,527
Borrowings	9	<u>258,688</u>	<u>262,838</u>
		<u><b>1,356,297</b></u>	<u><b>1,373,443</b></u>
Total liabilities		<u><b>2,241,636</b></u>	<u><b>2,000,677</b></u>
Total equity and liabilities		<u><b>11,419,816</b></u>	<u><b>10,379,666</b></u>
Net current assets		<u><b>823,221</b></u>	<u><b>924,230</b></u>
Total assets less current liabilities		<u><b>10,063,519</b></u>	<u><b>9,006,223</b></u>

**Unaudited Condensed Consolidated Interim Income Statement**  
*For the six months ended 30 June 2009*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	4(a)	<b>1,518,735</b>	1,657,302
Cost of sales	11	<b><u>(1,163,761)</u></b>	<u>(1,128,933)</u>
Gross profit		<b>354,974</b>	528,369
Other income	10	<b>267,272</b>	155,010
Selling and marketing expenses	11	<b>(74,683)</b>	(73,600)
Administrative expenses	11	<b>(280,255)</b>	(277,942)
Other expenses		<b><u>(10,256)</u></b>	<u>(14,393)</u>
Operating profit		<b>257,052</b>	317,444
Finance costs		<b>(19,049)</b>	(19,486)
Share of results of associates		<b><u>31,194</u></b>	<u>41,716</u>
Profit before income tax		<b>269,197</b>	339,674
Income tax expense	12	<b><u>(52,291)</u></b>	<u>(63,668)</u>
Profit for the period		<b><u>216,906</u></b>	<u>276,006</u>
Attributable to:			
Shareholders of the Company		<b>108,593</b>	177,459
Minority interests		<b><u>108,313</u></b>	<u>98,547</u>
		<b><u>216,906</u></b>	<u>276,006</u>
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB cents per share)			
— basic and diluted	13	<b><u>2.38</u></b>	<u>3.89</u>
Dividends	14	<b><u>—</u></b>	<u>—</u>

## Unaudited Condensed Consolidated Interim Comprehensive Income Statement

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	RMB'000	RMB'000
<b>Profit for the period</b>		<b>216,906</b>	276,006
<b>Other comprehensive income</b>			
Fair value changes on available-for-sale financial assets — gross		<b>1,116,453</b>	(2,406,646)
Disposal of available-for-sale financial assets		<b>(75,619)</b>	(46,432)
Fair value changes on available-for-sale financial assets — tax		<b>(260,209)</b>	613,270
Asset revaluation surplus arising on a business combination achieved in stages	16	<u><b>3,326</b></u>	<u>—</u>
<b>Total comprehensive income for the period</b>		<u><b>1,000,857</b></u>	<u>(1,563,802)</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>559,323</b>	(907,821)
Minority interest		<u><b>441,534</b></u>	<u>(655,981)</u>
		<u><b>1,000,857</b></u>	<u>(1,563,802)</u>

## Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2009

	Note 7	Attributable to the shareholders of the Company			Minority interests RMB'000	Total Equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000		
<b>Balance at 1 January 2009</b>		4,565,000	1,932,516	462,835	1,418,638	8,378,989
Profit for the period		—	—	108,593	108,313	216,906
Other comprehensive income:						
Fair value changes on available- for-sale financial assets — gross	(iv)	—	672,158	—	444,295	1,116,453
Disposal of available-for-sale financial assets		—	(75,619)	—	—	(75,619)
Fair value changes on available- for-sale financial assets — tax		—	(149,135)	—	(111,074)	(260,209)
Asset revaluation surplus arising on a business combination achieved in stages	(v)	—	3,326	—	—	3,326
<b>Total comprehensive income for the six months ended 30 June 2009</b>		—	450,730	108,593	441,534	1,000,857
Dividends to minority interests		—	—	—	(120,759)	(120,759)
Dividends declared		—	—	(95,865)	—	(95,865)
Capital contribution from a minority shareholder		—	—	—	2,450	2,450
Minority interest arising on a business combination (note 16)		—	—	—	12,508	12,508
<b>Balance at 30 June 2009</b>		<u>4,565,000</u>	<u>2,383,246</u>	<u>475,563</u>	<u>1,754,371</u>	<u>9,178,180</u>
<b>Balance at 1 January 2008</b>		4,565,000	3,465,963	357,930	2,508,714	10,897,607
Profit for the period		—	—	177,459	98,547	276,006
Other comprehensive income:						
Fair value changes on available- for-sale financial assets — gross	(iv)	—	(1,400,608)	—	(1,006,038)	(2,406,646)
Disposal of available-for-sale financial assets		—	(46,432)	—	—	(46,432)
Fair value changes on available- for-sale financial assets — tax		—	361,760	—	251,510	613,270
<b>Total comprehensive income for the six months ended 30 June 2008</b>		—	(1,085,280)	177,459	(655,981)	(1,563,802)
Dividends to minority interests		—	—	—	(120,499)	(120,499)
Dividends declared		—	—	(136,950)	—	(136,950)
<b>Balance at 30 June 2008</b>		<u>4,565,000</u>	<u>2,380,683</u>	<u>398,439</u>	<u>1,732,234</u>	<u>9,076,356</u>

## Unaudited Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2009

	Note	Six months ended 30 June	
		2009	2008
		RMB'000	RMB'000
Cash flows from operating activities:			
Cash generated from operations		217,459	292,422
Interest paid		(21,318)	(18,885)
Income tax paid		(47,465)	(107,861)
Net cash generated from operating activities		<u>148,676</u>	<u>165,676</u>
Cash flows from investing activities:			
Cash inflow from a business combination	16	35,330	—
Proceeds from disposal (partial disposal) of investments in associates		163,883	5,723
Purchase of property, plant and equipment		(446,608)	(496,110)
Proceeds from disposal of property, plant and equipment		1,152	3,255
Purchase of intangible assets		(896)	(901)
Purchase of land use rights		(13,310)	(45,024)
Loans granted to related parties		(1,720)	(7,720)
Loan repayments received from related parties		3,000	18,000
Interest received		4,888	13,067
Dividends received		70,028	64,675
Proceeds from disposal of available-for-sale financial assets		<u>78,446</u>	<u>47,581</u>
Net cash used in investing activities		<u>(105,807)</u>	<u>(397,454)</u>
Cash flows from financing activities:			
Proceeds from bank borrowings	9	28,500	12,245
Repayments of bank borrowings	9	(25,512)	(58,245)
Dividends paid to the shareholders of the Company		(95,865)	(136,950)
Dividends paid to minority interests		(120,759)	(120,499)
(Decrease)/increase in deposits from related parties		(18,807)	846
Capital contributions from a minority shareholder		<u>2,450</u>	<u>—</u>
Net cash used in financing activities		<u>(229,993)</u>	<u>(302,603)</u>
Decrease in cash and cash equivalents		(187,124)	(534,381)
Cash and cash equivalents at beginning of the period		1,644,962	1,943,291
Exchange losses on cash and cash equivalents		(24)	(3,522)
Cash and cash equivalents at end of the period		<u><u>1,457,814</u></u>	<u><u>1,405,388</u></u>

# Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2009

## 1 GENERAL INFORMATION

Shanghai Jin Jiang International Hotels (Group) Company Limited (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).

During the years 2003 to 2006, the Company and its subsidiaries (the “Group”) entered into several group reorganisation transactions (“Reorganisation”) with Jin Jiang International, its subsidiaries other than the Group and other state-owned enterprises under the administration and control of Shanghai SASAC, through which the Group obtained from these companies equity interests in certain subsidiaries, jointly controlled entities and associates which were engaged in hotels and related business and also transferred to Jin Jiang International equity interests in certain subsidiaries, a jointly controlled entity and associates which were engaged in non-hotel related business.

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 on 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.

These unaudited condensed consolidated interim financial statements were approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 28 August 2009.

## 2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2008, as described in those annual financial statements.



The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2009.

#### **HKAS 1 (revised) — Presentation of financial statements**

The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

#### **HKFRS 8 — Operating segments**

HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board that makes strategic decisions. The interim financial statements have been prepared under HKFRS 8 and the comparatives for the six months ended 30 June 2008 have been restated.

#### **Amendment to HKFRS 7 — Financial instruments: disclosures**

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

#### **HKAS 40 (Amendment) — Investment property**

Property that is under construction or development for future use as investment property is within the scope of HKAS 40. The Group holds a property under construction for future long-term rental yields and classifies the property as investment property (note 5) according to the amendment.

Investment property comprises buildings and land use rights and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment property, which are stated at historical cost less accumulated depreciation or amortization and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 40 years and amortization of land use rights is calculated on the straight-line method over the period of 40 years that the buildings are situated.

The investment property’s residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment property’s carrying amount is written down immediately to its recoverable amount if the investment property’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the income statement.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, the adoption of these new standards, amendments to standards and interpretations did not have any significant impact to the Group.

HKAS 23 (amendment)	Borrowing costs
HKFRS 2 (amendment)	Share-based payment
HKAS 32 (amendment)	Financial instruments: presentation
HK(IFRIC) 9 (amendment)	“Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instruments: Recognition and measurement”
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation
HKAS 39 (amendment)	Financial instruments: Recognition and measurement

The following new standards, amendments to standards, interpretations and improvements have been issued but are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The Directors anticipate the adoption of these standards, amendments to standards, interpretations and improvements will not result in substantial changes to the Group’s accounting policies.

Amendment to HKAS 39	Financial instruments: Recognition and measurement
HKFRS 3 (revised)	Business combinations
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 18	Transfers of assets from customers
Amendment to HKFRS 2	Share-based payments
Amendment to HKFRS 5	Non-current Assets held for sale and discontinued operations
Amendment to HKFRS 8	Operating segments
Amendment to HKAS 1	Presentation of financial statements
Amendment to HKAS 7	Statement of cash flows
Amendment to HKAS 17	Leases
Amendment to HKAS 36	Impairment of assets
Amendment to HKAS 38	Intangible assets
Amendment to HKAS 39	Financial instruments
Amendment to HK(IFRIC) 9	Reassessment of embedded derivatives
Amendment to HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The unaudited condensed consolidated interim financial statements include the unaudited interim financial statements of the Company and all of its subsidiaries made up to 30 June 2009.

#### **4 TURNOVER AND SEGMENT INFORMATION**

The chief operating decision-maker has been identified as the Board. The Board reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board assesses the performance according to four main business segments as follows:

- (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 mainly include intra-group financial services, training and education, and are shown in the segment of “Others”.

The Board assesses the performance of the operating segments based on profit for the period.

The Board assesses no geographic performance 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.

**(a) Turnover**

The Group's revenue which represents turnover for the six months ended 30 June 2009 is as follows:

	<u>Six months ended 30 June</u>	
	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Star-rated hotel operation		
— Accommodation revenue	<b>414,456</b>	624,585
— Food and beverage sales	<b>317,569</b>	382,280
— Rendering of ancillary services	<b>48,705</b>	58,354
— Rental revenue	<b>73,870</b>	71,627
— Sales of hotel supplies	<b>22,020</b>	25,516
	<b>876,620</b>	1,162,362
Jin Jiang Inn Budget Hotels	<b>537,379</b>	443,732
Star-rated hotel management	<b>25,626</b>	26,866
Food and restaurants	<b>64,755</b>	9,381
Others	<b>14,355</b>	14,961
	<b><u>1,518,735</u></b>	<b><u>1,657,302</u></b>

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the unaudited condensed consolidated interim income statement.

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

**(b) Segment information**

The segment results for the six months ended 30 June 2009 are as follows:

	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 <i>(note 4(a))</i>	876,620	537,379	25,626	64,755	14,355	1,518,735
Inter-segment sales	<u>1,804</u>	<u>—</u>	<u>13,314</u>	<u>—</u>	<u>38,415</u>	<u>53,533</u>
Total gross segment sales	<u>878,424</u>	<u>537,379</u>	<u>38,940</u>	<u>64,755</u>	<u>52,770</u>	<u>1,572,268</u>
Profit for the period	<u>41,268</u>	<u>28,504</u>	<u>15,074</u>	<u>111,419</u>	<u>20,641</u>	<u>216,906</u>
Other income <i>(note 10)</i>	153,772	3,219	100	99,970	10,211	267,272
Including: interest income <i>(note 10)</i>	1,155	749	100	216	2,268	4,488
Depreciation of property, plant and equipment <i>(note 5)</i>	(176,150)	(81,424)	(311)	(3,035)	(401)	(261,321)
Depreciation and amortization of investment property <i>(note 5)</i>	(235)	—	—	—	—	(235)
Amortization of land use rights <i>(note 5)</i>	(12,858)	(3,315)	—	(30)	(23)	(16,226)
Amortization of intangible assets <i>(note 5)</i>	(1,324)	(248)	(4)	(21)	—	(1,597)
Write-down of inventories <i>(note 11)</i>	(9)	—	—	—	—	(9)
Provision for impairment of trade and other receivables <i>(note 11)</i>	(80)	(3)	—	—	—	(83)
Finance costs	(8,111)	(10,829)	—	(109)	—	(19,049)
Share of results of associates	(3,027)	—	—	35,297	(1,076)	31,194
Income tax expense <i>(note 12)</i>	(22,417)	(8,541)	(3,039)	(15,319)	(2,975)	(52,291)
Capital expenditure	<u>336,809</u>	<u>129,041</u>	<u>240</u>	<u>18,822</u>	<u>274</u>	<u>485,186</u>

The segment results for the six months ended 30 June 2008 are as follows:

	Star-rated hotel operation <i>RMB'000</i>	Jin Jiang Inn Budget Hotels <i>RMB'000</i>	Star-rated hotel management <i>RMB'000</i>	Food and restaurants <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
External sales <i>(note 4(a))</i>	1,162,362	443,732	26,866	9,381	14,961	1,657,302
Inter-segment sales	<u>1,565</u>	<u>—</u>	<u>20,912</u>	<u>—</u>	<u>31,178</u>	<u>53,655</u>
Total gross segment sales	<u>1,163,927</u>	<u>443,732</u>	<u>47,778</u>	<u>9,381</u>	<u>46,139</u>	<u>1,710,957</u>
Profit for the period	<u>88,421</u>	<u>30,734</u>	<u>25,538</u>	<u>67,927</u>	<u>63,386</u>	<u>276,006</u>
Other income <i>(note 10)</i>	67,089	2,829	114	34,366	50,612	155,010
Including: interest income <i>(note 10)</i>	4,487	1,457	114	230	4,819	11,107
Depreciation of property, plant and equipment <i>(note 5)</i>	(151,541)	(67,234)	(257)	(913)	(790)	(220,735)
Amortization of land use rights <i>(note 5)</i>	(10,533)	(2,862)	—	(30)	(23)	(13,448)
Amortization of intangible assets <i>(note 5)</i>	(181)	(216)	—	—	—	(397)
Write-down of inventories <i>(note 11)</i>	(245)	—	—	—	—	(245)
Provision for impairment of trade and other receivables <i>(note 11)</i>	(18)	(2)	—	—	—	(20)
Finance costs	(15,587)	(3,769)	—	(130)	—	(19,486)
Share of results of associates	2,564	—	—	39,879	(727)	41,716
Income tax expense <i>(note 12)</i>	(43,579)	(9,705)	(5,606)	(1,680)	(3,098)	(63,668)
Capital expenditure	<u>166,844</u>	<u>352,705</u>	<u>181</u>	<u>208</u>	<u>182</u>	<u>520,120</u>

The segment assets and liabilities as at 30 June 2009 are as follows:

	Star-rated hotel operation <i>RMB'000</i>	Jin Jiang Inn Budget Hotels <i>RMB'000</i>	Star-rated hotel management <i>RMB'000</i>	Food and restaurants <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	5,415,985	3,033,507	181,010	223,118	2,336,130	11,189,750
Investments in associates	<u>57,802</u>	<u>—</u>	<u>—</u>	<u>168,109</u>	<u>4,155</u>	<u>230,066</u>
Total assets	<u>5,473,787</u>	<u>3,033,507</u>	<u>181,010</u>	<u>391,227</u>	<u>2,340,285</u>	<u>11,419,816</u>
Total liabilities	<u>944,926</u>	<u>696,793</u>	<u>15,941</u>	<u>63,622</u>	<u>520,354</u>	<u>2,241,636</u>

The segment assets and liabilities as at 31 December 2008 are as follows:

	Star-rated hotel operation <i>RMB'000</i>	Jin Jiang Inn Budget Hotels <i>RMB'000</i>	Star-rated hotel management <i>RMB'000</i>	Food and restaurants <i>RMB'000</i>	Others <i>RMB'000</i>	Group <i>RMB'000</i>
Segment assets	5,432,512	2,910,383	184,245	145,555	1,389,171	10,061,866
Investments in associates	<u>60,871</u>	<u>—</u>	<u>258</u>	<u>251,441</u>	<u>5,230</u>	<u>317,800</u>
Total assets	<u>5,493,383</u>	<u>2,910,383</u>	<u>184,503</u>	<u>396,996</u>	<u>1,394,401</u>	<u>10,379,666</u>
Total liabilities	<u>951,016</u>	<u>703,205</u>	<u>17,412</u>	<u>28,426</u>	<u>300,618</u>	<u>2,000,677</u>

Unallocated costs which mainly represent corporate expenses are included in the segment of “Others”. Other income in the segment of “Star-rated hotel operation” for the six months ended 30 June 2009 mainly includes gain on disposal of available-for-sale financial assets of RMB75,619,000 (for the six months ended 30 June 2008: RMB46,432,000) and gain on disposal of an investment in associates of RMB69,476,000 (for the six months ended 30 June 2008: nil).

Segment assets consist primarily of property, plant and equipment, investment property, land use rights, intangible assets, available-for-sale financial assets, deferred income tax assets, inventories, receivables and operating cash. They also include goodwill recognized arising from acquisition of subsidiaries relating to respective segments.

Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (note 5), investment property (note 5), land use rights (note 5) and intangible assets (note 5), including additions resulting from acquisition through a business combination other than common control combination (note 16).

**5 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY, LAND USE RIGHTS AND INTANGIBLE ASSETS**

	<b>Property, plant and equipment</b> <i>RMB'000</i>	<b>Investment property</b> <i>RMB'000</i>	<b>Land use rights</b> <i>RMB'000</i>	<b>Intangible assets</b> <i>RMB'000</i>
<b>Cost</b>				
At 1 January 2009	8,283,787	—	1,167,677	28,252
Additions	452,988	—	13,310	896
Additions resulting from acquisition through business combination other than common control combination ( <i>note 16</i> )	17,992	—	—	—
Disposals	(23,785)	—	—	—
Transfers	(6,616)	19,096	(12,480)	—
At 30 June 2009	<u>8,724,366</u>	<u>19,096</u>	<u>1,168,507</u>	<u>29,148</u>
At 1 January 2008	7,567,223	—	1,166,468	21,213
Additions	474,195	—	45,024	901
Disposals	(32,668)	—	—	—
At 30 June 2008	<u>8,008,750</u>	<u>—</u>	<u>1,211,492</u>	<u>22,114</u>
<b>Accumulated depreciation, amortization and impairment</b>				
At 1 January 2009	(2,852,518)	—	(124,426)	(2,714)
Depreciation and amortization charge for the period ( <i>note 11</i> )	(261,321)	(235)	(16,226)	(1,597)
Disposals	22,928	—	—	—
Transfers	1,571	(2,611)	1,040	—
At 30 June 2009	<u>(3,089,340)</u>	<u>(2,846)</u>	<u>(139,612)</u>	<u>(4,311)</u>
At 1 January 2008	(2,644,337)	—	(93,194)	(1,948)
Depreciation and amortization charge for the period ( <i>note 11</i> )	(220,735)	—	(13,448)	(397)
Disposals	29,036	—	—	—
At 30 June 2008	<u>(2,836,036)</u>	<u>—</u>	<u>(106,642)</u>	<u>(2,345)</u>
<b>Net book amount</b>				
At 30 June 2009	<u>5,635,026</u>	<u>16,250</u>	<u>1,028,895</u>	<u>24,837</u>
At 30 June 2008	<u>5,172,714</u>	<u>—</u>	<u>1,104,850</u>	<u>19,769</u>

(a) Property, plant and equipment of the Group with net book amount of approximately RMB338,388,000 (31 December 2008: approximately RMB324,038,000) was pledged as securities for the Group's borrowings (*note 9*).

(b) The fair value of the investment property is approximately RMB214,710,000 (31 December 2008: approximately RMB214,710,000).

## 6 TRADE AND OTHER RECEIVABLES

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Trade receivables	86,064	68,143
Less: provision for impairment of trade receivables	<u>(4,269)</u>	<u>(4,183)</u>
Trade receivables — net	81,795	63,960
Amounts due from related parties ( <i>note 17(b)</i> )	155,548	96,595
Prepayments and deposits	147,430	144,070
Loans to Shanghai Zhongya Hotel ( <i>note 10(a)</i> )	40,377	54,852
Dividends receivables	20,482	—
Receivables on disposal of an investment in Shanghai Jiu Long Hotel Company Limited	—	15,431
Others	32,817	20,393
Less: provision for impairment of other receivables	<u>(14,096)</u>	<u>(14,100)</u>
Other receivables — net	<u>382,558</u>	<u>317,241</u>
	<u><b>464,353</b></u>	<u><b>381,201</b></u>

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

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Current to 3 months	72,400	54,963
3 months to 1 year	8,232	7,092
Over 1 year	<u>5,432</u>	<u>6,088</u>
	<u><b>86,064</b></u>	<u><b>68,143</b></u>

The carrying amount of trade and other receivables approximate their fair value.



## 7 RESERVES

	Other reserves					Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary Surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available- for-sales financial assets (iv) RMB'000	Asset revaluation surplus (v) RMB'000			
At 1 January 2009	1,771,990	330,386	(585,291)	415,431	—	1,932,516	462,835	2,395,351
Profit for the period	—	—	—	—	—	—	108,593	108,593
Fair value changes on available-for-sale financial assets — gross (iv)	—	—	—	672,158	—	672,158	—	672,158
Disposal of available-for-sale financial assets	—	—	—	(75,619)	—	(75,619)	—	(75,619)
Fair value changes on available-for-sale financial assets — tax	—	—	—	(149,135)	—	(149,135)	—	(149,135)
Dividends declared	—	—	—	—	—	—	(95,865)	(95,865)
Assets revaluation surplus arising on a business combination achieved in stages (note 16)	—	—	—	—	3,326	3,326	—	3,326
At 30 June 2009	<u>1,771,990</u>	<u>330,386</u>	<u>(585,291)</u>	<u>862,835</u>	<u>3,326</u>	<u>2,383,246</u>	<u>475,563</u>	<u>2,858,809</u>
At 1 January 2008	1,771,707	301,986	(585,291)	1,977,561	—	3,465,963	357,930	3,823,893
Profit for the period	—	—	—	—	—	—	177,459	177,459
Fair value changes on available-for-sale financial assets — gross (iv)	—	—	—	(1,400,608)	—	(1,400,608)	—	(1,400,608)
Disposal of available-for-sale financial assets	—	—	—	(46,432)	—	(46,432)	—	(46,432)
Fair value changes on available-for-sale financial assets — tax	—	—	—	361,760	—	361,760	—	361,760
Dividends declared	—	—	—	—	—	—	(136,950)	(136,950)
At 30 June 2008	<u>1,771,707</u>	<u>301,986</u>	<u>(585,291)</u>	<u>892,281</u>	<u>—</u>	<u>2,380,683</u>	<u>398,439</u>	<u>2,779,122</u>

- (i) Capital surplus represents premium arising from the shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share.
- (ii) Pursuant to the Company Law of Mainland China and the articles of association of certain group companies, the Company and its subsidiaries in Mainland China are required to transfer 10% of its net profit, as determined under Mainland China accounting regulations, to statutory surplus reserve until the fund aggregates to 50% of their share capital; after the transfer of statutory surplus reserves, the Company and its subsidiaries in Mainland China can appropriate profit, subject to respective shareholders' approval, to discretionary surplus reserve.

The transfer to statutory and discretionary reserves must be made before distribution of dividends to the shareholders. These reserves shall only be used to make up previous years' losses, to expand production operations, or to increase the capital of the respective company. The Company and its subsidiaries in Mainland China may transfer their respective statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

- (iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation to obtain the interests in these subsidiaries, which were debited to merger reserve.
- (iv) Reserve on available-for-sale financial assets represents the changes in fair value, net of tax, on available-for-sale financial assets through equity.
- (v) Asset revaluation surplus represents the equity effect of the revaluation of assets arising on a business combination made in stages. The Company remeasures the fair value of its previously held equity interest in the acquiree at its acquisition date and recognizes the changes in the value of its previously held equity interest in the acquiree in equity.

## 8 TRADE AND OTHER PAYABLES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade payables	139,678	132,520
Payables for purchases of property, plant and equipment	223,069	217,815
Salary and welfare payables	203,062	252,363
Advances from customers and buyers	153,483	151,269
Amounts due to related parties ( <i>note 17(b)</i> )	83,133	98,114
Deposits from lessees and constructors	47,174	49,083
Other taxes payable	35,343	62,034
Accrued expenses	33,151	18,727
Payables on acquisition of Shanghai New Asia Café de Coral Company Limited ("New Asia Café de Coral") ( <i>note 16</i> )	12,272	—
Others	86,567	65,153
	<u>1,016,932</u>	<u>1,047,078</u>

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Current to 3 months	124,448	112,672
3 months to 1 year	8,167	8,668
Over 1 year	7,063	11,180
	<u>139,678</u>	<u>132,520</u>

The carrying amount of trade and other payables approximate their fair value.

## 9 BORROWINGS

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Borrowings included in non-current liabilities:		
Bank borrowings — secured	175,563	195,563
Bank borrowings — unsecured	<u>127,326</u>	<u>127,338</u>
	302,889	322,901
Less: current portion of long-term secured bank borrowings	<u>(20,188)</u>	<u>(47,338)</u>
	<u><u>282,701</u></u>	<u><u>275,563</u></u>
Borrowings included in current liabilities:		
Bank borrowings — secured	28,500	5,500
Bank borrowings — unsecured	210,000	210,000
Current portion of long-term secured bank borrowings	<u>20,188</u>	<u>47,338</u>
	<u><u>258,688</u></u>	<u><u>262,838</u></u>

As at 30 June 2009, bank borrowings of approximately RMB204,063,000 (31 December 2008: approximately RMB201,063,000) were secured by property, plant and equipment of the Group with net book amount of approximately RMB338,388,000 (31 December 2008: approximately RMB324,038,000) (note 5).

All the bank borrowings were from state-owned banks (note 17(d)).

Movements in borrowings is analyzed as follows:

	<u>Six months ended 30 June</u>	
	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
At beginning of the period	538,401	501,968
Proceeds from borrowings	28,500	12,245
Repayments of borrowings	(25,512)	(58,245)
Foreign exchange gain	<u>—</u>	<u>(1,782)</u>
At end of the period	<u><u>541,389</u></u>	<u><u>454,186</u></u>

## 10 OTHER INCOME

	<u>Six months ended 30 June</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal (partial disposal) of investments in associates (a) & (b)	132,408	82
Gain on disposal of available-for-sale financial assets	75,619	46,432
Dividend income		
— Unlisted	37,423	35,514
— Listed	14,259	59,905
	51,682	95,419
Interest income	4,488	11,107
Subsidy income	3,075	1,970
	<u>267,272</u>	<u>155,010</u>

- (a) Pursuant to an agreement signed between two third parties and Shanghai Jin Jiang International Hotels Development Company Limited (“Jin Jiang Hotels Development”), a subsidiary of the Group, Jin Jiang Hotels Development sold all its 45% equity interest in Shanghai Zhongya Hotel in March 2009, at a consideration of RMB119,820,000 and achieved a gain of RMB69,476,000. Shanghai Zhongya Hotel is not a related party of the Group thereafter.
- (b) Pursuant to an agreement signed between the foreign investor of Shanghai Kentucky Fried Chicken Company Limited (“Shanghai Kentucky”) and Jin Jiang Hotels Development, Jin Jiang Hotels Development sold its 7% equity interest in Shanghai Kentucky in April 2009, at a consideration of RMB80,009,000 and achieved a gain of RMB62,932,000.

## 11 EXPENSES BY NATURE

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

	<u>Six months ended 30 June</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expense	512,460	484,646
Cost of inventories sold	217,871	220,435
Utility cost and consumables	185,433	198,451
Business tax, property tax and other tax surcharges	117,428	129,055
Operating leases		
— machinery	2,204	1,854
— land and buildings	71,453	66,280
	73,657	68,134
Depreciation of property, plant and equipment ( <i>note 5</i> )	261,321	220,735
Depreciation and amortization of investment property ( <i>note 5</i> )	235	—
Amortization of land use rights ( <i>note 5</i> )	16,226	13,448
Amortization of intangible assets ( <i>note 5</i> )	1,597	397
Repairs and maintenance	22,389	34,212
Write-down of inventories	9	245
Provision for impairment of trade and other receivables	83	20

## 12 INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China current income tax (“CIT”)	64,615	68,481
Deferred income tax	<u>(12,324)</u>	<u>(4,813)</u>
	<u><u>52,291</u></u>	<u><u>63,668</u></u>

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China during the six months ended 30 June 2009 (the six months ended 30 June 2008: 25%) as determined in accordance with the Corporate Income Tax Law of PRC (the “New CIT Law”) and the Detail Implementation Regulations (“DIR”) except for as described below.

The Company, Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, 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 20% in 2009.

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 six months ended 30 June 2009 (the six months ended 30 June 2008: 16.5%). For the six months ended 30 June 2009, the Group’s subsidiary incorporated in Hong Kong did not have assessable profit and declared no Hong Kong profit tax accordingly.

## 13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	<u>Six months ended 30 June</u>	
	2009	2008
Profit attributable to the shareholders of the Company ( <i>RMB'000</i> )	108,593	177,459
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>4,565,000</u>	<u>4,565,000</u>
Basic earnings per share ( <i>RMB cents</i> )	<u><u>2.38</u></u>	<u><u>3.89</u></u>

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

## 14 DIVIDENDS

A 2008 final dividend of RMB2.1 cents (2007 final dividend RMB3.0 cents) per share, totalling RMB95,865,000 (2007 final dividend RMB136,950,000) was paid in June 2009. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: nil).

## 15 COMMITMENTS

### (a) Capital commitments

Capital expenditure at 30 June 2009 but not yet incurred is as follows:

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Acquisition of property, plant and equipment — contracted but not provided for	<u>324,991</u>	<u>367,072</u>

Besides, the Group committed to acquire a hotel property in the north-western region of China from an independent third party at a consideration of its asset valuation (not exceeding RMB230,000,000) according to framework agreements signed in December 2007 and July 2008. Acquisition deposit with amount of RMB5,000,000 was paid in January 2008. The Company is undergoing negotiations with the independent third party at the time being.

### (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. The rental revenue recognized and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2009 is disclosed in note 4(a) and 11, respectively.

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:

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Not later than 1 year	140,857	144,312
Later than 1 year and not later than 5 years	368,823	367,909
Later than 5 years	<u>734,569</u>	<u>782,271</u>
	<u>1,244,249</u>	<u>1,294,492</u>

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

	At 30 June 2009 <i>RMB'000</i>	At 31 December 2008 <i>RMB'000</i>
Not later than 1 year	208,530	175,569
Later than 1 year and not later than 5 years	1,021,216	769,160
Later than 5 years	<u>2,036,164</u>	<u>2,277,192</u>
	<u>3,265,910</u>	<u>3,221,921</u>

## 16 BUSINESS COMBINATION

Before the equity transfer of New Asia Café de Coral, 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 28 February 2009, Grand Regent China transferred its 25% equity interest in New Asia Café de Coral to Catering Investment, at a cash 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.

The acquired business contributed revenues of RMB55,244,000 and net loss of RMB1,142,000 to the Group for the period from 1 March 2009 to 30 June 2009. If the acquisition had occurred on 1 January 2009, Group revenue would have been RMB1,548,369,000, and profit for the period would have been RMB214,039,000. These amounts have been calculated using the Group’s accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquisition are as follows:

	<i>RMB’000</i>
Purchase consideration:	
— Cash to be paid ( <i>note 8</i> )	12,272
— Direct costs relating to the acquisition	<u>236</u>
Total purchase consideration	<u><u>12,508</u></u>

The assets and liabilities as of 1 March 2009 arising from the acquisition are as follows:

	<b>Fair values</b> <i>RMB’000</i>	<b>Share of acquirer’s carrying amounts</b> <i>RMB’000</i>
Cash and cash equivalents	35,330	35,330
Property, plant and equipment ( <i>note 5</i> )	17,992	13,643
Inventories	5,483	4,845
Trade and other receivables	17,737	15,969
Trade and other payables	<u>(26,509)</u>	<u>(26,405)</u>
Net assets	<u>50,033</u>	<u><u>43,382</u></u>
Less: Minority interests (25%)	<u>(12,508)</u>	
Share of net assets	37,525	
Less: 50% equity interest previously held	(21,691)	
Asset revaluation surplus ( <i>note 7</i> )	<u>(3,326)</u>	
Total purchase consideration	<u><u>12,508</u></u>	
Total purchase consideration settled in cash		—
Cash and cash equivalents in the subsidiary acquired		<u>35,330</u>
Cash inflow on acquisition		<u><u>35,330</u></u>

There were no acquisitions for the six months ended 30 June 2008.

## 17 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Related party transactions

The Group had the following significant related party transactions during six months ended 30 June 2009:

	<u>Six months ended 30 June</u>	
	<u>2009</u>	<u>2008</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Transactions with Jin Jiang International</b>		
— Provision of hotel services	271	133
— Provision of training services	28	6
— Sales of hotel supplies	<u>673</u>	<u>593</u>
	<u>972</u>	<u>732</u>
— Rental expenses paid	<u>3,601</u>	<u>1,353</u>
<b>Transactions with subsidiaries of Jin Jiang International</b>		
— Provision of hotel services	7,835	15,332
— Rental income received	396	399
— Provision of other services	<u>1,395</u>	<u>1,462</u>
	<u>9,626</u>	<u>17,193</u>
— Purchase of food and beverage	1,130	998
— Rental expenses paid	7,006	7,656
— Receipt of laundry services	1,016	1,628
— Receipt of other services	<u>1,976</u>	<u>1,449</u>
	<u>11,128</u>	<u>11,731</u>
<b>Transactions with jointly controlled entities of the Group</b>		
— Interest income received	414	467
— Sales of hotel supplies	979	2,833
— Management fees received	<u>1,631</u>	<u>2,356</u>
	<u>3,024</u>	<u>5,656</u>
— Interest expenses paid	1,033	694
— System management fee paid	<u>—</u>	<u>1,937</u>
	<u>1,033</u>	<u>2,631</u>



	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Transaction with associates of the Group</b>		
— Rental income received	1,645	3,189
— Interest income received	2,152	3,439
— Management fees received	1,857	1,117
— Sales of hotel supplies	1,981	3,314
— Provision of training services	—	3
	<u>7,635</u>	<u>11,062</u>
— Purchase of food and beverage	170	240
— Interest expenses paid	21	314
	<u>191</u>	<u>554</u>
<b>Transaction with companies with common directors</b>		
— Management fees received	197	182
— Sales of hotel supplies	887	690
— Sales of food	396	2,786
	<u>1,480</u>	<u>3,658</u>
— Purchase of food and beverage	2,479	2,735
	<u>2,479</u>	<u>2,735</u>
<b>(b) Amount due from/to related party transactions</b>		
	<b>At 30 June</b>	At 31 December
	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Amounts due from related parties (note 6)</b>		
— Jin Jiang International	355	196
— Subsidiaries of Jin Jiang International	2,396	3,751
— Jointly controlled entities of the Group (i)	41,508	21,368
— Associates of the Group (ii)	107,485	70,897
— Companies with common directors	3,804	383
	<u>155,548</u>	<u>96,595</u>
<b>Amounts due to related parties (note 8)</b>		
— Jin Jiang International	2,276	1,915
— Subsidiaries of Jin Jiang International	7,775	4,405
— Jointly controlled entities of the Group (iii)	67,717	85,075
— Associates of the Group (iv)	4,709	6,202
— Companies with common directors	656	517
	<u>83,133</u>	<u>98,114</u>
(i)	The balances include unsecured loans to jointly controlled entities of RMB15,910,000 as at 30 June 2009 (31 December 2008: RMB14,190,000) with effective interest rates of 5.90% (31 December 2008: 5.94%) per annum.	
(ii)	The balances include secured loans to associates of RMB56,000,000 as at 30 June 2009 (31 December 2008: RMB59,000,000) with effective interest rates of 7.49% (2008: 7.39%) per annum which were guaranteed by a third party company or pledged by their or third parties' properties.	

- (iii) The balances include deposits from jointly controlled entities of RMB67,274,000 as at 30 June 2009 (31 December 2008: RMB84,711,000) with the effective interest rates of 2.97% (31 December 2008: 3.25%) per annum.
- (iv) The balances include deposits from associates of RMB4,666,000 as at 30 June 2009 (31 December 2008: RMB6,036,000) with the interest rates of 0.36% (31 December 2008: 0.36%) per annum.

Other than disclosed above, balances with related parties are all unsecured and interest free.

**(c) Key management compensation**

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Salary and other allowances	<b>703</b>	1,276
Discretionary bonus	<b>171</b>	457
Retirement scheme contributions	<b>73</b>	96
	<b>947</b>	1,829

**(d) Additional financial information on other state-owned enterprises**

The Company is controlled by Jin Jiang International, and is ultimately controlled by Mainland China government, which also controls a significant portion of the productive assets and entities in Mainland China, in accordance with Hong Kong Accounting Standard 24 “Related Party Disclosures”, state-owned enterprises and their subsidiaries, other than Jin Jiang International and fellow subsidiaries, are also defined as related parties of the Company (“other state-owned enterprises”).

In the Hotel Related Businesses, the Group is likely to have extensive transactions with the employees of other state-owned enterprises while such employees are on corporate business as well as management personnel and their close family members. These transactions are carried out on terms that are consistently applied to all customers and are made on a cash basis. Due to the vast volume and the pervasiveness of the Group’s retail transactions in the hotel businesses, the Group is unable to determine the aggregate amount of such transactions for disclosure. Therefore, the information disclosed below does not include the retail sales to such related parties. Management believes that meaningful information relative to related party balances and transactions have been adequately disclosed.

*(i) Summary of significant transactions with other state-owned enterprises*

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from state-owned banks	<b>4,053</b>	8,708
Interest expenses to state-owned banks	<b>19,049</b>	19,467

(ii) *Balances with other state-owned enterprises*

	<b>At 30 June 2009 RMB'000</b>	At 31 December 2008 RMB'000
Bank deposits in state-owned banks (1)	<u><b>1,312,033</b></u>	<u>1,486,112</u>
Bank borrowings from state-owned banks ( <i>note 9</i> )	<u><b>541,389</b></u>	<u>538,401</u>

- (1) The weighted average effective interest rates on bank deposits to state-owned banks with maturities ranging from 7 days to 360 days, were 1.58% (31 December 2008: 2.89%) per annum.

## 18 EVENTS AFTER THE BALANCE SHEET DATE

### Reorganisation

Pursuant to the reorganisation agreement entered between Jin Jiang Hotels Development and the Company dated 28 August 2009, the Company conditionally agreed to transfer its 71.225% equity interest in Jin Jiang Inn Company Limited, 80% equity interest in Shanghai Jin Jiang International Hotel Investment Co., Ltd. and 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development; and Jin Jiang Hotel Co., Ltd., a subsidiary of the Company, will transfer its 1% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development (together, the “Transfer-out Assets”). In return, the Company will acquire from Jin Jiang Hotels Development 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer JinJiang Interactive Co., Ltd., 50% equity interest in Shanghai Jin Jiang Tomson Hotel Co., Ltd., 99% equity interest in Jin Jiang International Hotel Management Co., Ltd., 100% equity interest in Shanghai Jin Jiang International Management College, 66.67% equity interest in Sofitel Hyland Shanghai, 65% equity interest in Shanghai Jian Guo Hotel Co., Ltd., 40% equity interest in The Yangtze Hotel Limited, 15% equity interest in Wenzhou Dynasty Hotel, and total assets and liabilities of Metropole Hotel and New Asia Hotel, branches of Jin Jiang Hotels Development; and also acquire 1% equity interest in Jin Jiang International Hotel Management Co., Ltd. from Min Hang Hotel Limited, a subsidiary of Jin Jiang Hotels Development (together, the “Transfer-in Assets”). The considerations to the Transfer-in Assets and Transfer-out Assets are to be determined by the assets valuation and the difference between the valuations will be settled in cash.

The above transaction will neither result in significant profit or loss, nor have material impact on the assets and liabilities in the consolidated financial statements of the Group, except for the costs and taxes on the transaction. The equity attributable to the shareholders of the Company will decrease by approximately RMB622,804,000 due to the shortfall between the net carrying amount of Transfer-in Assets and Transfer-out Assets and the cash consideration paid by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

China’s tourism and hotel industries suffered a major setback during the period under review as H1N1 Influenza A hit out while the global financial tsunami continued to surface in the world economy.

During the period, sales revenue for the Group amounted to approximately RMB1,518,735,000, which represented a 8.4% decrease against the same period last year. Operating profit of the Group was approximately RMB257,052,000, which was 19.0% less than the amount in the same period last year. Profit attributable to the shareholders of the Company amounted to RMB108,593,000, representing a 38.8% decrease against the same

period last year. The decline in operating profit and profit attributable to the shareholders of the Company was mainly attributable to the substantial decline in room revenue generated from Star-rated hotels.

In terms of business expansion, as at 30 June 2009, the Group held or managed 493 hotels with over 82,000 rooms either in operation or under development, spreading across 124 cities in 31 provinces, autonomous regions and municipalities in China. The Group remains as the leading hotel group in the PRC in terms of the number of hotel rooms offered.

The Group collected a number of awards in hospitality industry during the period under review. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of the International Hotel & Restaurant Association) in June 2009, the Group ranked 13th in the world in terms of the number of hotel rooms, moving up 4 places over the last year. Meanwhile, the Group was named again in the list of “Hotels China Award 2009, Hotel Corporate Top 10” awarded by the Chinese edition of the US HOTELS magazine. Furthermore, Jin Jiang International Hotel Management Company Limited received the “Best Domestic Hotel Management Group in China Award” at the “Fourth Annual Starlight Award for PRC Hotels”, as well as the “PRC Hotel Golden Horse Award — Landlord’s Choice of Best Hotel Management Companies” at the PRC Hotel Industry Annual Conference 2009 and the 9th PRC Hotel Industry Forum.

### **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 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 during the period registered a year-on-year decline while market competition continued to intensify with the rapidly growing supply of luxury Star-rated hotels in Shanghai. During the period under review, Star-rated hotels contributed approximately RMB876,620,000 to the Group’s revenue, dropping 24.6% against the same period last year.

The overall refurbishment of Peace Hotel continued to progress as scheduled. The overall refurbishment work is expected to be basically completed by the end of 2009 and re-open for business before the Shanghai World Expo begins.

Renovation is underway at the North Tower of Jin Jiang Hotel, while renovation of the guest-room floor at Jin Jiang Tower has been fully completed.

Renovation work of Y.M.C.A Hotel is underway, with overall decoration 70% completed. The overall renovation work is expected to be completed in the second half of 2009.

Energy conservation continued to be on top of the Group’s agenda as we actively employed energy-saving technologies to advance the building of green hotels in an orderly fashion. During the period under review, the geo-thermal heat pump system was being gradually introduced to other hotels after the successful trial operation at Da Hua Hotel. Geo-thermal heat pump systems at hotels including Min Hang Hotel, Cypress Hotel, New Garden Hotel and Jinsha Hotel had commenced operation after completion of conversion works. Feasibility study is being undertaken for geo-thermal heat pump system conversion at Kunming Jin Jiang Hotel. Meanwhile, the Group is working with a foreign institution to conduct comprehensive energy-saving assessment at certain hotels, getting itself technically prepared for further

energy-saving conversions. During the period, 4 hotels including New Garden Hotel, Da Hua Hotel, Hua Ting Guest House and East Asia Hotel were named “Silver-Leaf Grade Green Tourist Hotels”.

In line with the Group’s strategy of adjusting the geographic distribution of hotels, the Group transferred 35% and 10% of the equity interests it held in Shanghai Zhongya Hotel to 亨瑞 (上海) 投資控股有限公司 (Heng Rui (Shanghai) Investment Holding Limited) and 上海申凱投資有限公司 (Shanghai Shenkai Investment Limited), respectively. After completion of the transfer, the Group no longer holds any equity interest in Shanghai Zhongya Hotel. In addition, as at the date of this announcement, the Company is undergoing negotiations with an independent third party in respect of the acquisition of a hotel in north-western China.

### **Jin Jiang Inn Budget Hotels**

Jin Jiang Inn Budget Hotels is a main focus of the Group’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 growth in turnover during the period under review, contributing approximately RMB537,379,000 to the Group’s revenue, representing a 21.1% growth over the same period last year and accounting for 35.4% of the Group’s turnover. Initial and ongoing franchise fees income amounted to approximately RMB36,366,000, representing a 27.1% growth over the same period last year.

During the period, Jin Jiang Inn entered into new agreements for the development of 6 self-managed hotels and 24 franchised hotels. As at 30 June 2009, a total of 390 Jin Jiang Inn Budget Hotels were either in operation or under development (including 11 Bestay Hotels Express), offering over 51,000 guest rooms. During the period, 48 new Jin Jiang Inn commenced operations, among which 19 are self-managed hotels and 29 are franchised hotels. As at 30 June 2009, there were 288 Jin Jiang Inn Budget Hotels in operation.

### **Star-rated Hotel Management**

As at 30 June 2009, the Group managed 99 Star-rated hotels with a total of over 29,000 guest rooms, of which 69 hotels are owned by third-parties other than Jin Jiang International but managed by the Group.

During the reporting period, the Group successfully renewed its contracts with 5 hotels under its management, signed up a new management contract for 1 hotel and terminated 2 management projects, while 3 hotels under management officially commenced operations. Meanwhile, the Group was closely monitoring the impact of the international financial crisis with respect to its managed hotels and sought to strengthen its ties with landlords. Our member hotels were instructed to increase income and save costs as well as to control risks.

For online sales, development of the Jin Jiang Central Reservation System (JREZ) continued during the period with efforts to expand channels for centralised reservations. Bookings for over 40,000 room nights were received during the period, a 21% decline against the same period last year which reflected the impact of the financial tsunami. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 57% of the patrons.

## Food and Restaurants

During the period, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth. As at 30 June 2009, Shanghai KFC had a total of 235 outlets, 2 more than it had as at the end of 2008, enjoying steady growth in revenue and profit maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya and Jing An Bakery had 58, 22 and 71 outlets respectively. Chinese Story operated two restaurants at Jin Jiang Hotel and Wuhan Jin Jiang International Hotel.

Catering Investment, a subsidiary of the Company, completed the acquisition of 25% equity interests in New Asia Café de Coral in March 2009. Upon the completion of the acquisition of equity interest, Catering Investment came to hold 75% equity interest in New Asia Café de Coral, which was incorporated in the consolidated financial statements.

Jin Jiang Hotels Development, a subsidiary of the Company, completed the transfer of 7% equity interests in Shanghai Kentucky Fried Chicken Company Limited ("Shanghai KFC") in April 2009. Upon the completion of the transfer, the percentage of equity interest in Shanghai KFC held by Jin Jiang Hotels Development was changed to 42%.

In May 2009, Shanghai Jin Jiang International Hotels Group (HK) Company Limited, a subsidiary of the Company, purchased from Jin Jiang International Group (HK) Co., Limited all of the equity interests in Jing An Bakery Holding Co., Limited ("Jing An Holding") for a cash consideration of RMB15,350,000. Jin An Holding will own 70% equity interests of 上海靜安麵包房有限公司 (Shanghai Jing An Bakery Co., Ltd.) following completion of registration of particulars with the relevant authorities in the PRC in respect of the Re-structuring Exercise (as defined in the Company's announcement of 31 May 2009). As at the date of this announcement, the registration of particulars in respect of the Re-structuring Exercise is still under process.

## FINANCIAL REVIEW

### Turnover

The Group's financial information for the period against the same period in 2008 is set out below:

	Six months ended 30 June 2009		Six months ended 30 June 2008	
	<i>RMB million</i>	<i>Percentage of Turnover</i>	<i>RMB million</i>	<i>Percentage of Turnover</i>
Star-rated hotel operation	876.6	57.7%	1,162.4	70.1%
Jin Jiang Inn Budget Hotels	537.4	35.4%	443.7	26.8%
Star-rated hotel management	25.6	1.7%	26.9	1.6%
Food and restaurants	64.8	4.3%	9.4	0.6%
Others	14.3	0.9%	14.9	0.9%
Total	<u>1,518.7</u>	<u>100.0%</u>	<u>1,657.3</u>	<u>100.0%</u>



## Star-rated Hotel Operation

The following table sets out the percentage of contributions from different businesses to the Group's turnover in Star-rated hotel operation for the period against the same period in 2008:

	Six months ended 30 June 2009		Six months ended 30 June 2008	
	<i>RMB million</i>	<i>Percentage of Turnover</i>	<i>RMB million</i>	<i>Percentage of Turnover</i>
— Accommodation revenue	414.5	47.3%	624.6	53.7%
— Food and beverage sales	317.5	36.2%	382.3	32.9%
— Rendering of ancillary services	48.7	5.6%	58.4	5.0%
— Rental revenue	73.9	8.4%	71.6	6.2%
— Sales of hotel supplies	22.0	2.5%	25.5	2.2%
Total	<u>876.6</u>	<u>100.0%</u>	<u>1,162.4</u>	<u>100.0%</u>

### 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 hotel operation for the period was approximately RMB414,456,000, representing a decrease of 33.6% compared to the same period in 2008 attributable mainly to the following reasons:

- (i) The inbound tourism market continued its downturn in tandem with the external economic environment, with H1N1 Influenza A dealing an additional blow. The number of inbound visitors and inbound foreign visitors with overnight stays during January to June this year decreased by 6.46% and 9.69% respectively year-on-year, according to statistics published by Shanghai Municipal Tourism Administrative Commission.
- (ii) High-end Star-rated hotels, which relied mainly on foreign visitors for patronage, reported year-on-year decline in RevPAR ranging from 35% to 40%, while RevPAR of lower-end Star-rated hotels was slashed by around 20% to 30%.
- (iii) Wuhan Jin Jiang International Hotel continued to report steady growth in operating results, with RevPAR increasing by approximately 8% over the same period last year.

### 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. Affected by the external economic environment and the pandemic influenza, revenue from food and beverages sales at Star-rated hotels decreased by 16.9% against the same period last year to approximately RMB317,569,000, despite the increase in menu and banquet prices driven by higher costs in utilities, labour and raw materials.

## **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 period, the revenue from ancillary services, which was also affected by the external economic environment and the pandemic influenza, decreased by approximately RMB9,649,000 or 16.5% against the same period in 2008.

## **Rental Revenue**

Rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showcase and other purposes. The rental revenue increased by approximately RMB2,243,000 or 3.1% against the same period in 2008.

## **Sales of Hotel Supplies**

Also affected by the external economic environment and the pandemic influenza, turnover from sales of guest amenities and hotel supplies decreased by approximately RMB3,496,000, or 13.7% against the same period in 2008.

## **Jin Jiang Inn Budget Hotels**

Budget hotels, which relied mainly on domestic patrons, were relatively stable in ADR and Occupancy Rate as compared to Star-rated hotels and reported growth in RevPAR for the six months ended 30 June 2009 over the same period last year, despite being affected by the external economic environment and the pandemic influenza. Turnover of Jin Jiang Inn for the period amounted to approximately RMB537,379,000, an increase of approximately RMB93,647,000 or 21.1% against the same period last year. The increase was mainly attributable to the increase in Available Rooms from 19 new Jin Jiang Inn opened during the first half of 2009 and 6 opened during the second half of 2008, as well as to the increase in initial and ongoing franchise fees received from franchisees resulting from the grant of brand franchises and the provision of technical and management services. During the period, initial and ongoing franchise fees income amounted to approximately RMB36,366,000, representing an approximately 27.1% growth over the same period in 2008.

## **Star-rated Hotel Management**

The external sales revenue of Star-rated hotel management for the first half of 2009 amounted to approximately RMB25,626,000, representing an approximately 4.6% decrease over the same period last year. Such sales revenue represented mainly the management fee received from hotel management services provided to Star-rated hotels not owned by the Group.

## **Food and Restaurants Operation and Others**

Revenue from the food and restaurant operation and others is mainly derived from New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. During the period under review, revenue from the food and restaurant operations amounted to approximately RMB64,755,000, an increase of approximately RMB55,374,000 against the same period in 2008. Previously, revenue from the food and restaurant operation was mainly derived from the Chinoise Story operations and the moon cake production business of Shanghai New Asia Food Company Limited. The growth reported for the period was attributable mainly to the consolidation of New Asia Café de Coral with effect from March 2009, resulting in additional income of approximately RMB55,244,000.



Moreover, the Group also engaged in other businesses, including the provision of intra-group financial services through Jin Jiang International Finance Co., Ltd. (“Jin Jiang International Finance”) and the operation of training schools. During the period, revenue from such other businesses amounted to approximately RMB14,355,000, largely unchanged from the same period in 2008.

### **Cost of Sales**

Cost of sales for the period amounted to approximately RMB1,163,761,000, increased by approximately 3.1% over the same period in 2008, mainly reflecting the increase in cost of sales in line with the business expansion of Jin Jiang Inn Budget Hotels and the consolidation of New Asia Café de Coral with effect from March 2009. Rising labour costs as well as utilities and food prices also contributed to higher cost of sales. Meanwhile, the consumption of utilities and supplies decreased in line with the substantial decline in the Occupancy Rate for Star-rated hotels against the same period last year.

### **Gross Profit**

For the above reasons, the Group recorded a gross profit of approximately RMB354,974,000 for the period, representing a decrease of approximately RMB173,395,000 or 32.8% against the same period in 2008.

### **Other Income**

Other income for the period, including dividend income received from non-listed equity investments in Suzhou, Wuxi and Hangzhou KFCs and listed equity investments in Changjiang Securities Co., Ltd., amounted to approximately RMB51,682,000 (same period in 2008: approximately RMB95,419,000). During the period, the Group generated a gain of approximately RMB75,619,000 (same period in 2008: approximately RMB46,432,000) from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”) and gains of approximately RMB69,476,000 and RMB62,932,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and a 7% equity interest in Shanghai KFC, respectively by subsidiary Jin Jiang Hotels Development. As a result, other income for the period increased by approximately RMB112,262,000 over the same period last year.

### **Selling and Marketing Expenses**

Selling and marketing expenses for the period, comprising mainly labour costs, travel agents commission and advertising expenses, amounted to approximately RMB74,683,000 (same period in 2008: approximately RMB73,600,000), representing an increase of approximately 1.5% against the same period last year.

### **Administrative Expenses**

Administrative expenses for the period increased by approximately 0.8% to approximately RMB280,255,000 (same period in 2008: approximately RMB277,942,000), mainly reflecting increased administrative expenses in pre-operation and operation of the new outlets of Jin Jiang Inn Budget Hotels during the second half of 2008 and the first half of 2009 and the consolidation of New Asia Café de Coral with effect from March 2009, coupled with reductions in related expenses in line with lower operating results of Star-rated hotels against the same period last year.

## **Other Expenses**

Other expenses for the period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, decreased by approximately 28.7% to approximately RMB10,256,000 (same period in 2008: approximately RMB14,393,000). The decline was mainly attributable to reduced credit card commission in line with lower turnover in hotel operations, resulting in less bank charges.

## **Finance Cost**

Finance cost, comprising mainly interest expenses in respect of the Group's bank borrowings for the period, decreased by approximately 2.2% to approximately RMB19,049,000 (same period in 2008: approximately RMB19,486,000).

## **Share of Results of Associates**

Share of results of associates included primarily results of the Group's associate Shanghai KFC and The Yangtze Hotel Limited ("Shanghai Yangtze"). Share of results of associates for the period was approximately RMB31,194,000 (same period in 2008: approximately RMB41,716,000). The decline was mainly attributable to the decrease in equity profit of Shanghai Yangtze and Shanghai KFC in the amount of approximately RMB9,184,000 and RMB1,421,000, respectively, against the same period in 2008.

## **Taxation**

The effective tax rate for the period was approximately 19.4% (same period in 2008: approximately 18.7%).

## **Net Profit**

As a result of the factors described above, net profit for the period attributable to the shareholders of the Company was approximately RMB108,593,000 (same period in 2008: approximately RMB177,459,000), decreased by approximately RMB68,866,000 or 38.8%.

## **Pledge of Assets**

As at 30 June 2009, property of the Group with net book amount of approximately RMB338,388,000 were pledged as security for the Group's borrowings.

## **Gearing Ratio**

The gearing ratio (calculated as total liabilities divided by total assets) increased from about 19.3% as at 31 December 2008 to about 19.6% as at 30 June 2009.

## **GROUP LIABILITIES AND FINANCIAL CONDITIONS**

As at 30 June 2009, the Group had entered into two secured and one unsecured enterprise loans with two banks for a total amount of RMB55,828,000, comprising the new secured loans in the amount of RMB28,500,000 for one year and the renewed unsecured loan in the amount of USD4,000,000 (equivalent to RMB27,328,000) for three years.

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 30 June 2009 are analysed as follows:

<i>(RMB'000)</i>	<b>Maturity of contracted borrowings outstanding at 30 June 2009</b>			<b>Total</b>
	<b>Within 1 year</b>	<b>2nd year</b>	<b>3rd to 5th year</b>	
Borrowings				
Bank borrowings <i>(RMB)</i>	258,688	120,188	135,187	514,063
Bank borrowings <i>(US\$)</i>	—	—	27,328	27,328
<b>Total</b>	<b><u>258,688</u></b>	<b><u>120,188</u></b>	<b><u>162,515</u></b>	<b><u>541,391</u></b>

*Note:* Of the total amount of borrowings, unsecured borrowings accounted for approximately RMB337,330,000 or approximately 62% and secured borrowings accounted for approximately RMB204,061,000 or approximately 38%.

## **TREASURY MANAGEMENT**

### **a) Cash and cash equivalents**

Cash and cash equivalents as at 30 June 2009 and 31 December 2008 were approximately RMB1,457,814,000 and approximately RMB1,644,962,000 respectively.

### **b) Interest rate risk management**

The interest rates for a majority of the Group's borrowings are set at the rate of 10% lower than the benchmark borrowing interest rate published by the People's Bank of China, thereby lowering interest expenses.

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-banking financial institution within the Group. In order to centralise the existing cash resources and improve the efficiency of the funds, the subsidiaries and associates of the Company deposit most of their working capital and surplus funds in their accounts with Jin Jiang International Finance and will firstly seek financing from Jin Jiang International Finance in case of fund requirements. As a result, the Group's interest expenses of external bank borrowings are minimised.

### **c) Foreign exchange rate risk management**

The Group's income and expenditure items were generally settled in RMB, and most bank borrowings of the Group were denominated in RMB. As at 30 June 2009, bank borrowings denominated in RMB amounted to approximately RMB514,063,000, accounting for approximately 95% of the Group's borrowing portfolio. Bank borrowings denominated in US\$ amounted to US\$4,000,000 (equivalent to approximately RMB27,328,000), accounting for approximately 5% of the Group's borrowing portfolio.

The Company currently does not use, but will continue to actively consider the use of relevant financial instruments for hedging purpose to manage interest rate risks and currency risks in line with its business development.

## **AVAILABLE-FOR-SALE FINANCIAL ASSETS**

The Group will continue to dispose of its available-for-sale financial assets. During the period, 4,559,985 shares in SPD Bank were disposed, realising a gain from the disposal of available-for-sale financial assets of approximately RMB75,619,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB52,939,000.

As at 30 June 2009, available-for-sale financial assets held by the Group comprise 13,148,800 shares in Shenzhen Catic Real Estate Co. Ltd. (Stock code: 000043.SZ), 100,637,500 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 majority owned subsidiary Jin Jiang Hotels Development.

## **HUMAN RESOURCES AND TRAINING**

As at 30 June 2009, the Group had approximately 19,500 employees, about 2.5% less against 20,000 employees as at the end of the same period last year. Employee benefit expense increased by approximately RMB27,814,000 or 5.7% against the same period of 2008. The remuneration package for existing employees comprises basic salary, discretionary bonus and social security contributions. No share option scheme has been set up by the Group so far. Remuneration for the Company's employees was determined on the basis of the qualifications, experience and contributions of individual employees.

## **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. The Group aims to further rationalise its business structure and provide comprehensive support for future business development through an assets swap exercise with Jin Jiang Hotels Development.

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 and thus to mitigate the negative impacts of the financial tsunami.

Although the global economy has been affected by the financial tsunami, gradual recovery of the hotel industry is anticipated as China's macro-economy has stabilised and resumed growth. Moreover, with the Shanghai World Expo 2010 approaching, the city is expected to attract increasing attention and hotel patronage should grow as a result for the benefit of the Group, whose hotels are mostly located in Shanghai.

The Group is the leading hotel investor cum operator in China. Benefited from its competitive advantages in hotel ownership and management, the Group 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 distribution and network 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.

## **INTERIM DIVIDEND**

The Board do not recommend the payment of an interim dividend for the period. The Board do not expect any waiver of future dividends by any shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

## **AUDIT COMMITTEE**

The Company has established an audit committee, the principal duty of which is to review the financial controls, internal controls and risk management system of the Company. The audit committee comprises three independent non-executive Directors, namely, Mr. Xia Dawei (chairman), Mr. Sun Dajian and Mr. Yang Menghua.

Audit committee meetings were held on 10 April 2009 and 21 August 2009 respectively. The consolidated financial statements for the year ended 31 December 2008 and the unaudited condensed consolidated interim financial statements of the Group for the period were respectively reviewed at such meetings and the audit committee agrees with the accounting treatment adopted by the Company. The audit committee has reviewed this results announcement.

## **SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Mode Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code regarding Directors’ and Supervisors’ securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the period, its Directors and Supervisors have complied with the requirements relating to Directors’ and Supervisors’ dealing in securities as set out in the Model Code.

## **COMPLIANCE WITH THE CG CODE**


The Board is pleased to confirm that the Group has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “CG Code”) at all times during the period.

## INTERIM REPORT

The interim report for the period containing information required by Appendix 16 to the Listing Rules will be sent to the shareholders and posted on the websites of the Stock Exchange and the Company (<http://www.jinjianghotels.com.cn>) in due course.

## DEFINITIONS

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

“ADR”	room revenue divided by rooms in use
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use
“Board”	the board of directors of the Company
“Company”	Shanghai Jin Jiang International Hotels (Group) Company Limited
“Director(s)”	the director(s) of the Company
“Franchisee(s)”	third parties who have entered into franchise agreement(s) with the Group for the licence to use the Jin Jiang trademark or Jin Jiang Inn trademarks
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were contributed to and operated by the Company upon its establishment
“Hotel Interests”	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, jointly controlled entities or subsidiaries of the Company
“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang Inn Budget Hotels”	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Inn, or which are owned by third parties to which Jin Jiang Inn has granted a franchise, most of which are operating under the trademarks of 锦江之星 and 
“Landmark Hotels”	Jin Jiang Hotel, Peace Hotel, Park Hotel, Metropole Hotel, New Asia Hotel and Jin Jiang Pacific Hotel
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Permanent House Use”	guest rooms which have been removed from the saleable inventory for a period longer than six months
“RevPAR”	room revenue per Available Room



“Star-Rating Standard Manual”	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Substantial Hotel Interests”	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company
“Supervisor(s)”	the supervisor(s) of the Company
“Total Number of Room”	number of available rooms per hotel

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

Shanghai, China, 28 August 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”.*