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)

2009 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 2009. These results have been reviewed by the audit committee of the Board.

The global financial tsunami took further toll on the world economy in 2009, while the tourism industry suffered from the negative impact of the Influenza A (H1N1) pandemic. In Shanghai, over-supply of hotel rooms became a growing concern for the hotel industry as the number of new hotel rooms continued to grow while inbound tourist population of Shanghai continued to decline. The combined effect of these factors has made the year of 2009 one of the most difficult years for the hotel industry in many years. To address the adverse conditions facing the hotel industry under the financial tsunami, the Company formulated many measures with the primary aim of lowering costs and enhancing service quality, such as the compilation of a guide for hotel operations under the financial crisis, which gave directions to member hotels to work better on revenue growth, cost savings and risk control; the introduction of the hotel operation and management handbook with the aim to improve the quality of the hotels; the introduction of a central procurement system to reduce operating costs; and the imposition of stronger marketing efforts in hotel accommodation as well as food and beverage etc. We strived to mitigate the impact of the financial tsunami by diversifying revenue sources and realising cost savings.

Due to a complete and diversified portfolio of assets, sound operational management and effective cost control measures of the Group, the size of the Group's business continued to expand and brand influence, network, management system and human resources accomplished new benchmarks. Sales revenue of the Group for 2009 amounted to approximately RMB3,320,723,000, representing a 2.4% decrease against the previous year. Operating profit of the Group was approximately RMB341,017,000, representing a 31.8% decrease against the previous year. Profit attributable to the shareholders of the Company amounted to RMB118,869,000, representing a 56.0% decrease against the previous 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.

As at 31 December 2009, the Group had 546 hotels in operation or under development, with nearly 90,000 guest rooms, covering 137 cities in 31 provinces, autonomous regions and municipalities in the People's Republic of China ("PRC") . The Group remained the leading hotel groups in 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 June 2009, the Group ranked 13th in the world in terms of the number of hotel rooms.

In order to distinguish more clearly the business and asset structure of the Group, as well as to further enhance its overall operational efficiency, an intra-group reorganization was carried out during the period from 1 January 2009 to 31 December 2009 (the "Reporting Period"). The 71.225% equity interest in Jin Jiang Inn Company Limited ("Jin Jiang Inn"), 80% equity interest in Shanghai Jin Jiang International Hotel Investment Company Limited ("Jin Jiang Hotel Investment") and 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Company Limited ("Da Hua Hotel") held by the Company and the 1% equity interest in Da Hua Hotel held by Jin Jiang Hotel Company Limited, a subsidiary of the Company, were transferred to Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development") for a total consideration of RMB2,728,248,000. On the other hand, the Company acquired from Jin Jiang Hotels Development all of the assets and liabilities of Jin Jiang Hotels Development's branch, Shanghai Jin Jiang International Hotels Development Company Limited New Asia Hotel ("New Asia Hotel"), and all of the assets and liabilities of Jin Jiang Hotels Development's branch, Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel ("Metropole Hotel"), 100% interest in Shanghai Jin Jiang International Management College ("Management College"), 99% equity interest in Jin Jiang International Hotel Management Company Limited ("Jin Jiang Hotel Management"), 66.67% equity interest in Sofitel Hyland Shanghai ("Sofitel Hyland"), 65% equity interest in Jian Guo Hotel Co., Ltd., 50% equity interest in Shanghai Jin Jiang Tomson Hotel Company Limited ("Jin Jiang Tomson Hotel"), 50% equity interest in Wuhan Jin Jiang International Hotel Company Limited ("Wuhan Jin Jiang"), 50% equity interest in Thayer Jin Jiang Interactive Company, 40% equity interest in Yangtze Hotel Limited ("Yangtze Hotal") and 15% equity interest in Wenzhou Dynasty Hotel Company Limited; and from Shanghai Min Hang Hotel Co., Ltd. ("Min Hang Hotel"), a subsidiary of Jin Jiang Hotels Development, the 1% equity interest in Jin Jiang Hotel Management for a total consideration of RMB3,071,037,000. The reorganisation has been approved by the respective boards of directors of the Company and Jin Jiang Hotels Development and by the general meeting of Jin Jiang Hotels Development. On 29 January 2010, the reorganisation was conditionally approved by the Review Committee for Acquisitions and Reorganisations of Listed Companies under the China Securities Regulatory Commission ("CSRC"). The final approval document of CSRC has not yet been received by Jin Jiang Hotels Development as at 16 April 2010.

In order to capture opportunities in international acquisitions and realise breakthroughs in overseas business networks and multi-national operations in line with its development strategy, the Group established Hotel Acquisition Company, LLC ("HAC") with Thayer Lodging Group, Inc. ("Thayer Group"), a company with proven experience in investments. On 18 December 2009, HAC entered into a merger agreement with Interstate Hotels & Resorts, Inc. ("IHR") to acquire the entire equity interests in IHR at a price of US$2.25 per share. Following the completion of the acquisition, IHR would become a wholly-owned subsidiary of HAC. The transaction has been approved by the relevant PRC government authorities and the relevant securities regulatory authorities in the United States. The transaction was approved by the shareholders of IHR at the general meeting of IHR held on 11 March 2010. The transaction was completed on 18 March 2010. Following the completion, the Company indirectly owns a 50% equity interest in IHR through HAC.

On 1 April 2010, Shanghai Jin Jiang International Hotels Group (HK) Company Limited ("Jin Jiang Hotels (HK)") entered into a hotel management joint venture agreement with Interstate Europe S.A.R.L., an indirect wholly-owned subsidiary of IHR, in respect of the establishment of a joint venture hotel management company. On the same day, the Company entered into: (i) an equity investment management company joint venture contract with Thayer International Capital LLC, a company controlled by or affiliated with Thayer Group; (ii) a non-legally binding industrial fund memorandum with Thayer Group in respect of the proposed joint establishment of a fund; and (iii) a training plan memorandum with IHR and Thayer Group in respect of a talent training.

OPERATIONAL STATISTICS

	2009	2008
Average occupancy rate		
— Landmark Hotels	**50%**	63%
— 5-star Luxury Hotels	**52%**	56%
— 4-star Luxury Hotels	**56%**	60%
— 3-star Commercial Hotels	**41%**	56%
— 2-star Commercial Hotels	**55%**	66%
Budget Hotels	**80%**	79%
Average room rate *(RMB)*		
— Landmark Hotels	**588**	697
— 5-star Luxury Hotels	**813**	1,060
— 4-star Luxury Hotels	**489**	600
— 3-star Commercial Hotels	**319**	345
— 2-star Commercial Hotels	**278**	295
Budget Hotels	**176**	182
RevPAR *(RMB)*		
— Landmark Hotels	**297**	435
— 5-star Luxury Hotels	**420**	596
— 4-star Luxury Hotels	**271**	358
— 3-star Commercial Hotels	**130**	195
— 2-star Commercial Hotels	**153**	194
Budget Hotels	**141**	144

Notes:

1. Peace Hotel (under renovation during 2009) was excluded from the above analysis under the category of Landmark Hotels.

2. Wuhan Jin Jiang was added to the above analysis under the category of 5-star Luxury Hotels.

3. Jiangsu Nanjing Hotel was upgraded from a 3-star commercial hotel to a 4-star luxury hotel in 2009.

4. Peace Palace Hotel and Y.M.C.A Hotel (under renovation during 2009) were excluded from the above analysis under the category of 3-star Commercial Hotels.

5. The bases for calculating the average room rate and average occupancy rate of Jin Jiang Budget Inn Hotels were adjusted.

6. The 2008 figures have been adjusted accordingly on the same bases.

FINANCIAL HIGHLIGHTS

	2009	2008
	RMB million	*RMB million*
Revenue	**3,321**	3,403
EBITDA	**989**	1,071
Profit attributable to shareholders of the Company	**119**	270
Dividends	**91**	96
Proposed dividend per share (RMB cents)	**2.00**	2.10
Total assets	**12,799**	10,380
Total liabilities	**3,118**	2,001
Net assets (total equity)	**9,681**	8,379
Net assets per share *(RMB)*	**2.12**	1.84
Gearing ratio*	**8.4%**	5.2%
Capital expenditure	**1,245**	1,001
Net cash generated from operating activities	**561**	533

* Gearing ratio is calculated as total borrowings divided by total assets as shown in the consolidated balance sheet. Total borrowings include non-current and current borrowings.

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

		Year ended 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue	3	**3,320,723**	3,402,808
Cost of sales	4	**(2,518,113)**	(2,353,925)
Gross profit		**802,610**	1,048,883
Other income		**344,359**	241,635
Selling and marketing expenses	4	**(140,920)**	(159,685)
Administrative expenses	4	**(640,080)**	(602,207)
Other expenses		**(24,952)**	(28,396)
Operating profit		**341,017**	500,230
Finance costs		**(35,074)**	(44,308)
Share of results of associates		**65,376**	72,760
Profit before income tax		**371,319**	528,682
Income tax expense	5	**(86,618)**	(95,899)
Profit for the year		**284,701**	432,783
Attributable to:			
Shareholders of the Company		**118,869**	270,255
Minority interests		**165,832**	162,528
		284,701	432,783
Earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB cents per share)*			
— basic and diluted	6	**2.60**	5.92
Dividends	7	**91,300**	95,865

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**284,701**	432,783
Other comprehensive income		
Fair value changes in available-for-sale financial assets — gross	**1,725,323**	(3,510,897)
Transfer of fair value changes in available-for-sale financial assets — gross	**(98,718)**	(85,520)
Fair value changes in and transfer of available-for-sale financial assets — tax	**(406,652)**	899,105
Asset revaluation surplus arising on a business combination achieved in stages	**3,326**	—
Total comprehensive income for the year	**1,507,980**	(2,264,529)
Attributable to:		
Shareholders of the Company	**799,912**	(1,291,875)
Minority interest	**708,068**	(972,654)
	1,507,980	(2,264,529)

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

		As at 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**5,973,615**	5,431,269
Investment property		**4,887**	—
Land use rights		**1,110,457**	1,043,251
Intangible assets		**54,419**	25,538
Investments in associates		**254,969**	317,800
Available-for-sale financial assets		**3,038,738**	1,224,200
Deferred income tax assets		**36,366**	39,935
		10,473,451	8,081,993
Current assets			
Inventories		**50,961**	51,782
Other current asset		**48,602**	—
Trade and other receivables	8	**312,786**	381,201
Restricted cash		**452,379**	219,728
Cash and cash equivalents		**1,460,381**	1,644,962
		2,325,109	2,297,673
Total assets		**12,798,560**	10,379,666
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves			
— Proposed final dividend	7	**91,300**	95,865
— Others		**3,008,098**	2,299,486
		7,664,398	6,960,351
Minority interests		**2,016,991**	1,418,638
Total equity		**9,681,389**	8,378,989

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**655,214**	275,563
Deferred income tax liabilities		**756,681**	351,671
		1,411,895	627,234
Current liabilities			
Trade and other payables	9	**1,225,378**	1,047,078
Income tax payable		**58,110**	63,527
Borrowings		**421,788**	262,838
		1,705,276	1,373,443
Total liabilities		**3,117,171**	2,000,677
Total equity and liabilities		**12,798,560**	10,379,666
Net current assets		**619,833**	924,230
Total assets less current liabilities		**11,093,284**	9,006,223

NOTES TO THE SELECTED 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, and remains as a wholly-owned subsidiary of Jin Jiang International Holdings Company Limited ("Jin Jiang International"), which is also a wholly state-owned company incorporated in the PRC 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 year 2003 to 2006, 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 hotel 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 PRC 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, 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 Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certificated Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except that the available-for-sale financial assets are measured 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 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 in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- **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 Board has been identified as the chief operating decision-maker that makes strategic decisions. The consolidated financial statements have been prepared under HKFRS 8 and the comparatives for the year ended 31 December 2008 have been restated.

- **HKFRS 7 (Amendment) — Financial instruments — disclosures**

  The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

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

  As a result of the 2008 Improvements to HKFRSs, HKAS 40, "Investment property", has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of HKAS 16 "Property, plant and equipment" until the construction or development was complete. The Group holds a property under construction for future long-term rental yields and classifies the property as an investment property according to the amendment.

- **HKAS 23 (Revised) — Borrowing costs**

  The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The adoption of the revised standard did not have any significant impacts to the Group.

- **HKFRS 1 and HKAS 27 (Amendment) — Cost of an investment in a subsidiary, jointly controlled entity or associate**

  The amendment requires when a parent reorganises the structure of its group by establishing a new entity as its parent, provided such reorganisation satisfies several criteria, the new parent shall measure cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation. The adoption of the amendment did not have any significant impacts to the Group.

- **HK(IFRIC) — Int 13 — Customer loyalty programmes**

  The interpretation addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ("awards") to customers who redeem award credits. The adoption of the interpretation did not have any significant impacts to the Group.

The following new standard has been issued but is not effective for the financial year beginning 1 January 2009 and is partially early adopted by the Group.

- **HKAS 24 (Revised) — Related party disclosures**

  The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. The Group early adopted the government-related entity exemption. It also clarifies and simplifies the definition of a related party, which will not result in a material impact on the Group's and Company's financial statements, but the Group did not early adopt this part.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted for the financial year beginning 1 January 2009.

- **HKFRS 3 (Revised) — Business combinations**

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The revised standard is mandatory for the first time for the financial year beginning 1 January 2010.

  For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36,702,000, in connection with the acquisition of IHR which was completed subsequent to 1 January 2010. As HKFRS 3 (revised) was not adopted in 2009, the acquisition costs were capitalised under the HKFRS 3 for the year ended 31 December 2009, and will be then expensed on transition to HKFRS 3 (revised), with restating comparatives, for the year ending 31 December 2010.

- **HKFRS 9 — Financial Instruments**

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The new standard is mandatory for the first time for the financial year beginning 1 January 2013. The Directors are anticipating the impact of the adoption of the standard.

- **HKAS 27 (Revised) — Consolidated and separate financial statements**

  The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- **HKAS 38 (Amendment) — Intangible assets**

  The amendment is part of the HKICPA's annual improvements project published in May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

- **HKFRS 5 (Amendment) — Measurement of non-current assets (or disposal groups) classified as held for sale**

  The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- **HKAS 1 (Amendment) — Presentation of financial statements**

  The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) not withstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2009.

3 TURNOVER AND SEGMENT INFORMATION

The Board has been identified as the chief operating decision-maker. 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 reportable 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 under the Hotel Related Businesses mainly include intra-group financial services, training and education, and are shown in "Others".

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

The Board assesses no geographic performance as 100% of the Group's turnover and more than 90% of the Group's 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 year ended 31 December 2009 is as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Star-rated hotel operation		
— Accommodation revenue	**875,026**	1,208,146
— Food and beverage sales	**703,248**	769,187
— Rendering of ancillary services	**104,332**	128,563
— Rental revenue	**163,358**	140,490
— Sales of hotel supplies	**35,527**	48,527
	1,881,491	2,294,913
Jin Jiang Inn Budget Hotels	**1,177,257**	983,180
Star-rated hotel management	**48,361**	50,551
Food and restaurants	**186,463**	44,670
Others	**27,151**	29,494
	3,320,723	3,402,808

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

Year ended 31 December 2009

	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	**1,881,491**	**1,177,257**	**48,361**	**186,463**	**27,151**	**3,320,723**
Inter-segment sales	**4,260**	**—**	**27,036**	**4,343**	**75,949**	**111,588**
Total gross segment sales	**1,885,751**	**1,177,257**	**75,397**	**190,806**	**103,100**	**3,432,311**
Profit for the year	**(5,029)**	**70,305**	**24,572**	**167,047**	**27,806**	**284,701**
Other income	**203,886**	**10,162**	**180**	**119,803**	**10,328**	**344,359**
Including: interest income	**5,810**	**2,376**	**180**	**1,251**	**46**	**9,663**
Depreciation of property, plant and equipment	**(335,639)**	**(193,662)**	**(560)**	**(9,762)**	**(188)**	**(539,811)**
Depreciation of investment property	**(158)**	**—**	**—**	**—**	**—**	**(158)**
Amortisation of land use rights	**(22,354)**	**(9,629)**	**—**	**(109)**	**(45)**	**(32,137)**
Amortisation of intangible assets	**(1,851)**	**(473)**	**(9)**	**—**	**(8,193)**	**(10,526)**
Reversal of inventories written-down	**26**	**—**	**—**	**—**	**—**	**26**
Reversal of/(provision for) impairment of trade and other receivables	**1,003**	**(30)**	**(422)**	**(12)**	**—**	**539**
Finance costs	**(14,899)**	**(19,861)**	**—**	**(75)**	**(239)**	**(35,074)**
Share of results of associates	**(2,126)**	**—**	**—**	**68,147**	**(645)**	**65,376**
Income tax expense	**(29,326)**	**(23,039)**	**(6,552)**	**(17,970)**	**(9,731)**	**(86,618)**
Capital expenditure	**749,650**	**442,239**	**539**	**33,596**	**18,735**	**1,244,759**

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	3,391	—	39,525	4,392	72,287	119,595
Total gross segment sales	2,298,304	983,180	90,076	49,062	101,781	3,522,403
Profit for the year	104,818	84,120	42,059	114,217	87,569	432,783
Other income	111,778	25,124	1,729	42,437	60,567	241,635
Including: interest income	17,487	2,974	1,729	1,225	54	23,469
Depreciation of property, plant and equipment	(308,626)	(152,389)	(547)	(3,928)	(368)	(465,858)
Amortisation of land use rights	(23,759)	(7,327)	—	(101)	(45)	(31,232)
Amortisation 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)
Finance costs	(30,228)	(13,802)	—	(259)	(19)	(44,308)
Share of results of associates	(1,625)	—	—	75,926	(1,541)	72,760
Income tax expense	(47,542)	(25,258)	(9,418)	(1,340)	(12,341)	(95,899)
Capital expenditure	342,643	656,351	467	1,057	830	1,001,348

The segment assets and liabilities as at 31 December 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*
Segment assets	**5,554,150**	**3,352,953**	**173,237**	**188,279**	**3,274,972**	**12,543,591**
Investments in associates	**51,075**	**—**	**228**	**199,081**	**4,585**	**254,969**
Total assets	**5,605,225**	**3,352,953**	**173,465**	**387,360**	**3,279,557**	**12,798,560**
Total liabilities	**899,070**	**1,218,673**	**19,010**	**44,317**	**936,101**	**3,117,171**

The segment assets and liabilities as at 31 December 2008 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*
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

Sales between segments are carried out at arm's length transactions. The external revenue reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Unallocated costs which mainly represent corporate expenses are included in "Others". Other income in the segment of "Star-rated hotel operation" for the year ended 31 December 2009 mainly includes gain on disposal of available-for-sale financial assets of RMB79,424,000 (for the year ended 31 December 2008: RMB68,825,000) and gain on disposal of an investment in associates of RMB101,304,000 (for the year ended 31 December 2008: RMB2,499,000).

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, other current assets, inventories, trade and other receivables, restricted cash and cash and cash equivalents. They also include goodwill recognised arising from acquisition of subsidiaries relating to respective segments.

Segment liabilities comprise borrowings, deferred income tax liabilities, trade and other payables and income tax payable.

Capital expenditure comprises additions to property, plant and equipment, investment property, land use rights and intangible assets, including additions resulting from acquisition through business combinations.

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Employee benefit expense	**1,075,586**	1,032,119
Depreciation of property, plant and equipment	**539,811**	465,858
Cost of inventories sold	**477,372**	428,924
Utility cost and consumables	**364,183**	384,342
Business tax, property tax and other tax surcharges	**229,153**	236,473
Operating leases — land and buildings	**221,873**	152,519
Laundry costs	**57,171**	50,673
Repairs and maintenance	**54,799**	61,238
Commissions paid to travel agencies	**47,688**	48,068
Amortisation of land use rights	**32,137**	31,232
Advertising costs	**19,669**	18,829
Telecommunication expenses	**13,599**	12,065
Transportation expenses	**11,718**	17,448
Amortisation of intangible assets	**10,526**	766
Auditors' remuneration	**8,600**	7,970
Entertainment expenses	**7,733**	7,127
Pre-operation expenses	**6,309**	6,181
Insurance costs	**5,745**	5,606
Legal and consulting costs	**5,452**	5,121
Depreciation of investment property	**158**	—
(Reversal of)/write-down of inventories	**(26)**	449
(Reversal of)/provision for impairment of trade and other receivables	**(539)**	9,579
Others	**110,396**	133,230
	3,299,113	3,115,817

5 INCOME TAX EXPENSE

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Mainland China current corporate income tax ("CIT")	**102,065**	119,530
Deferred income tax	**(15,447)**	(23,631)
	86,618	95,899

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 2009 (2008: 25%) as determined in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") and the Detail Implementation Regulations ("DIR") except as described below.

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

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 2009 (2008: 16.5%). For the year ended 31 December 2009, the Group's subsidiary incorporated in Hong Kong did not have assessable profits and therefore has not provided for any Hong Kong profits tax.

US profits tax is provided at a rate of 35% on the estimated assessable profits of Group's subsidiary and jointly controlled entity incorporated in US during the year ended 31 December 2009. For the year ended 31 December 2009, the Group's subsidiary and jointly controlled entity incorporated in US did not have assessable profits and therefore has not provided for any US profits tax.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2008: 25%) in Mainland China as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**371,319**	528,682
Tax calculated at a tax rate of 25% (2008: 25%)	**92,830**	132,171
Effect of different taxation rates	**(26,592)**	(21,146)
Income not subject to tax	**(20,234)**	(26,448)
Expenses not deductible for tax purposes	**9,760**	5,803
Tax losses for which no deferred income tax assets were recognised	**47,198**	24,042
Utilization of previous unrecognised tax losses	**—**	(333)
Effect of share of profit tax of associates	**(16,344)**	(18,190)
Income tax expense	**86,618**	95,899

6 EARNINGS PER SHARE

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**118,869**	270,255
Weighted average number of ordinary shares in issue (thousands)	**4,565,000**	4,565,000
Basic earnings per share (RMB cents)	**2.60**	5.92

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

7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2008 of RMB2.1 cents per share, totalling RMB95,865,000 (final dividend in respect of the year ended 31 December 2007: RMB3.0 cents per share, totalling RMB136,950,000) was paid in June 2009. On 16 April 2010, the Directors recommend the payment of a final dividend of RMB2.0 cents per share, totalling RMB91,300,000 in respect of the year ended 31 December 2009. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 18 June 2010. These financial statements do not reflect this dividend payable.

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Proposed final dividend of RMB 2.0 cents (2008: RMB2.1 cents) per share	**91,300**	95,865

8 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**71,408**	68,143
Less: provision for impairment of trade receivables	**(3,749)**	(4,183)
Trade receivables — net	**67,659**	63,960
Amounts due from related parties	**89,258**	151,447
Prepayments and deposits	**128,094**	144,070
Receivables on disposal of an investment in Jiu Long Hotel	**—**	15,431
Others	**41,502**	20,393
Less: provision for impairment of other receivables	**(13,727)**	(14,100)
Other receivables — net	**245,127**	317,241
	312,786	381,201

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:

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current to 3 months	**58,158**	54,963
3 months to 1 year	**9,027**	7,092
Over 1 year	**4,223**	6,088
	71,408	68,143

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

9 TRADE AND OTHER PAYABLES

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Trade payables	**177,635**	132,520
Payables for purchases of property, plant and equipment, and intangible assets	**248,928**	217,815
Amounts due to related parties	**109,792**	98,114
Salary and welfare payables	**238,437**	252,363
Advances from customers and buyers	**183,798**	151,269
Deposits from lessees and constructors	**52,997**	49,083
Other taxes payable	**51,975**	62,034
Accrued expenses in connection with acquisition of IHR	**32,128**	—
Accrued expenses	**25,244**	18,727
Payable due to Shanghai World Expo 2010 Bureau	**16,233**	—
Accrued expenses for reorganisation between Jin Jiang Hotels Development and the Company	**11,900**	—
Payable for acquisition of West Capital International Hotel Company Limited	**9,183**	—
Others	**67,128**	65,153
	1,225,378	1,047,078

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

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current to 3 months	**162,651**	112,672
3 months to 1 year	**8,543**	8,668
Over 1 year	**6,441**	11,180
	177,635	132,520

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

10 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at 31 December 2009 but not yet incurred is as follows:

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment	**377,501**	367,072

(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:

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Not later than 1 year	**151,998**	144,312
Later than 1 year and not later than 5 years	**347,845**	367,909
Later than 5 years	**787,399**	782,271
	1,287,242	1,294,492

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

	At 31 December	
	2009	2008
	RMB'000	*RMB'000*
Not later than 1 year	**227,159**	175,569
Later than 1 year and not later than 5 years	**900,754**	769,160
Later than 5 years	**2,273,545**	2,277,192
	3,401,458	3,221,921

11 EVENTS AFTER THE BALANCE SHEET DATE

(a) Reorganisation

Pursuant to the reorganisation agreement and the supplemental agreement (together, the "Transaction") entered between Jin Jiang Hotels Development and the Company dated 28 August 2009 and 29 September 2009, respectively, the Company agreed to transfer its 71.225% equity interest in Jin Jiang Inn, 80% equity interest in Jin Jiang Hotel Investment and 99% equity interest in Da Hua Hotel to Jin Jiang Hotels Development; and Jin Jiang Hotel, a subsidiary of the Company, will transfer its 1% equity interest in Da Hua Hotel 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, 50% equity interest in Thayer Jin Jiang Interactive Company, 50% equity interest in Jin Jiang Tomson Hotel, 99% equity interest in Jin Jiang Hotel Management, 100% interest in Management College, 66.67% equity interest in Sofitel Hyland, 65% equity interest in Jian Guo Hotel, 40% equity interest in Yangtze Hotel, 15% equity interest in Wenzhou Dynasty Hotel Company Limited, 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 Hotel Management from Min Hang Hotel, a subsidiary of Jin Jiang Hotels Development (together, the "Transfer-in Assets"). The considerations to the Transfer-in Assets and the Transfer-out Assets are to be determined based on an assets valuation as at 31 July 2009 and the profit or loss of Transfer in Assets and Transfer-out Assets between 1 August 2009 and the completion date of the Transaction. The difference will be settled in cash. The valuation of Transfer-in Assets and Transfer-out Assets as at 31 July 2009 are RMB3,071,037,000 and RMB2,728,248,000, respectively.

On 29 January 2010, the Transaction was conditionally approved by the Review Committee of Mergers, Acquisitions and Reorganisations of Listed Companies of CSRC. The final approval document has not yet been received by the Company as at 16 April 2010.

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 estimatedly decrease by approximately RMB564,511,000 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.

(b) Acquisition of IHR

On 12 June 2009, Capital Gathering, LLC, a wholly owned subsidiary of the Company, and THI V Inca, LLC, a wholly owned subsidiary of Thayer Group, formed HAC, with each of HAC's members owning 50% of HAC. The Group accounted for HAC as a jointly controlled entity.

On 18 December 2009, HAC entered into an Agreement and Plan of Merger with IHR and Interstate Operating Company, L.P. (the "Merger Agreement").

On 11 March 2010, IHR's shareholders approved the Merger Agreement. HAC's acquisition of IHR was completed on 18 March 2010. Upon such completion, IHR remains as the sole general partner of Interstate Operating Company, L.P. and became a wholly-owned subsidiary of HAC. The Group indirectly holds a 50% equity interest in IHR through HAC, and accounts for IHR as a jointly controlled entity. HAC received all assets, all liabilities and contracts of IHR, including payments triggered by and resulting due to the effect of the merger. The total acquisition costs of the IHR acquisition were approximately US$142,400,000 (equivalent to RMB972,336,000). The corresponding purchase accounting calculations and allocations are in process and not determinable as of 16 April 2010. The acquisition costs were funded equally by each of HAC's two members, and the Group's share of this amount was approximately US$71,200,000 (equivalent to RMB486,168,000).

(c) Disposal of equity interest in Chengdu Jinhe Real Estate Company Limited

As at 31 December 2009, the Company held a 30% equity interest in Chengdu Jinhe Real Estate Company Limited ("Chengdu Jinhe") with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party (the "Purchaser") and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the Purchaser, at a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and are not determinable as at 16 April 2010.

BUSINESS REVIEW

Star-rated Hotel Operation

Star-rated hotel operation is the major source 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 star-rated hotels in Shanghai declined in varying degrees as the number of inbound foreign visitors (including visitors from Hong Kong, Macau and Taiwan) to Shanghai during the Reporting Period decreased while market competition continued to intensify with the rapidly growing supply of luxury star-rated hotels in Shanghai. During the Reporting Period, star-rated hotels contributed approximately RMB1,881,491,000 to the Group's revenue, representing a 18.0% decrease against the previous year.

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

	2009				2008			
	The Group's star-rated hotels located in Shanghai		**Other star-rated hotels in the Shanghai market**		The Group's star-rated hotels located in Shanghai		Other star-rated hotels in the Shanghai market	
	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 hotels	**47**	**807**	**53**	**1,010**	57	989	60	1,233
4-star hotels	**54**	**547**	**50**	**508**	61	668	55	618
3-star hotels	**46**	**333**	**47**	**297**	58	366	52	324
2-star hotels	**55**	**278**	**50**	**209**	66	295	56	212

Notes: 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, Jin Jiang Tomson Hotel and Renaissance Yangtze Hotel;

2. 4-star hotels: Park Hotel, Jian Guo Hotel, 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 and Da Hua Hotel; and

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

The overall average occupancy rate of star-rated hotels in Shanghai dropped from 55.4% in 2008 to 50.2% in 2009 and the average room rate dropped from RMB658 in 2008 to RMB563 in 2009, according to the statistics published by the Shanghai Municipal Tourism Administrative Commission.

It is estimated that Peace Hotel will commence soft operation before the 2010 Shanghai World Expo.

Y.M.C.A Hotel commenced soft operation in February 2010 as the first commercial hotel under the new brand name of "Marvel" after completion of its overall renovation work. Following the completion of the renovation, Y.M.C.A Hotel has 142 hotel rooms and a 24-hour restaurant.

Renovation of the guest rooms, corridors and the elevator hall at the North Tower of Jin Jiang Hotel was completed in mid April 2010, while renovation of the guest rooms on every floor, the executive lounge on the 40th floor and the 24-hour restaurant at the lobby at Jin Jiang Tower has been fully completed, while renovation work at the reception area of the lobby of Jin Jiang Tower will be completed by the end of April 2010. The renovation resulted in significant improvements in room facilities.

In line with the Group's strategy to realign its hotel distribution in China, the Company entered into an equity interest transfer agreement with Xi'an Catering Company Limited on 16 October 2009 to acquire a 100% equity interest in West Capital International Hotel Company Limited at a consideration of approximately RMB139,000,000. The acquisition was completed on 31 October 2009 and the Company is planning to develop Capital International Hotel as the Group's flagship hotel in Northwestern China.

During the Reporting Period, the Group transferred 35% and 10% of the equity interests it held in Shanghai Zhongya Hotel to Heng Rui (Shanghai) Investment Holding Limited and Shanghai Shenkai Investment Limited, respectively. After completion of the transfer, the Group no longer held any equity interest in Shanghai Zhongya Hotel. In addition, the Group entered into a share transfer agreement with Shanghai Sanhe Real Estate Company Limited on 28 January 2010 to transfer the 30% equity interest in Chengdu Jinhe held by the Company to Shanghai Sanhe Real Estate Company Limited at a consideration of RMB17,760,000. After completion of the transfer, the Group no longer held any equity interest in Chengdu Jinhe.

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 is mainly comprised of 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.

During the Reporting Period, Jin Jiang Inn Budget Hotels reported fast growth in turnover, contributing approximately RMB1,177,257,000 to the Group's revenue, representing a 19.7% year-on-year growth and accounting for 35.5% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB73,390,000, representing a 17.5% year-on-year growth.

In 2009, Jin Jiang Inn entered into new agreements for the development of 21 self-managed hotels and 58 franchised hotels. As at the end of 2009, there were a total of 439 Jin Jiang Inn Budget Hotels either in operation or under development (including 19 Bestay Hotels Express), offering an aggregate of over 56,000 guest rooms. During the Reporting Period, 93 new Jin Jiang Inn Budget Hotels commenced operations, including 29 self-managed hotels and 64 franchised budget hotels. As at the end of 2009, there were 333 Jin Jiang Inn Budget Hotels in operation.

As at 31 December 2009, Jin Jiang Inn Budget Hotel's network covered 118 cities and towns in 30 provinces, autonomous regions or municipalities, including 195 budget hotels in the Yangtze River Delta region accounting for approximately 44% of the total number of Jin Jiang Inn Budget Hotels. There were 85 and 32 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 eastern regions, cities in the central regions and key provinces and municipalities of China, and worked on ensuring rapid and sound development of the projects by taking measures such as further standardising the implementation procedures of project development and strengthening the quality control of project development. 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 286 franchised hotels in operation or under development, accounting for 65.1% of the total number of Jiang Jiang Inn Budget Hotels.

As part of its ongoing efforts in brand building and promotion, Jin Jiang Inn launched a series of promotional campaign under the theme of "A Comfortable Chinese New Year: healthy and cost-saving" (舒適中國年、健康又省錢) during the Reporting Period, featuring a "Sleep with Comfort Programme" (舒適睡眠計劃). Our brand differentiation was further highlighted with exposure in some leading print media as well as mobile media. A string of marketing activities tailored for members under different themes were launched in line with a more market-oriented sales strategy, resulting in year-on-year growth in members' spending in a market overshadowed by the financial tsunami.

During the Reporting Period, Jin Jiang Inn conducted optimisation measures and designs for its operating models and business processes and identified the general direction and specific tasks for business transformation in the coming years. Planning has been devised for information system development over the next 3 to 5 years, which will help to optimise and integrate the management structure and management processes of Jin Jiang Inn. The upgrading and optimisation of the hotel reception management system (PMS) and the central reservation system (CRS) has been further advanced, while the website of Jin Jiang Inn has also been revamped and upgraded.

During the Reporting Period, the construction of the new Jin Jiang Inn paging centre providing 250 seats and supporting 1,000 outlets was basically completed. It is set to become an advanced information platform claiming leadership in the industry and providing support for the enhancement of customer base management. Efforts were also being made to advance the enterprise resource management information system integrating finance, procurement and human resources, which would enhance support for the Company's principal operations and enable management of 1,000 outlets and a multitude of brands, paving the way for higher-level development into an internationalised brand management company.

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 at 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 dedicated nationwide reservation hotline (4008208999) and a website for online reservation (www.bestay.com.cn) have already been launched. As at 31 December 2009, there were 19 Bestay Hotel Express projects, of which 5 have been opened for business. The current operating conditions are sound, with good prospects for development.

Before the date of publication of this announcement, the trademark "Jin Jiang Inn" received the "Famous Brand in Shanghai" award from Shanghai Administration of Industry and Commerce, and received the "Well-known Trademark" award from the State Administration for Industry and Commerce of China.

Star-rated Hotel Management

As at 31 December 2009, Jin Jiang Hotel Management managed 103 star-rated hotels with over 30,000 guest rooms, spreading across 53 cities in 23 provinces, autonomous regions and municipalities in China, of which 73 hotels are owned by third parties but managed by the Group.

A new brand in commercial hotel operations, known as "Marvel", was launched in January 2010 in accordance with the Group's strategic framework scheme for the development of the Jin Jiang Hotel brand, taking advantage of the renovation of Y.M.C.A Hotel. "Marvel" aims to meet individual requirements of young and middle-aged business travelers by providing neat, fashionable and personalized guest rooms that reflect leisure lifestyle even amid dynamic business schedules. In line with the fundamental requirements of business travelers, the 4B (Bed, Bathroom, Breakfast and Business) feature is a major highlight of this product.

The Group further enhanced its efforts in the development of hotel management system and compiled a new management handbook embodying development results of the internationalisation of the hotel management systems, which was well-received by the member hotels during training and promotion. The Jin Jiang VIP programme was extended to 30 star-rated hotels under the Group during the Reporting Period, with a total enrollment of over 25,000 members. Strategic partnerships have also been established with China Southern Airlines, China Eastern Airlines, Shanghai Airlines, Shenzhen Airlines and Hainan Airlines, etc..

During the Reporting Period, Jin Jiang Hotel Management entered into an agreement on priority partnership with American Express, the world's largest travelling management company. Moreover, Jin Jiang Hotel Management has, during the Reporting Period, conducted operating audit on over half of the operating member hotels, supervising and supporting the member hotels to improve the quality of their operations and services.

For online sales, development of the Jin Jiang Central Reservation System (JREZ) continued with efforts to expand channels for centralised reservations. Bookings for over 83,000 room nights were received during the Reporting Period. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 69% of all patrons.

The Group has 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. The reservation functions of www.jinjianghotels.com, the company website of Jin Jiang Hotel Management, are being updated from time to time. New marketing activities are being launched to attract more patrons, while the establishment of our global sales office is also progressing.

Food and Restaurants Operation

The Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to enjoy stable growth in 2009. As at the end of 2009, Shanghai Kentucky Fried Chicken Company Limited ("Shanghai KFC") had a total of 246 outlets, enjoying steady growth in revenue and profit, maintaining its leading position in Shanghai's fast food industry. New Asia Snacks had 57 outlets. Shanghai Yoshinoya had 20 outlets. Shanghai Jing An Bakery Co., Ltd. ("Jing An Bakery") had 69 outlets. Chinoise Story operated 2 restaurants in Shanghai and Wuhan, respectively.

Shanghai Jin Jiang International Catering Investment Co., Ltd. ("Catering Investment"), a subsidiary of the Company, completed the acquisition of a 25% equity interest in New Asia Café de Coral in March 2009. Upon the completion of the acquisition of such equity interest, Catering Investment held a 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 a 7% equity interest in 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, Jin Jiang Hotels (HK), a subsidiary of the Company, purchased from Jin Jiang International Group (HK) Co., Limited ("Jin Jiang International (HK)") the entire equity interest in Jing An Bakery Holding Co., Limited ("Jing An Holding") at a cash consideration of RMB15,350,000. Registration of particulars with relevant authorities was completed in September 2009. Jin An Holding owns a 70% equity interest in Jing An Bakery.

In November 2009, Jin Jiang Hotels (HK) entered into a shareholders' agreement on capital increase of Jin An Holding with China Bread Investments Limited ("Pride BVI"), China Bakery Group Limited ("CHP BVI") and JJ Bakery Holdings Limited ("Staff BVI"). Upon completion of the increase in capital in December 2009, Jin Jiang Hotels (HK), Pride BVI, CHP BVI and Staff BVI are respectively interested in 40%, 30%, 20% and 10% equity interest in Jing An Holding.

Information Technology

The Group continued to strengthen its construction and input in the development of information systems in 2009, as it persisted in enhancing management standards and customer satisfaction through higher levels of informatisation. The core competitiveness at the levels of both the headquarter and the member hotels has been significantly improved as a result.

During the Reporting Period, the Group's five major information management systems, namely the Jin Jiang Hotels central reservation system (JREZ), Jin Jiang Hotels frequent patronage system (JJP), Jin Jiang Hotels central procurement system, Jin Jiang member hotel management support system and Jin Jiang Hotels mailing system, had been fully developed and put to extensive application to provide standardised management and online support for member hotels. The Jin Jiang Hotels management support system (JHMSS), a database platform serving management teams of the member hotels, expanded the contents of its database in response to the needs of hotel management in real-life situations and provides the general manager and managers at intermediate levels with information on nearly 1,000 management systems (such as the Jin Jiang core quality standards and work guidance opinions) and other dynamic management information. The functions of the Jin Jiang central procurement platform have been improved through constant upgrades and over 1,000 merchandise items are now available for online trading as more member hotels are engaged in online purchasing.

In connection with information systems development, the Group persisted in the principle of driving standardisation and centralisation on the one hand while encouraging member hotels to employ new technologies on the other hand. Centralised standards are being implemented for major systems (such as PMS, communications and networks) to ensure that the Group is technically and organisationally ready for further centralisation in information systems. Member hotels are encouraged to employ advanced information system when they carry out renovations or new constructions, with a view to enhancing customer satisfaction.

FINANCIAL REVIEW

Turnover

The Group's turnover for the year ended 31 December 2009 as compared with the same period in 2008 is set out as follows:

	Year ended 31 December 2009		Year ended 31 December 2008	
	RMB in millions	***As a percentage of turnover***	*RMB in millions*	*As a percentage of turnover*
Star-rated hotel operation	**1,881.4**	**56.6%**	2,294.9	67.4%
Jin Jiang Inn Budget Hotels	**1,177.2**	**35.5%**	983.2	28.9%
Star-rated hotel management	**48.4**	**1.5%**	50.5	1.5%
Food and restaurants	**186.5**	**5.6%**	44.7	1.3%
Others	**27.2**	**0.8%**	29.5	0.9%
Total	**3,320.7**	**100.0%**	3,402.8	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 2009, together with comparatives figures for 2008:

	Year ended 31 December 2009		Year ended 31 December 2008	
	RMB in millions	***As a percentage of turnover***	*RMB in millions*	*As a percentage of turnover*
— Accommodation revenue	**875.0**	**46.5%**	1,208.1	52.6%
— Food and beverage sales	**703.2**	**37.4%**	769.2	33.5%
— Rendering of ancillary services	**104.3**	**5.5%**	128.6	5.6%
— Rental revenue	**163.4**	**8.7%**	140.5	6.2%
— Sales of hotel supplies	**35.5**	**1.9%**	48.5	2.1%
Total	**1,881.4**	**100.0%**	2,294.9	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 Reporting Period was approximately RMB875,026,000, representing a decrease of 27.6% compared to the same period in 2008. The main factors which affected accommodation revenue were as follows:

1. The continued downturn of the inbound tourism market owing to the external economic environment and the impact of the Influenza A (H1N1) pandemic, as reflected in a year-on-year decrease of 1.8% in the number of inbound visitors to Shanghai according to statistics published by the Shanghai Municipal Tourism Administrative Commission, coupled with the continued increase in the supply of hotel rooms resulting in an aggravated over-supply situation, has duly affected the various incomes of star-rated hotel operations.

2. High-end star-rated hotels, which relied mainly on foreign visitors for patronage, reported a year-on-year decline in the room revenue per available room ("RevPAR") ranging from 25% to 30%, while RevPAR of lower-end star-rated hotels declined by around 20% to 30%.

3. Wuhan Jin Jiang reported turnover of approximately RMB58,816,000 representing a year-on-year growth of 32%, which included accommodation revenue of approximately RMB37,918,000 representing a year-on-year growth of 33%, mainly attributable to an improvement in occupancy rate by 17.1%, as the hotel moved into a period of business maturity following the commencement period.

4. Kunming Jin Jiang reported slight improvement in results with a year-on-year growth of 0.9% in accommodation revenue.

Food and beverage sales

The Group's food and beverage sales primarily comprised catering for weddings and conferences, room services for guests and other sales in bars and restaurants in hotels. During the Reporting Period, food and beverage sales were directly affected by the decline in occupancy rate, while corporate customers tended to cut the budgets for their annual dinner functions or even cancel such events all together in the aftermath of the financial crisis. Although the market for hotel wedding banquets was red-hot, it was not enough to offset the overall decline in revenue. As a result, the revenue from food and beverage sales at star-rated hotels decreased 8.6% to approximately RMB703,248,000, as compared to the same period in 2008.

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 Reporting Period, the revenue from ancillary services decreased by approximately RMB24,231,000 or approximately 18.8% as compared to the same period in 2008, mainly attributable to lower occupancy rate.

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 RMB22,868,000 or 16.3% as compared to the same period in 2008. The increase was mainly attributable to the lease of the basement hall of Y.M.C.A Hotel to the Agricultural Bank of China from November 2008, resulting in an increase of rental income by RMB5,893,000. The compensation received during the renovation period of Peace Palace Hotel leased to Swatch increased by approximately RMB16,087,000 or 64%, year-on-year.

Sales of hotel supplies

Turnover from guest amenities and hotel supplies decreased by approximately RMB13,000,000, or approximately 26.8% as compared to the same period in 2008. The decrease was mainly attributable to the decline in the operating results of star-rated hotels contracted and managed by Jin Jiang Hotel Management and the decrease in hotel supplies required as a result.

(II) Jin Jiang Inn Budget Hotels

ADR and occupancy rate of Jin Jiang Inn Budget Hotels were relatively stable as compared to star-rated hotels, as patrons of Jin Jiang Inn Budget Hotels were mainly domestic travelers who were less affected by the financial crisis. Turnover of Jin Jiang Inn Budget Hotels during the Reporting Period amounted to approximately RMB1,177,257,000, an increase of approximately RMB194,077,000 or an approximately 19.7% year-on-year growth. The increase was mainly attributable to the increase in available rooms from the 29 new directly-managed Jin Jiang Inn Budget Hotels which opened during the Reporting Period as well as the increase in initial franchise fees and ongoing franchise fees. Initial and ongoing franchise fees income amounted to approximately RMB73,390,000, representing a year-on-year growth of 17.5%.

(III) Star-rated Hotel Management

The external sales revenue of star-rated hotel management for 2009 amounted to approximately RMB48,361,000, representing a decrease of approximately 4.3% over the previous year, attributable mainly to the decline in the operating results of star-rated hotels outside the Group managed by Jin Jiang Hotel Management.

(IV) Food and Restaurant Operation and Others

Revenue from the food and restaurant operation is mainly derived from the fast food chain operations and moon cake production business, namely New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. During the Reporting Period, revenue from the segment of food and restaurant operation amounted to approximately RMB186,463,000, representing an increase by approximately 317.4% against the same period in 2008. The growth during the Reporting Period was attributable mainly to the consolidation of New Asia Café de Coral with effect from March 2009, resulting in an additional income of approximately RMB139,542,000.

Moreover, 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 Reporting Period, revenue from such other businesses amounted to approximately RMB27,151,000, a decrease of approximately 7.9% as compared to the same period in 2008.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB2,518,113,000, a year-on-year increase of approximately 7.0%. The increase was mainly attributable to increase in rental expenses, labour costs and depreciation costs as a result of the expansion of Jin Jiang Inn Budget Hotels and the increase in chain outlets, while utilities and low-value consumables decreased in tandem with lower occupancy rates. Meanwhile, the Group continued to leverage its advantage in centralised procurement and secured further price reductions for over 600 items in several stages, on the basis of lower purchase costs for multiple centralised procurements. Moreover, the Group made strong efforts to promote the application of new energy conservation technologies, such as the application of geo-thermal heat pump systems at 5 hotels that resulted in savings of approximately RMB2,940,000 in utilities and equipment maintenance expenses fees; as well as energy conservation technology upgrade for liquid booster pumps of central air-conditioning systems at 3 hotels with a potential energy conservation ratio of approximately 30%.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB802,610,000 for the Reporting Period, a decrease of approximately RMB246,273,000 or approximately 23.5% compared to the same period in 2008.

Other Income

Other income for the Reporting Period, including dividend income received from non-listed equity investments in KFCs in Suzhou, Wuxi and Hangzhou and listed equity investments in Changjiang Securities Company Limited, amounted to approximately RMB55,508,000 (same period in 2008: approximately RMB95,514,000). During the Reporting 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"), gains of approximately RMB19,293,400 from the disposal of China Quanjude (Group) Co. Ltd. ("Quanjude") shares by subsidiary Jin Jiang Hotels Development, and gains of RMB100,808,000 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. As a result, other income for the Reporting Period increased by approximately RMB102,724,000 or 42.5% over the previous year.

Selling and Marketing Expenses

Selling and marketing expenses for the Reporting Period, comprising primarily labour costs, travel agents commission and advertising expenses, amounted to approximately RMB140,920,000 (same period in 2008: approximately RMB159,685,000), representing a year-on-year decrease of approximately 11.8%.

Administrative Expenses

Administrative expenses for the Reporting Period increased by approximately 6.3% to approximately RMB640,080,000 (same period in 2008: approximately RMB602,207,000), mainly attributable to the increase in operating administrative expenses during 2009 and the second half of 2008 for the new outlets of Jin Jiang Inn Budget Hotels, coupled with reductions in travelling expenses, office expenses, freight and miscellaneous expenses and appropriations of third-party management fees in line with lower operating results of Star-rated hotels against the previous year.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, decreased by approximately 12.1% to approximately RMB24,952,000 (same period in 2008: approximately RMB28,396,000). 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 comprises mainly interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost decreased by approximately 20.8% to approximately RMB35,074,000 (same period in 2008: approximately RMB44,308,000), mainly as a result of lower borrowing interest rates.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai KFC and Yangtze Hotel. Share of results of associates for the Reporting Period decreased by approximately 10.1% to approximately RMB65,376,000 (same period in 2008: approximately RMB72,760,000). The decline was mainly attributable to the decrease in share of results from Shanghai KFC and Yangtze Hotel by approximately RMB5,596,000 and RMB14,946,000 respectively, as compared to the previous year.

Taxation

The effective tax rate for the Reporting Period was approximately 23.3% (same period in 2008: approximately 18.1%). The higher effective tax rate was mainly attributable to the increase in unrecognised tax losses.

Profit for the Year

As a result of the factors described above, profit for the Reporting Period attributable to shareholders of the Company was approximately RMB118,869,000 (same period in 2008: approximately RMB270,255,000), decreased by approximately RMB151,386,000 or approximately 56.0%.

Pledge of Assets

As at 31 December 2009, finance lease equipment of the Group with a carrying amount of RMB27,321,000 was pledged as security for finance lease liabilities of the Group with a carrying amount value of RMB27,729,000, and a restricted cash with a carrying amount of RMB299,306,000 was pledged as security for bank borrowings of the Group with the carrying amount of US$39,600,000 (equivalent to RMB270,397,000) (as at 31 December 2008, property of the Group with a carrying amount of RMB324,038,000 was pledged to banks as security for bank borrowings of the Group with a carrying amount of RMB201,063,000).

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 19.27% as at 31 December 2008 to approximately 24.36% as at 31 December 2009.

GROUP DEBTS AND FINANCIAL CONDITIONS

During the Reporting Period, the Group entered into 4 loan agreements with 3 banks with a total amount of RMB447,710,000 and 5 entrusted loan agreements with related party Jin Jiang International with a total amount of RMB601,563,000. Liabilities relating to finance lease equipment of the energy conservation projects amounted to RMB27,729,000.

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 31 December 2009 are analysed as follows:

	Maturity of contracted borrowings outstanding at 31 December 2009 (RMB'000)				
	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings					
Corporate bank borrowings *(dominated in RMB)*	150,000	—	—	—	150,000
Corporate bank borrowings *(dominated in USD)*	270,397	—	27,313	—	297,710
Related party borrowings	—	—	601,563	—	601,563
Finance lease liabilities	1,391	1,482	5,044	19,812	27,729
Total	421,788	1,482	633,920	19,812	1,077,002

TREASURY MANAGEMENT

The Group had strong cash flow, with cash and cash equivalents as at 31 December 2009 and 31 December 2008 amounting to approximately RMB1,460,381,000 and approximately RMB1,644,962,000 respectively.

Interest rate risk management

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

During the Reporting Period, the Group was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Group 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

The Group will continue to dispose of its available-for-sale financial assets. During the Reporting Period, 4,559,985 shares in SPD Bank were disposed of, 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. 617,039 shares in Quanjude were disposed of, realising a gain from the disposal of available-for-sale financial assets of approximately RMB19,293,000. Net gain after deducting income tax expense and minority interests amounted to approximately RMB7,767,000.

As at 31 December 2009, available-for-sale financial assets held by the Group comprised 13,148,849 shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), and 130,828,701 shares in Changjiang Securities Company Limited (Stock code: 000783.SZ) and 801,400 shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH) held by subsidiary Jin Jiang Hotels Development.

HUMAN RESOURCES AND TRAINING

The Group runs a professional training school to provide professional training and nurture industry professionals, where education and training are based on the actual context of hotel management. The Company has set up the Les Roches Jin Jiang International Hotel Management College in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management, which provides hotel managers and future hotel management with various types and levels of star-rated hotel training courses. In 2009, the Management College expanded its enrollment for full-time students and broadened sources of trainees with the admission of 33 overseas students.

In relation to staff training, management and skill training was provided through Jin Jiang International Management School. The quality of management staff of our hotels was improved through short-term and medium-term training courses for management staff at star-rated hotels held during the year with a total enrollment of over 1,800 attendees. Over 20 skill training courses were held to improve the quality of our hotel services, with a total enrollment of over 1,000 attendees.

To cater to the ongoing expansion of its hotel chain, Jin Jiang Inn further improved its training network. An "internal trainer" team was established on a national basis to enhance the results of training at the outlets. In 2009, 11 training courses and 30 training sessions for management staff from budget hotels were organised, with a total enrollment of over 1,600 attendees. These training courses and sessions have provided solid assurance for the supply of talents to meet the needs of the Company's rapid development. Outstanding graduates have been drafted into the management trainee team to receive specific training, so that expertise in various fields would be readily available when needed.

As at 31 December 2009, the Group had approximately 18,770 employees, which was about 0.3% less as compared with the previous year. Employee benefit expense increased by approximately RMB43,467,000 or 4.2% against 2008. The remuneration package for existing employees comprises basic salary, discretionary bonus and social security contributions. No share option scheme has been set up so far.

SOCIAL RESPONSIBILITY

During the Reporting Period, the Group completed its process of corporate culture building and developed the core value of "harmony at home and hospitality for all" (人和錦江，禮傳天下), complemented by the mission of "optimising services for customers, pursuing mutual growth with employees, adding value for shareholders and committing to social responsibilities".

The Group seeks to practice environmental protection in all aspects of its operations. Energy-saving technologies are being actively employed to advance the building of green hotels in an orderly fashion. During the Reporting Period, our branch company Jin Jiang Tower, subsidiaries Park Hotel, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Cypress Hotel and jointly-controlled enterprise Jin Jiang Tomson Hotel were all named "Golden-Leaf Grade Green Tourist Hotels", while our subsidiaries Hua Ting Guest House, New Asia Hotel, Da Hua Hotel, Min Hang Hotel, our jointly-controlled enterprise New Garden Hotel and managed hotels Jiu Long Hotel, Huiheng New Hotel and Pine City Hotel were named "Silver-Leaf Grade Green Tourist Hotels".

The Group also regards the improvement of staff remuneration and welfare as its priority task. During the Reporting Period, a collective salary negotiation agreement was adopted by the general assembly of staff representatives of the Group, with a view to seeking improvements to staff remuneration under difficult business conditions caused by the financial crisis and the Influenza A (H1N1) pandemic. The Group has also introduced corporate annuities and supplemental provident funds at certain subsidiaries and contributed over RMB23 million to such funds for the year on behalf of its employees. Meanwhile, we continued to purchase supplemental medical insurance for our staff covering nearly 10,000 employees, with 17 of them receiving insurance payments for substantial illness during the Reporting Period.

ENERGY CONSERVATION

During the Reporting Period, the Group attained sound results in its implementation of measures for energy conservation and waste reduction. During the Reporting Period, the Group made strong efforts to promote the application of new technologies in energy conservation and strive for favourable policies. Geo-thermal pumps were installed at 5 hotels, namely Da Hua Hotel, Min Hang Hotel, Jinsha Hotel, New Garden Hotel and Cypress Hotel with an average energy cost saving ratio of over 10%, on top of waste reduction and space-saving effects. 3 hotels, namely Galaxy Hotel, Rainbow Hotel and Jin Jiang Tomson Hotel, pioneered in the energy conservation technology upgrade for liquid booster pumps of central air-conditioning systems, which could reduce energy consumption by approximately 30%. Moreover, 4 hotels, namely our subsidiaries Park Hotel, Cypress Hotel, Jinsha Hotel and our jointly-controlled enterprise New Garden Hotel applied for and were granted government subsidies for energy conservation technology upgrade projects for buildings with a total amount of RMB4,200,000, providing favourable conditions for the further advancement of energy conservation technology upgrades.

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 reinforcing market leadership.

The Group is looking forward to new opportunities for development in 2010. We intend to speed up the development of our core industries and bring into full play the synergies arising from our international acquisitions to drive industrial upgrades. We will endeavour to enhance corporate values following the completion of the Group's reorganisation, while capitalising on opportunities presented by the World Expo to reap benefits in brand building as well as profitability. We will also continue to make further efforts in corporate culture building.

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. The business of high-end star-rated hotels of the Group has picked up since the first quarter of 2010, with significant improvements in occupancy rate. Especially in March, the increase of RevPAR of 4-star Hotels and 5-star Hotels has been over 20% on a year-on-year base. Moreover, with the 2010 Shanghai World Expo approaching, the city is expected to attract increasing attention and hotel patronage is expected to grow as a result for the benefit of the Group, whose hotels are mostly located in Shanghai.

The World Expo is the largest and longest exhibition event hosted by Shanghai so far. While it is a fine opportunity for the Group to showcase its brand image and increase profits, it will also readily challenge and test the hospitality ability of the Group's hotels. The Group will address World Expo security as a top priority issue, using its best endeavours to fulfill its duties and ensure safety.

The Group will showcase its superb brand image amid the success and splendour of the memorable Shanghai World Expo by making preparations meticulously and offering dedicated services. We will also seek to maximise potential economic benefits coming our way through the World Expo.

The Group will also leverage the occasion of the World Expo to improve its brand building strategy and brand name structure underpinned by the primary brand and complemented by endorsed brands and independent brands, with a view to further strengthening its brand promotion.

The Group is the leading hotel investor cum operator in China. With the benefit of 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 be committed to improving its management standards and core competiveness and increasing its brand influence in the international hotel market by bringing into full play the synergies of its international acquisitions and making long-term plans with reference to the expertise and experience of its foreign partners.

The Group will fully leverage its asset reorganisation completed during the Reporting Period to integrate its business structures and improve its operating systems, seeking to resolve issues in intra-group competition and connected transactions originating from its historical set-up as well as to cut tax expenses. We will further enhance our core competitiveness in the industry and generally improve our corporate image by building a concise and efficient management structure that befits a listed company, improving our corporate governance structure and reducing management costs.

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 16 April 2010, the Board proposed to declare a final dividend of RMB2 cents (tax inclusive) per share for the year ended 31 December 2009.

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 and the Notice on Issues relating to the Recognition of Overseas Registered PRC-invested Enterprises as Resident Enterprises based on Actual Management Organisation Standards issued by the State Administration of Taxation on 22 April 2009, 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 HKSCC Nominees Limited, other nominees or trustees such as securities firms and banks, etc, 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 17 June 2010 must deliver the document furnished by a competent taxation authority certifying that the Company is not required to pay the withholding corporate income tax in respect of its dividend entitlements to Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on Tuesday, 18 May 2010, 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 17 June 2010. 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 Tuesday, 18 May 2010.

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 within two months after the date of the annual general meeting to the shareholders whose names appear on the share registers of members of the Company on 17 June 2010.

The Company will not take any responsibility nor accept any claims arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The board of directors is not aware of any shareholders who have waived or agreed to waive any dividends.

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" 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 of Hong Kong Limited (the "Listing Rules"). The Company was in compliance with the relevant code provisions set out in Appendix 14 to the Listing Rules for the year ended 31 December 2009.

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 controls 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 (formerly known as Hong Kong Society of 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 2009 was held on 10 April 2009, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2008 were tabled for review and discussion. The second meeting of the audit committee was held on 21 August 2009, at which the condensed unaudited financial statements and the internal audit work of the Group for the first half of 2009 were reviewed and discussed. The third audit committee meeting was held on 8 December 2009, at which the audit work and internal control tests conducted during 2009 were reviewed and discussed. The first meeting of the audit committee for 2010 was held on 9 April 2010, at which the consolidated financial statements, internal control report and corporate governance report for 2009 were tabled for review and discussion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2009, neither the Company nor any of its subsidiaries have 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 Wednesday, 19 May 2010 to Thursday, 17 June 2010 (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 Tuesday, 18 May 2010.

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

Shanghai, the People's Republic of China, 16 April 2010

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, 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".*