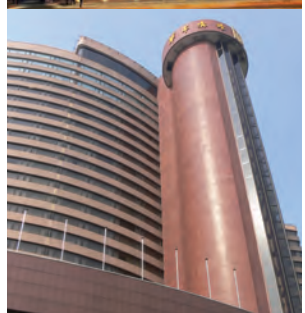

Jin Jiang Hotels

Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006

ANNUAL REPORT 2009

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2 Anyang
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13 Chaoyang
14 Chengdu
15 Dafeng
16 Dalian
17 Daqing
18 Datong
19 Dongguan
20 Dongying
21 Dujiangyan
22 Eerduosi
23 Fuzhou
24 Fushun
25 Ganzhou
26 Guangyuan
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29 Guilin
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39 Huaiàn
40 Huaibei
41 Huainan
42 Huangshan
43 Ji’an
44 Jinan
45 Jining
46 Jiaxing
47 Jiangyin
48 Jiangyan
49 Jiaozhou
50 Jinhua
51 Jinggangshan
52 Jingdezhen
53 Jiujiang
54 Jurong
55 Kunming
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90 Songyuan
91 Suzhou
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97 Tianjin
98 Tianshui
99 Tonglu
100 Tongxiang
101 Urumchi
102 Weihai
103 Weifang
104 Wenzhou
105 Wuxi
106 Wuhu
107 Wuhan
108 Xi’an
109 Xining
110 Xiamen
111 Xianyang
112 Xiangshan
113 Xinchang
114 Xinyang
115 Xuzhou
116 Xuchang
117 Yantai
118 Yancheng
119 Yangzhou
120 Yizheng
121 Yichang
122 Yixing
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126 Zhangjiajie
127 Zhangjiakou
128 Zhenjiang
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136 Zibo
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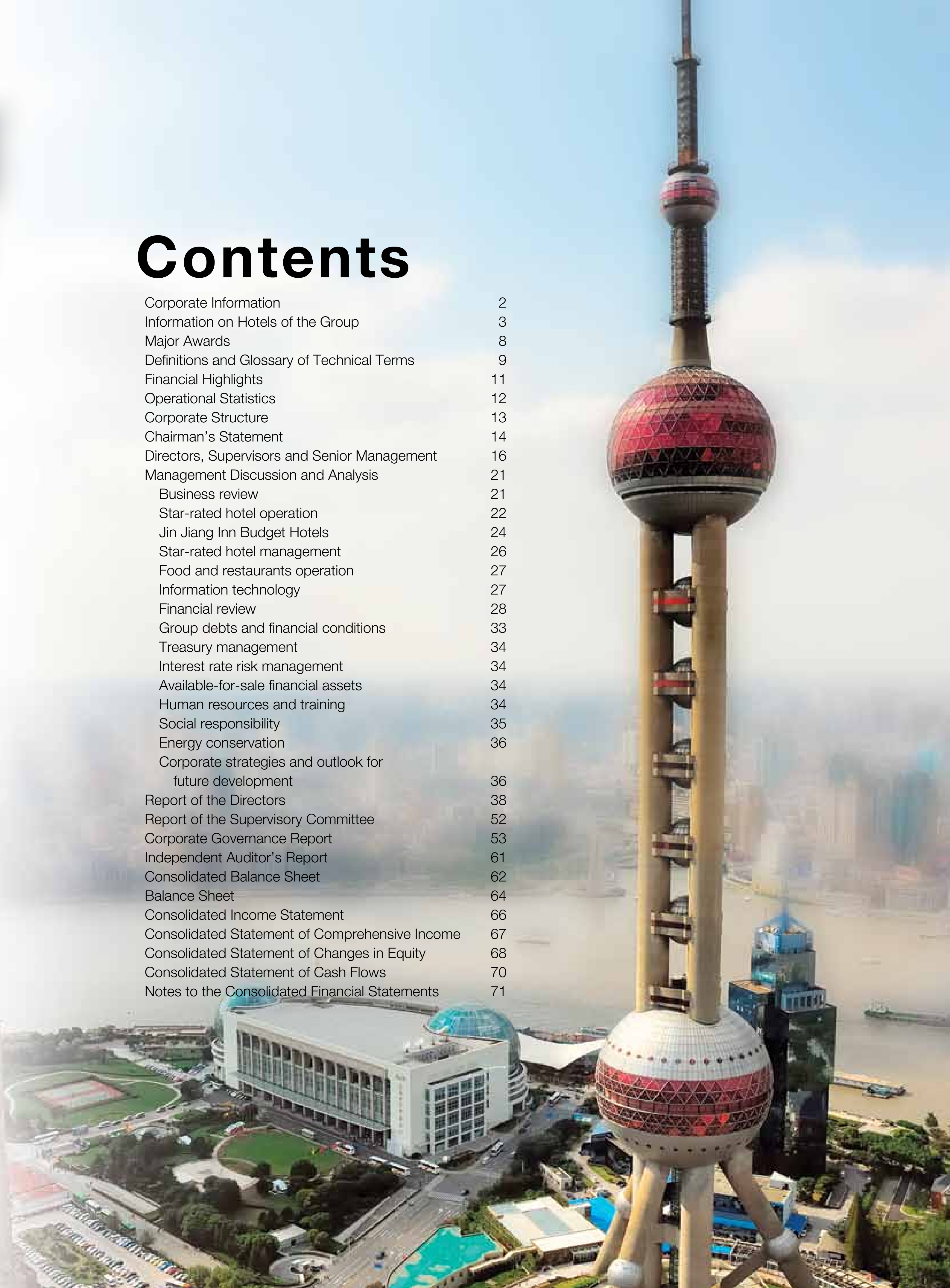


CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yu Minliang *(Chairman)*
Ms. Chen Wenjun
Mr. Yang Weimin *(CEO)*
Mr. Chen Hao
Mr. Xu Zurong
Mr. Han Min
Mr. Kang Ming

NON-EXECUTIVE DIRECTOR
Mr. Shen Maoxing *(Vice Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Ji Gang
Mr. Xia Dawei
Mr. Sun Dajian
Dr. Rui Mingjie
Mr. Yang Menghua
Dr. Tu Qiyu
Mr. Shen Chengxiang
Mr. Lee Chung Bo

SUPERVISORS
Mr. Wang Xingze
(Chairman of Supervisory Committee)
Mr. Wang Guoxing
Mr. Ma Mingju
Ms. Chen Junjin
Ms. Jiang Ping
Mr. Zhou Qiquan

AUTHORISED REPRESENTATIVES
Mr. Yang Weimin
Mr. Kang Ming

JOINT COMPANY SECRETARIES
Mr. Kang Ming
Mr. Ngai Wai Fung

QUALIFIED ACCOUNTANT
Dr. Ai Gengyun

AUDIT COMMITTEE
Mr. Xia Dawei (Chairman)
Mr. Yang Menghua
Mr. Sun Dajian

REMUNERATION COMMITTEE
Mr. Chen Hao *(Chairman)*
Mr. Ji Gang
Mr. Yang Menghua

STRATEGIC INVESTMENT COMMITTEE
Mr. Yang Weimin *(Chairman)*
Mr. Chen Hao
Dr. Rui Mingjie

INTERNATIONAL AUDITOR
PricewaterhouseCoopers

PRC AUDITOR
Deloitte Touche Tohmatsu CPA Ltd.

LEGAL ADVISERS
As to Hong Kong law & US law:
Baker & McKenzie

As to PRC law:
King and Wood

CHINESE NAME OF THE COMPANY
上海錦江國際酒店（集團）股份有限公司

H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT
iPR Ogilvy Limited

PRINCIPAL BANKERS
Industrial and Commercial Bank of China, Shanghai Branch
Bank of China, Shanghai Branch

LEGAL ADDRESS
Room 316–318
No. 24 Yang Xin Dong Road
Shanghai
The People's Republic of China
(the "PRC")

PRINCIPAL PLACES OF BUSINESS IN THE PRC
26/F., Union Building
No. 100 Yan'an East Road
Shanghai, the PRC (Puxi)

13th Floor, Youyou Yanqiao Building
No. 489 Pudian Road
Shanghai, the PRC (Pudong)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3203, 32nd Floor
Shun Tak Centre, West Tower
200 Connaught Road Central
Hong Kong Special Administration
Region of the PRC ("Hong Kong")

STOCK EXCHANGE ON WHICH H SHARES OF THE COMPANY ("H SHARES") ARE LISTED
Main board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Abbreviation of H Shares:
JIN JIANG HOTELS
Stock code: 02006
Website: www.jinjianghotels.com.cn
Tel: (86-21) 6326 4000
Fax: (86-21) 6323 8221

INFORMATION ON HOTELS OF THE GROUP

1 — STATISTICS OF ALL HOTELS

All hotels (As at 31 December 2009)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Landmark Hotels	6	1,666	–	–	–	–	–	–	6	1,666
Luxury Hotels (excluding Landmark Hotels)										
— 5-star hotels	5	2,717	2	974	31	10,198	–	–	38	13,889
— 4-star hotels	9	3,837	2	944	37	9,509	–	–	48	14,290
Sub-total	14	6,554	4	1,918	68	19,707	–	–	86	28,179
Commercial Hotels										
— 3-star hotels	6	1,112	–	–	5	1,206	–	–	11	2,318
— 2-star hotels	4	564	–	–	–	–	–	–	4	564
Sub-total	10	1,676	–	–	5	1,206	–	–	15	2,882
Jin Jiang Inn Budget Hotels	153	23,152	–	–	–	–	286	33,372	439	56,524
Total	183	33,048	4	1,918	73	20,913	286	33,372	546	89,251

INFORMATION ON HOTELS OF THE GROUP

2 — STATISTICS OF HOTELS IN OPERATION

In operation (As at 31 December 2009)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels in operation	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Landmark Hotels	6	1,666	–	–	–	–	–	–	6	1,666
Luxury Hotels (excluding Landmark Hotels)										
— 5-star hotels	4	2,467	2	974	16	5,458	–	–	22	8,899
— 4-star hotels	9	3,837	2	944	26	5,774	–	–	37	10,555
Sub-total	13	6,304	4	1,918	42	11,232	–	–	59	19,454
Commercial Hotels										
— 3-star hotels	6	1,112	–	–	5	1,206	–	–	11	2,318
— 2-star hotels	4	564	–	–	–	–	–	–	4	564
Sub-total	10	1,676	–	–	5	1,206	–	–	15	2,882
Jin Jiang Inn Budget Hotels	122	19,021	–	–	–	–	211	25,780	333	44,801
Total	151	28,667	4	1,918	47	12,438	211	25,780	413	68,803

INFORMATION ON HOTELS OF THE GROUP

3 — STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As at 31 December 2009)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels under development	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Landmark Hotels	–	–	–	–	–	–	–	–	–	–
Luxury Hotels (excluding Landmark Hotels)										
— 5-star hotels	1	250	–	–	15	4,740	–	–	16	4,990
— 4-star hotels	–	–	–	–	11	3,735	–	–	11	3,735
Sub-total	1	250	–	–	26	8,475	–	–	27	8,725
Commercial Hotels										
— 3-star hotels	–	–	–	–	–	–	–	–	–	–
— 2-star hotels	–	–	–	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–	–	–	–
Jin Jiang Inn Budget Hotels	31	4,131	–	–	–	–	75	7,592	106	11,723
Total	32	4,381	–	–	26	8,475	75	7,592	133	20,448

INFORMATION ON HOTELS OF THE GROUP

4 — STATISTICS OF REGIONAL DISTRIBUTION

Province / autonomous region / municipality		In operation: Star-rated hotels Number of hotels	In operation: Star-rated hotels Number of Rooms	In operation: Jin Jiang Inn Budget Hotels Number of hotels	In operation: Jin Jiang Inn Budget Hotels Number of Rooms	Under development: Star-rated hotels Number of hotels	Under development: Star-rated hotels Number of Rooms	Under development: Jin Jiang Inn Budget Hotels Number of hotels	Under development: Jin Jiang Inn Budget Hotels Number of Rooms
Eastern region	Shanghai	32	10,631	71	9,701	1	880	14	1,447
	Zhejiang	2	631	27	3,398	2	507	3	396
	Jiangsu	9	2,478	61	7,639	4	1,120	19	1,967
	Anhui	1	198	6	719	1	198	6	596
	Shandong	3	983	30	3,276	3	1,180	8	809
Northern region	Beijing	9	2,324	26	3,550	1	462	6	665
	Tianjin	—	—	9	1,307	—	—	3	337
	Hebei	6	1,518	3	377	1	285	1	81
	Liaoning	1	320	8	1,416	2	605	5	642
	Jilin	—	—	4	580	—	—	2	242
	Heilongjiang	2	283	6	757	1	300	1	80
Central region	Henan	1	277	9	1,320	2	632	10	1,164
	Hubei	3	842	11	1,748	—	—	1	156
	Hunan	1	300	5	797	—	—	—	—
	Jiangxi	3	735	8	1,076	—	—	1	88
	Guangxi	—	—	2	387	—	—	—	—
Southern region	Fujian	—	—	7	881	2	620	4	443
	Guangdong	—	—	8	1,200	1	350	5	480
	Hainan	1	243	1	283	1	300	—	—
Northwestern region	Shanxi	—	—	6	877	—	—	5	698
	Shaanxi	1	218	8	1,070	—	—	6	698
	Gansu	1	236	1	143	—	—	1	106
	Qinghai	—	—	1	155	—	—	—	—
	Xinjiang	—	—	—	—	—	—	2	264
	Inner Mongolia	1	900	4	591	—	—	1	92
	Ningxia	—	—	2	260	—	—	—	—
Southwestern region	Chongqing	1	315	2	257	1	316	—	—
	Sichuan	—	—	5	857	4	970	1	80
	Guizhou	1	250	1	110	—	—	1	192
	Yunnan	1	320	—	—	—	—	—	—
	Tibet	—	—	1	69	—	—	—	—
Total		80	24,002	333	44,801	27	8,725	106	11,723

INFORMATION ON HOTELS OF THE GROUP

5 — STAR-RATED HOTELS IN WHICH THE GROUP HOLDS SUBSTANTIAL INTERESTS

Name of hotel	Effective interests held by the Company	Number of Rooms
Landmark Hotels		
Jin Jiang Hotel	100.00%	434
Peace Hotel	100.00%	260
Park Hotel	100.00%	244
Pacific Hotel	100.00%	189
New Asia Hotel	50.32%	344
Metropole Hotel	50.32%	142
5-star hotels		
Jin Jiang Tower	100.00%	648
Huating Hotel & Towers	50.00%	803
Jin Jiang Tomson Hotel	25.16%	421
Renaissance Yangtze Hotel	20.13%	553
Kunlun Hotel	47.41%	646
Wuhan Jin Jiang International Hotel	75.16%	400
4-star hotels		
Jian Guo Hotel	32.71%	454
Galaxy Hotel	100.00%	666
Rainbow Hotel	100.00%	642
Cypress Hotel	100.00%	149
Shanghai Hotel	100.00%	755
Sofitel Hyland	33.55%	401
Holiday Inn Downtown Shanghai	100.00%	543
Wuxi Jin Jiang Grand Hotel	25.00%	285
Kunming Jin Jiang Hotel	99.83%	320
West Capital International Hotel	100%	218
Jiangsu Nanjing Hotel	40.00%	305
3-star hotels		
Peace Palace Hotel	100.00%	103
New Garden Hotel	57.00%	310
Jinsha Hotel	100.00%	294
Da Hua Hotel	100.00%	90
Y.M.C.A Hotel	100.00%	159
Hua Ting Guest House	100.00%	190
2-star hotels		
East Asia Hotel	50.32%	167
Nanjing Hotel	50.32%	165
Min Hang Hotel	50.32%	140

Note: Substantial interests refer to 20% or more equity interests held by the Group.

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2009

The 4th Annual Starlight Award for PRC Hotels

- **Best Domestic Hotel Management Group of China**

Hotels Magazine of the United States (Chinese Edition)

- **Annual Top 10 Hotel Management Group in PRC Hotel Awards 2009**

2009 Annual Conference of the PRC Hotel Industry and the 9th PRC Hotel Forum

- **PRC Hotel Golden Horse Award – Landlord's Choice of Hotel Management Companies**

Hotel Modernisation Magazine

- **Most Influential Domestic Hotel Management China 2009**

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of directors of the Company
"Catering Investment"	Shanghai Jin Jiang International Catering Investment Co., Ltd.
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings (excluding Jin Jiang Pacific Hotel, New Asia Hotel and Metropole Hotel which are categorized as Landmark Hotels of the Group and other 3-star and 2-star hotels managed by Jin Jiang Inn), according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Da Hua Hotel"	Shanghai Jin Jiang Da Hua Hotel Company Limited
"Food and Beverage Services"	food and beverage services relating to hotel operations
"Franchisee(s)"	third parties who have entered into franchise agreement(s) with the Group for the licence to use the Jin Jiang trademark or Jin Jiang Inn trademarks
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, jointly controlled entities or subsidiaries of the Company
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Hotel Management"	Jin Jiang International Hotel Management Company Limited
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited, whose A shares and B shares are listed on the Shanghai Stock Exchange
"Jin Jiang Hotels (HK)"	Shanghai Jin Jiang International Hotels Group (HK) Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang Inn Budget Hotels"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Inn, or which are owned by third parties to which Jin Jiang Inn has granted a franchise, most of which are operating under the trademarks of 锦江之星 and Ji INN
"Jin Jiang International"	Jin Jiang International Holding Company Limited
"Jin Jiang International Finance"	Jin Jiang International Finance Company Limited
"Jin Jiang International (HK)"	Jin Jiang International Group (HK) Company Limited
"Jin Jiang Tomson Hotel"	Shanghai Jin Jiang Tomson Hotel Company Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

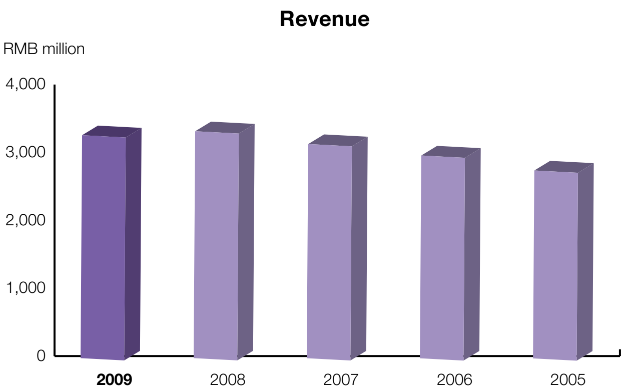
"Jing An Bakery"	Shanghai Jing An Bakery Co., Ltd.
"Jing An Holding"	Jing An Bakery Holding Co., Limited
"Landmark Hotels"	Jin Jiang Hotel, Peace Hotel, Park Hotel, Metropole Hotel, New Asia Hotel and Jin Jiang Pacific Hotel
"Listing Rules"	rules Governing the Listing of Securities on the Stock Exchange
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings (excluding Jin Jiang Hotel, Peace Hotel and Park Hotel, which are categorised as Landmark Hotels), according to the criteria set by the Group
"Management College"	Shanghai Jin Jiang International Management College
"Metropole Hotel"	Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel
"Min Hang Hotel"	Shanghai Min Hang Hotel Co., Ltd.
"New Asia Café de Coral"	Shanghai New Asia Café de Coral Co. Ltd.
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the saleable inventory for a period longer than six months
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"Reporting Period"	the period from 1 January 2009 to 31 December 2009
"RevPAR"	room revenue per Available Room
"Shanghai KFC"	Shanghai Kentucky Fried Chicken Company Limited
"Sofitel Hyland"	Sofitel Hyland Shanghai
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Star-Rating Standard Manual"	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Total Number of Rooms"	number of available rooms per hotel
"Wuhan Jin Jiang"	Wuhan Jin Jiang International Hotel Company Limited
"Yangtze Hotel"	Yangtze Hotel Limited

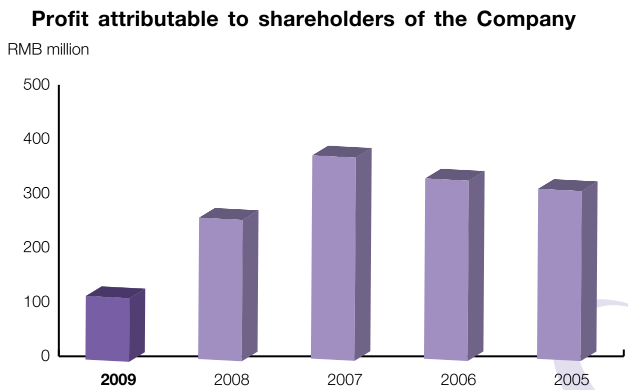
FINANCIAL HIGHLIGHTS

	2009 RMB million	2008 RMB million	2007 RMB million	2006 RMB million	2005 RMB million
Revenue	**3,321**	3,403	3,197	3,030	2,808
EBITDA	**989**	1,071	1,169	1,047	945
Profit attributable to shareholders of the Company	**119**	270	383	335	313
Dividends	**91**	96	137	145	146
Proposed dividend per share (RMB cents)*	**2.00**	2.10	3.00	2.60	N/A
Total assets	**12,799**	10,380	13,828	10,202	6,944
Total liabilities	**3,118**	2,001	2,930	3,068	2,706
Net assets (total equity)	**9,681**	8,379	10,898	7,133	4,238
Net assets per share (RMB)	**2.12**	1.84	2.39	1.56	1.28
Gearing ratio**	**8.4%**	5.2%	3.6%	19.3%	21.3%
Capital expenditure	**1,245**	1,001	1,012	970	1,890
Net cash generated from operating activities	**561**	533	470	543	917

* Figures of dividend payout ratio and number of shares entitled to dividends have not been presented as such information is not comparable.

** 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.





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;

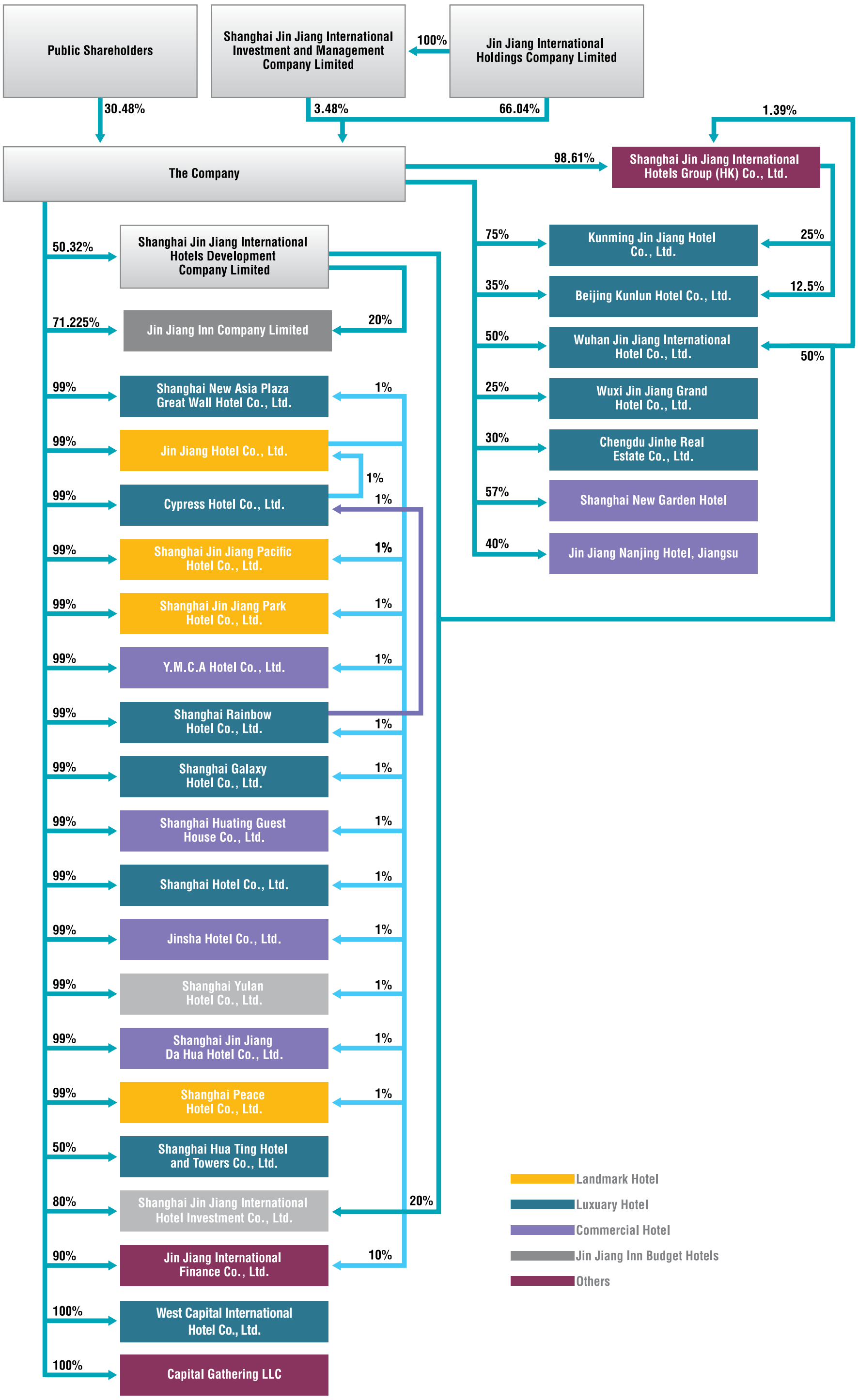
4. Peace Palace Hotel and Y.M.C.A Hotel (under renovation during 2009) were excluded from the above analysis under the category of 3-star Commercial Hotels;

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

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

CORPORATE STRUCTURE

The following diagram sets out the principal subsidiaries, jointly controlled entities and associated companies of the Company as at 31 December 2009:



CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board of Directors of the Company the annual report of the Group for the year ended 31 December 2009.

Constrained by the global economic weakness amid uncertainties in the aftermath of the global financial crisis and the impact of the Influenza A (H1N1) pandemic in 2009, the PRC tourism industry had not yet fully recovered. The number of inbound foreign visitors to Shanghai continued to decline amid subdued global economic sentiments, and competition in the industry remained intense with a continued growing supply of hotel rooms. All these presented a challenge to the business performance of the Group's star-rated hotels in Shanghai to a certain extent. Nevertheless, due to our dominant market position and strong brand advantage, as well as our flexible and prudent business strategies, we managed to achieve stable development against adverse market conditions. Moreover, the Group took an important step in its overseas business development by optimising its asset structure during the Reporting Period and leveraging acquisition opportunities in the international market.

ACTIVE RESPONSE TO THE FINANCIAL CRISIS AND STABLE DEVELOPMENT OF BUSINESS OPERATIONS

Despite uncertainties overwhelming the PRC tourism industry and the hotel industry in Shanghai, the Group maintained market leadership during the Reporting Period and reported profits in a difficult environment by adjusting its marketing strategies and adopting measures to diversify revenue sources and reduce costs. As at 31 December 2009, the Group had 546 star-rated hotels and budget hotels in operation or under development with nearly 90,000 guest rooms, covering an extensive network of 137 cities in 31 provinces, autonomous regions and municipalities in China.

While the financial tsunami has affected the operation of star-rated hotels, it has also presented opportunities to budget hotels. As a pioneer in the budget hotel sector, the Group is fully aware that Jin Jiang Inn will provide a growth spot that supports the Group when it steers through the economic downturn. During the Reporting Period, Jin Jiang Inn continued to engage in rapid expansion and a total of 439 budget hotels were in operation, resulting in a more extensive geographic coverage and providing a stable source of revenue and profit for the Group. In addition, the Group has engaged a specialist consultant to furnish advice and designs on the business model and process of Jin Jiang Inn, in order to optimise the overall management process and improve efficiency.

Apart from its principal hotel business, the Group also made notable developments in its food and restaurant business during the Reporting Period. With the renewal of its contract with Shanghai Kentucky, the advancement of the strategic restructuring of Jing An Bakery and the completion of the restructuring of business and equity transfer of New Asia Café de Coral, a solid foundation has been laid for the future development of our restaurant business.

ASSET STRUCTURE OPTIMISED TO STRENGTHEN CORE COMPETITIVENESS

In order to further enhance the core competitiveness of its business, highlight its market positions in the two sub-segments of star-rated hotels and budget hotels and improve its operating systems, the Company entered into a reorganisation agreement with Jin Jiang Hotels Development during the Reporting Period to swap assets in star-rated hotels and budget hotels. After the reorganisation, the Group will focus on the operation and management of star-rated hotels, while Jin Jiang Hotels Development will be able to focus on budget hotels, by leveraging the brand advantage of Jin Jiang Inn, such that the Company's core competitiveness and brand influence can be effectively strengthened and the operation efficiency of both parties can be enhanced to have a win-win development.

MARKET LEADERSHIP REINFORCED BY ACCESS TO THE INTERNATIONAL MARKET

During the Reporting Period, the Group seized an unprecedented opportunity for international merger and acquisition to make it first move into the international market. It has now acquired Interstate Hotels & Resorts, Inc. ("IHR Group"), an internationally renowned independent hotel management company, through a joint venture jointly set up with a wholly owned subsidiary of Thayer Lodging Group, Inc., a United States hospitality company. IHR Group is a leading independent hotel management company in the United States, which manages 228 hotels in the United States, Canada, Europe and Asia. This merger will provide a favourable platform for the Company's access to the international market, such that the Company can extend its business to various countries around the world and to achieve a breakthrough in building an overseas network.

CHAIRMAN'S STATEMENT

2010: OPPORTUNITIES PRESENTED BY THE WORLD EXPO YEAR

Notwithstanding the uncertainties in the global financial market, the hotel industry in Shanghai will be presented with a historic opportunity in 2010 when Shanghai hosts the Shanghai World Expo. The Group will seize the opportunities arising from the Shanghai World Expo to seek new development. Peace Hotel will be a world-class luxury hotel, after completion of its renovation work and it will re-open for business before the opening of the Shanghai World Expo. In addition, the Group will actively proceed with the renovation work at other hotels to enhance their values. With a view to more effectively seizing the opportunities associated with the World Expo, the Group launched a new commercial hotel brand "Marvel" to address the needs of younger business travelers. Furthermore, the State Council of the People's Republic of China promulgated its opinions on speeding up the development of tourism, and proposed to develop tourism into a strategic pillar industry of the economy, which we believe will promote the long-term development of the hotel and tourism industries in China.

The Group will continue to reinforce its market leadership by leveraging its nationwide network and optimising the structure of its hotel assets. Through cooperation with international organisations of specialised brand names, the Group will adopt a brand strategy by focusing on 5-star hotels while fine-tuning the brand positioning for 4-star and 5-star hotels ("high-end Star-rated hotels") to enhance our brand competitiveness. Other initiatives to bolster our core competitiveness shall include: rigorous implementation of standard operational procedures to further improve the quality of the operations of our member hotels, enhancement of our sales network to increase revenue and sales contributions, and ongoing reinforcement of our management platform system as well as human resources management and staff training.

Apart from these, the Group will continue to place a strong emphasis on compliance with corporate governance principles, maintaining and enhancing its internal control procedures with a high level of transparency to reduce risks and protect shareholders' interests. It is the Group's firm belief that the implementation of these strategies and initiatives will help the Group to adapt itself for growth amid strong competition. We will greet future challenges with confidence by bringing into full play the advantages of a listed company with regard to asset restructuring and international mergers and acquisitions, while seizing opportunities to diversify financing sources in a favourable market, so that the Group's competitive edge and overall strengths will be further enhanced with the benefit of economies of scale.

I would like to take this opportunity to express sincere gratitude to all of our employees, who continued to make invaluable contributions to the Group in 2009. Because of their enthusiastic wholehearted devotion, "Jin Jiang" remains as a household name for hotel group throughout the nation. I would also like to take this opportunity to thank all shareholders, investors and the public for their enduring and vigorous support to the Group. With concerted efforts, we are prepared to constantly enhance the value of the Company and create a bright future hand in hand with our shareholders.

Yu Minliang
Chairman

Shanghai, the PRC
16 April 2010

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 52, chairman of the Board and executive director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With more than 20 years' experience in hotel management, he has been general manager of the Yangtze Hotel, general manager of Jin Jiang Hotels Development, general manager of Shanghai New Asia (Group) Company, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the board's executive committee of Jin Jiang International since joining the Group in 1984. Apart from serving as chairman of Jin Jiang International, Mr. Yu is currently the director and chairman of Jin Jiang Hotels Development and chairman of the Yangtze Hotel.

Ms. Chen Wenjun (陳文君), aged 54, executive director. Ms. Chen is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. She has extensive experience in finance management, having been deputy general manager of Jin Jiang Hotel Company Limited, vice president, and assistant to the president of Jin Jiang (Group) Company Limited, director of Jin Jiang Hotels Development and director of Shanghai Jin Jiang International Industrial Investment Company Limited ("Jin Jiang Investment") since joining the Group in 1981. She has also been director and financial controller of Jin Jiang International. Apart from being director and senior vice president of Jin Jiang International and chairman of Shanghai Jin Jiang International Investment & Management Company Limited (formerly known as Shanghai Huating Group Company Limited, "Huating Group"), Ms. Chen is now the chairman of Jin Jiang Hotel Company Limited, Jin Jiang Hotel Investment, Jin Jiang Inn, Jin Jiang International Finance and Shanghai Hotel Company Limited.

Mr. Yang Weimin (楊衛民), aged 55, executive director, authorized representative and chief executive officer of the Company ("CEO"). Mr. Yang is a senior economist with a master's degree in law from the East China University of Science & Technology. He has extensive experience in hotel management, having worked as deputy manager and principal of the training division of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Tower of the Company, vice president of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Hotel Management, vice president of Jin Jiang International and chief executive officer and vice chairman of Jin Jiang Hotels Development since joining the Group in 1989. He is currently the vice-chairman of Jin Jiang Hotels Development, Jin Jiang International Hotel Investment and Jin Jiang Inn, chairman of Jin Jiang Catering Investment, Shanghai Jian Guo Hotel Company Limited ("Jian Guo Hotel") and Yunnan Jin Jiang International Management Company Limited, and executive director of Jin Jiang Hotel Management.

Mr. Chen Hao (陳灝), aged 60, executive director. Mr. Chen is a senior economist and an engineer with a bachelor's degree in industrial automation from Shanghai Polytechnic University. He has many years of experience in hotel management, having been chief engineer of the Shanghai Yangtze Hotel Company Limited, engineering director of Shanghai New Asia (Group) Hotel Management Company, engineering director of Shanghai New Asia Tomson Hotel, general manager of Shanghai Tian Cheng Hotel, executive manager, acting general manager of Jin Jiang Hotels Development, assistant to the president of Jin Jiang International and director and executive president of Jin Jiang Hotels Development since joining the Group in 1985. He is currently director and chief executive officer of Jin Jiang Hotels Development, vice chairman of Wenzhou Dynasty, chairman of Shanghai City Restaurant in Holland, director of Jin Jiang International Hotel Investment, chairman of Wuhan Jin Jiang, director of Jin Jiang Inn, vice chairman of Jin Jiang Catering Investment, executive director of Shanghai Jinya Hotel Company Limited, director of Jin Jiang Tomson Hotel and Jian Guo Hotel, chairman of Sofitel Hyland and chairman of Jin Jiang Hotels (HK).

Mr. Xu Zurong (徐祖榮), aged 54, executive director and vice president of the Company. He is a senior economist. He has been general manager of Cypress Hotel Company Limited ("Cypress Hotel") and Jin Jiang California Company in the US, as well as manager of integrated operation management division of Jin Jiang (Group) Company Limited since joining the Group in 1981. He is now the president of Jin Jiang Inn, and is also director and general manager of Jin Jiang International Hotel Investment.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Han Min (韓敏), aged 52, executive director and vice president of the Company. He holds a master's degree in international law from Fudan University. He has been a manager of the investment development division of Jin Jiang (Group) Company Limited, manager of the merger division of Jin Jiang International and director of Shanghai Jin Jiang International Travel Company Limited since joining the Group in 2005.

Mr. Kang Ming (康鳴), aged 38, executive director and authorized representative. Mr. Kang is a senior accountant, holding a master's degree in Economics from the Shanghai University of Finance and Economics. Mr. Kang has gained experience in listed companies information disclosure, corporate governance, capital operation and investor relationship in the past 15 years since joining the Group in 1994. He was previously the board secretary of Jin Jiang Hotels Development, the A Shares and B Shares of which are listed on the Shanghai Stock Exchange. He is also a joint company secretary of the Company (the "Joint Company Secretary") and the board secretary. According to a confirmation letter received from the Stock Exchange on 14 December 2009, Mr. Kang has been in compliance with the requirements for company secretaries set out in Rule 8.17(3) of the Listing Rules.

NON-EXECUTIVE DIRECTOR

Mr. Shen Maoxing (沈懋興), aged 59, vice-chairman of the Board and a non-executive director. Mr. Shen holds a master's degree of business administration from Macau University of Science and Technology. He has extensive experience in hotel management, having been vice president of Huating Group, general manager and chairman of Jin Jiang Hotel Management, president of Jin Jiang (Group) Company Limited and vice chairman, chief operation officer and executive president of Jin Jiang International since joining the Group in 1995. Currently, apart from being the vice chairman and president of Jin Jiang International, chairman of Jin Jiang Investment, Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"), Jin Jiang International (HK), he is also vice chairman of Jin Jiang Hotels Development and the chairman of Chengdu Jinhe Real Estate Company Limited ("Chengdu Jinhe").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 52, independent non-executive director, is a senior economist with a master's degree in economics. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, general manager of Shanghai Zhongya Hotel; general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee; and director of Zhabei District Economic Committee. Mr. Ji is currently the president of Shanghai Industrial Development Company Limited.

Mr. Xia Dawei (夏大慰), aged 57, independent non-executive director, is a professor and an instructor for doctoral candidates. Mr. Xia is currently the principal of Shanghai National Accounting Institute, vice president of Chinese Industrial Economic Association, member of the Corporate Internal Control Standards Committee under the Ministry of Finance of PRC, honorary professor of the School of Management of Fudan University and a member of the Expert Committee for Listed Companies of Shanghai Stock Exchange.

Mr. Sun Dajian (孫大建), aged 55, independent non-executive director, is a senior accountant and PRC certified public accountant with a bachelor's degree in accounting from Shanghai University of Finance and Economics. He has worked as auditor in Hong Kong local accountants firm for one year. Mr. Sun has also gained ample accounting experience as manager of Dahua Accountants Firm and manager of Pricewaterhouse Da Hua. He is now the financial controller of Shanghai Yaohua Pilkington Glass Company Limited, a listed company in the PRC, with primary responsibilities to oversee the internal control and accounting policies of the Company as well as its annual audit. The directors have evaluated Mr. Sun's education, qualification and experience and are satisfied that he has the necessary training and experience to satisfy the requirements of Rule 3.10(2) of the Listing Rules.

Dr. Rui Mingjie (芮明杰), aged 55, independent non-executive director, is a professor with a doctoral degree in economics, and was formerly independent director with Shanghai Hainiao Enterprise Development Company Limited and Shanghai Dragon (Group) Corporation. Dr. Rui is currently professor in corporate management of the School of Management, head of the Department of Industrial Economics of the School of Management, member of the degree assessment committee and chairman of the degree committee of the School of Management at Fudan University. He is currently holding independent directorships at a number of PRC listed companies, including China Enterprise Co., Ltd., Shanghai Waigaoqiao Free Trade Zone Development Co., Ltd. and Fiberhome Telecommunication Technologies Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Menghua (楊孟華), aged 66, independent non-executive director, was deputy director of Shanghai Branch of Bank of Communications and director of Shanghai New Asia (Group) Company Limited (now known as "Jin Jiang Hotels Development") from June 1998 to August 2003. He is now the chairman of the supervisory committee of Sand Bankcard — Link Information & Service Company Limited. and Shanghai Smartpass Enterprise Service Company Limited.

Dr. Tu Qiyu (屠啓宇), aged 40, independent non-executive director, is a professor at Shanghai Academy of Social Sciences and East China Normal University, specialising in International Economics and Urban Studies. Dr. Tu was formerly Fulbright Professor of Bard College, New York from 2001 to 2002 and a visiting scholar at Harvard University, Cambridge University, Fondation Nationale des Sciences Politiques and Hamburg Institute for Economic Research. He has received 3 awards for policy-making advisory from the Shanghai Municipal Government since 2003. Dr. Tu was named among the "Top Ten Young Economists of Shanghai" in 2003 and was conferred the title of "Outstanding Returning Talents from Overseas of Shanghai" in 2004. Since 2009, he has been the chief editor of "The Blue Paper of Shanghai Economic Development".

Mr. Shen Chengxiang (沈成相), aged 62, independent non-executive director, is a senior economist with a master's degree committed to making contributions to the PRC tourism. He is currently serving as vice president of China Tourism and Hospitality Association, chairman of Hotels Association under Hainan Tourism Industry Association, vice chairman of the China Famous Hotel Organisation. He was named among the "Top Ten Personnel in the PRC Hotel Industry 2005". Mr. Shen is the chairman and general manager of China Huandao Group Nanfang Industrial Development Company Limited and chairman of several hotel companies, including Hainan Huandao Taide Hotel Property Management Company Limited, Beijing Huandao Boya Hotel Company Limited, Hainan Yalongwan Undersea World Travel Company Limited, Hainan Huandao Undersea World Hotel Company Limited and Hainan Huandao International Travel Agency Company Limited.

Mr. Lee Chung Bo (李松坡), aged 66, independent non-executive director, has extensive experience in hotel operation and management having attended a number of training programs held by the international hotel groups and holding various posts in different hotel companies and hotels. He has been food and beverage manager of the Peninsula Group, resident manager of Renaissance Yangtze Hotel, executive vice president of Gloria International Hotels Ltd. and vice president in New Asia Hotel Management Company.

SUPERVISORS

Mr. Wang Xingze (王行澤), aged 54, chairman of the supervisory committee. Mr. Wang joined the Group in 2003 and he has been a deputy director of the administration office of Shanghai New Asia (Group) Company. He is currently the chairman of the supervisory committee and chairman of the labour union of Jin Jiang Hotels Development.

Mr. Wang Guoxing (王國興), aged 46, supervisor of the Company. Mr. Wang is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. He joined the Group in 1992. Mr. Wang was previously lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial controller of Shanghai New Asia (Group) Company Limited (which is the predecessor of the Company), deputy financial controller of Jin Jiang International and secretary-general of the executive committee of the board (vice president) of Jin Jiang International. He is currently vice president of Jin Jiang International, vice chairman of Jin Jiang International Hotel Investment and director of Jin Jiang Inn.

Mr. Ma Mingju (馬名駒), aged 49, supervisor, holds a master's degree in business administration from the Asia International Open University (Macau) and is a senior accountant. He joined the Group in 2005 and was a manager of the planning and finance division of Jin Jiang International. Mr. Ma is currently vice president, manager of planning and finance division and general manager of the finance business division of Jin Jiang International, director of Beijing Kunlun Hotel Company Limited ("Kunlun Hotel Company"), Jin Jiang International Hotel Investment, Jin Jiang Inn and Jin Jiang International Finance.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Chen Junjin (陳君瑾), aged 49, supervisor, is an accountant with a post-secondary diploma in accounting and finance from Shanghai Tourism College. Ms. Chen joined the Group in 1981 and was previously accountant of finance department of Cypress Hotel; head of finance department of Jin Jiang (Group) Company Limited and deputy financial controller of Jin Jiang Hotel Management. Ms. Chen is now the head of finance department and the general manager of Jin Jiang Hotels (HK).

Ms. Jiang Ping (蔣平), aged 52, supervisor, is an economist with a degree in executive master in business administration from Northwestern Polytechnic University in the US. Ms. Jiang joined the Group in 1999. and was previously deputy director of general office and manager of business department of Shanghai Lujiazui Finance and Trade Zone Development Company, as well as general manager of Shanghai Luijiazui Investment and Development Company. Ms. Jiang now serves as deputy general manager and board secretary of Shanghai Luijiazui Finance and Trade Zone Development Company Limited.

Mr. Zhou Qiquan (周啓全), aged 59, supervisor, graduated from Shanghai College of Finance & Economics (now known as Shanghai University of Finance & Economics) with a post-secondary diploma in finance & credit and is an accountant. Mr. Zhou joined the Group in 2003. He was previously the person-in-charge of the finance department of Shanghai Luwan Residential Corporation; and section head, deputy manager of planning and the finance department of Shanghai Minhang United Development Company Limited. Mr. Zhou currently serves as a manager of planning and finance department of Shanghai Minhang United Development Company Limited.

JOINT COMPANY SECRETARIES

Mr. Kang Ming (康鳴), Joint Company Secretary. Please refer to his biography under the section headed "Executive Directors" in this section.

Mr. Ngai Wai Fung (魏偉峰), aged 48, is the joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairman of its Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He has undertaken a PhD programme at the Shanghai University of Finance & Economics in finance and is currently in the stage of thesis preparation.

SENIOR MANAGEMENT

Mr. Yang Weimin (楊衛民) is an executive director, CEO and authorised representative of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Xu Zurong (徐祖榮) is an executive director and vice president of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Han Min (韓敏) is an executive director and vice president of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Kang Ming (康鳴) is an executive director, authorized representative and the Board secretary and also the Joint Company Secretary. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Ai Gengyun (艾耕雲), aged 39, is the qualified accountant and director of the Planning and Finance Department. He joined Jin Jiang Hotels Development, a subsidiary of the Company, in 1995 and has been controller of the Planning and Finance Department of the Company since April 2006. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a qualified senior accountant in the PRC with over 14 years of professional experience in financial reporting, management and internal control.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 PRC. The Group remained the leading hotel groups in the PRC in terms of the number of hotel rooms. According to the latest ranking of global hotel groups announced by the HOTELS Magazine (the official publication of The International Hotel & Restaurant Association) in 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 Reporting Period. The 71.225% equity interest in Jin Jiang Inn, 80% equity interest in Jin Jiang Hotel Investment and 99% equity interest in 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 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, New Asia Hotel, and all of the assets and liabilities of Jin Jiang Hotels Development's branch, Metropole Hotel, 100% interest in Management College, 99% equity interest in Jin Jiang Hotel Management, 66.67% equity interest in Sofitel Hyland, 65% equity interest in Jian Guo Hotel Co., Ltd., 50% equity interest in Jin Jiang Tomson Hotel, 50% equity interest in Wuhan Jin Jiang, 50% equity interest in Thayer Jin Jiang Interactive Company, 40% equity interest in Yangtze Hotel and 15% equity interest in Wenzhou Dynasty Hotel Company Limited; and from 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 the date of publication of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 IHR Group to acquire the entire equity interests in IHR Group at a price of US$2.25 per share. Following the completion of the acquisition, IHR Group 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 Group at the general meeting of IHR Group 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 Group through HAC.

On 1 April 2010, 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 Group, 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 Group and Thayer Group in respect of a talent training.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.*

MANAGEMENT DISCUSSION AND ANALYSIS

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 Shanghai Peace Hotel Company Limited ("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 West Capital International Hotel Company Limited 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

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 Company Limited had 20 outlets. Jing An Bakery had 69 outlets. Chinoise Story operated 2 restaurants in Shanghai and Wuhan, respectively.

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 (HK) the entire equity interest in 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	100.0%

(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%

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 Hotel Company Limited ("Kunming Jin Jiang") reported slight improvement in results with a year-on-year growth of 0.9% in accommodation revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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, which has been 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 of RMB27,729,000, and a deposit with a carrying amount of RMB299,306,000 was pledged for borrowings to a subsidiary of the Company with a 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
Borrowings from Jin Jiang International	—	—	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

MANAGEMENT DISCUSSION AND ANALYSIS

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, etc.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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)

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 competitiveness 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.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting their report together with audited consolidated financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Group is principally engaged in Star-rated hotel operation and management, budget hotel operation and franchising, food and restaurants and other businesses. The Group is structured as a horizontally integrated hospitality services provider, offering hospitality services tailored to all segments ranging from budget accommodation to 5-star hotels. This structure enables the Group to enjoy economies of scale and scope as well as providing the Group with a platform to increase its market presence.

OPERATIONAL REVIEW

Management discussion and analysis on operation are set out on pages 21 to 37 of this report.

FINANCIAL REVIEW

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 66 of this report. Management discussion and analysis on financial review are set out on pages 21 to 37 of this report. A financial summary of the Group for the years ended 31 December 2005, 2006, 2007, 2008 and 2009 is set out on page 11 of this report.

SHARE CAPITAL

The number of shares in each class of shares of the Company as at 31 December 2009 is set out as follows:

Class of shares	Number of shares in issue ('000)	As a percentage of total share capital (%)
Domestic shares	3,173,500	69.52
Including:		
Jin Jiang International	3,014,825	66.04
Shanghai Jin Jiang International Investment & Management Company Limited	158,675	3.48
H shares	1,391,500	30.48
Total	4,565,000	100.00

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 15 December 2006 and raised a net amount (after listing expenses) of approximately RMB2,676,100,000 under the global offering.

According to the plan described in the Prospectus, the proceeds were applied as follows:

In 2007, approximately HK$1,091,600,000 (RMB1,098,200,000) was injected into Shanghai Jin Jiang International Hotel Investment Company Limited by way of additional capital on a pro-rata basis for the development and expansion of the Jin Jiang Inn Budget Hotels network, pursuant to an arrangement between the Company and Jin Jiang Hotels Development.

As at 31 December 2009, a total of RMB1,078,300,000 of the issue proceeds was utilized by Shanghai Jin Jiang International Hotel Investment Company Limited on an accumulative basis as external investment in the development of Jin Jiang Inn Budget Hotels project.

REPORT OF THE DIRECTORS

As at 31 December 2009, issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant subsidiary hotels and branch companies for the refurbishment of certain Landmark Hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Y.M.C.A Hotel. From 1 January 2007 to 31 December 2009, issue proceeds of approximately RMB496,900,000 out of the RMB725,000,000 were utilized as payments for construction work, including payments in respect of the aforesaid hotels.

From March 2007 to May 2007, issue proceeds of approximately RMB852,900,000 were used for partial repayment of bank borrowings of the Group.

DIVIDENDS

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

Pursuant to the Corporate Income Tax Law of the 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.

REPORT OF THE DIRECTORS

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.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 144 to 146.

RESERVES

The Group had a reserve of approximately RMB3,099,398,000 as at 31 December 2009, of which RMB462,665,000 was retained earnings. Details of which are set out in Note 20 to the consolidated financial statements on pages 119 to 121.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company (the "Articles of Association"), distributable reserves are determined based on the profits of the Company prepared according to the PRC Accounting Standards and the Hong Kong Financial Reporting Standards ("HKFRS"), whichever is the lower.

According to the PRC Company Law, the profit after tax (after transferring appropriate amount into the statutory surplus reserve fund) can be distributed as dividend.

As at 31 December 2009, in accordance with the PRC Accounting Standards, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB525,328,652, of which about RMB91,300,000 is proposed to be the final dividend for the year.

FIXED ASSETS

Details of hotels in which the Group held substantial equity interests are set out on page 7 of this report.

BORROWINGS

The details of short and long term borrowings are set out in Note 22 to the consolidated financial statements on pages 123 to 126.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2009, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisee and the Group's Franchisee is required to pay the continuing franchise fee on or before the 10th day of every month. The Franchisee is obliged to pay a certain percentage of the amount payable in case of a default in payment. The Group offers credit term of one to three months for travel agencies and corporate customers, while no credit term is provided to individual guests.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2009, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

None of the directors, their associates nor any shareholder (who to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Continuing Connected Transactions

According to an announcement issued by the Company on 16 December 2008 (the "Connected Transaction Announcement"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since each of the applicable percentage ratios for the continuing connected transactions calculated on an annual basis is more than 0.1% but less than 2.5%, the continuing connected transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement in accordance with Rule 14A.34 of the Listing Rules. All terms used below shall have the same meanings as defined in the Connected Transaction Announcement, unless the context requires otherwise.

(i) Leases

Dates:	30 November 2004, 20 February 2006, 16 June 2006, 25 August 2006, 21 September 2006, 22 September 2006 and 10 November 2006
Parties:	(i) certain associates of Jin Jiang International as landlord; and (ii) certain members of the Group as tenant
Properties:	11 commercial properties located in Shanghai
Terms:	each of the Leases has automatically extended for further terms of 3 years and has a term due to expire on 31 December 2011. Upon the expiry of such initial term, each of the Leases shall automatically extend for further terms of 3 years with the rent to be agreed by the parties based on the then prevailing market price, subject to the fulfilment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party.
Aggregate Rental:	Approximately RMB12,690,000 and RMB13,710,000 for the years ending 31 December 2010 and 2011, respectively, which shall be paid monthly in advance (except for two leases, which shall be paid quarterly in advance), and which is inclusive of the expected future figures of utility charges and administrative fees as disclosed in the Prospectus.

(ii) Long Term Leases

Dates:	10 June 1996 and 6 February 2006
Parties:	(i) certain associates of Jin Jiang International as landlord; and (ii) certain members of the Group as tenant
Terms:	Each of the Long Term Leases has a current term of 20 years and will expire on 30 June 2016 and 31 December 2026, as the case may be, unless the relevant member of the Group gives to the lessor at least 1 year's prior written notice of termination.
Properties:	2 commercial properties located in Shanghai
Rental:	Approximately RMB10,070,000 and RMB10,560,000 for the years ending 31 December 2010 and 2011, respectively, which shall be paid quarterly or semi-annually in advance, as the case may be, and which is inclusive of the expected future figures of utility charges and administrative fees.

REPORT OF THE DIRECTORS

(iii) Master Agreements

Date:	20 November 2006
Parties:	(i) Jin Jiang International as provider and/or recipient (as the case may be); and (ii) the Company as provider and/or recipient (as the case may be)
Terms:	each of the Master Agreements has automatically extended for further terms of 3 years and has a current term due to expire on 31 December 2011. Upon the expiry of such term, each of the Master Agreements shall automatically extend for further terms of 3 years, subject to the fulfillment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party.
Nature of transactions:	(a) Master Food and Beverage Services and Provision of Food Agreement: • (i) provision of food; (ii) food and beverage services; and (iii) other related or ancillary goods and services by Jin Jiang International and its associates to the Group as well as by the Group to Jin Jiang International and its associates. (b) Master Hotel Supporting Services Agreement: • (i) provision of IT services, laundry services, lift maintenance services, film development services, printing services, telecommunication and electronic products, telephone services, hotel-related goods and other hotel supporting services; and (ii) other related or ancillary goods and services by Jin Jiang International and its associates to the Group. (c) Master Provision of Hotel Rooms Agreement: • (i) provision of hotel rooms; and (ii) other related or ancillary goods and services by the Group to Jin Jiang International and its associates; and It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate, under the Master Agreements.
Prices:	Each relevant product or service must be provided in accordance with the following general pricing principles: • Stated-Prescribed Prices; or • where there is no State-Prescribed Price, then according to relevant market prices. Payment for goods and services under the Master Agreements is usually settled monthly or quarterly in arrears, as the case may be.

REPORT OF THE DIRECTORS

The historical amounts of the Continuing Connected Transactions under the Agreements for the three years ended 31 December 2009 and the relevant annual caps for each of the three years ended 31 December 2009 were as follows:

Items	Historical Figures (RMB million) For the year ended 2007	For the year ended 2008	**For the year ended 2009**	Annual Caps (RMB million) For the year ended 2007	For the year ended 2008	**For the year ended 2009**
Expenditure Items:						
1) Leases and Long Term Leases	18.3	20.0	**20.4**	23	24	**22**
2) Master Food and Beverage Services and Provision of Food Agreement	27.2	23.7	**16.5**	38	42	**33**
3) Master Hotel Supporting Services Agreement	6.5	7.4	**6.1**	N/A	N/A	**9.2**
Revenue Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	3.3	2.5	**2.9**	N/A	N/A	**4**
2) Master Provision of Hotel Rooms Agreement	24.1	19.8	**10.4**	47	52	**38**

The annual caps for the Continuing Connected Transactions for the two years ending 31 December 2011 are set out in the table below.

Items	**Annual Caps (RMB million) For the year ended 2010**	**For the year ended 2011**
Expenditure Items:		
1) Leases and Long Term Leases	23	25
2) Master Food and Beverage Services and Provision of Food Agreement	43	47
3) Master Hotel Supporting Services Agreement	12	13.1
Revenue Items:		
1) Master Food and Beverage Services and Provision of Food Agreement	5.1	5.6
2) Master Provision of Hotel Rooms Agreement	49	54

REPORT OF THE DIRECTORS

The independent non-executive directors, 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, have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The international auditor of the Company has performed certain agreed-upon procedures on such transactions and has provided a letter to the Board stating that the above continuing connected transactions:

(1) received the approval of the Board;

(2) were in accordance with the pricing policies of the Group if the transactions involve provision of hotel room services by the Group, based on the samples of transactions selected and checked by the international auditor;

(3) were entered into in accordance with the relevant agreements governing such transactions, based on the samples of transactions selected and checked by the international auditor; and

(4) did not exceed the relevant annual caps as disclosed in the Connected Transaction Announcement.

REPORT OF THE DIRECTORS

Other Connected Transactions

In May 2009, Jin Jiang Hotels (HK), a subsidiary of the Company, entered into an agreement to purchase from Jin Jiang International (HK) the entire equity interest in Jing An Holding for a cash consideration of RMB15,350,000. Registration of particulars with relevant authorities was completed in September 2009. Jin An Holding owns 70% equity interest of Jing An Bakery.

Jin Jiang International (HK) is a subsidiary of Jin Jiang International, the controlling shareholder of the Company, and therefore is a connected person of the Company. Therefore, the indirect acquisition of the 70% equity interest in Jing An Bakery through the transfer of the entire equity interest in Jing An Holding constitutes a connected transaction under the Listing Rules.

As all applicable relevant ratios are more than 0.1%, but less than 2.5%, the Company is exempted from the Independent Shareholders' approval requirement, but is still subject to the announcement and reporting requirements as required under Chapter 14A of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the directors, supervisors and senior management as at 31 December 2009 are set out on pages 16 to 20.

RIGHTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company, or any of its subsidiaries, its holding company or any of the subsidiaries of its holding company is or was a party to enable the directors, supervisors and chief executive officer of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate subsisted at the end of the year or at any time during the year.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND SUPERVISORS

As at 31 December 2009, none of the directors, chief executive officer or supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), which shall be deemed to apply to the supervisors to the same extent as it applies to the directors.

REPORT OF THE DIRECTORS

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2009, three directors, namely Mr. Xu Zurong, Mr. Yang Weimin and Mr. Chen Hao held the following equity interests in Jin Jiang Inn:

Name	Equity interest in Jin Jiang Inn	Nature of interests	Capacity	Percentage in total registered capital of Jin Jiang Inn
Xu Zurong	2,594,600 (Note 1)	Long Position	Beneficial owner	1.4438% (Note 1)
	2,594,600 (Note 2)	Short Position	Beneficial owner	1.4438% (Note 2)
Yang Weimin	1,729,730 (Note 1)	Long Position	Beneficial owner	0.9625% (Note 1)
	1,729,730 (Note 2)	Short Position	Beneficial owner	0.9625% (Note 2)
Chen Hao	1,729,730 (Note 1)	Long Position	Beneficial owner	0.9625% (Note 1)
	1,729,730 (Note 2)	Short Position	Beneficial owner	0.9625% (Note 2)

Notes:

1. These figures represent the respective equity interest in Jin Jiang Inn of these directors. In addition, under the Jin Jiang Inn Shareholders' Agreement (as defined in the Prospectus), in the event new equity interest is issued by Jin Jiang Inn, each of these directors has been granted pre-emptive rights over such new equity interest in proportion to his respective equity interest in Jin Jiang Inn. Please refer to the section headed "Connected Transactions — Jin Jiang Inn Shareholders' Agreement" in the Prospectus for more information.

2. Under the Jin Jiang Inn Shareholder's Agreement, each of these directors has granted to (a) the Company rights of first refusal to purchase his respective equity interest in Jin Jiang Inn if he intends to transfer his said equity interest; and (b) the Company (or a third party designated by the Company) buy back rights to purchase his equity interest in Jin Jiang Inn after the occurrence of certain events. Under the articles of association of Jin Jiang Inn, the Company and Jin Jiang Hotels Development have also been granted certain rights of first refusal over the equity interests held by these directors in Jin Jiang Inn if they intend to transfer their said respective equity interests. Please refer to the section headed "Connected Transactions — Jin Jiang Inn Shareholders' Agreement" in the Prospectus for more information.

As at 31 December 2009, Mr. Yu Minliang, the chairman and an executive director of the Company, held the following number of shares in Jin Jiang Hotels Development:

Name	Equity interest in Jin Jiang Hotels Development	Nature of interests	Capacity	Percentage in total registered capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long Position	Beneficial owner	0.0024%

Save as disclosed above, as at 31 December 2009, none of the directors, chief executive officer or supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such directors, chief executive officer and supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the supervisors to the same extent as it applies to the directors).

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) Substantial shareholders' interest in shares or underlying shares of the Company

As at 31 December 2009, so far as was known to the directors, the following persons (other than a director, chief executive officer or supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	3,173,500,000 (long position)	Beneficial owner and controlled corporation (Note 1)	100%	69.52%
National Council for Social Security Fund	H shares	110,088,000 (long position)	Beneficial owner	7.91%	2.41%

Note:

(1) According to the form filed by Jin Jiang International, 3,014,825,000 domestic shares are beneficially held by it and 158,675,000 domestic shares are held through a controlled corporation.

Save as disclosed above and so far as the directors are aware, as at 31 December 2009, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

(b) Substantial Shareholders' interests in shares/underlying shares of other members of the Group:

As at 31 December 2009, so far as the directors are aware, each of the following persons, not being (i) a director, chief executive officer or supervisor of the Company or (ii) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Town NGS Co., Ltd.)	25%
3	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	閔行區商業建設公司 (Minhang Commercial Construction Co., Ltd.)	30%
4	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州新區獅山農工商總公司 (Suzhou Shishan Industry & Commercial Co., Ltd.)	40%
5	南京錦繡旅館有限公司 (Nanjing Jinxu Hotel Co., Ltd.)	上海浦東新區合慶繡品服裝（集團）有限公司 (Shanghai Pudong Heqing Embroidery Clothing (Group) Co., Ltd.)	40%
6	上海海侖賓館有限公司 (Sofitel Hyland Shanghai)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	33.33%
7	上海建國有限公司 (Jian Guo Hotel Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	35%
8	上海錦江飯店發展有限公司 (Shanghai Jin Jiang Hotels Development Co., Ltd.)	上海錦江飯店實業有限公司 (Shanghai Jin Jiang Hotel Industries Company Limited)	10%
9	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市昆侖經貿公司 (Beijing Kun Lun Economy & Trade Company Limited)	20%
10	上海錦江同樂餐飲管理有限公司 (Shanghai Jin Jiang Tung Lok Catering Management Inc.)	新加坡同樂（中國）控股有限公司 (Tung Lok (China) Holdings Pte. Ltd.)	49%
11	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園（集團）有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
12	上海新亞大家樂有限公司 (Shanghai New Asia Café de Coral Company Limited)	天亨中國有限公司 (Grand Regent China Ltd.)	25%

Save as disclosed above and so far as the directors are aware, as at 31 December 2009, no other person, not being (i) a director, chief executive officer or a supervisor of the Company or (ii) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2009 or at any time during the Reporting Period, there is or was no contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the directors or the supervisors of the Company is or was materially interested, whether directly or indirectly.

As at 31 December 2009 or at any time during the Reporting Period, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company was a party and in which any of the directors or the supervisors of the Company has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As at 31 December 2009 or at any time during the Reporting Period, none of the directors or the supervisors of the Company was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the directors and supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2012.

Commencement dates of the term of the non-executive director and each independent non-executive director are as follows.

Name	Title	Commencement Date
Mr. Shen Maoxing	Non-executive Director	1 January 2006 (re-appointed on 16 June 2009)
Mr. Ji Gang	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Mr. Xia Dawei	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Mr. Sun Dajian	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Dr. Rui Mingjie	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Mr. Yang Menghua	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Dr. Tu Qiyu	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Mr. Shen Chengxiang	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)
Mr. Lee Chung Bo	Independent Non-executive Director	20 November 2006 (re-appointed on 16 June 2009)

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any director or supervisor.

EMOLUMENT POLICY OF THE GROUP

The Group's staff emolument policy comprised basic salary, social security contribution and the Group's performance-based discretionary bonus.

The compensation of the directors and supervisors, and the five highest paid individuals and information regarding pension scheme have been stated in Note 26 to the consolidated financial statements on pages 129 to 132. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 22% and 8% respectively.

The Company determines the remuneration of the directors on the basis of their qualifications, experience and contributions.

REPORT OF THE DIRECTORS

EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTOR, INDEPENDENT NON-EXECUTIVE DIRECTORS, SUPERVISORS

As at 31 December 2009, the executive directors of the Company were Mr. Yu Minliang (chairman), Ms. Chen Wenjun, Mr. Yang Weimin (CEO), Mr. Chen Hao, Mr. Yuan Gongyao, Mr. Xu Zurong, Mr. Han Min, Mr. Kang Ming; the non-executive director was Mr. Shen Maoxing (vice chairman); the independent non-executive directors were Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang, Mr. Lee Chung Bo. Mr. Yuan Gongyao has resigned from the office of an executive director of the Company because he has attained retirement age. His resignation has taken effect from 16 April 2010.

As at 31 December 2009, the supervisors of the Company were Mr. Wang Xingze (chairman of supervisory committee), Mr. Wang Guoxing, Mr. Ma Mingju, Ms. Chen Junjin, Ms. Jiang Ping and Mr. Zhou Qiquan.

Detailed biographies of the directors and the supervisors are set out on pages 16 to 19.

PENSION SCHEMES

In accordance with relevant PRC laws and regulations, full time employees of the Group are enrolled in various defined contribution pension schemes established by relevant provincial or municipal governments. During the Reporting Period, the Group and its employees made contributions to the plans at a certain percentage of the wages of the employees in accordance with the aforesaid pension schemes.

AUDIT COMMITTEE

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

The annual results have been reviewed by the audit committee. Such committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, internal controls and financial reporting, including review of the audited annual results 2009, together with the management.

As certain subjects of audit have been adjusted following the asset reorganisation of the Company and Jin Jiang Hotels Development, the Audit Committee has requested the board of directors to recommend to the annual general meeting of the Company the appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited as the PRC auditor to audit the financial statements prepared in accordance with PRC accounting standards for the year ending 31 December 2010.

REMUNERATION COMMITTEE

The Company has established a remuneration committee, the principal duty of which is to make recommendations to the Board in respect of the remuneration policy and structure formulated by the Company for the directors and the senior management. The remuneration committee comprises a chairman, Mr. Chen Hao, and two independent non-executive directors, Mr. Ji Gang, and Mr. Yang Menghua.

PUBLIC FLOAT

At least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report, based on information publicly available to the Company and within the knowledge of the directors.

NON-EXECUTIVE DIRECTOR

The Company has only one non-executive director, Mr. Shen Maoxing. His biography is set out in the section headed "Directors, Supervisors and Senior Management".

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.13 of the Listing Rules, all independent non-executive directors, 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, have confirmed their independence with the Company. Based on their confirmation, the Company considers that all independent non-executive directors are independent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist which require the Company to offer new shares to its existing shareholders in proportion to their shareholding.

TAX RELIEF AND EXEMPTION

The Company is not aware that any holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

INTERNATIONAL AUDITOR

The consolidated financial statements of the Company prepared in accordance with HKFRS have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Yu Minliang
Chairman of the Board

16 April 2010

REPORT OF THE SUPERVISORY COMMITTEE

To the shareholders of the Company:

During the Reporting Period, all members of the supervisory committee have strictly adhered to the principles of conscientiousness and faithfully discharged their supervisory duties with prudence in accordance with the requirements set out in the Company Law of the PRC, the Articles of Association, for the purpose of safeguarding the interests of the shareholders and the Group.

The supervisory committee convened 3 meetings during the Reporting Period. On 17 April 2009, the supervisory committee received reports on the financial conditions of the Group in 2008 and considered and approved the 2008 supervisory committee report. On 16 June 2009, Mr. Wang Xingze was elected as the chairman of the second session of the supervisory committee of the Company. On 28 August 2009, the supervisory committee received reports on the financial conditions of the Group during the first half of 2009.

Having conducted reviews on the financial system, financial reporting and internal audit of the Group, the supervisory committee is of the view that information contained in the 2009 annual report and 2009 interim report of the Company are true and reliable, and that the audit opinion of the consolidated financial statements for the year ended 31 December 2009 issued by the external auditors is fair and objective.

The supervisory committee has supervised the Group's operations. The scope of supervision includes financial control, operational control and compliance control as well as risk management function. The supervisory committee is of the view that the Group has established comprehensive internal control systems, made significant improvements in the formation and implementation of internal work procedures and effectively controlled the operational risks of the Group. The Group has carried out its business operations in accordance with the PRC laws and regulations and the Articles of Association as well as internal work procedures.

The supervisory committee has supervised the performance by the directors and managers of the Group of their duties and the implementation of the resolutions passed in the general meeting(s). The supervisory committee is of the view that the directors and operation staff performed their duties in accordance with the resolutions passed in the general meeting(s). There were no significant violations of laws and regulations or the Articles of Association or acts conducted jeopardising the interests of the Group and the shareholders by the directors and other members of the management of the Group in the performance of their duties.

By order of the supervisory committee
Wang Xingze
Chairman of the supervisory committee

CORPORATE GOVERNANCE REPORT

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 Listing Rules. The Company was in compliance with the code provisions set out in Appendix 14 to the Listing Rules for the year ended 31 December 2009.

THE BOARD

As at 31 December 2009, the Board consisted of eight executive directors, one non-executive director and eight independent non-executive directors (at least one independent non-executive director possesses appropriate professional qualification or possesses accounting or related financial management expertise). One of the executive directors resigned in April 2010. Biographical details of the directors are set out on pages 16 to 18 of this report.

In 2009, the Board held 6 meetings. The attendance record of each respective director at the Board meetings held in 2009 is set out in the following table:

Directors	Attendance/number of meetings held
Mr. Yu Minliang *(chairman)*	6/6
Mr. Shen Maoxing *(vice chairman)*#	6/6
Ms. Chen Wenjun	6/6
Mr. Yang Weimin *(CEO)*	6/6
Mr. Chen Hao	6/6
Mr. Yuan Gongyao	6/6
Mr. Xu Zurong	6/6
Mr. Han Min	6/6
Mr. Kang Ming	6/6
Mr. Ji Gang*	6/6
Mr. Xia Dawei* Note 1	6/6
Mr. Sun Dajian*	6/6
Dr. Rui Mingjie*	6/6
Mr. Yang Menghua*	6/6
Dr. Tu Qiyu*	6/6
Mr. Shen Chengxiang* Note 1	6/6
Mr. Lee Chung Bo* Note 1	6/6

non-executive director
* independent non-executive directors

Note 1: Each of Mr. Xia and Mr. Shen attended 2 of the meetings not in person but by proxy. Mr. Lee attended 4 of the meetings not in person but by proxy.

NOMINATION OF DIRECTORS AND TERM OF OFFICE

A nomination committee has not been set up under the Board. Shareholders of the Company may nominate candidates for directorship. A written notice stating their intention to nominate a candidate for directorship and the nominee's consent to be nominated shall be delivered to the Company after the dispatch of the notice of general meeting at which the election of directors will be held and not less than 7 days before the general meeting, and the notice period shall not be less than 7 days. During the Reporting Period, the work of the Board included reviewing the process of and criteria for nomination of candidates for Directors. The criteria for nomination shall be based mainly on the academic qualifications, experience and other biographical details of the candidates. The independence of the candidates and their potential contributions to the Board as a whole will also be considered.

Our directors (including the non-executive director) shall be appointed for a term of three years from the effective date of their appointment.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

The Board is accountable to the Company's shareholders in general meetings and exercises the following duties:

1. To be responsible to convene general meetings and report their work therein;

2. To execute the resolutions passed in general meetings;

3. To determine the Company's business plans and investment plans;

4. To prepare the Company's annual financial budget and final accounts;

5. To formulate the Company's profit appropriation plan (including annual dividend payout plan) and loss recovery plan;

6. To formulate plans to increase/reduce the registered capital and to issue the Company's debenture;

7. To determine the Company's merger, spin-off, and dissolution plans;

8. To determine the establishment of the Company's internal management structure;

9. To engage or terminate chief executive officer, and based on nominations of the chief executive officer, engage or terminate the Company's executive president, vice president(s), finance officers, and determine their remunerations;

10. To formulate the Company's basic management system;

11. To draw up proposals to amend the Articles of Association;

12. To determine the Company's wages level, fringe benefits and incentive scheme according to the relevant requirements of the PRC;

13. To determine major business and administrative matters not specified in the Articles of Association to be resolved in the Company's general meeting(s);

14. To formulate major acquisition and disposal plans of the Company; and

15. To perform other functions as authorised by in the Articles of Association and general meeting(s) of the Company.

Resolutions in respect of matters referred to in items 6, 7 and 11 above shall be approved by two-thirds of the directors and a simple majority is required in respect of other matters.

The chairman shall call for and the Board shall convene meetings at least 4 times every year. Notices of such regular meetings shall be served on all of the directors and supervisors not less than 14 days before the dates of the meetings. A regular Board meeting shall not seek approval of the Board through the circulation of written resolutions. In case of any urgent matters, upon requisition by shareholders holding one tenth or more of the voting rights, one third or more of the directors or the supervisory committee, an extraordinary Board meeting may be held.

The time and venue for a Board meeting may be determined in advance by the Board and no separate notice for the meeting shall be necessary if such pre-determined time and venue has been put on record in the minutes of a previous meeting and such minutes have been sent to all directors at least 10 days before the convening of the forthcoming meeting.

CORPORATE GOVERNANCE REPORT

If the time and venue for a Board meeting have not been determined in advance by the Board, the chairman or the secretary to the Board shall dispatch a notice containing the time and venue of the Board meeting to all directors at least 5 days (but not earlier than 10 days) prior to the date of the meeting by way of telex, telegraph, facsimile, express mail, registered mail or by hand.

The meeting agenda and relevant documents for regular Board meetings shall be delivered in full in a timely manner to all directors at least 3 days (or any other agreed length of time) before the date set for such Board meetings.

The quorum of Board meetings shall be at least one half of all the directors, who attend the meetings in person. Each director shall have one vote.

Pursuant to relevant provisions of the Articles of Association and the Listing Rules, the Board has delegated the following duties to the senior management of the Company:

1. Preparation of the Company's annual financial budget and final accounts;

2. Adjustments to the internal management systems (below the departmental level) of the Company;

3. Establishment of the Company's daily management systems (such as human resources, finance, internal control, internal audit, asset management and investment management, etc); and

4. Determination of wages, fringe benefits and incentive scheme for the Company's staff (other than the directors and members of senior management) in accordance with the relevant State regulations.

SUPERVISORY COMMITTEE

By the end of 2009, the supervisory committee comprised 6 members. The background and biographies of the supervisors are set out in the section headed "Directors, Supervisors and Senior Management".

Supervisors of the Company acted diligently to effectively supervise on the lawfulness and compliance of the Company's financial matters and the performance of duties by the directors and senior management.

BOARD COMMITTEES

(1) Audit Committee

The Company's audit committee is a committee established by the Board. 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.

CORPORATE GOVERNANCE REPORT

In 2009, the audit committee held 3 meetings. The attendance record of each respective member at the Audit Committee meetings held in 2009 is set out in the following table:

	Attendance/Number of meetings held
Mr. Xia Dawei	3/3
Mr. Yang Menghua	3/3
Mr. Sun Dajian	3/3

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.

(2) Remuneration Committee

The Company's remuneration committee is a committee established by the Board. Its main duties are to make recommendations to the Board on the Company's remuneration policy and structure for all directors and members of senior management and to draw up procedures for formulating a remuneration policy that is incentive-based and binding. The remuneration committee of the Company consists of one executive director, Mr. Chen Hao, and two independent non-executive directors, Mr. Ji Gang and Mr. Yang Menghua. Mr. Chen Hao is the chairman of the remuneration committee.

In 2009, the remuneration committee held one meeting. The attendance record of each respective member at the meeting held in 2009 is set out in the following table:

	Attendance/Number of meetings held
Mr. Chen Hao	1/1
Mr. Ji Gang	1/1
Mr. Yang Menghua	1/1

The meeting of remuneration committee in 2009 was held on 17 April 2009, and the matters discussed included the implementation of the evaluation measures on executive directors and members of senior management of the Company in 2009.

(3) Strategic Investment Committee

The strategic investment committee is a committee under the Board. Its main responsibilities are to provide advice, proposals, hypotheses; review and supervise implementation, and perform other supervisory duties with regard to strategic investments to be made by the Company. The strategic investment committee consists of three members, including two executive directors, Mr. Yang Weimin and Mr. Chen Hao, and independent non-executive director Dr. Rui Mingjie. The chairman of the strategic investment committee is Mr. Yang Weimin.

In 2009, the strategic investment committee held a meeting on 17 April 2009 and the attendance record of each respective member at the meeting held in 2009 is set out in the following table:

	Attendance/Number of meetings held
Mr. Yang Weimin	1/1
Mr. Chen Hao	1/1
Dr. Rui Mingjie	1/1

The proposed investment projects of the Company were tabled for reporting at the meeting.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separate and should not be performed by the same person. Currently, the chairman is Mr. Yu Minliang who is responsible for formulating overall strategies and major decision-making coordination, and the chief executive officer is Mr. Yang Weimin, who is an executive director and authorised representative of the Company, is fully responsible for daily operation and operation management of the Company as well as coordinating the implementation of the Board resolutions. The Company is not aware of any financial, business or family relationships or significant relationships between the board members and chairman on the one hand and the chief executive officer on the other hand.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the then effective Model Code as set out in Appendix 10 to the Listing Rules as the Company's code regarding directors' and supervisors' securities transactions. Every director and supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all directors and supervisors, that for the year ended 31 December 2009, its directors and supervisors have complied with the requirements relating to directors' and supervisors' dealing in securities as set out in the then effective Model Code.

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The international auditor will retire in the following annual general meeting and offer themselves for re-election at such meeting. During the Reporting Period, 2 external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements prepared in accordance with HKFRS and Deloitte Touche Tohmatsu CPA Ltd. ("Deloitte") in the PRC for consolidated financial statements prepared in accordance with PRC Accounting Standards. An aggregate remuneration of RMB8,600,000 was paid to the Company's external auditors in 2009. The fees were for the provision of audit services conducted by PricewaterhouseCoopers and Deloitte for the Company's consolidated financial statements. No remuneration was paid to PricewaterhouseCoopers and Deloitte for the provision of non-audit related services to the Company in 2009.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2009, in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, which give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended. The directors are responsible for designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement arising from fraud or mistake. In preparing these consolidated financial statements, the directors have selected suitable accounting policies and made judgments under circumstances and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

PricewaterhouseCoopers, the international auditor of the Company, have set out their responsibilities in the independent auditor's report as set out on page 61.

INVESTOR RELATIONS

The Company places strong emphasis on communications with shareholders and investors and transparency of the Company: designated department and staff were put in place to provide reception for investors and analysts. During the year under review, the Company received over 80 groups of funds managers and analysts and answered their questions on the Company. Arrangements were made for visits to various types of hotels, allowing them to have a prompt understanding of the operations and latest developments of the business of the Company. The Company conducted true, accurate, complete and timely information disclosure in strict compliance with relevant laws and regulations, the Articles of Association and the Listing Rules. Investors can access information and statutory announcements of the Company at any time by visiting its website www.jinjianghotels.com.cn. Annual reports, interim reports, circulars and announcements published since the Company's listing are available under the section "Investor Relations" on the Company's website. Interim and annual result announcements of the Company are followed by presentations, press conferences and one-on-one meetings with investors.

CORPORATE GOVERNANCE REPORT

The Company reports the corporate information of the Group in an accurate and timely manner. The Annual Report 2008 and Interim Report 2009 have been delivered to all shareholders. This report will be delivered to shareholders of the Company and it can also be downloaded from the Company's website.

The annual general meeting is a formal occasion for direct communications between the directors and shareholders. All shareholders will receive a notice convening the annual general meeting 45 days prior to the meeting is held, setting out the date, venue and agenda of the meeting.

INTERNAL CONTROLS, INTERNAL AUDIT AND RISK MANAGEMENT

The Company has established a complete set of compliance manual, which comprises the corporate governance policies and operational regulations. It involves the structures of corporate governance, internal control for financial aspects, budgetary management, corporate finance, external investment, engineering and projects, and human resources management. The systems, policies and flowcharts in such compliance manual effectively cover all the decision and operational activities of the Company. Managerial employees in respective levels can effectively manage the risk level of their business activities. The compliance manual is reviewed and updated from time to time.

The Company's audit committee is responsible for reviewing the internal control system of the Company. It has reviewed the effectiveness of internal control systems of the Company and its subsidiaries.

During 2009, the Company prepared an internal audit plan and established an internal audit steering group. That group designed and perfected the questionnaire on internal control and internal audit system.

To further strengthen the needs in corporate internal control and management, an internal control project group was established by the Company in March 2009, headed by Mr. Yang Weimin, an executive director and the CEO.

MAJOR DUTIES OF INTERNAL AUDIT

Internal audit encompasses the Company's major projects and focuses on enhancement of efficiency and improvement of operation and management, and audits the annual business plan and operational targets of members of the Group. Besides, the internal audit assignments focus on the following issues:

— to conduct audit on the integrity of department heads of members of the Group during their appointment period and separate audit for those who have been transferred, resigned, dismissed or retired;

— to conduct audit in receivable, payable, and related business activities;

— to conduct audit in construction projects of over RMB300,000 and upgrade and renovation of fixed assets;

— to conduct audit in investment management, fund management, assets management and internal control policies;

— to implement internal control and formulate and optimise internal control policies and standards according to management requirements;

— to be responsible for the development of full-time and part-time internal audit workforce, and organise relevant assignments in the Company's system; and

— to accomplish audit assignments of senior management, the Board and the supervisory committee.

CORPORATE GOVERNANCE REPORT

EXCLUDED HOTEL BUSINESSES AND NEW UNION

Jin Jiang International confirms that it and its subsidiaries (other than the Group) have complied with the terms of the deed of non-competition dated 20 November 2006 entered into between the Company and Jin Jiang International (the "Deed of Non-Competition").

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive directors held 4 meetings in 2009 to consider whether or not to exercise the relevant Rights granted to the Company by Jin Jiang International over the relevant Excluded Hotel Businesses and New Union under the Deed of Non-Competition.

After considering the proposal presented by the Company, the independent non-executive directors present at the meeting have decided not to exercise the relevant Rights granted to the Company by Jin Jiang International over the relevant Excluded Hotel Businesses and New Union under the Deed of Non-Competition at this stage for the reasons set out below:

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The respective capital contributions of the shareholders of Eastern Jin Jiang have been ascertained upon its conversion into a limited liability company. Jin Jiang International is in a position to transfer its interests in Eastern Jin Jiang to the Company. It is up to the Company's decision whether to exercise its Right to purchase Jin Jiang International's 50% direct and indirect equity interests in Eastern Jin Jiang.

In accordance with the relevant arrangements disclosed in the Prospectus, an internationally recognised independent valuer has been jointly appointed by the Company and Jin Jiang International to issue a valuation report that would determine the consideration for the purchase of the 50% equity interests in Eastern Jin Jiang. As at 26 March 2010 (the date when the latest meeting of the independent non-executive directors of the Company was held), the international valuer has not yet completed the said valuation report. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive directors shall convene a meeting to make a final decision, after considering all factors, on whether to exercise its Right to purchase Jin Jiang International's 50% equity interests in Eastern Jin Jiang.

Eastern Jin Jiang has in total 446 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB125,620,000 and RMB938,770,000, respectively.

Shanghai Jin Cang Mandarin Hotel Company Limited ("JC Mandarin"): As notified by Jin Jiang International in writing, the joint venture term of operation of JC Mandarin expired in August 2009, whereupon the withdrawal agreement has been executed by the foreign shareholder of JC Mandarin. As at 26 March 2010 (the date when the most recent meeting of the independent non-executive directors of the Company was held), JC Mandarin has completed its changes of particulars with the Administration for Industry and Commerce, and is undergoing other relevant legal procedures. As advised by Jin Jiang International, subject to completion of the relevant legal procedures, it will issue the relevant written notice to the Company notifying the Company of its Right to purchase all equity interests held by Jin Jiang International. Accordingly, the Company is currently unable to exercise the relevant Right.

JC Mandarin has in total 510 rooms. The revenue and net assets of JC Mandarin as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB150,080,000 and RMB116,560,000 respectively.

Pacific Shanghai Hotel Company Limited ("Pacific Shanghai"): The joint venture term of operation of Pacific Shanghai has not expired and Jin Jiang International has not yet obtained any of the assets of this company. Accordingly, the Company is currently unable to exercise the relevant Right.

CORPORATE GOVERNANCE REPORT

Pacific Shanghai has in total 496 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB196,000,000 and RMB279,000,000 respectively.

Garden Hotel Shanghai: The joint venture term of operation of Garden Hotel Shanghai has not expired and Jin Jiang International has not yet obtained any of the buildings or facilities of this company. Accordingly, the Company is currently unable to exercise the relevant Right.

Garden Hotel Shanghai has in total 492 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB245,000,000 and RMB63,000,000 respectively.

New Jin Jiang Business Travellers Hotels, a branch of Shanghai Jin Jiang International Industrial Investment Company Limited ("New Jin Jiang Business Travellers"): The Company has not been granted any Right in relation to this company under the Deed of Non-Competition.

New Jin Jiang Business Travellers has in total 131 rooms. The revenue and net liabilities of New Jin Jiang Business Travellers as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB1,791 and RMB0, respectively.

Jinyuan Inn of Shanghai Foods Group Hotel Management Company Limited ("Jinyuan Inn") and Jiaozhou Road Inn, a subsidiary of Shanghai Foods Group Hotel Management Company Limited ("Jiaozhou Road Inn"): Legal and valid land use right certificates and building ownership certificates for the land and buildings being used by Jinyuan Inn and Jiaozhou Road Inn have not yet been obtained and therefore it is not legally possible for the Company to exercise the relevant Right.

Jinyuan Inn and Jiaozhou Road Inn each has in total 82 rooms and 103 rooms, respectively. The revenue and net assets of Jinyuan Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB4,490,000 and RMB0, respectively. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2009 amounted to approximately RMB7,100,000 and RMB0, respectively.

Shanghai New Union Building Co., Ltd. ("New Union"): The structural roof-sealing of the development project of New Union has been completed, while the project is yet to be completed (completion is expected to take place prior to the end of 2010). As at 26 March 2010 (the date when the most recent meeting of the independent non-executive directors of the Company was held), New Union remains a real estate development company, which does not accord with the Group's current development strategy of focusing on hotel investment and hotel management. Accordingly, the Company has not yet satisfied the conditions in respect of the exercise of the relevant Right under the Deed of Non-Competition.

The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards as at 31 December 2009 was approximately RMB20,000 and RMB697,780,000, respectively.

Terms used in this section shall be as defined in the Prospectus, unless the context requires otherwise.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the Shareholders of Shanghai Jin Jiang International Hotels (Group) Company Limited
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 148, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 April 2010

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	As at 31 December	
		2009	2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,973,615**	5,431,269
Investment property	7	**4,887**	—
Land use rights	8	**1,110,457**	1,043,251
Intangible assets	9	**54,419**	25,538
Investments in associates	12	**254,969**	317,800
Available-for-sale financial assets	13	**3,038,738**	1,224,200
Deferred income tax assets	14	**36,366**	39,935
		10,473,451	8,081,993
Current assets			
Inventories	15	**50,961**	51,782
Other current asset	16	**48,602**	—
Trade and other receivables	17	**312,786**	381,201
Restricted cash	18	**452,379**	219,728
Cash and cash equivalents	19	**1,460,381**	1,644,962
		2,325,109	2,297,673
Total assets		**12,798,560**	10,379,666

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves	20		
— Proposed final dividend	31	**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
LIABILITIES			
Non-current liabilities			
Borrowings	22	**655,214**	275,563
Deferred income tax liabilities	14	**756,681**	351,671
		1,411,895	627,234
Current liabilities			
Trade and other payables	21	**1,225,378**	1,047,078
Income tax payable		**58,110**	63,527
Borrowings	22	**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

The notes on pages 71 to 148 are an integral part of these consolidated financial statements.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

BALANCE SHEET

As at 31 December 2009

		As at 31 December	
	Note	**2009**	2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**661,997**	637,252
Investment property	7	**4,887**	—
Land use rights	8	**45,037**	46,322
Intangible assets	9	**6,331**	5,755
Investments in subsidiaries	10	**4,623,866**	4,380,306
Investments in jointly controlled entities	11	**478,788**	478,788
Investments in associates	12	**24,505**	24,505
Available-for-sale financial assets	13	**218,281**	144,057
Deferred income tax assets	14	**—**	9,174
		6,063,692	5,726,159
Current assets			
Inventories	15	**3,227**	3,701
Other current assets	16	**5,950**	—
Trade and other receivables	17	**287,282**	179,256
Restricted cash	18	**299,306**	—
Cash and cash equivalents	19	**160,048**	546,059
		755,813	729,016
Total assets		**6,819,505**	6,455,175

BALANCE SHEET (CONTINUED)

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves	20		
— Proposed final dividend	31	**91,300**	95,865
— Others		**1,961,220**	1,717,795
Total equity		**6,617,520**	6,378,660
LIABILITIES			
Non-current liabilities			
Borrowings	22	**89,500**	—
Deferred income tax liabilities	14	**16,831**	—
		106,331	—
Current liabilities			
Trade and other payables	21	**91,896**	71,785
Income tax payable		**3,758**	4,730
		95,654	76,515
Total liabilities		**201,985**	76,515
Total equity and liabilities		**6,819,505**	6,455,175
Net current assets		**660,159**	652,501
Total assets less current liabilities		**6,723,851**	6,378,660

The notes on pages 71 to 148 are an integral part of this financial statement.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Revenue	5(a)	**3,320,723**	3,402,808
Cost of sales	25	**(2,518,113)**	(2,353,925)
Gross profit		**802,610**	1,048,883
Other income	23	**344,359**	241,635
Selling and marketing expenses	25	**(140,920)**	(159,685)
Administrative expenses	25	**(640,080)**	(602,207)
Other expenses	24	**(24,952)**	(28,396)
Operating profit		**341,017**	500,230
Finance costs	27	**(35,074)**	(44,308)
Share of results of associates	12	**65,376**	72,760
Profit before income tax		**371,319**	528,682
Income tax expense	28	**(86,618)**	(95,899)
Profit for the year		**284,701**	432,783
Attributable to:			
Shareholders of the Company	30	**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	30	**2.60**	5.92

The notes on pages 71 to 148 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Dividends	31	**91,300**	95,865

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

		Year ended 31 December	
	Note	**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	13(a)	**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	14(a)	**(406,652)**	899,105
Asset revaluation surplus arising on a business combination achieved in stages	34	**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 interests		**708,068**	(972,654)
		1,507,980	(2,264,529)

The notes on pages 71 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

		Attributable to shareholders of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total Equity RMB'000
Balance at 1 January 2008		4,565,000	3,465,963	357,930	8,388,893	2,508,714	10,897,607
Comprehensive income:							
Profit for the year		—	—	270,255	270,255	162,528	432,783
Other comprehensive income:							
Fair value changes in available-for-sale financial assets — gross		—	(2,005,615)	—	(2,005,615)	(1,505,282)	(3,510,897)
Transfer of fair value changes in available-for-sale financial assets — gross		—	(77,224)	—	(77,224)	(8,296)	(85,520)
Fair value changes in and transfer of available-for-sale financial assets — tax		—	520,709	—	520,709	378,396	899,105
Total other comprehensive income		—	(1,562,130)	—	(1,562,130)	(1,135,182)	(2,697,312)
Total comprehensive income		—	(1,562,130)	270,255	(1,291,875)	(972,654)	(2,264,529)
Transaction with owners:							
Redemption from minority interests	20(a)(v)	—	283	—	283	(283)	—
Profit appropriation		—	28,400	(28,400)	—	—	—
Dividends to minority interests		—	—	—	—	(125,139)	(125,139)
Dividends declared (note 31)		—	—	(136,950)	(136,950)	—	(136,950)
Capital contribution from minority interests		—	—	—	—	8,000	8,000
Total transactions with owners		—	28,683	(165,350)	(136,667)	(117,422)	(254,089)
Balance at 31 December 2008		4,565,000	1,932,516	462,835	6,960,351	1,418,638	8,378,989

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2009

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Minority interests RMB'000	Total Equity RMB'000
Balance at 1 January 2009	4,565,000	1,932,516	462,835	6,960,351	1,418,638	8,378,989
Comprehensive income:						
Profit for the year	—	—	118,869	118,869	165,832	284,701
Other Comprehensive income:						
Fair value changes in available-for-sale financial assets — gross	—	995,520	—	995,520	729,803	1,725,323
Transfer of fair value changes in available-for-sale financial assets — gross	—	(89,693)	—	(89,693)	(9,025)	(98,718)
Fair value changes in and transfer of available-for-sale financial assets — tax	—	(226,457)	—	(226,457)	(180,195)	(406,652)
Asset revaluation surplus arising on a business combination achieved in stages (note 34(a))	—	1,673	—	1,673	1,653	3,326
Total other comprehensive income	—	681,043	—	681,043	542,236	1,223,279
Total comprehensive income	—	681,043	118,869	799,912	708,068	1,507,980
Transactions with owners:						
Profit appropriation	—	23,174	(23,174)	—	—	—
Dividends to minority interests	—	—	—	—	(124,959)	(124,959)
Dividends declared (note 31)	—	—	(95,865)	(95,865)	—	(95,865)
Capital contribution from minority equity holders	—	—	—	—	2,450	2,450
Minority interest arising on business combination (note 34(a))	—	—	—	—	12,794	12,794
Total transactions with owners	—	23,174	(119,039)	(95,865)	(109,715)	(205,580)
Balance at 31 December 2009	4,565,000	2,636,733	462,665	7,664,398	2,016,991	9,681,389

The notes on pages 71 to 148 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

		Year ended 31 December	
	Note	**2009**	2008
		RMB'000	RMB'000
Cash flows from operating activities:			
Cash generated from operations	32	**704,103**	744,220
Interest paid		**(35,884)**	(41,289)
Income tax paid		**(107,482)**	(169,511)
Net cash generated from operating activities		**560,737**	533,420
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		**18,707**	4,210
Proceeds from disposal of investments in associates		**193,762**	9,364
Proceeds from disposal of an investment in Shanghai Jiu Long Hotel Company Limited ("Jiu Long Hotel")	23(a)	**15,431**	14,510
Proceeds from disposal of available-for-sale financial assets other than investment in Jiu Long Hotel		**107,028**	66,425
Compensation received from lease termination of a Jin Jiang Inn Budget Hotel	23(c)	**—**	33,600
Purchase of property, plant and equipment		**(866,088)**	(964,069)
Purchase of land use rights		**(21,631)**	—
Purchase of intangible assets		**(3,669)**	(7,039)
Purchase of available-for-sale financial assets		**(196,243)**	—
Loans advanced to related parties		**(1,720)**	(24,280)
Loan repayments received from related parties		**43,630**	33,818
Interest received		**9,357**	25,002
Dividends received		**157,452**	189,178
Increase in investments in associates		**(716)**	—
Acquisition of subsidiaries, net of cash acquired	34	**(96,157)**	—
Acquisition of a jointly controlled entity, net of cash acquired		**(5,687)**	—
Net cash used in investing activities		**(646,544)**	(619,281)
Cash flows from financing activities:			
Capital contribution from minority interests		**2,450**	8,000
Proceeds from borrowings		**997,960**	321,000
Repayments of borrowings		**(587,090)**	(284,567)
Dividends paid to minority interests		**(124,959)**	(125,139)
Increase in deposits from related parties		**8,135**	9,321
Dividends paid to shareholders of the Company	31	**(95,865)**	(136,950)
Deposit pledged for borrowings	18	**(299,306)**	—
Net cash used in financing activities		**(98,675)**	(208,335)
Decrease in cash and cash equivalents		**(184,482)**	(294,196)
Cash and cash equivalents at beginning of the year		**1,644,962**	1,943,291
Exchange losses on cash and cash equivalents		**(99)**	(4,133)
Cash and cash equivalents at end of the year	19	**1,460,381**	1,644,962

The notes on pages 71 to 148 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1 ORGANISATION, REORGANISATION AND PRINCIPAL ACTIVITIES

Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company"), formerly known as Shanghai New Asia (Group) Company, was established on 16 June 1995 as a wholly state-owned company with limited liability and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") or its predecessors. Pursuant to an enterprise reorganisation in June 2003, the Company was designated by Shanghai SASAC, and remains as a wholly-owned subsidiary of Jin Jiang International Holdings Company Limited ("Jin Jiang International", parent and ultimate holding company), which is also a wholly state-owned company incorporated in the People's Republic of China (the "PRC" or "Mainland China") 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 the 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 Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in investment and operation of hotels and related business (the "Hotel Related Businesses") in Mainland China.

These consolidated financial statements have been approved for issue by the board (the "Board") of directors (the "Directors") of the Company on 16 April 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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. However, such restatement in note 5(b) does not have any impact on earnings per share.

- **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 (note 3(c)). 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 (note 7) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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 and amendments to standards 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 (note 16), in connection with the acquisition of Interstate Hotels & Resorts, Inc. ("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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **HKFRS 9 — Financial instruments (continued)**

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 standand.

- **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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2(j)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(k)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

Changes in the Company's ownership interest after control is obtained that do not result in a change in control of the subsidiary are accounted for as equity transactions. Thus, if the Company maintains control, it will recognise no gain or loss in the consolidated income statement upon selling a subsidiary's shares. Similarly, the Company will not record any additional goodwill to reflect its subsequent purchases of additional shares in a subsidiary if there is no change in control. Instead, the carrying amount of the minority interests will be adjusted to reflect the change in the minority interest's ownership interest in the subsidiary. Any difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is recognised in equity and attributed to the shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (note 2(k)). See note 2(k) for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 2(k)). The results of associates are accounted for by the Company on the basis of dividend received or receivable.

(d) Jointly controlled entities

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that it is attributable to the other ventures. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the Group's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2(k)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other expenses".

Translation differences on non-monetary financial assets and liabilities such as equity held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 to 40 years
Plant and machinery	3 to 20 years
Motor vehicles	3 to 12 years
Furniture, fittings and equipment	3 to 17 years
Renovations and leasehold improvements	5 to 20 years but not exceeding the lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(k)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised with in other expenses in the consolidated income statement.

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment, if any. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

(h) Investment property

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

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

(i) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortisation of land use rights is calculated on the straight-line method over the period of the land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall impairment test of the investments in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

(iii) Rights to associate brand name with the Shanghai World Expo 2010 ("World Expo Rights")

A jointly controlled entity of the Group has been granted the rights to associate its brand name with the Shanghai World Expo 2010. Also, the jointly controlled entity will be granted the role as the exclusive online hotel reservation service provider of Shanghai World Expo 2010. In return for the rights and benefits obtained, the jointly controlled entity is required to pay the consideration in form of cash and value in kind services, which is capitalised as an intangible asset and is amortised on a straight-line basis over the shorter of the effective beneficial life or the contractual period.

(iv) Others

Other intangible assets mainly include use rights for certain internet access and electricity, and are amortised on a straight-line basis over the shorter of their effective beneficial lives or estimates useful period from 5 to 20 years.

(k) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, or have not yet available for use are not subject to amortisation, which are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. During the year ended 31 December 2009, the Group did not hold any financial assets in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables, restricted cash and cash and cash equivalents in the consolidated and company balance sheets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year ended 31 December 2009, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial assets within 12 months from the balance sheet date.

Purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as "other income". Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in note 2(n).

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to issue financial liabilities, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Pension obligations

The Group companies in Mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group's subsidiary in Hong Kong participates in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. Both the Group and the employees are required to contribute 5% of the salaries of the employee's, up to a maximum of HK$1,000 per employee per month. The assets of MPF scheme are held separately from those of the Group in an independent administered fund.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans and MPF Scheme are recognised as employee benefit expense when incurred.

(ii) Housing benefits

Employees of the Group companies in Mainland China are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

(v) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the consolidated income statement on a straight line basis over the expected lives of the related assets.

(x) Revenue recognition

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Rental revenue from properties is recognised on a straight-line basis over the periods of the respective leases.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

(y) Lease

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

The Group leases certain equipment. Lease of equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(z) Dividend distribution

Dividend distribution to shareholders of the Company is recognised as a liability in the group and company's financial statements in the period in which the dividends are approved by shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(1) Foreign exchange risk

The Group mainly operates in Mainland China and most of the Group's transactions, assets and liabilities are denominated in RMB. Foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses, and for foreign investments. Foreign currencies are also received from overseas customers. The Group's trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2009 included foreign currencies, denominated in either United States Dollars ("US$") or Hong Kong Dollars ("HK$"), are disclosed in notes 19 and 22.

As at 31 December 2009, if RMB strengthens/weakens by 10% (2008: 10%)*(i.e. RMB/US$ 6.8282 from 7.5110 to 6.1459), against US$ and HK$ with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ and HK$ denominated trade and other receivables, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
(Decrease)/increase in profit for the year		
— Strengthened	**1,372**	(2,249)
— Weakened	**(1,372)**	2,249
The Company		
(Decrease)/increase in profit for the year		
— Strengthened	**1,237**	23
— Weakened	**(1,237)**	(23)

Profit is less sensitive to movement in foreign exchange rate in RMB against US$ and HK$ in 2009 than 2008 because of the decrease in the net amount of US$ and HK$ dominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

* This represents market estimation as at 31 December 2009 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(2) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in note 19 and 22.

As at 31 December 2009, if interest rates on bank deposits and borrowings are 10% (2008: 10%)* (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(1,933)**	(1,252)
— Decrease in interest rates	**1,933**	1,252
The Company		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**811**	843
— Decrease in interest rates	**(811)**	(843)

Profit of the Group is more sensitive to movement in interest rate in 2009 than 2008 because of the increase in the net amount of bank deposits and borrowings.

* This represents market estimation as at 31 December 2009 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(3) Price risk

The Group is exposed to equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as available-for-sale financial assets (note 13). The Group has not hedged its price risk arising from investments in equity securities.

As at 31 December 2009, if the quoted market price of the listed equity investments increases/decreases 30%* with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on available-for-sales financial assets. Details of the changes are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**664,539**	255,010
— Decrease in quoted market price	**(664,539)**	(255,010)
The Company		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**44,762**	28,061
— Decrease in quoted market price	**(44,762)**	(28,061)

The other comprehensive income is more sensitive to movement in quoted market price of the listed equity investment in 2009 than 2008 because of the increase in the carrying amount of the listed equity investments.

* This represents market estimation as at 31 December 2009 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalent included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2009, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk, the table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
Counterparties		
— Big 4 domestic banks*	**1,083,231**	811,232
— Other domestic commercial banks	**355,536**	814,260
— Foreign owned banks	**17,325**	3,947
	1,456,092	1,629,439
The Company		
Counterparties		
— Big 4 domestic banks*	**20,625**	22,394
— Other domestic commercial banks	**3,201**	3,186
— Jin Jiang International Finance Company Limited	**136,104**	520,406
	159,930	545,986

* Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China, Bank of China Limited and China Construction Bank Corporation.

Management does not expect any losses from non-performance by these counterparties.

Most of the Group's sales are settled in cash or in credit card by its customers. Credit sales are made to selected customers with good credit history. The Group has policies in place to ensure that trade receivables are followed up on a timely basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
The Group				
As at 31 December 2009				
Borrowings (excluding finance lease liabilities)	420,397	—	628,876	—
Finance lease payables	3,055	3,055	9,165	25,601
Contractual interest payable	33,171	28,477	25,818	—
Trade and other payables (excluding non-financial liabilities)	964,361	—	—	—
As at 31 December 2008				
Borrowings (excluding finance lease liabilities)	262,838	125,000	120,563	30,000
Finance lease payables	—	—	—	—
Contractual interest payable	31,946	16,336	16,092	392
Trade and other payables (excluding non-financial liabilities)	815,048	—	—	—
The Company				
As at 31 December 2009				
Borrowings (excluding finance lease liabilities)	—	—	89,500	—
Finance lease payables	—	—	—	—
Contractual interest payable	4,135	4,135	3,790	—
Trade and other payables (excluding non-financial liabilities)	70,928	—	—	—
As at 31 December 2008				
Borrowings (excluding finance lease liabilities)	—	—	—	—
Finance lease payables	—	—	—	—
Contractual interest payable	—	—	—	—
Trade and other payables (excluding non-financial liabilities)	44,190	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown in the consolidated balance sheet. Total borrowings include non-current borrowings and current borrowings.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	As at 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
Total borrowings (note 22)	**1,077,002**	538,401
Total assets	**12,798,560**	10,379,666
Gearing ratio	**8.42%**	5.20%
The Company		
Total borrowings (note 22)	**89,500**	—
Total assets	**6,819,505**	6,455,175
Gearing ratio	**1.31%**	—

The increase in the gearing ratio during 2009 results from the increase of total borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value measurements by level of the fair value measurement hierarchy were as follows:

	Level 1	Level 2	Level 3	Total
The Group				
Available-for-sale financial assets				
— Equity securities (note 13)	2,953,506	—	—	2,953,506
The Company				
Available-for-sale financial assets				
— Equity securities (note 13)	198,940	—	—	198,940

The fair value of available-for-sale financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

When the fair value cannot be reliably measured, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

The fair values estimation of non-current borrowings are disclosed in note 22.

The carrying amounts for other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB36,982,000 higher or RMB45,200,000 lower.

(ii) Deferred income tax assets and liabilities

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB1,545,000 higher/lower.

(iii) Impairment of property, plant and equipment

The Group's management assesses at each of the balance sheet date whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in note 2(k). The recoverable amount is higher of an asset's value in use and fair value less costs to sell, which is estimated based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets.

(iv) Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed. If the provision for impairment of trade and other receivables rate had been 10% higher/lower with all other variables held constant, profit for the year would have been RMB54,000 lower/higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Critical judgements in applying the Group's accounting policies

(i) Leasehold improvements on leased premises

The Group operates certain hotels on leased premises in Mainland China and incurs construction or renovation expenditures for these hotels. Some landlords named in the corresponding lease agreements have been unable to produce proper building ownership certificates or to provide valid lease permits or other necessary permissions. However, based on the Group's past experiences and available information and after consultation with the legal advisor, the Directors are of the view that such problem is unlikely to cause any interruption or termination of these leases or to have a material effect on the carrying amounts of the related leasehold improvements of RMB605,328,000 as at 31 December 2009 (31 December 2008: RMB523,551,000). Accordingly, no impairment for such leasehold improvements is considered necessary to be made according to the Group's accounting policies.

(ii) Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market can be determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on existing market conditions at each balance sheet date. When the fair value cannot be reliably measured, such available-for-sale financial assets are measured at cost and assessed whether there is objective evidence of impairment at each balance sheet date.

5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(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 (note 5(a))	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 (note 23)	203,886	10,162	180	119,803	10,328	344,359
Including: interest income (note 23)	5,810	2,376	180	1,251	46	9,663
Depreciation of property, plant and equipment (note 6)	(335,639)	(193,662)	(560)	(9,762)	(188)	(539,811)
Depreciation of investment property (note 7)	(158)	—	—	—	—	(158)
Amortisation of land use rights (note 8)	(22,354)	(9,629)	—	(109)	(45)	(32,137)
Amortisation of intangible assets (note 9)	(1,851)	(473)	(9)	—	(8,193)	(10,526)
Reversal of inventories written-down (note 15)	26	—	—	—	—	26
Reversal of/(provision for) impairment of trade and other receivables (note 17)	1,003	(30)	(422)	(12)	—	539
Finance costs (note 27)	(14,899)	(19,861)	—	(75)	(239)	(35,074)
Share of results of associates (note 12)	(2,126)	—	—	68,147	(645)	65,376
Income tax expense (note 28)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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 (note 5(a))	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 (note 23)	111,778	25,124	1,729	42,437	60,567	241,635
Including: interest income (note 23)	17,487	2,974	1,729	1,225	54	23,469
Depreciation of property, plant and equipment (note 6)	(308,626)	(152,389)	(547)	(3,928)	(368)	(465,858)
Amortisation of land use rights (note 8)	(23,759)	(7,327)	—	(101)	(45)	(31,232)
Amortisation of intangible assets (note 9)	(349)	(414)	(3)	—	—	(766)
Write-down of inventories (note 15)	(449)	—	—	—	—	(449)
Provision for impairment of trade and other receivables (note 17)	(9,488)	(91)	—	—	—	(9,579)
Finance costs (note 27)	(30,228)	(13,802)	—	(259)	(19)	(44,308)
Share of results of associates (note 12)	(1,625)	—	—	75,926	(1,541)	72,760
Income tax expense (note 28)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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 (note 6), investment property (note 7), land use rights (note 8) and intangible assets (note 9), including additions resulting from acquisition through business combinations (note 34).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2008	4,104,867	1,168,102	60,983	323,040	1,545,764	364,467	7,567,223
Additions	5,029	10,902	6,833	27,097	24,400	918,839	993,100
Disposals	(9,069)	(73,006)	(6,323)	(11,103)	(177,035)	—	(276,536)
Transfers	13,436	101,788	733	58,766	555,277	(730,000)	—
At 31 December 2008	4,114,263	1,207,786	62,226	397,800	1,948,406	553,306	8,283,787
Additions	48,810	87,298	1,878	3,960	26,685	757,076	925,707
Additions resulting from acquisition through business combination (note 34)	149,654	16,187	1,997	873	11,581	—	180,292
Disposals	—	(46,471)	(4,923)	(34,619)	(21,734)	—	(107,747)
Transfers	83,435	80,076	314	75,107	378,104	(617,036)	—
Transfer to investment property (note 7)	(6,616)	—	—	—	—	—	(6,616)
At 31 December 2009	**4,389,546**	**1,344,876**	**61,492**	**443,121**	**2,343,042**	**693,346**	**9,275,423**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment							
At 1 January 2008	(1,207,598)	(712,838)	(37,641)	(174,207)	(512,053)	—	(2,644,337)
Depreciation charge for the year (note 25)	(115,656)	(83,756)	(4,987)	(43,052)	(218,407)	—	(465,858)
Disposals	6,229	69,587	5,615	8,856	167,390	—	257,677
At 31 December 2008	(1,317,025)	(727,007)	(37,013)	(208,403)	(563,070)	—	(2,852,518)
Depreciation charge for the year (note 25)	(123,819)	(94,899)	(4,261)	(67,362)	(249,470)	—	(539,811)
Disposals	—	38,786	4,539	28,056	17,569	—	88,950
Transfer to investment property (note 7)	1,571	—	—	—	—	—	1,571
At 31 December 2009	**(1,439,273)**	**(783,120)**	**(36,735)**	**(247,709)**	**(794,971)**	**—**	**(3,301,808)**
Net book amount							
At 31 December 2009	**2,950,273**	**561,756**	**24,757**	**195,412**	**1,548,071**	**693,346**	**5,973,615**
At 31 December 2008	2,797,238	480,779	25,213	189,397	1,385,336	553,306	5,431,269

No property, plant and equipment of the Group (2008: property, plant and equipment of the Group with net book amount of RMB324,038,000) was pledged as securities for the Group's bank borrowings (note 22).

Depreciation expenses have been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cost of sales	**502,024**	433,308
Selling and marketing expenses	**5,398**	3,573
Administrative expenses	**32,389**	28,977
	539,811	465,858

Borrowing costs of RMB775,000 (2008: RMB1,466,000) (note 27) arising on financing entered into for the construction of certain property, plant and equipment have been capitalised and are included in "Additions" in property, plant and equipment. The capitalisation rate was 5.991% (2008: 6.876%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

Machinery includes the following amounts where the Group is a lessee under a finance lease:

	2009 **RMB'000**	2008 RMB'000
Cost — capitalised finance leases	**28,838**	—
Accumulated depreciation	**(1,517)**	—
Net book amount	**27,321**	—

(b) The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2008	587,602	51,429	798	534	42,462	4,247	687,072
Additions	—	3,782	897	87	278	46,634	51,678
Disposals	—	(6,023)	(319)	(112)	—	—	(6,454)
Transfers	—	4,989	—	1,159	32,896	(39,044)	—
At 31 December 2008	587,602	54,177	1,376	1,668	75,636	11,837	732,296
Additions	—	31	—	204	62	69,683	69,980
Disposals	—	(6,781)	—	(612)	(8,519)	—	(15,912)
Transfers	—	2,521	—	823	20,966	(24,310)	—
Transfer to investment property (note 7)	(6,616)	—	—	—	—	—	(6,616)
At 31 December 2009	**580,986**	**49,948**	**1,376**	**2,083**	**88,145**	**57,210**	**779,748**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment							
At 1 January 2008	(32,225)	(25,471)	(338)	(401)	(6,869)	—	(65,304)
Depreciation charge for the year	(16,026)	(9,424)	(88)	(285)	(10,164)	—	(35,987)
Disposals	—	5,951	296	—	—	—	6,247
At 31 December 2008	(48,251)	(28,944)	(130)	(686)	(17,033)	—	(95,044)
Depreciation charge for the year	(15,849)	(8,530)	(210)	(360)	(13,762)	—	(38,711)
Disposals	—	5,534	—	454	8,445	—	14,433
Transfer to investment property (note7)	1,571	—	—	—	—	—	1,571
At 31 December 2009	**(62,529)**	**(31,940)**	**(340)**	**(592)**	**(22,350)**	**—**	**(117,751)**
Net book amount							
At 31 December 2009	**518,457**	**18,008**	**1,036**	**1,491**	**65,795**	**57,210**	**661,997**
At 31 December 2008	539,351	25,233	1,246	982	58,603	11,837	637,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

7 INVESTMENT PROPERTY

The Group and the Company

	Buildings RMB'000
Cost	
At 1 January 2008 and 31 December 2008	—
Transfer from property, plant and equipment (note 6)	6,616
At 31 December 2009	6,616
Accumulated depreciation	
At 1 January 2008 and 31 December 2008	—
Transfer from property, plant and equipment (note 6)	(1,571)
Charge for the year (note 25)	(158)
At 31 December 2009	(1,729)
Net book amount	
At 31 December 2009	**4,887**
At 31 December 2008	—

Depreciation expenses have been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2009 RMB'000	2008 RMB'000
Cost of sales	**158**	—

The Group holds a property under construction, which includes a building and a land where the building is located, for future long-term rental yields and classifies the building as investment property according to HKAS 40 (Amendment). The fair value of the property as at 31 December 2009, which includes the building with the carrying amount of RMB4,887,000 and the related land use right with the carrying amount of RMB11,128,000, is approximately RMB334,223,000. The Group and the Company adopted income approach to arrive at the fair value. The income approach determines the fair value by discounting its annual expected cash flows using an appropriate rate of return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

8 LAND USE RIGHTS

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in Mainland China and are held on leases from 20 to 50 years. Movements in land use rights are as follows:

(a) The Group

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost		
At beginning of the year	**1,167,677**	1,166,468
Additions	**21,631**	1,209
Addition resulting from acquisition through business combination (note 34)	**77,712**	—
At end of the year	**1,267,020**	1,167,677
Accumulated amortisation		
At beginning of the year	**(124,426)**	(93,194)
Charge for the year (note 25)	**(32,137)**	(31,232)
At end of the year	**(156,563)**	(124,426)
Net book amount		
At end of the year	**1,110,457**	1,043,251

Amortisation expenses have been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost of sales	**32,137**	31,232

(b) The Company

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost		
At beginning and ending of the year	**50,177**	50,177
Accumulated amortisation		
At beginning of the year	**(3,855)**	(2,570)
Charge for the year	**(1,285)**	(1,285)
At end of the year	**(5,140)**	(3,855)
Net book amount		
At end of the year	**45,037**	46,322

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9 INTANGIBLE ASSETS

(a) The Group

	Goodwill RMB'000	Software RMB'000	World Expo Rights(i) RMB'000	Others RMB'000	Total RMB'000
Cost					
At 1 January 2008	17,451	2,561	—	1,201	21,213
Additions	—	7,039	—	—	7,039
At 31 December 2008	17,451	9,600	—	1,201	28,252
Additions	—	3,207	18,500	—	21,707
Additions resulting from acquisition through business combination (note 34)	17,374	336	—	—	17,710
Disposal	—	(53)	—	—	(53)
At 31 December 2009	34,825	13,090	18,500	1,201	67,616
Accumulated amortisation					
At 1 January 2008	—	(1,006)	—	(942)	(1,948)
Charge for the year (note 25)	—	(683)	—	(83)	(766)
At 31 December 2008	—	(1,689)	—	(1,025)	(2,714)
Charge for the year (note 25)	—	(2,158)	(8,192)	(176)	(10,526)
Disposal	—	43	—	—	43
At 31 December 2009	—	(3,804)	(8,192)	(1,201)	(13,197)
Net book amount					
At 31 December 2009	**34,825**	**9,286**	**10,308**	**—**	**54,419**
At 31 December 2008	17,451	7,911	—	176	25,538

(i) A jointly controlled entity of the Group has been granted the rights to associate its brand name with the Shanghai World Expo 2010. Also, the jointly controlled entity was granted the role as the exclusive online hotel reservation service provider of Shanghai World Expo 2010.

In return for the rights and benefits obtained, the jointly controlled entity was required to pay the consideration in form of cash and value in kind services. The total contract sum attributable to the Group is RMB18,500,000 of which 50% is to be settled in the form of cash while the remaining portion is to be settled in the form of value in kind services. As at 31 December 2009, cash consideration of RMB463,000 and service consideration of RMB1,804,000 had been paid or rendered. The outstanding cash consideration and service consideration of RMB16,233,000 was recorded as a payable due to Shanghai World Expo 2010 Bureau (note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

Amortisation expenses have been charged to the consolidated income statement as follows (note 25):

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Cost of sales	**10,526**	766

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segment. An operating segment level summary of the goodwill is presented below:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Star-rated hotel operation	**28,377**	11,003
Jin Jiang Inn Budget Hotels	**6,448**	6,448
	34,825	17,451

The principal component of goodwill represents the excess of cost of acquisition of certain star-rated hotels and Jin Jiang Inn Budget Hotels over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs which are determined by their fair value (less cost to sell).

Since the core operating assets of the CGUs are star-rated hotel and Jin Jiang Inn Budget Hotels properties, which mainly include buildings and land use rights, the Group adopted market approach to generate the fair values. The market approach is a valuation technique that estimates the fair value of an asset based on market prices in actual transactions and on asking prices for assets currently available for sale. The valuation process is a comparison and correlation between the subject asset and other similar assets. Considerations such as time and condition of sale and terms of agreements are analyzed for comparable assets and are adjusted to arrive at an estimate of the fair value of the subject assets.

In view of the fair value (less cost to sell) of the CGUs, the provision for impairment losses is not considered necessary.

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For the year ended 31 December 2009

9 INTANGIBLE ASSETS (CONTINUED)

(b) The Company

	Software RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2008	252	62	314
Additions	5,651	—	5,651
At 31 December 2008	5,903	62	5,965
Additions	1,897	—	1,897
At 31 December 2009	7,800	62	7,862
Accumulated amortisation			
At 1 January 2008	(8)	(42)	(50)
Charge for the year	(140)	(20)	(160)
At 31 December 2008	(148)	(62)	(210)
Charge for the year	(1,321)	—	(1,321)
At 31 December 2009	(1,469)	(62)	(1,531)
Net book amount			
At 31 December 2009	**6,331**	**—**	**6,331**
At 31 December 2008	5,755	—	5,755

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	At 31 December	
	2009 RMB'000	2008 RMB'000
Investments at cost		
— Shares of a listed company (i)	**685,434**	685,434
— Unlisted equity investments	**3,938,432**	3,694,872
	4,623,866	4,380,306
Market value of listed shares	**7,154,295**	2,765,194

(i) The balance represents the Group's investment in Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development").

Particulars of the Company's principal subsidiaries are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) The Group

The Group's share of assets and liabilities, revenue and results of jointly controlled entities included in consolidated balance sheet and consolidated income statement during the year ended 31 December 2009 are set out as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Assets		
Non-current assets	**688,171**	695,732
Current assets	**349,321**	162,176
	1,037,492	857,908
Liabilities		
Non-current liabilities	**151,649**	124,068
Current liabilities	**266,861**	96,517
	418,510	220,585
Net assets	**618,982**	637,323
Proportionate interests in jointly controlled entities' commitments	**15,330**	18,558

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Revenue	**331,200**	441,360
Expenses	**(313,513)**	(361,737)
Profit before income tax	**17,687**	79,623
Income tax expense	**(1,265)**	(22,634)
Profit for the year	**16,422**	56,989

There are no significant contingent liabilities relating to the Group's investments in the jointly controlled entities, and no significant contingent liabilities of the ventures themselves.

Particulars of the Group's principal jointly controlled entities are set out in note 36.

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Unlisted equity investments, at cost	**478,788**	478,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

12 INVESTMENTS IN ASSOCIATES

(a) The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	**317,800**	349,596
Additions	**6,590**	—
Share of results of associates		
— Profit before income tax	**90,049**	104,391
— Income tax expense	**(24,673)**	(31,631)
	65,376	72,760
Declaration of dividends	**(92,058)**	(98,915)
Disposals	**(20,477)**	(5,641)
Transfer out as an associate being a subsidiary through business combination achieved in stages (note 34(a))	**(22,262)**	—
At end of the year	**254,969**	317,800

A summary of the financial information of the Group's associates, all of which are unlisted, in aggregate is as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Total assets	**443,086**	639,484
Total liabilities	**244,557**	321,684
Revenue	**1,133,326**	1,388,825
Profit for the year	**65,376**	72,760

Particulars of the Group's principal associates are set out in note 36.

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Unlisted equity investments, at cost	**29,905**	29,905
Less: provision for impairment	**(5,400)**	(5,400)
	24,505	24,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
At beginning of the year	**1,224,200**	4,831,463
Additions	**196,243**	—
Fair value changes transferred to other comprehensive income	**1,725,323**	(3,510,897)
Disposals	**(107,028)**	(96,366)
At end of the year	**3,038,738**	1,224,200

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
Listed equity investments, at fair value	**2,953,506**	1,134,212
Unlisted equity investments, at cost (i)	**98,956**	103,712
Less: provision for impairment	**(13,724)**	(13,724)
	3,038,738	1,224,200
Market value of listed equity investments	**2,953,506**	1,134,212

(i) The balance represents the Group's investments in various companies which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

At 31 December 2009, the carrying amount of interest in Changjiang Securities Co., Ltd. exceed 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Changjiang Securities Co., Ltd.	Wuhan, Mainland China	Securities brokerage and investment services	130,828,701	6.03%

(b) The Company

	At 31 December 2009 RMB'000	At 31 December 2008 RMB'000
At beginning of the year	**144,057**	587,511
Fair value changes transferred to other comprehensive income	**152,686**	(365,925)
Disposals	**(78,462)**	(77,529)
At end of the year	**218,281**	144,057

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For the year ended 31 December 2009

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(b) The Company (continued)

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Listed equity investments, at fair value	**198,940**	124,716
Unlisted equity investments, at cost	**21,341**	21,341
Less: provision for impairment	**(2,000)**	(2,000)
	218,281	144,057
Market value of listed equity investments	**198,940**	124,716

14 DEFERRED INCOME TAX

(a) The Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**26,912**	30,210
— Deferred income tax assets to be recovered within 12 months	**9,454**	9,725
	36,366	39,935
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(751,823)**	(346,824)
— Deferred income tax liabilities to be settled within 12 months	**(4,858)**	(4,847)
	(756,681)	(351,671)
	(720,315)	(311,736)

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	**(311,736)**	(1,234,472)
Additions resulting from acquisition through business combination (note 34)	**(17,374)**	—
Credited to consolidated income statement (note 28)	**15,447**	23,631
(Charged)/credited to other comprehensive income	**(406,652)**	899,105
At end of the year	**(720,315)**	(311,736)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets	Accelerated accounting depreciation	Tax losses	Provisions	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	15,387	5,687	12,948	19,031	3,707	56,760
(Charged)/credited to consolidated income statement	(1,170)	(3,402)	4,720	(2,241)	481	(1,612)
At 31 December 2008	14,217	2,285	17,668	16,790	4,188	55,148
(Charged)/credited to consolidated income statement	(1,860)	(1,783)	12,410	(1,093)	638	8,312
At 31 December 2009	**12,357**	**502**	**30,078**	**15,697**	**4,826**	**63,460**

Deferred income tax liabilities:

	Impairment of assets (i)	Accelerated tax depreciation	Provisions for staff welfare (ii)	Fair value changes	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	(2,234)	(149,284)	(7,133)	(1,131,765)	(816)	(1,291,232)
Credited/(Charged) to consolidated income statement	—	20,663	5,635	—	(1,055)	25,243
Charged to other comprehensive income	—	—	—	899,105	—	899,105
At 31 December 2008	(2,234)	(128,621)	(1,498)	(232,660)	(1,871)	(366,884)
Additions resulting from acquisition through business combination (note 34)	—	(17,374)	—	—	—	(17,374)
Credited/(Charged) to consolidated income statement	(950)	6,704	1,498	—	(117)	7,135
Charged to other comprehensive income	—	—	—	(406,652)	—	(406,652)
At 31 December 2009	**(3,184)**	**(139,291)**	**—**	**(639,312)**	**(1,988)**	**(783,775)**

(i) Certain provisions for impairment of loans granted to subsidiaries were deductible for PRC current income tax purpose. However, these provisions were eliminated in the consolidated balance sheet, which resulted in a deferred income tax liability.

(ii) Certain unpaid staff welfare of the Group were deductible for PRC current income tax purpose. However, it did not meet the definition of liabilities under HKFRS, which resulted in a deferred income tax liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB114,369,000 (2008: RMB68,514,000) in respect of tax losses, as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry between 2010 to 2014. The expiry of related unrecognised deferred income tax assets are analysed as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Within 1 year	**13,053**	1,343
Between 1 and 2 years	**8,770**	13,053
Between 2 and 3 years	**21,306**	8,770
Between 3 and 4 years	**24,042**	21,306
Between 4 and 5 years	**47,198**	24,042
	114,369	68,514

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Deferred income tax assets to be settled after more than 12 months	**—**	9,174
Deferred income tax liabilities to be settled after more than 12 months	**(16,831)**	—
	(16,831)	9,174

The gross movement on the deferred income tax account is as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	**9,174**	(99,751)
(Charged)/credited to income statement	**(381)**	2,805
(Charged)/credited to other comprehensive income	**(25,624)**	106,120
At end of the year	**(16,831)**	9,174

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14 DEFERRED INCOME TAX (CONTINUED)

(b) The Company (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2009, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Fair value changes RMB'000	Total RMB'000
At 1 January 2008	666	771	—	1,437
Credited/(charged) to consolidated income statement	2,878	(771)	—	2,107
Credited to other comprehensive income	—	—	5,630	5,630
At 31 December 2008	3,544	—	5,630	9,174
Charged to consolidated income statement	(381)	—	—	(381)
Charged to other comprehensive income	—	—	(5,630)	(5,630)
At 31 December 2009	**3,163**	**—**	**—**	**3,163**

Deferred income tax liabilities:

	Provisions for staff welfare (i) RMB'000	Fair value changes RMB'000	Total RMB'000
At 1 January 2008	(698)	(100,490)	(101,188)
Credited to consolidated income statement	698	—	698
Credited to other comprehensive income	—	100,490	100,490
At 31 December 2008	—	—	—
Charged to other comprehensive income	—	(19,994)	(19,994)
At 31 December 2009	**—**	**(19,994)**	**(19,994)**

(i) Certain unpaid staff welfare of the Company were deductible for PRC current income tax purpose. However, it did not meet the definition of liabilities under HKFRS, which resulted in a deferred income tax liability.

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15 INVENTORIES

(a) The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Raw materials	**25,743**	25,951
Finished goods/goods held for resale	**6,127**	6,731
Consumables and supplies	**19,091**	19,100
	50,961	51,782

The cost of inventories recognised as expense and included in cost of sales amounted to RMB477,372,000 (2008: RMB428,924,000) (note 25).

The Group reversed the write-down of inventories by RMB26,000 for the year ended 31 December 2009 and wrote down the inventories to the net realisable value by RMB449,000 for the year ended 31 December 2008 (note 25).

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Raw materials	**2,949**	3,390
Finished goods/goods held for resale	**119**	129
Consumables and supplies	**159**	182
	3,227	3,701

16 OTHER CURRENT ASSETS

	At 31 December	
	2009	2008
	RMB'000	RMB'000
The Group		
Transaction costs in connection with the in-progress acquisition of IHR (note 37(b))	**36,702**	—
Transaction costs of the in-progress reorganisation between Jin Jiang Hotels Development and the Company (note 37(a))	**11,900**	—
	48,602	—
The Company		
Transaction costs of the in-progress reorganisation between Jin Jiang Hotels Development and the Company (note 37(a))	**5,950**	—

Since the acquisition of IHR and the reorganisation between Jin Jiang Hotels Development and the Company were expected to complete in 2010, the related transaction costs incurred were recorded as other current assets as at 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 TRADE AND OTHER RECEIVABLES

(a) The Group

	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 (note 35(b))	**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.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
— RMB	**312,591**	380,799
— US$ and HK$	**195**	402
	312,786	381,201

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17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

As of 31 December 2009, trade receivables of RMB9,483,000 (31 December 2008: RMB8,749,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
3 months to 1 year	**8,428**	5,592
Over 1 year	**1,055**	3,157
	9,483	8,749

As of 31 December 2009, trade and other receivables ageing over one year were individual assessed and fully impaired except for those considered recoverable, and the ageing over 3 months but less than one year were assessed on group basis of similar credit risk characteristics and partially impaired as the main receivables were from the regular customers with good reputation.

As of 31 December 2009, trade and other receivables of RMB10,500,000 (2008: RMB17,650,000) were individually impaired. The individually impaired receivables mainly relate to customers, which are in significant financial difficulties. The other overdue receivables were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk characteristics. Ageing analysis of these receivables at respective balance sheet dates are as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
3 months to 1 year	**9,115**	6,015
Over 1 year	**1,794**	2,514
	10,909	8,529

Movements on the provision for impairment of trade and other receivables are as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	**(18,283)**	(9,857)
Receivables written off as uncollectible	**268**	1,153
Reversal of/(provision for) impairment of trade and other receivables (note 25)	**539**	(9,579)
At end of the year	**(17,476)**	(18,283)

The creation and usage of provision for impaired receivables have been included in "Administrative expenses" in the consolidated income statement (note 25).

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade and other receivables as mentioned above. The Group did not hold any collateral as security.

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17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Trade receivables	**2,410**	3,283
Less: provision for impairment of trade receivables	**(190)**	(223)
Trade receivables — net	**2,220**	3,060
Amounts due from related parties (note 35(c))	**286,067**	159,841
Prepayments and deposits	**6,916**	11,170
Receivables on disposal of an investment in Jiu Long Hotel	**—**	15,431
Others	**2,848**	564
Less: provision for impairment of other receivables	**(10,769)**	(10,810)
Other receivables — net	**285,062**	176,196
	287,282	179,256

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	**2,133**	2,894
3 months to 1 year	**124**	215
Over 1 year	**153**	174
	2,410	3,283

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

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
— RMB	**184,859**	179,256
— US$	**102,423**	—
	287,282	179,256

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18 RESTRICTED CASH

(a) The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**153,073**	219,728
Deposit pledged for borrowings (ii)	**299,306**	—
	452,379	219,728

(i) Mandatory reserve deposit of Jin Jiang International Finance Company Limited, a subsidiary and non-bank finance company, was placed with the People's Bank of China, the central bank of Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.26% (2008: 1.26%) per annum.

(ii) The deposit was placed with a commercial bank as pledge for borrowings to a subsidiary of the Group (note 22(a)). The weighted average effective interest rate on the deposit was 1.17% (2008: nil) per annum.

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Deposit pledged for borrowings to a subsidiary (note 18(a)(ii))	**299,306**	—

19 CASH AND BANK DEPOSITS

(a) The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Cash at bank and in hand	**1,323,992**	1,407,985
Bank deposits	**136,389**	236,977
	1,460,381	1,644,962
Cash and bank deposits denominated in		
— RMB	**1,018,941**	1,587,887
— US$ and HK$	**441,440**	57,075
	1,460,381	1,644,962

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 7 days to 90 days, was 1.73% (2008: 2.89%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19 CASH AND BANK DEPOSITS (CONTINUED)

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Cash at bank and in hand	**160,048**	176,059
Bank deposits	**—**	370,000
	160,048	546,059
Cash and bank deposits denominated in		
— RMB	**159,786**	545,772
— US$ and HK$	**262**	287
	160,048	546,059

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 7 days to 90 days, was 1.71% (2008: 3.29%) per annum.

20 RESERVES

(a) The Group

	Other reserves							
	Capital surplus (i)	Statutory and discretionary surplus reserve (ii)	Merger reserve (iii)	Available-for-sale financial assets (iv)	Asset revaluation surplus (vi)	Total	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	1,771,707	301,986	(585,291)	1,977,561	—	3,465,963	357,930	3,823,893
Profit for the year	—	—	—	—	—	—	270,255	270,255
Fair value changes in available for-sale financial assets — gross	—	—	—	(2,005,615)	—	(2,005,615)	—	(2,005,615)
Transfer of fair value changes in available-for-sale financial assets — gross	—	—	—	(77,224)	—	(77,224)	—	(77,224)
Fair value changes in and transfer of available for-sale financial assets — tax	—	—	—	520,709	—	520,709	—	520,709
Redemption from minority interests (v)	283	—	—	—	—	283	—	283
Profit appropriation	—	28,400	—	—	—	28,400	(28,400)	—
Dividends declared (note 31)	—	—	—	—	—	—	(136,950)	(136,950)
At 31 December 2008	1,771,990	330,386	(585,291)	415,431	—	1,932,516	462,835	2,395,351
Profit for the year	—	—	—	—	—	—	118,869	118,869
Fair value changes in available for-sale financial assets — gross	—	—	—	995,520	—	995,520	—	995,520
Transfer of fair value changes in available-for-sale financial assets — gross	—	—	—	(89,693)	—	(89,693)	—	(89,693)
Fair value changes in and transfer of available for-sale financial assets — tax	—	—	—	(226,457)	—	(226,457)	—	(226,457)
Asset revaluation surplus arises on a business combination achieved in stages	—	—	—	—	1,673	1,673	—	1,673
Profit appropriation	—	23,174	—	—	—	23,174	(23,174)	—
Dividends declared (note 31)	—	—	—	—	—	—	(95,865)	(95,865)
At 31 December 2009	**1,771,990**	**353,560**	**(585,291)**	**1,094,801**	**1,673**	**2,636,733**	**462,665**	**3,099,398**

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For the year ended 31 December 2009

20 RESERVES (CONTINUED)

(a) The Group (continued)

(i) Capital surplus represents premium arising from shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share.

(ii) Pursuant to the Company Law of Mainland China and the articles of association of certain group companies, the Company is required to transfer 10% of its net profit, as determined under Mainland China accounting regulations, to statutory surplus reserve until the fund aggregates to 50% of their share capital; after the transfer of statutory surplus reserves, the Company can appropriate profit, subject to respective shareholders' approval, to discretionary surplus reserve.

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

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation to obtain the interests in these subsidiaries, which were debited to merger reserve.

(iv) Reserve on available-for-sale financial assets represents the accumulated changes in fair value, net of tax, on available-for-sale financial assets through equity.

(v) Redemption from minority interests represents the payment in shares received from other A share non-public shareholders of Jin Jiang Hotels Development in the years ended 31 December 2008 for their considerations in the share merger reform which were made by the Company in January 2006. Accordingly, such payment is treated as a transaction between shareholders and accordingly the redemptive share of net assets is recorded as an addition of capital surplus.

(vi) Asset revaluation surplus represents the equity effect of the revaluation of assets arising on a business combination made in stages. The Group remeasures the fair value of its previously held equity interest in the acquiree at its acquisition date and recognises the changes in the value of its previously held equity interest in the acquiree in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

20 RESERVES (CONTINUED)

(b) The Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008	1,096,678	55,777	301,471	1,453,926	554,214	2,008,140
Profit for the year	—	—	—	—	260,829	260,829
Dividends declared (note 31)	—	—	—	—	(136,950)	(136,950)
Fair value changes in available-for-sale financial assets — gross	—	—	(365,925)	(365,925)	—	(365,925)
Transfer of fair value changes in available-for-sale financial assets — gross	—	—	(58,553)	(58,553)	—	(58,553)
Fair value changes in and transfer of available-for-sale financial assets — tax	—	—	106,119	106,119	—	106,119
Profit appropriation	—	28,400	—	28,400	(28,400)	—
At 31 December 2008	1,096,678	84,177	(16,888)	1,163,967	649,693	1,813,660
Profit for the year	—	—	—	—	257,852	257,852
Dividends declared (note 31)	—	—	—	—	(95,865)	(95,865)
Fair value changes in available-for-sale financial assets — gross	—	—	152,686	152,686	—	152,686
Transfer of fair value changes in available-for-sale financial assets — gross	—	—	(50,189)	(50,189)	—	(50,189)
Fair value changes in and transfer of available-for-sale financial assets — tax	—	—	(25,624)	(25,624)	—	(25,624)
Profit appropriation	—	23,174	—	23,174	(23,174)	—
At 31 December 2009	**1,096,678**	**107,351**	**59,985**	**1,264,014**	**788,506**	**2,052,520**

21 TRADE AND OTHER PAYABLES

(a) The Group

	At 31 December	
	2009 RMB'000	2008 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 (note 35(b))	**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 (note 37(b))	**32,128**	—
Accrued expenses	**25,244**	18,727
Payable due to Shanghai World Expo 2010 Bureau (note 9)	**16,233**	—
Accrued expenses for reorganisation between Jin Jiang Hotels Development and the Company (note 37(a))	**11,900**	—
Payable for acquisition of West Capital International Hotel Company Limited ("West Capital International Hotel") (note 34)	**9,183**	—
Others	**67,128**	65,153
	1,225,378	1,047,078

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For the year ended 31 December 2009

21 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group (continued)

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.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
— RMB	**1,191,631**	1,047,066
— US$ and HK$	**33,747**	12
	1,225,378	1,047,078

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Trade payables	**5,251**	5,493
Payables for purchases of property, plant and equipment, and intangible assets	**20,300**	11,162
Amounts due to related parties (note 35(c))	**9,883**	9,489
Salary and welfare payables	**18,992**	17,757
Other taxes payable	**1,229**	6,379
Accrued expenses	**8,236**	11,748
Advances from customers	**11,503**	9,468
Payable for acquisition of West Capital International Hotel (note 34)	**9,183**	—
Accrued expense for reorganisation between Jin Jiang Hotels Development and the Company	**5,950**	—
Others	**1,369**	289
	91,896	71,785

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For the year ended 31 December 2009

21 TRADE AND OTHER PAYABLES (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Current to 3 months	**4,688**	5,235
3 months to 1 year	**305**	—
Over 1 year	**258**	258
	5,251	5,493

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

All of the Company's trade and other payables are dominated in RMB.

22 BORROWINGS

(a) The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**—**	195,563
Bank borrowings — unsecured	**27,313**	127,338
Borrowings from Jin Jiang International (note 35(b))	**601,563**	—
Finance lease liabilities	**27,729**	—
	656,605	322,901
Less: current portion of long-term secured bank borrowings	**—**	(47,338)
current portion of long-term finance lease liabilities	**(1,391)**	—
	655,214	275,563
Borrowings included in current liabilities:		
Bank borrowings — secured	**270,397**	5,500
Bank borrowings — unsecured	**150,000**	210,000
Current portion of long-term secured bank borrowings	**—**	47,338
Current portion of finance lease liabilities	**1,391**	—
	421,788	262,838

As at 31 December 2009, bank borrowings of US$39,600,000 (equivalent to RMB270,397,000) were secured by a deposit of RMB299,306,000 (note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

As at 31 December 2008, bank borrowings of RMB201,063,000 were secured by property, plant and equipment of the Group with net book amount of RMB324,038,000 (note 6).

(i) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less RMB'000	6–12 months RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2009	**627,901**	**27,313**
At 31 December 2008	245,563	30,000
Borrowings included in current liabilities:		
At 31 December 2009	**151,391**	**270,397**
At 31 December 2008	52,838	210,000

(ii) The maturity of the borrowings included in non-current liabilities is as follows:

	At 31 December	
	2009 **RMB'000**	2008 RMB'000
Between 1 and 2 years	**1,482**	125,000
Between 2 and 5 years	**633,920**	120,563
Over 5 years	**19,812**	30,000
	655,214	275,563

(iii) The effective interest rates at respective balance sheet dates were as follows:

	At 31 December	
	2009	2008
Borrowings denominated in RMB	**5.3176%**	6.8322%
Borrowings denominated in US$	**2.4537%**	3.4770%

(iv) The carrying amounts and fair values of non-current bank borrowings are as follows:

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2009		
— Bank Borrowings	27,313	27,778
— Borrowings from Jin Jiang International (note 35(a))	601,563	598,126
— Finance lease liabilities	26,338	26,338
	655,214	652,242
At 31 December 2008		
— Bank Borrowings	275,563	283,452

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

(v) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
— RMB	**779,538**	511,063
— US$	**297,710**	27,338
	1,077,248	538,401

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB27,729,000 (2008: nil) are effectively secured as the rights to the leased asset with carrying amount of RMB27,321,000 (2008: nil) (note 6(a)) revert to the lessor in the event of default.

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**3,055**	—
Between 1 year and 2 years	**3,055**	—
Between 2 years and 5 years	**9,165**	—
Over 5 years	**25,601**	—
	40,876	—
Future finance charges on finance leases	**(13,147)**	—
Present value of finance lease liabilities	**27,729**	—
The present value of finance lease liabilities is as follows:		
Within 1 year	**1,391**	—
Between 1 year and 2 years	**1,482**	—
Between 2 years and 5 years	**5,044**	—
Over 5 years	**19,812**	—
	27,729	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 BORROWINGS (CONTINUED)

(b) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Borrowings from Jin Jiang International	**89,500**	—

(i) The exposure of the Company's borrowings to interest-rate changes and the contractual repricing dates or maturity whichever is the earlier date are as follows:

	6 months or less	6–12 months
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2009	**89,500**	**—**
At 31 December 2008	—	—

(ii) The maturity of the borrowings included in non-current liabilities is as follows:

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Between 2 and 5 years	**89,500**	—

(iii) The effective interest rates at respective balance sheet dates were as follows:

	At 31 December	
	2009	2008
Borrowings denominated in RMB	**4.6200%**	—

(iv) The carrying amounts and fair values of non-current borrowings from related party are as follows:

	Carrying amounts	Fair values
	RMB'000	RMB'000
At 31 December 2009	**89,500**	**88,989**
At 31 December 2008	—	—

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

23 OTHER INCOME

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Subsidy income	**12,858**	13,552
Gain on disposal of an investment in Jiu Long Hotel (a)	**—**	22,394
Gain on disposal of investment in associates (b)	**163,740**	3,722
Interest income	**9,663**	23,469
Dividend income		
— Unlisted equity investments	**40,512**	35,528
— Listed equity investments	**14,996**	59,986
	55,508	95,514
Gain on disposal of available-for-sale financial assets other than investment in Jiu Long Hotel	**98,718**	63,126
Gain on lease termination of a Jin Jiang Inn budget hotel (c)	**3,872**	19,858
	344,359	241,635

(a) Subsequent to the sales of its 45% and 44% equity interest in Jiu Long Hotel in November 2006 and July 2007, the Group sold its all remaining equity interest in Jiu Long Hotels in December 2008, at a consideration of RMB29,941,000, which resulted in a gain of RMB22,394,000. The Group received the cash consideration of RMB14,510,000 and RMB15,431,000 in the years ended 31 December 2008 and 2009, respectively

(b) In March 2009, the Group sold all its 45% equity interest in Shanghai Zhongya Hotel to a third party with a gain of RMB100,808,000. In April 2009, the Group sold its 7% equity interest in Shanghai Kentucky Fried Chicken Company Limited to a third party with a gain of RMB62,932,000.

(c) The Group received compensations of RMB33,600,000 and RMB4,470,000 from a third party lessor for lease termination of a Jin Jiang Inn budget hotel in November 2008 and April 2009, respectively. After deducting the net loss in disposal of the property, plant and equipment, other operating assets of the Jin Jiang Inn budget hotel and compensations paid to sub-lessees, gains of RMB19,858,000 and RMB3,872,000 were recognised in the consolidated financial statements for the year ended 31 December 2008 and 2009, respectively.

24 OTHER EXPENSES

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Bank charges	**24,855**	27,489
Loss on disposal of property, plant and equipment	**97**	907
	24,952	28,396

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For the year ended 31 December 2009

25 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 (note 26)	**1,075,586**	1,032,119
Depreciation of property, plant and equipment (note 6)	**539,811**	465,858
Cost of inventories sold (note 15)	**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 (note 8)	**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 (note 9)	**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 (note 7)	**158**	—
(Reversal of)/write-down of inventories (note 15)	**(26)**	449
(Reversal of)/provision for impairment of trade and other receivables (note 17)	**(539)**	9,579
Others	**110,396**	133,230
	3,299,113	3,115,817

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26 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Wages and salaries	**677,106**	649,743
Retirement and housing benefits (a)	**198,439**	190,420
Welfare and other expenses	**200,041**	191,956
	1,075,586	1,032,119
Number of employee	**18,770**	18,834

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees of the Group companies in Mainland China are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

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26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors', supervisors' and senior management's emoluments

The emoluments of every director,supervisor and other senior management members for the year ended 31 December 2009, on a named basis, are set out as below:

Name	Director's fee RMB'000	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Mr. Yu Minliang	—	—	—	—	—
Mr. Shen Maoxing	—	—	—	—	—
Ms. Chen Wenjun	—	—	—	—	—
Mr. Yang Weimin	—	310	160	53	523
Mr. Chen Hao	—	315	140	50	505
Mr. Yuan Gongyao	—	276	80	48	404
Mr. Xu Zurong	—	258	80	48	386
Mr. Han Min	—	276	80	48	404
Mr. Kang Ming	—	228	59	45	332
Mr. Ji Gang	100	—	—	—	100
Mr. Xia Dawei	100	—	—	—	100
Mr. Sun Dajian	100	—	—	—	100
Dr. Rui Mingjie	100	—	—	—	100
Mr. Yang Menghua	100	—	—	—	100
Dr. Tu Qiyu	100	—	—	—	100
Mr. Shen Chengxiang	100	—	—	—	100
Mr. Lee Chung Bo	100	—	—	—	100
	800	1,663	599	292	3,354
Supervisors					
Mr. Wang Guoxing	—	—	—	—	—
Mr. Wang Xingze	—	276	80	48	404
Mr. Ma Mingju	—	—	—	—	—
Ms. Chen Junjin	—	—	—	—	—
Ms. Jiang Ping	—	—	—	—	—
Mr. Zhou Qiquan	—	—	—	—	—
	—	276	80	48	404
Senior management members other than directors and supervisors					
Mr. Ngai Wai Feng	—	—	—	—	—
Dr. Ai Gengyun	—	278	59	45	382
	—	278	59	45	382
	800	2,217	738	385	4,140

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For the year ended 31 December 2009

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors', supervisors' and senior management's emoluments (continued)

The emoluments of every director, supervisor and other senior management members for the year ended 31 December 2008, on a named basis, are set out as below:

Name	Director's fee RMB'000	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Mr. Yu Minliang	—	—	—	—	—
Mr. Shen Maoxing	—	—	—	—	—
Ms. Chen Wenjun	—	—	—	—	—
Mr. Yang Weimin	—	314	160	37	511
Mr. Chen Hao	—	304	140	36	480
Mr. Yuan Gongyao	—	271	80	34	385
Mr. Xu Zurong	—	245	80	35	360
Mr. Han Min	—	271	80	34	385
Mr. Kang Ming	—	198	55	32	285
Mr. Ji Gang	100	—	—	—	100
Mr. Xia Dawei	100	—	—	—	100
Mr. Sun Dajian	100	—	—	—	100
Dr. Rui Mingjie	100	—	—	—	100
Mr. Yang Menghua	100	—	—	—	100
Dr. Tu Qiyu	100	—	—	—	100
Mr. Shen Chengxiang	100	—	—	—	100
Mr. Lee Chung Bo	100	—	—	—	100
	800	1,603	595	208	3,206
Supervisors					
Mr. Wang Guoxing	—	—	—	—	—
Mr. Wang Xingze	—	271	80	34	385
Mr. Ma Mingju	—	—	—	—	—
Ms. Chen Junjin	—	—	—	—	—
Ms. Jiang Ping	—	—	—	—	—
Mr. Zhou Qiquan	—	—	—	—	—
	—	271	80	34	385
Senior management members other than directors and supervisors					
Dr. Laurence Yuen Chin Yau (i)	—	1,088	250	—	1,338
Mr. Ngai Wai Feng (ii)	—	—	—	—	—
Dr. Ai Gengyun (iii)	—	62	14	8	84
	—	1,150	264	8	1,422
	800	3,024	939	250	5,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors', supervisors' and senior management's emoluments (continued)

(i) Resigned as the joint company secretary and the qualified accountant on 21 October 2008.

(ii) Appointed as the joint company secretary on 21 October 2008.

(iii) Appointed as the qualified accountant on 21 October 2008.

The emoluments fell within the following bands:

	Year ended 31 December	
	2009	2008
	Number	Number
Nil to RMB881,000 (equivalent to HK$1,000,000)	**25**	25
RMB881,000 to RMB1,321,000 (equivalent to HK$1,500,000)	**—**	1
	25	26

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2009 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2009 are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salary and allowances	**4,888**	4,141
Discretionary bonuses	**451**	651
Retirement scheme contributions	**105**	258
	5,444	5,050

The emoluments fell within the following bands:

	Year ended 31 December	
	2009	2008
	Number	Number
RMB881,000 (equivalent to HK$1,000,000) to RMB1,321,000 (equivalent to HK$1,500,000)	**5**	5

(d) During the year ended 31 December 2009, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

27 FINANCE COSTS

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Interest expenses		
— Bank borrowings	**31,583**	42,240
— Borrowings from Jin Jiang International	**2,693**	—
— Financial lease liabilities	**1,294**	—
	35,570	42,240
Less: amounts capitalised in property, plant and equipment (note 6)	**(775)**	(1,466)
	34,795	40,774
Net foreign exchange losses	**279**	3,534
	35,074	44,308

28 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 (note 14(a))	**(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, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited were registered in Shanghai Pudong New Area and entitled to the preferential income tax rates of 20% in 2009 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

28 INCOME TAX EXPENSE (CONTINUED)

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

29 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company has been dealt with in the financial statements of the Company to the extent of RMB257,852,000 (2008: RMB260,829,000).

30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

31 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 RMB2.0 cents (2008: RMB2.1 cents) per share	**91,300**	95,865

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to cash generated from operations:

		Year ended 31 December	
	Note	**2009**	2008
		RMB'000	RMB'000
Profit for the year		**284,701**	432,783
Adjustments for:			
— income tax expense	28	**86,618**	95,899
— depreciation of property, plant and equipment	25	**539,811**	465,858
— depreciation of investment property	25	**158**	—
— amortisation of land use rights	25	**32,137**	31,232
— amortisation of intangible assets	25	**10,526**	766
— loss on disposal of property, plant and equipment	24	**97**	907
— gain on disposal of Jiu Long Hotel	23	**—**	(22,394)
— gain on disposal of available-for-sale financial assets other than investment in Jiu Long Hotel	23	**(98,718)**	(63,126)
— gain on disposal of investment in associates	23	**(163,740)**	(3,722)
— gain on lease termination of a Jin Jiang Inn Budget Hotel	23	**—**	(19,858)
— (reversal of)/provision for impairment of trade and other receivables	25	**(539)**	9,579
— (reversal of)/write-down inventories to net realisable value	25	**(26)**	449
— interest income	23	**(9,663)**	(23,469)
— interest expenses	27	**34,795**	40,774
— net foreign exchange losses	27	**279**	3,534
— share of results of associates	12	**(65,376)**	(72,760)
— dividend income	23	**(55,508)**	(95,514)
Changes in working capital:			
— mandatory reserve deposit		**66,655**	(29,084)
— inventories		**6,667**	5,418
— trade and other receivables		**986**	7,699
— trade and other payables		**34,243**	(20,751)
Cash generated from operations		**704,103**	744,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

33 COMMITMENTS

(a) Capital commitments

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

(i) The Group

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

(ii) The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**9,776**	13,545

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also lease out space in hotels under non-cancellable operating lease agreements. The rental revenue and the operating lease expenses recognised in the consolidated income statement for the year ended 31 December 2009 are disclosed in notes 5(a) and 25, respectively.

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

(i) The Group

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

33 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(i) The Group (continued)

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

(ii) The Company

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	**46,342**	45,662
Later than 1 year and not later than 5 years	**181,393**	165,400
Later than 5 years	**677,290**	726,900
	905,025	937,962

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	**1,010**	1,378
Later than 1 year and not later than 5 years	**357**	960
	1,367	2,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34 BUSINESS COMBINATION

(a) Shanghai New Asia Café de Coral Company Limited ("New Asia Café de Coral")

Before the equity transfer of New Asia Café de Coral, Shanghai Jin Jiang International Catering Investment Co., Ltd. ("Catering Investment"), a subsidiary of the Group, and Grand Regent China Limited ("Grand Regent China") were the shareholders of New Asia Café de Coral and each held a 50% equity interest of New Asia Café de Coral. Pursuant to an equity transfer agreement signed between Catering Investment and Grand Regent China on 28 February 2009, Grand Regent China transferred its 25% equity interest in New Asia Café de Coral to Catering Investment, at a cash consideration of approximately RMB12,794,000. The equity transfer was completed in March 2009 and Catering Investment held 75% equity interest in New Asia Café de Coral thereafter.

The acquired business contributed revenues of RMB139,542,000 and net loss of RMB1,612,000 to the Group for the period from 1 March 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, Group revenue would have been RMB3,350,357,000, and profit for the year would have been RMB281,835,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquisition are as follows:

	RMB'000
Total purchase cash consideration	12,794

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

	Fair values RMB'000	Share of acquirer's carrying amounts RMB'000
Cash and cash equivalents	35,330	35,330
Property, plant and equipment (note 6)	29,215	23,272
Inventories	5,484	4,845
Trade and other receivables	6,369	6,340
Trade and other payables	(25,222)	(25,263)
Net assets	51,176	44,524
Less: Minority interests (25%)	(12,794)	
Share of net assets	38,382	
Less: 50% equity interest previously held (note 12)	(22,262)	
Asset revaluation surplus	(3,326)	
Total purchase consideration	12,794	
Total purchase consideration settled in cash		(12,794)
Cash and cash equivalents in the subsidiary acquired		35,330
Cash inflow on acquisition		22,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34 BUSINESS COMBINATION (CONTINUED)

(b) West Capital International Hotel

Pursuant to an equity transfer agreement signed between the Company and Xi'an Catering Company Limited ("Xi'an Catering") on 16 October 2009, Xi'an Catering transferred its 100% equity interest in West Capital International Hotel to the Company, at a cash consideration of approximately RMB 139,598,000. The equity transfer was completed in October 2009 and the Company hold 100% equity interest in West Capital International Hotel thereafter.

The acquired business contributed revenues of RMB3,980,000 and net loss of RMB3,261,000 to the Group for the period from 1 November 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, Group revenue would have been RMB3,335,039,000, and profit for the period would have been RMB276,827,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquisition are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	130,000
— Cash to be paid (note 21)	9,183
— Direct costs relating to the acquisition	415
Total purchase consideration	139,598

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

	Fair values RMB'000	Share of acquirer's carrying amounts RMB'000
Cash and cash equivalents	11,307	11,307
Property, plant and equipment (note 6)	151,077	106,279
Land use right (note 8)	77,712	54,541
Intangible assets (note 9)	336	336
Inventories	1,288	1,783
Trade and other receivables	1,192	1,192
Trade and other payables	(3,314)	(3,314)
Borrowings	(100,000)	(100,000)
Deferred income tax liabilities (note 14(a))	(17,374)	—
Net assets	122,224	72,124
Add: Goodwill (note 9)	17,374	
Total purchase consideration	139,598	
Total purchase consideration settled in cash		(130,000)
Cash and cash equivalents in the subsidiary acquired		11,307
Cash outflow on acquisition		(118,693)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions — The Group

The Group had the following significant related party transactions during the year ended 31 December 2009:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Provision of hotel services	**483**	329
— Provision of training services	**35**	16
— Sales of hotel supplies	**1,352**	567
	1,870	912
— Borrowings received	**601,563**	—
— Interest expenses paid	**2,693**	—
— Rental expenses paid	**6,293**	6,167
	610,549	6,167
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	**13,988**	22,907
— Rental income received	**793**	851
— Provision of other services	**2,373**	3,407
	17,154	27,165
— Acquisition of Jing An Bakery Holdings Co., Limited ("Jing An Bakery Holdings") (i)	**15,350**	—
— Purchase of food and beverage	**2,116**	2,412
— Rental expenses paid	**14,062**	13,799
— Receipt of laundry services	**2,158**	3,201
— Receipt of other services	**4,970**	5,758
	38,656	25,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions — The Group (continued)

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Transactions with jointly controlled entities of the Group		
— Interest income received	**846**	965
— Sales of hotel supplies	**2,292**	5,328
— Management fees received	**3,535**	4,886
	6,673	11,179
— Interest expenses paid	**2,405**	1,192
— System management fee paid	**—**	3,758
	2,405	4,950
Transactions with associates of the Group		
— Rental income received	**3,258**	5,955
— Interest income received	**3,897**	6,681
— Management fees received	**2,877**	4,023
— Sales of hotel supplies	**3,959**	5,154
	13,991	21,813
— Purchase of food and beverage	**10,230**	15,655
— Interest expenses paid	**40**	211
	10,270	15,866
Transactions with companies with common directors		
— Management fees received	**398**	741
— Sales of hotel supplies	**1,357**	1,371
— Sales of food and beverage	**881**	527
	2,636	2,639
— Purchase of food and beverage	**4,943**	5,976

(i) In September 2009, the Group acquired 100% equity interest in Jing An Bakery Holdings from Jin Jiang International Group (HK) Co., Limited, a subsidiary of Jin Jiang International, at a cash consideration of RMB15,350,000. In December 2009, three third parties contributed an additional capital of RMB24,150,000 to Jing An Bakery Holdings and the equity interest in Jing An Bakery Holdings owned by the Group was diluted to 40%. The Group accounted for Jing An Bakery Holdings as a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/due to related parties — The Group

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Amounts due from related parties (note 17(a))		
— Jin Jiang International	**273**	196
— Subsidiaries of Jin Jiang International	**2,352**	3,751
— Jointly controlled entities of the Group (i)	**16,985**	21,368
— Associates of the Group (ii)	**69,285**	125,749
— Companies with common directors	**363**	383
	89,258	151,447
Amounts due to related parties (note 21(a))		
— Jin Jiang International	**(3,106)**	(1,915)
— Subsidiaries of Jin Jiang International	**(6,680)**	(4,405)
— Jointly controlled entities of the Group (iii)	**(93,033)**	(85,075)
— Associates of the Group (iv)	**(6,380)**	(6,202)
— Companies with common directors	**(593)**	(517)
	(109,792)	(98,114)
Borrowings (note 22(a))		
— Jin Jiang International (v)	**(601,563)**	—

(i) The balance includes unsecured loans to jointly controlled entities of RMB15,910,000 as at 31 December 2009 (2008: RMB14,190,000) with effective interest rates of 5.04% (2008: 5.94%) per annum.

(ii) The balance includes secured loans to associates of RMB55,000,000 as at 31 December 2009 (2008: RMB89,500,000) with effective interest rates of 7.54% (2008: 6.74%) per annum which were guaranteed by a third party company or pledged by their or third parties' properties.

(iii) The balance includes deposits from jointly controlled entities of RMB92,453,000 as at 31 December 2009 (2008: RMB84,711,000) with the interest rates of 2.71% (2008: 3.25%) per annum.

(iv) The balance includes deposits from associates of RMB6,204,000 as at 31 December 2009 (2008: RMB6,036,000) with effective interest rates of 0.36% (2008: 0.36%) per annum.

(v) The balance includes unsecured borrowings from Jin Jiang International of RMB601,563,000 as at 31 December 2009 with effective interest rates of 4.62% per annum.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Amounts due from/to related parties — The Company

	At 31 December	
	2009	2008
	RMB'000	RMB'000
Amounts due from related parties (note 17(b))		
— Subsidiaries of Jin Jiang International	**786**	1,119
— Subsidiaries of the Group	**274,622**	148,105
— Jointly controlled entities of the Group	**159**	117
— Associates of the Group	**10,500**	10,500
	286,067	159,841
Amounts due to related parties (note 21(b))		
— Jin Jiang International	**(1,384)**	(1,258)
— Subsidiaries of the Group	**(8,025)**	(7,691)
— Subsidiaries of Jin Jiang International	**(439)**	(527)
— Jointly controlled entities of the Group	**(27)**	—
— Associates of the Group	**—**	(13)
— Companies with common directors	**(8)**	—
	(9,883)	(9,489)
Borrowings (note 22(b))		
— Jin Jiang International (i)	**(89,500)**	—

(i) The balance includes unsecured borrowings from Jin Jiang International of RMB89,500,000 as at 31 December 2009 with effective interest rates of 4.62% per annum.

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

(d) Key management compensation

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Salary and other allowances	**1,941**	2,827
Discretionary bonus	**658**	858
Retirement scheme contributions	**336**	216
	2,935	3,901

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36 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2009, the Company had direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Company name	Country and date of incorporation	Issued/registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries						
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Y.M.C.A Hotel Company Limited 上海錦江青年會賓館有限公司	Mainland China, 23 October 1984	RMB40,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB134,886	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Yulan Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	99.0%	1.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	—	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	75.0%	25.0%	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Jin Jiang International Finance Company Limited 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB300,000	90.0%	10.0%	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	71.2%	20.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	80.0%	20.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	50.0%	50.0%	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB603,241	50.3%	—	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB1,415	—	100.0%	Food manufacturing, Shanghai, Mainland China	Limited liability company

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36 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB100,000	—	100.0%	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	—	100.0%	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	—	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	—	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	—	100.0%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	—	100.0%	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	—	90.0%	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	—	90.0%	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	—	90.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	—	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	—	60.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	—	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	—	100.0%	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團（香港）有限公司	Hong Kong, 14, February 2000	HK$70,736	98.6%	1.4%	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	—	65.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	—	66.7%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Café de Coral Company Limited 上海新亞大家樂餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	—	75.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	—	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA, 15 May 2009	US$1,000	100.0%	—	Investment operations Wilmington USA	Limited liability company

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36 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(b) Jointly controlled entities						
Shanghai Hua Ting Hotel and Towers Company Limited 上海華亭賓館有限公司	Mainland China, 19 September 1985	RMB120,000	50.0%	—	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京昆侖飯店有限公司	Mainland China, 24 May 1988	US$34,167	35.0%	12.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	—	50.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer JinJiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	—	50.0%	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai New Garden Hotel 上海新苑賓館	Mainland China, 26 November 1984	RMB13,975	57.0%	—	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jing An Bakery Holding Co.,Ltd 靜安麵包房控股有限公司	British Virgin Islands Britain, 21 April 2009	HK$41,692	—	40.0%	Investment operation Hong Kong, China	Limited liability company
Hotel Acquisition Company, LLC	USA, 6 July 2009	US$4,000	—	50.0%	Investment operations company, Wilmington, USA	Limited liability company
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	—	58.0%	Fast food operations, Shanghai Mainland China	Limited liability company
(c) Associates						
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	RMB18,000	30.0%	—	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	RMB67,570	25.0%	—	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
The Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	US$53,000	—	40.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	—	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	—	40.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$4,800	—	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	—	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company

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37 EVENTS AFTER THE BALANCE SHEET DATE

(a) Reorganisation with Jin Jiang Hotel Development

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 Company Limited, 80% equity interest in Shanghai Jin Jiang International Hotel Investment Co., Ltd. and 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development; and Jin Jiang Hotel Co., Ltd., a subsidiary of the Company, will transfer its 1% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development (together, the "Transfer-out Assets"). In return, the Company will acquire from Jin Jiang Hotels Development 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer Jin Jiang Interactive Co., Ltd., 50% equity interest in Shanghai Jin Jiang Tomson Hotel Co., Ltd., 99% equity interest in Jin Jiang International Hotel Management Co., Ltd., 100% interest in Shanghai Jin Jiang International Management College, 66.67% equity interest in Sofitel Hyland Shanghai, 65% equity interest in Shanghai Jian Guo Hotel Co., Ltd., 40% equity interest in The Yangtze Hotel Limited, 15% equity interest in Wenzhou Dynasty Hotel, and total assets and liabilities of Metropole Hotel and New Asia Hotel, branches of Jin Jiang Hotels Development; and also acquire 1% equity interest in Jin Jiang International Hotel Management Co., Ltd. from Min Hang Hotel Limited, a subsidiary of Jin Jiang Hotels Development (together, the "Transfer-in Assets"). The considerations to the Transfer-in Assets and Transfer-out Assets are to be determined based on an assets valuation as at 31 July 2009 and the profit or loss of the 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 the China Securities Regulatory Committee (the "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 ("CG"), a wholly owned subsidiary of the Company, and THI V Inca, LLC, a wholly owned subsidiary of Thayer Lodging Group, Inc., formed Hotel Acquisition Company, LLC ("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 at 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).

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37 EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

(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.