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

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

(Stock Code: 02006)

Announcement of the unaudited consolidated interim results for the six months ended 30 June 2010

FINANCIAL SUMMARY

	Six months ended 30 June 2010 ***(RMB'000)***	Six months ended 30 June 2009 *(RMB'000)*	Increase/ (Decrease) *(%)*
Revenue	**2,762,358**	1,518,735	81.89
Operating profit	**273,197**	257,052	6.28
Operating profit/(loss) excluding other income	**151,539**	(10,220)	—
Profit attributable to the shareholders of the Company	**118,129**	108,593	8.78
Earnings per share *(expressed in RMB cents)*	**2.59**	2.38	8.78

SUMMARY OF RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group. The interim results have been reviewed by the audit committee of the Company. For the six months ended 30 June 2010, revenue of the Group amounted to approximately RMB2,762,358,000, representing an increase of approximately 81.89% as compared to the same period of 2009; operating profit of the Group excluding other income was approximately RMB151,539,000, representing an increase of RMB161,759,000 as compared to the same period of 2009, while profit attributable to the shareholders of the Company increased by approximately 8.78% to approximately RMB118,129,000 and earnings per share increased by approximately 8.78% to RMB2.59 cents, against the same period of 2009. The increase in revenue was mainly attributable to the increase in revenue from the Group's Star-rated hotels and Budget Hotels, as well as the proportionate consolidation of IHR Group's 50% revenue following the acquisition of such jointly controlled entity since 18 March 2010. The substantial increase in operating profit excluding other income was mainly attributable to the substantial increase in revenue generated from Star-rated hotels and Budget Hotels.

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

Unaudited Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	4	**2,762,358**	1,518,735
Cost of sales	5	**(2,108,370)**	(1,163,761)
Gross profit		**653,988**	354,974
Other income		**121,658**	267,272
Selling and marketing expenses	5	**(103,766)**	(74,683)
Administrative expenses	5	**(382,098)**	(280,255)
Other expenses		**(16,585)**	(10,256)
Operating profit		**273,197**	257,052
Finance costs		**(39,415)**	(19,049)
Share of results of associates		**40,085**	31,194
Profit before income tax		**273,867**	269,197
Income tax expense	6	**(49,804)**	(52,291)
Profit for the period		**224,063**	216,906
Attributable to:			
Shareholders of the Company		**118,129**	108,593
Non-controlling interests		**105,934**	108,313
		224,063	216,906
Earnings per share for profit attributable to the shareholders of the Company for the period *(expressed in RMB cents per share)*			
— basic and diluted	7	**2.59**	2.38
Dividends	8	**—**	—

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**224,063**	216,906
Other comprehensive (loss)/income		
Fair value changes on available-for-sale financial assets — gross	**(1,261,958)**	1,116,453
Transfer of fair value changes in available-for-sale financial assets — gross	**—**	(75,619)
Fair value changes on available-for-sale financial assets — tax	**315,490**	(260,209)
Asset revaluation surplus arising on a business combination achieved in stages	**—**	3,326
Total other comprehensive (loss)/income	**(946,468)**	783,951
Total comprehensive (loss)/income for the period	**(722,405)**	1,000,857
Attributable to:		
— Shareholders of the Company	**(410,922)**	559,323
— Non-controlling interests	**(311,483)**	441,534
	(722,405)	1,000,857

Unaudited Condensed Consolidated Interim Balance Sheet
As at 30 June 2010

	Note	**As at 30 June 2010** ***RMB'000***	As at 31 December 2009 *RMB'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**6,606,818**	5,973,615
Investment property		**4,808**	4,887
Land use rights		**1,099,479**	1,110,457
Intangible assets		**471,882**	54,419
Investments in associates		**287,003**	254,969
Available-for-sale financial assets		**1,796,892**	3,038,738
Deferred income tax assets		**51,353**	36,366
Trade and other receivables	9	**10,660**	—
		10,328,895	10,473,451
Current assets			
Available-for-sale financial assets		**84,886**	—
Inventories		**70,828**	50,961
Other current assets		—	11,900
Trade and other receivables	9	**531,137**	312,786
Restricted cash		**228,835**	452,379
Cash and cash equivalents		**1,395,864**	1,460,381
		2,311,550	2,288,407
Total assets		**12,640,445**	12,761,858
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves			
— Proposed dividend	8	—	91,300
— Others		**1,885,868**	2,971,396
		6,450,868	7,627,696
Non-controlling interests		**2,133,159**	2,016,991
Total equity		**8,584,027**	9,644,687

	Note	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**1,531,376**	655,214
Deferred income tax liabilities		**445,368**	756,681
Trade and other payables	10	**11,707**	—
		1,988,451	1,411,895
Current liabilities			
Trade and other payables	10	**1,427,310**	1,225,378
Dividend payable	8	**91,300**	—
Income tax payable		**56,703**	58,110
Borrowings		**492,654**	421,788
		2,067,967	1,705,276
Total liabilities		**4,056,418**	3,117,171
Total equity and liabilities		**12,640,445**	12,761,858
Net current assets		**243,583**	583,131
Total assets less current liabilities		**10,572,478**	11,056,582

Notes to the Selected Unaudited Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

During the 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 hotels and related business and also transferred to Jin Jiang International equity interests in certain subsidiaries, a jointly controlled entity and associates which were engaged in non-hotel related business.

On 11 January 2006, the Company's name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the People's Republic of China (the "PRC" or "Mainland China") by converting its paid-in capital and reserves of RMB3,300,000,000 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. Accordingly, the share capital of the Company was increased to RMB4,565,000,000.

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

The Group is principally engaged in investment and operation of hotels and related businesses in Mainland China and the United States ("US").

These unaudited condensed consolidated interim financial information were approved for issue by the Board on 27 August 2010.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the consolidated financial statements for the year ended 31 December 2009, as described in those annual financial statements.

The following new standards are mandatory for the first time for the financial year beginning 1 January 2010.

- 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 interests in the acquiree either at fair value or at the non-controlling interests' 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.

  The standard was applied to the acquisition of IHR Group completed on 18 March 2010. For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36,702,000 in connection with the acquisition of IHR Group which was completed subsequent to 1 January 2010. As HKFRS 3 (revised) was not early adopted in 2009, the acquisition costs were capitalised under the HKFRS 3 for the year ended 31 December 2009, but were expensed retrospectively on transition to HKFRS 3 (revised), with restating comparatives, for the six months ended 30 June 2010. The acquisition-related costs of RMB11,757,000 incurred for the six months ended 30 June 2010 were recognised in the unaudited condensed consolidated interim income statement.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests 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 the income statement.

The following new amendments and improvements to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but not have any significant impact to the Group.

- HK(IFRIC) — Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

The following new standard has been issued but is not effective for the financial year beginning 1 January 2010 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 financial statements, but the Group did not early adopt this part.

The following new standards, new amendments and improvements to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact.

- HK(IFRIC) — Int-19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010.

- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011.

The unaudited condensed consolidated interim financial information include the unaudited interim financial information of the Company and all of its subsidiaries made up to 30 June 2010.

4 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.

Upon the completion of the reorganisation with Jin Jiang Hotels Development, Jin Jiang International Hotel Management Company Limited became a wholly-owned subsidiary of the Company and did not charge hotel management fees to the star-rated hotels owned by the Company. The Board combined the previous segment of star-rated hotels management into the segment of star-rated hotels for the six months ended 30 June 2010, with representing comparatives in segment information.

Upon the acquisition of 50% interest of IHR Group, the Board assesses the performance of overseas hotels as an individual business segment.

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

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

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

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

(4) Other operation in China: intra-group financial services, training and education;

(5) Overseas hotels: overseas operation of wholly-owned hotels, hotel management services and related sources.

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

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2010 is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Star-rated hotels	**1,213,267**	902,246
— Accommodation revenue	**623,159**	414,456
— Food and beverage sales	**393,863**	317,569
— Rendering of ancillary services	**60,334**	48,705
— Rental revenue	**77,432**	73,870
— Sales of hotel supplies	**28,641**	22,020
— Star-rated hotel management	**29,838**	25,626
Budget Hotels	**737,810**	537,379
Food and restaurants	**95,288**	64,755
Other operation in China	**16,205**	14,355
Overseas hotels	**699,788**	—
— Accommodation revenue	**50,245**	—
— Food and beverage sales	**26,739**	—
— Rendering of ancillary services	**2,011**	—
— Rental revenue	**492**	—
— Hotel management	**51,271**	—
— Other revenue from managed properties	**569,030**	—
	2,762,358	1,518,735

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

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

(b) Segment information

The segment results for the six months ended 30 June 2010 are as follows:

	Star-rated hotels *RMB'000*	Budget Hotels *RMB'000*	Food and restaurants *RMB'000*	Other operation in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
External sales *(note 4(a))*	1,213,267	737,810	95,288	16,205	699,788	2,762,358
Including: other revenue from managed properties	—	—	—	—	569,030	569,030
Inter-segment sales	947	1,289	172	35,661	—	38,069
Total gross segment sales	1,214,214	739,099	95,460	51,866	699,788	2,800,427
Profit for the period	37,061	76,952	72,752	57,046	(19,748)	224,063
Other income	9,500	10,679	40,846	60,612	21	121,658
Including: interest income	606	1,909	553	1,675	21	4,764
Depreciation of property, plant and equipment	(159,897)	(115,709)	(4,677)	(537)	(9,833)	(290,653)
Depreciation and amortization of investment property	(79)	—	—	—	—	(79)
Amortization of land use rights	(14,121)	(2,703)	(51)	(147)	—	(17,022)
Amortization of intangible assets	(1,687)	(510)	(34)	(3,954)	(5,301)	(11,486)
Reversal of inventories written-down *(note 5)*	1	—	—	—	—	1
Reversal of impairment of trade and other receivables *(note 5)*	352	—	—	—	—	352
Provision for impairment of available-for-sales financial assets *(note 5)*	—	—	—	(11,000)	—	(11,000)
Finance costs	(16,292)	(6,040)	146	—	(17,229)	(39,415)
Share of results of associates	2,895	—	39,209	(1,237)	(782)	40,085
Income tax expense *(note 6)*	(21,969)	(24,691)	(14)	(1,670)	(1,460)	(49,804)
Capital expenditure	197,714	126,943	1,413	489	1,035,221	1,361,780

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

	Star-rated hotels *RMB'000*	Budget Hotels *RMB'000*	Food and restaurants *RMB'000*	Other operation in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
External sales *(note 4(a))*	902,246	537,379	64,755	14,355	—	1,518,735
Inter-segment sales	1,804	—	—	38,415	—	40,219
Total gross segment sales	904,050	537,379	64,755	52,770	—	1,558,954
Profit for the period	56,342	28,504	111,419	20,641	—	216,906
Other income	153,872	3,219	99,970	10,211	—	267,272
Including: interest income	1,255	749	216	2,268	—	4,488
Depreciation of property, plant and equipment	(176,461)	(81,424)	(3,035)	(401)	—	(261,321)
Depreciation and amortization of investment property	(79)	—	—	—	—	(79)
Amortization of land use rights	(13,014)	(3,315)	(30)	(23)	—	(16,382)
Amortization of intangible assets	(1,328)	(248)	(21)	—	—	(1,597)
Write-down of inventories *(note 5)*	(9)	—	—	—	—	(9)
Provision for impairment of trade and other receivables *(note 5)*	(80)	(3)	—	—	—	(83)
Finance costs	(8,111)	(10,829)	(109)	—	—	(19,049)
Share of results of associates	(3,027)	—	35,297	(1,076)	—	31,194
Income tax expense *(note 6)*	(25,456)	(8,541)	(15,319)	(2,975)	—	(52,291)
Capital expenditure	337,049	129,041	18,822	274	—	485,186

The segment assets as at 30 June 2010 are as follows:

	Star-rated hotels ***RMB'000***	**Budget Hotels** ***RMB'000***	**Food and restaurants** ***RMB'000***	**Other operation in China** ***RMB'000***	**Overseas hotels** ***RMB'000***	**Group** ***RMB'000***
Segment assets	4,914,528	3,398,926	183,308	2,465,714	1,390,966	12,353,442
Investments in associates	45,160	—	189,260	2,635	49,948	287,003
Total assets	4,959,688	3,398,926	372,568	2,468,349	1,440,914	12,640,445

The segment assets as at 31 December 2009 are as follows:

	Star-rated hotels *RMB'000*	Budget Hotels *RMB'000*	Food and restaurants *RMB'000*	Other operation in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
Segment assets	5,690,685	3,352,953	188,279	3,274,972	—	12,506,889
Investments in associates	51,303	—	199,081	4,585	—	254,969
Total assets	5,741,988	3,352,953	387,360	3,279,557	—	12,761,858

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other operation in China". There were no gain on disposal of available-for-sale financial assets (for the six months ended 30 June 2009: RMB75,619,000) and no gain on disposal of an investment in associates (for the six months ended 30 June 2009: RMB69,476,000) in the other income in the segment of "Star-rated hotel" for the six months ended 30 June 2010.

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

Capital expenditure comprises additions to property, plant and equipment, investment property, land use rights and intangible assets, including additions resulting from acquisition of a jointly controlled entity and business combination.

5 EXPENSES BY NATURE

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

	Year ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Employee benefit expense	**670,176**	512,460
Other expense from IHR Group's managed properties	**569,030**	—
Cost of inventories sold	**313,623**	217,871
Depreciation of property, plant and equipment	**290,653**	261,321
Utility cost and consumables	**224,990**	185,433
Business tax, property tax and other tax surcharges	**130,819**	117,428
Operating leases — land and buildings	**100,942**	73,657
Repairs and maintenance	**41,810**	22,389
Commission to travel agency	**26,938**	15,995
Laundry costs	**25,040**	15,058
Pre-operation expenses	**24,074**	4,867
Amortisation of land use rights	**17,022**	16,382
Advertising fee	**11,911**	8,072
Transaction cost in connection with the acquisition of IHR Group	**11,757**	—
Amortisation of intangible assets	**11,486**	1,597
Provision for impairment of available-for-sale financial assets	**11,000**	—
Telecommunication expenses	**8,757**	7,284
Transportation expenses	**8,615**	5,115
Entertainment expenses	**8,381**	5,451
Auditors' remuneration	**2,845**	1,889
Depreciation of investment property	**79**	79
(Reversal of)/write-down of inventories	**(1)**	9
(Reversal of)/provision for impairment of trade and other receivables	**(352)**	83
Others	**84,639**	46,259
	2,594,234	1,518,699

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Mainland China current income tax ("CIT")	**75,770**	64,615
Mainland China deferred income tax	**(27,426)**	(12,324)
US current income tax	**1,460**	—
	49,804	52,291

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China during the six months ended 30 June 2010 (the six months ended 30 June 2009: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations except for as described below.

The Company, Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited were registered in Shanghai Pudong New Area and entitled to the preferential income tax rates of 22% during the six months ended 30 June 2010 (the six months ended 30 June 2009: 20%).

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary incorporated in Hong Kong during the six months ended 30 June 2010 (the six months ended 30 June 2009: 16.5%). For the six months ended 30 June 2010, the Group's subsidiary incorporated in Hong Kong did not have assessable profit 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 entities incorporated in US during the six months ended 30 June 2010.

7 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
Profit attributable to the shareholders of the Company *(RMB'000)*	**118,129**	108,593
Weighted average number of ordinary shares in issue *(thousands)*	**4,565,000**	4,565,000
Basic earnings per share *(RMB cents)*	**2.59**	2.38

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

8 DIVIDENDS

The final dividend for the year ended 31 December 2009 of RMB2.0 cents (2008 final dividend: RMB2.1 cents) per share, totalling RMB91,300,000 (2008 final dividend: RMB95,865,000) was paid in July 2010. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current portion of trade and other receivables		
Trade receivables	**175,506**	71,408
Less: provision for impairment of trade receivables	**(3,071)**	(3,749)
Trade receivables — net	**172,435**	67,659
Amounts due from related parties	**102,069**	89,258
Prepayments and deposits	**154,465**	128,094
Dividends receivable	**43,489**	28
Notes receivable	**11,391**	—
Others	**75,217**	41,474
Less: provision for impairment of other receivables	**(17,269)**	(13,727)
Other receivables — net	**369,362**	245,127
Less: non-current portion of trade and other receivables	**(10,660)**	—
	531,137	312,786
Non-current portion of trade and other receivables	**10,660**	—

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current to 3 months	**157,191**	58,158
3 months to 1 year	**13,813**	9,027
Over 1 year	**4,502**	4,223
	175,506	71,408

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

10 TRADE AND OTHER PAYABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current portion of trade and other payables		
Trade payables	**188,257**	177,635
Amounts due to related parties	**127,636**	109,792
Salary and welfare payables	**251,500**	238,437
Payables for purchases of property, plant and equipment, and intangible assets	**236,801**	248,928
Advances from customers and buyers	**207,174**	183,798
Payables for insurance expenses on behalf of the managed properties of IHR Group	**94,043**	—
Other taxes payable	**85,845**	51,975
Accrued expenses	**74,298**	25,244
Deposits from lessees and constructors	**53,630**	52,997
Payable to Shanghai World Expo 2010 Bureau	**11,144**	16,233
Payables in connection with acquisition of IHR	**6,844**	32,128
Payables for the acquisition of non-controlling interests	**5,824**	—
Payables for reorganisation with Jin Jiang Hotels Development	**1,934**	11,900
Payable for acquisition of West Capital International Hotel Company Limited	**—**	9,183
Others	**94,087**	67,128
Less: non-current portion of trade and other payables	**(11,707)**	—
	1,427,310	1,225,378
Non-current portion of trade and other payables	**11,707**	—

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current to 3 months	**169,542**	162,651
3 months to 1 year	**11,813**	8,543
Over 1 year	**6,902**	6,441
	188,257	177,635

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

11 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2010 but not yet incurred is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Acquisition of property, plant and equipment	**283,765**	377,501

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognized and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2010 is disclosed in note 4 and 5 respectively.

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

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Not later than 1 year	**151,442**	151,998
Later than 1 year and not later than 5 years	**358,530**	347,845
Later than 5 years	**747,962**	787,399
	1,257,934	1,287,242

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Not later than 1 year	**263,014**	227,159
Later than 1 year and not later than 5 years	**1,018,678**	900,754
Later than 5 years	**2,342,796**	2,273,545
	3,624,488	3,401,458

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

As at 30 June 2010, the Company held a 30% equity interest in 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 is not determinable as at 27 August 2010.

12 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of shares in Shanghai Jin Jiang International Industrial Investment Co., Ltd ("Jin Jiang Investment") and Shanghai Jin Jiang International Travel Co., Ltd ("Jin Jiang Travel") involving issue of new domestic shares

On 13 August 2010, the Company entered into a share transfer agreement with Jin Jiang International to acquire (i) 212,586,460 shares in Jin Jiang Investment (representing approximately 38.54% of the total registered share capital of Jin Jiang Investment); and (ii) 66,556,270 shares in Jin Jiang Travel (representing approximately 50.21% of the total registered share capital of Jin Jiang Travel) (the "Acquisition").

The aggregate consideration for the Acquisition in the amount of RMB2,694,020,000 will be satisfied by way of the Company (i) transferring to Jin Jiang International a security deposit in the amount of RMB231,873,000 previously paid by the Company and its bank interests as part of the cash consideration on the date when all the condition precedents are satisfied; (ii) paying to Jin Jiang International balance of the cash consideration after satisfaction of all the condition precedents and before the date of completion; and (iii) issuing and allotting to Jin Jiang International 1,001,000,000 new domestic shares at a price of HK$2.2 per consideration share after satisfaction of all the condition precedents and before the date of completion. As the Company currently holds approximately 2.22% of the total registered share capital of Jin Jiang Investment, upon completion, each of Jin Jiang Investment and Jin Jiang Travel will become a 40.76% owned subsidiary and a 50.21% owned subsidiary of the Company.

The Company, Jin Jiang Investment and Jin Jiang Travel are under common control of Jin Jiang International both before and after the Acquisition. The Acquisition is therefore regarded as common control combinations and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the HKICPA. Upon completion, the financial statements of Jin Jiang Investment and Jin Jiang Travel will be included in the consolidated financial statements of the Group as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International.

13 RESTATEMENT

As explained in note 3, the Group incurred acquisition costs of RMB36,702,000 for the year ended 31 December 2009, in connection with the acquisition of IHR Group which was completed subsequently on 18 March 2010. When HKFRS 3 (revised) was adopted on 1 January 2010, these acquisition costs, capitalised under HKFRS 3 as at 31 December 2009, were expensed retrospectively by restating comparatives of the unaudited condensed consolidated interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the hotel industry of the Shanghai area continued to experience relatively notable recovery since the beginning of the second quarter of 2010, with the benefit of the opening of the Shanghai World Expo 2010. During the Reporting Period, revenue for the Group amounted to approximately RMB2,762,358,000, which represented an increase of 81.89% against the same period last year. Operating profit of the Group was approximately RMB273,197,000, which was 6.28% higher than the amount for the same period last year. Operating profit of the Group excluding other income was approximately RMB151,539,000, representing an increase of RMB161,759,000 as compared to the same period of 2009. Profit attributable to the shareholders of the Company amounted to approximately RMB118,129,000, representing a growth of approximately 8.78% against the same period last year. The increase in revenue was mainly attributable to the increase in revenue from the Group's Star-rated hotels and Budget Hotels, as well as the proportionate consolidation of IHR Group's 50% revenue following the acquisition of such jointly controlled entity since 18 March 2010. The substantial increase in operating profit excluding other income was mainly attributable to the substantial increase in revenue generated from Star-rated hotels and Budget Hotels.

In terms of business expansion, as at 30 June 2010, the Group held or managed 614 hotels with approximately 97,000 rooms either in operation or under development, spreading across 148 cities in 31 provinces, autonomous regions and municipalities in China. The Group remains the leading hotel group in the PRC in terms of the number of hotel rooms offered.

During the Reporting Period, the Group achieved further progress in its internal reorganisation with the completion of ownership transfer procedures relating to the assets swap of Star-rated hotels and Budget Hotels, the Acquired Interests, the Disposed Interests and the receipt of "Asset Ownership Transaction Certificates" issued by the Shanghai United Assets and Equity Exchange.

The Group established HAC on a 50:50 basis jointly with Thayer, 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. The transaction was completed on 18 March 2010. Following completion, IHR Group became a wholly-owned subsidiary of HAC and the Company indirectly owns a 50% equity interest in IHR Group through HAC.

On 1 April 2010, Shanghai Jin Jiang International Hotels Group (HK) Co., Ltd. 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) in respect of the establishment of an equity investment management company; (ii) a non-legally binding industrial fund memorandum with Thayer in respect of the joint establishment of a fund; and (iii) a training plan memorandum with IHR Group and Thayer.

The Group collected a number of awards in hospitality industry during the Reporting Period. We were named again in the list of "Hotels China Award 2010, Hotel Corporate Top 10" awarded by the Chinese edition of the US HOTELS magazine. Furthermore, Jin Jiang

International Hotel Management Company Limited, a subsidiary of the Group, was named a "Model for Corporate Governance in the PRC Hotel Industry". During the Reporting Period, "Jin Jiang Inn" trademark was recognised by the Trademark Office of the State Administration of Industry and Commerce as a famous trademark, and "Jin Jiang Inn" brand was named among the best branded budget hotels in the Greater China by the Tourism Award Committee of TTG China.

As the Group actively seized business opportunities arising from the Shanghai World Expo, seven Star-rated hotels under the Group were designated to provide accommodation for domestic distinguished guests of the Shanghai World Expo, while 12 Star-rated hotels and 26 Jin Jiang Inn Budget Hotels were designated as participation hotels of the Shanghai World Expo. RevPAR of the Group's Star-rated hotels in Shanghai increased by approximately 55% during the Reporting Period and by approximately 130% in May and June, as compared to the corresponding periods last year. RevPAR of the Group's Budget Hotels in Shanghai rose approximately 28% to approximately RMB200 during the Reporting Period and approximately 60% to RMB269 in May and June, as compared to the corresponding periods last year.

Star-rated Hotels

Star-rated hotel business is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business where approximately 80% of our self-managed Star-rated hotels are located. During the Reporting Period, Star-rated hotel business contributed approximately RMB1,213,267,000 to the Group's revenue, growing by 34.5% against the same period last year.

The overall refurbishment of Peace Hotel has been completed and the hotel has been re-opened since 28 July 2010. The re-opened Peace Hotel features state-of-the-art modern facilities in a setting of historical and cultural heritage and the Group intends to develop it as one of the most luxurious Star-rated hotels in Shanghai.

Y.M.C.A Hotel commenced soft operation in February 2010 as the first Commercial Hotel under the new brand name of "Marvel". The renovated Y.M.C.A Hotel features 142 hotel rooms and a 24-hour restaurant. The hotel has been well received by the market since its opening and its Occupancy Rate has increased quickly.

Renovation of the guest rooms, the corridors and the elevator hall at the North Tower of Jin Jiang Hotel was completed in mid April 2010. 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 was completed in late April 2010. The renovation has resulted in significant improvements in guest-room facilities.

On 28 January 2010, the Company entered into a share transfer agreement with Shanghai Sanhe Real Estate Company Limited ("Shanghai Sanhe") for the disposal of all its 30% equity interest in Chengdu Jinhe to Shanghai Sanhe for 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 is not determinable as at 27 August 2010. After completion of the transfer, the Company will no longer hold any equity interest in Chengdu Jinhe.

Energy conservation continued to be on top of the Group's agenda as we actively employed energy-saving technologies. During the Reporting Period, the Group completed the renovation of the exterior walls of Galaxy Hotel and Rainbow Hotel, where aluminum panels with temperature-keeping fillings were used and energy-saving aluminum alloy windows with sound and heat insulation features were installed to replace the traditional single-layer glass, resulting in significant energy conservation for the overall architecture of the two hotels. Meanwhile, the Group implemented air-source technology upgrade projects on a trial basis at various other hotels where appropriate, after achieving initial success in the geo-thermal heat pump energy-conservation technology projects. Trial operations of residual heat recycling were also conducted at certain of the Group's hotels, in addition to the employment of pressurised energy-saving water pump technology at certain hotels to carry out energy-saving conversions for traditional, powerful water pumps.

As at 30 June 2010, the Group owned and managed 109 Star-rated hotels with a total of 33,000 guest rooms, of which 77 hotels were managed by third-parties other than Jin Jiang International.

For online sales, development of the Jin Jiang Central Reservation System (JREZ) continued during the Reporting Period with efforts to expand channels for centralised reservations. Bookings through JREZ for about 67,000 room nights were received during the Reporting Period, representing a 68% increase against the same period last year. Referrals through the international distribution system (IDS) and the global distribution system (GDS) accounted for 63% of the patrons.

Budget Hotels

Budget Hotels represent another principal operation of the Group. The business of Budget Hotels comprises mainly the operation of Jin Jiang Inn Budget Hotels on leased properties, the grant of franchises of the brand of Jin Jiang Inn to third-party hotel owners and the development of Budget Hotels on the Group's own properties.

Budget Hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB737,810,000 to the Group's revenue, representing a 37.3% growth over the same period last year and accounting for 26.7% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB50,335,000, representing a 38.4% growth over the same period last year.

During the Reporting Period, Jin Jiang Inn entered into new agreements for the development of 16 self-managed hotels and 50 franchised hotels. As at 30 June 2010, a total of 505 Jin Jiang Inn Budget Hotels were either in operation or under development (including 38 Bestay Hotels Express), offering over 63,000 guest rooms. During the Reporting Period, 36 new Jin Jiang Inn Budget Hotels commenced operations, among which 11 were self-managed hotels and 25 were franchised hotels. As at 30 June 2010, there were 369 Jin Jiang Inn Budget Hotels in operation.

During the Reporting Period, 160,000 patrons enrolled as members of Jin Jiang Inn, taking the total number of membership to 990,000. A total of 390,000 Jin Jiang Inn-Bank of Communications Cards had been issued and over 6,300 enterprises had registered as corporate members. Meanwhile, through the commissioning of the new paging centre and by strengthening its marketing efforts for online reservation, Jin Jiang Inn has effectively enhanced its room reservation functions, provided additional marketing support for chain outlets throughout the nation and boosted its capacity for guest reception.

Food and Restaurants

During the Reporting Period, the Group's various brands of restaurant chains held through Jin Jiang Hotels Development continued to report a stable growth. As at 30 June 2010, Shanghai KFC had a total of 260 outlets, 14 more than it had as at the end of 2009, recording a steady growth in revenue and profit and maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya and Jing An Bakery had 56, 19 and 65 outlets respectively. Chinoise Story operated two restaurants at Jin Jiang Hotel and Wuhan Jin Jiang International Hotel respectively.

Overseas Hotels

The overseas hotel business of the Group was mainly represented by IHR Group in which the Group had a 50% equity interest. For the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010, IHR Group and its affiliates managed and/or owned interests in 232 hotel properties located variously in 36 states and the District of Columbia of the United States, Russia, India, Mexico, Belgium, Canada, Ireland and England, supplying over 46,000 guest rooms in aggregate. Through proportionate consolidation, IHR Group contributed to the Group operating revenue equivalent to approximately RMB699,788,000 for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010, including hotel operation revenue equivalent to approximately RMB79,487,000, hotel management revenue equivalent to approximately RMB51,271,000, and other revenue from managed properties equivalent to approximately RMB569,030,000. IHR Group reported an ADR of US$102 and average Occupancy Rate of 67.3% for its owned hotels. IHR Group reported higher Occupancy Rate but lower ADR as compared to the same period last year, while its RevPAR was basically the same as compared to the same period last year. The other revenue from managed properties represents the expenses incurred in managing the hotel properties for which IHR Group is contractually reimbursed by the property owner and generally includes salary and employee benefits for the employees working in the properties and certain other related costs. The reimbursable expenses were recorded as revenue and cost of sales with zero effect on operating profit.

Financial Review

Turnover

The Group's financial information for the Reporting Period against the same period in 2009 is set out below:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	RMB million	***Percentage of Turnover***	*RMB million*	*Percentage of Turnover*
Star-rated hotels	**1,213.3**	**43.9%**	902.2	59.4%
Budget Hotels	**737.8**	**26.7%**	537.4	35.4%
Food and restaurants	**95.3**	**3.5%**	64.8	4.3%
Other operations in China	**16.2**	**0.6%**	14.3	0.9%
Overseas hotels	**699.8**	**25.3%**	—	—
Total	**2,762.4**	**100.0%**	1,518.7	100.0%

Star-rated Hotels

The following table sets out turnover contributions from the operating segments and different businesses of the Group's Star-rated hotels as a percentage of the Group's turnover for the Reporting Period against the same period in 2009:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	RMB million	***Percentage of Turnover***	*RMB million*	*Percentage of Turnover*
— Accommodation revenue	**623.2**	**51.3%**	414.5	46.0%
— Food and beverage sales	**393.9**	**32.4%**	317.6	35.2%
— Rendering of ancillary services	**60.3**	**5.0%**	48.7	5.4%
— Rental revenue	**77.4**	**6.4%**	73.9	8.2%
— Sales of hotel supplies	**28.6**	**2.4%**	22.0	2.4%
— Star-rated hotel management	**29.8**	**2.5%**	25.6	2.8%
Total	**1,213.3**	**100.0%**	902.2	100.0%

Accommodation Revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels for the Reporting Period was approximately RMB623,159,000, representing a substantial increase of 50.4% over the same period in 2009. The growth was attributable to the significant improvements in the average Occupancy Rate and ADR over the same period last year because of the opening of the Shanghai World Expo, as Shanghai recorded a 33.1% increase in the number of inbound tourists during the Reporting Period according to the statistics published by the Shanghai Municipal Tourism Administrative Commission. According to the information published on the official website of the Shanghai World Expo 2010, 21.13 million visitors had visited the World Expo Park as at 30 June 2010.

Food and Beverage Sales

The Group's food and beverage sales primarily comprise catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. Revenue from food and beverages sales at Star-rated hotels increased by approximately 24.0% over the same period last year to approximately RMB393,863,000, reflecting the increase in the prices of food and beverage and banquet driven by higher costs in utilities, labour and raw materials, coupled with improved hotel Occupancy Rates.

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 rendering of ancillary services amounted to approximately RMB60,334,000, representing an increase by approximately RMB11,629,000 or approximately 23.9% as compared to the same period in 2009.

Rental Revenue

During the Reporting Period, rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showcase and other purposes. The rental revenue increased by approximately RMB3,562,000 or approximately 4.8% against the same period in 2009.

Sales of Hotel Supplies

During the Reporting Period, turnover from guest amenities and hotel supplies increased by approximately RMB6,621,000 or approximately 30.1% as compared to the same period in 2009. The increase was mainly attributable to the increase in the business volume of Star-rated hotels.

Star-rated Hotel Management

The sales revenue of Star-rated hotel management for the first half of 2010 amounted to approximately RMB29,838,000, representing an approximately 16.4% increase over the same period last year. Such sales revenue represented mainly the management fee received from hotel management services provided to Star-rated hotels not owned by the Group. Revenue from management fees increased as the operating results of the managed hotels improved steadily in tandem with the economic recovery. The increase was also attributable to the addition of new managed hotels during the Reporting Period.

Budget Hotels

Turnover of Budget Hotels during the Reporting Period amounted to approximately RMB737,810,000, representing an increase of approximately RMB200,431,000 or approximately 37.3% against the same period last year. The increase was mainly attributable to the increase in Available Rooms from the 11 newly opened Budget Hotels during the Reporting Period and 10 newly opened Budget Hotels during the second half of 2009, as well as the increase in initial franchise fees and ongoing franchise fees received from Franchisees for the grant of rights to use our brand and the provision of technical and management services. Initial and ongoing franchise fees income for the Reporting Period amounted to approximately RMB50,335,000, representing a growth of 38.4% against the same period last year.

Food and Restaurant Operation and Others

Revenue from the food and restaurant operation is mainly derived from 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 RMB95,288,000, representing an increase of approximately RMB30,533,000 or 47.2% against the same period in 2009. Revenue from the food and restaurant operation was 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. The growth during the Reporting Period was attributable mainly to the increase in sales revenue of the restaurant chains driven by the massive influx of tourists visiting the Shanghai World Expo, as well as the fact that New Asia Café de Coral has only been included in the consolidated financial statements since March last year.

Moreover, the Group also engages 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 RMB16,205,000, representing an increase of approximately 12.9% against the same period last year.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB2,108,370,000, representing an increase of approximately 81.2% against the same period last year. The increase was mainly attributable to the additional cost of sales associated with the inclusion of IHR Group in the consolidated financial statements amounting to approximately RMB 621,492,000 and the increase in the consumption of utilities and supplies with higher Occupancy Rates at the Star-rated hotels and Budget Hotels. The increase in cost of sales was also attributable to the addition of West Capital International Hotel in Xi'an, the re-opening of Y.M.C.A Hotel as a Commercial Hotel, as well as the business expansion and increase in chain outlets of Budget Hotels. Cost of sales from IHR Group, after proportionate consolidation, included other expenses from managed properties equivalent to approximately RMB569,030,000, which was the same amount as other revenue from managed properties and has zero effect on operating profit.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB653,988,000 for the Reporting Period, representing an increase of approximately RMB299,014,000 or approximately 84.2% as compared to the same period in 2009.

Other Income

Other income for the Reporting Period amounted to approximately RMB121,658,000, representing a decrease of 54.48% as compared to the same period last year, which was mainly attributable to the gains of approximately RMB75,619,000 from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. by the Group, approximately RMB69,476,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and approximately RMB62,932,000 from the disposal of a 7% equity interest in Shanghai KFC, respectively by Jin Jiang Hotels Development, for the same period last year while no such gains in the Reporting Period. In addition, dividend of approximately RMB52,331,000 (same period in 2009: approximately RMB10,064,000) was received from Changjiang Securities for the Reporting Period. Other income for the Reporting Period also include dividend income received from equity investments in KFCs in Suzhou, Wuxi and Hangzhou, amounted to approximately RMB37,114,000 (same period in 2009: approximately RMB36,025,000).

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 RMB103,766,000 (same period in 2009: approximately RMB74,683,000), representing an increase of approximately 38.9% against the same period last year. This included additional selling and marketing expenses associated with the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 amounting to approximately RMB10,393,000. In addition, travel agents commission and labour costs also increased.

Administrative Expenses

Administrative expenses for the Reporting Period increased by approximately 36.3% to approximately RMB382,098,000 (same period in 2009: approximately RMB280,255,000), comprising mainly additional administrative expenses attributable to the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 in the approximate amount of RMB54,492,000, the addition of West Capital International Hotel in Xi'an, the re-opening of Y.M.C.A Hotel as a Commercial Hotel, the pre-operating expenses of Peace Hotel, as well as the business expansion and increase in chain outlets of Budget Hotels.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, increased by approximately 61.7% to approximately RMB16,585,000 (same period in 2009: approximately RMB10,256,000). The growth reflected a growth in credit card commission in line with the increase in turnover in hotel operations, resulting in higher bank charges.

Finance Cost

Finance cost comprises mainly interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost increased by approximately 106.91% to approximately RMB39,415,000 (same period in 2009: approximately RMB19,049,000), reflecting mainly an increase in finance cost by approximately RMB15,620,000 as a result of the inclusion of IHR Group in the consolidated financial statements since 18 March 2010 and the additional finance cost of the Company amounting to approximately RMB8,865,000.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai Kentucky Fried Chicken Company Limited ("Shanghai KFC") and Shanghai Yangtze Hotel Company Limited ("Shanghai Yangtze"). Share of results of associates for the Reporting Period amounted to approximately RMB40,085,000 (same period in 2009: approximately RMB31,194,000). The increase was mainly attributable to the increase in share of results from Shanghai Yangtze and Shanghai KFC by approximately RMB5,163,000 and RMB1,657,000, respectively, as compared to the same period last year.

Taxation

The effective tax rate for the Reporting Period was approximately 18.19% (same period in 2009: approximately 19.42%).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to the shareholders of the Company was approximately RMB118,129,000 (same period in 2009: approximately RMB108,593,000), representing an increase of approximately RMB9,536,000 or approximately 8.78% against the same period last year.

Pledge of Assets

As at 30 June 2010, finance lease equipment of the Group's PRC companies with a carrying amount of approximately RMB26,355,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB27,035,000. Assets of the Group's overseas companies with a carrying amount of approximately US$173,407,000 was pledged as security for bank borrowings with a carrying amount of approximately US$102,749,000.

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 8.4% as at 31 December 2009 to approximately 16.0% as at 30 June 2010.

Group Debts and Financial Conditions

The total amount of bank loans owed by the Group's PRC companies as at 30 June 2010 was US$18,960,000 (equivalent to RMB128,755,000), which were guaranteed loans. The total amount of entrusted loans owed to related party Jin Jiang International was RMB901,563,000. Liabilities relating to finance lease equipment of the energy conservation projects amounted to RMB27,035,000.

The total amount of bank loans owed by the Group's overseas companies as at 30 June 2010 was US$142,349,000 (equivalent to RMB966,677,000), comprising credit loans of US$39,600,000 (equivalent to RMB268,920,000) and guaranteed loans of US$102,749,000 (equivalent to RMB697,757,000).

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 30 June 2010 are analysed as follows:

	Maturity of contracted borrowings outstanding as at 30 June 2010				
(RMB'000)	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings					
Corporate bank borrowings *(denominated in US$)*	491,219	364,369	239,844	—	1,095,432
Borrowings from Jin Jiang International	—	—	901,563*	—	901,563
Finance lease liabilities	1,435	1,519	5,206	18,875	27,035
Total	492,654	365,888	1,146,613	18,875	2,024,030

*: These borrowings carry a fixed interest rate of 4.62%. All the other borrowings carry interests charged at floating rates.

Treasury Management

The Group had strong cash flow, with cash and cash equivalents as at 30 June 2010 and 31 December 2009 amounting to approximately RMB1,395,864,000 and RMB1,460,381,000, 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 Company deposit as much of their cash as possible in the accounts held with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority for financing requirements. As a result, the Group's interest expenses of external bank borrowings have decreased.

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

Available-for-sale financial assets held by the Group included 13,148,849 shares in Avic Real Estate (000043.SZ), 130,828,701 shares in Changjiang Securities (000783.SZ) and 921,610 shares in Bank of Communications (601328.SH) held by a majority owned subsidiary of the Group, Jin Jiang Hotels Development.

Human Resources

As at 30 June 2010, the Group (excluding newly added overseas hotels) had approximately 21,100 employees, representing an increase of approximately 8.2% against the same period last year. Employee benefit expense (excluding newly added overseas hotels) during the Reporting Period increased by approximately RMB93,481,000 or 18.2% against the same period of 2009. The additional employee benefit expense associated with the inclusion of IHR Group in the consolidated financial statements for the period from 18 March 2010 (date of acquisition of IHR Group) to 30 June 2010 amounted to approximately RMB64,235,000. Employee benefit expense for existing employees comprises basic salary, discretionary bonus and social security contributions. No share option scheme has been set up by the Group so far. Remuneration for the Company's employees was determined on the basis of the qualifications, experience and contributions of individual employees.

Corporate Strategies and Outlook for Future Development

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of Budget Hotels, upgrading of Landmark Hotels, brand enhancement strategy, strengthening of hotel management standards and reinforcing market leadership. Through the assets swap with Jin Jiang Hotels Development, the Group has further rationalised its business structure which is focused on Star-rated hotels and secured support for its future business development in various aspects.

Since the beginning of the second quarter of 2010, the business of the Group's high-end Star-rated hotels had shown signs of gradual recovery with notable improvements in Occupancy Rate. Hotels in all categories had reported a significant year-on-year growth in average RevPAR, especially after the opening of the Shanghai World Expo 2010. The continuation of the Shanghai World Expo 2010 will attract increasing attention, while the Group will seek to showcase its superior brand image amid the success of this spectacular and memorable event, seizing every business opportunity to maximise the Expo effect to its benefit.

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 mergers and 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 Company entered into a share transfer agreement with its controlling shareholder Jin Jiang International on 13 August 2010 to acquire equity interests in Jin Jiang Investment and Jin Jiang Travel. The cash consideration for the acquisition will be funded by internal resources of the Company and financing. Assuming successful completion of the acquisition, the Company will become the controlling shareholder of these two companies, which will help to build a listed flagship platform and extend its hotel and tourism business chain, foster synergies in operation and explore new business models.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period. The Board does not expect any waiver of future dividends by any shareholder.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

Audit committee meetings were held on 10 April 2010 and 16 August 2010 respectively. The consolidated financial statements for the year ended 31 December 2009 and the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period were respectively reviewed at such meetings. The audit committee has reviewed the interim report for the Reporting Period and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained 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 Reporting Period, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CG CODE") AS SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Board is pleased to confirm that the Group has complied with the applicable code provisions of the CG Code at all times during the Reporting Period.

INTERIM REPORT

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Acquired Companies"	Shanghai Jin Jiang International Hotels Development Company Limited New Asia Hotel, Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel, Shanghai Jin Jiang International Management College, Jin Jiang International Hotel Management Company Limited, Sofitel Hyland Shanghai, Shanghai Jian Guo Hotel Company Limited, Shanghai Jin Jiang Tomson Hotel Company Limited, Wuhan Jin Jiang International Hotel Co., Ltd., Thayer Jin Jiang Interactive Company Limited, Shanghai Yangtze Hotel Company Limited and Wenzhou Dynasty Hotel Company Limited
"Acquired Interests"	all assets and liabilities of the branch New Asia Hotel, all assets and liabilities of Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel, 100% equity interest in Shanghai Jin Jiang International Management College, 99% equity interest in Jin Jiang International Hotel Management Company Limited, 66.67% equity interest in Sofitel Hyland Shanghai, 65% equity interest in Shanghai Jian Guo Hotel Company Limited, 50% equity interest in Shanghai Jin Jiang Tomson Hotel Company Limited, 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer Jin Jiang Interactive Company Limited, 40% equity interest in Shanghai Yangtze Hotel Company Limited and 15% equity interest in Wenzhou Dynasty Hotel Company Limited held or owned by Jin Jiang Hotels Development
"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
"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
"Commercial Hotel(s)"	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
"Director(s)"	the director(s) of the Company
"Disposed Companies"	Jin Jiang Inn, Hotel Investment and Shanghai Jin Jiang Da Hua Hotel Co., Ltd.

"Disposed Interests"	the 71.225% equity interest in Jin Jiang Inn, the 80% equity interest in Hotel Investment and the 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. held by the Company
"Franchisee(s)"	third parties who have entered into franchise agreement(s) with the Group for the licence to use the Jin Jiang trademark or Jin Jiang Inn trademarks
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities or businesses which were contributed to and operated by the Company upon its establishment
"HAC"	Hotel Acquisition Company, LLC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"IHR Group"	Interstate Hotels & Resorts, Inc.
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang International"	Jin Jiang International Holding Company Limited
"Jin Jiang International Finance"	Jin Jiang International Finance Company 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 of Hong Kong Limited
"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
"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 six months ended 30 June 2010
"RevPAR"	room revenue per Available Room
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"Star-Rating Standard Manual"	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Thayer"	Thayer Lodging Group, Inc.
"Total Number of Rooms"	number of available rooms per hotel
"US$"	United States dollars, the lawful currency of the United States

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

Shanghai, the People's Republic of China, 27 August 2010

As at the date of this announcement, the executive directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, Mr. Xu Zurong, Mr. Han Min and Mr. Kang Ming, the non-executive director is Mr. Shen Maoxing, and the independent non-executive directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name and the English name "Shanghai Jin Jiang International Hotels (Group) Company Limited".*