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 2010

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EXECUTIVE DIRECTORS
Mr. Yu Minliang *(Chairman)*
Ms. Chen Wenjun
Mr. Yang Weimin *(CEO)*
Mr. Chen Hao
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
Ms. Ma Sau Kuen Gloria

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
PricewaterhouseCoopers Zhong Tian
CPAs Limited Company

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 Administrative
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 Decemeber 2010)	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										
Luxury Hotels										
— 5-star hotels	6	3,120	2	938	41	12,812			49	16,870
— 4-star hotels	12	4,069	2	932	37	9,392			51	14,393
Sub-total	18	7,189	4	1,870	78	22,204			100	31,263
Commercial Hotels										
— 3-star hotels	6	1,450			4	859			10	2,309
— 2-star hotels	1	97							1	97
Sub-total	7	1,547			4	859			11	2406
Total number of Star-rated Hotels	25	8,736	4	1,870	82	23,063			111	33,669
Budget Hotels	200	28,110					396	45,240	596	73,350
Total	225	36,846	4	1,870	82	23,063	396	45,240	707	107,019

INFORMATION ON HOTELS OF THE GROUP

2 — STATISTICS OF HOTELS IN OPERATION

In operation (As at 31 December 2010)	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										
Luxury Hotels										
– 5-star hotels	**6**	**3,120**	**2**	**938**	**21**	**6,919**			**29**	**10,977**
– 4-star hotels	**12**	**4,069**	**2**	**932**	**26**	**6,377**			**40**	**11,378**
Sub-total	**18**	**7,189**	**4**	**1,870**	**47**	**13,296**			**69**	**22,355**
Commercial Hotels										
– 3-star hotels	**6**	**1,450**			**4**	**859**			**10**	**2,309**
– 2-star hotels										
Sub-total	**6**	**1,450**			**4**	**859**			**10**	**2,309**
Total number of Star-rated Hotels	**24**	**8,639**	**4**	**1,870**	**51**	**14,155**			**79**	**24,664**
Budget Hotels	**146**	**22,108**					**271**	**32,146**	**417**	**54,254**
Total	**170**	**30,747**	**4**	**1,870**	**51**	**14,155**	**271**	**32,146**	**496**	**78,918**

INFORMATION ON HOTELS OF THE GROUP

3 — STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As at 31 December 2010)	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										
Luxury Hotels										
– 5-star hotels					20	5,893			20	5,893
– 4-star hotels					11	3,015			11	3,015
Sub-total					31	8,908			31	8,908
Commercial Hotels										
– 3-star hotels										
– 2-star hotels	1	97							1	97
Sub-total	1	97							1	97
Total number of Star-rated Hotels	1	97			31	8,908			32	9,005
Budget Hotels	54	6,002					125	13,094	179	19,096
Total	55	6,099			31	8,908	125	13,094	211	28,101

INFORMATION ON HOTELS OF THE GROUP

4 — STATISTICS OF REGIONAL DISTRIBUTION

Province / autonomous region / municipality		In operation				Under development			
		Star-rated hotels		Budget hotels		Star-rated hotels		Budget 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
Eastern region	Shanghai	30	10,580	78	10,339	1	268	17	2,081
	Zhejiang	3	853	28	3,597	1	285	14	1,485
	Jiangsu	8	2,450	76	9,256	6	1,560	28	2,828
	Anhui	2	396	8	907			6	703
	Shandong	2	623	37	4,101	5	1,877	19	1,605
Northern region	Beijing	8	2,211	29	3,941	3	849	9	1,003
	Tianjin			11	1,531			2	173
	Hebei	5	1,191	5	553	1	285	9	923
	Liaoning	3	925	12	1,930			5	579
	Jilin			6	802			2	242
	Heilongjiang	1	174	6	776	1	300	1	80
Central region	Henan	1	277	17	2,269	4	1,222	7	711
	Hubei	3	849	12	1,907			6	558
	Hunan	1	300	5	797			3	346
	Jiangxi	3	735	8	1,101			3	248
	Guangxi			2	387				
Southern region	Fujian	1	320	10	1,222	1	300	7	711
	Guangdong			13	1,739	1	350	5	548
	Hainan	2	543	1	283				
Northwestern region	Shanxi			20	2,626	1	115	5	716
	Shaanxi	1	216	11	1,430			7	878
	Gansu	1	236	3	347			2	161
	Qinghai			1	155			4	293
	Xinjiang							5	568
	Inner Mongolia	1	900	5	537	2	337	5	745
	Ningxia			2	260				
Southwestern region	Chongqing	1	315	2	257	1	316		
	Sichuan			6	930	3	720	2	206
	Guizhou	1	250	2	205			3	392
	Yunnan	1	320			1	221	3	313
	Tibet			1	69				
Total		79	24,664	417	54,254	32	9,005	179	19,096

INFORMATION ON HOTELS OF THE GROUP

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

Name of hotel	Effective interests held by the Company	Number of Rooms
5-star hotels		
Shanghai Jin Jiang Hotel	100.00%	442
Shanghai Peace Hotel	100.00%	270
Shanghai Jin Jiang Tower	100.00%	582
Shanghai Huating Hotel & Towers	50.00%	773
Shanghai Jin Jiang Tomson Hotel	50.00%	398
Shanghai Renaissance Yangtze Hotel	40.00%	540
Beijing Kunlun Hotel	47.50%	646
Wuhan Jin Jiang International Hotel	100.00%	407
4-star hotels		
Shanghai Park Hotel	100.00%	261
Shanghai Jian Guo Hotel	65.00%	455
Shanghai Galaxy Hotel	100.00%	666
Shanghai Rainbow Hotel	100.00%	640
Shanghai Cypress Hotel	100.00%	149
Shanghai Hotel	100.00%	527
Shanghai Jing An Hotel	100.00%	228
Shanghai Sofitel Hotel	66.67%	401
Holiday Inn Downtown Shanghai	100.00%	531
Shanghai Marvel Hotel	100.00%	142
Wuxi Jin Jiang Grand Hotel	25.00%	156
Kunming Jin Jiang Hotel	100.00%	320
West Capital International Hotel	100.00%	216
Jiangsu Nanjing Hotel	40.00%	309
3-star hotels		
Shanghai Pacific Hotel	100.00%	189
Shanghai New Asia Hotel	100.00%	327
Shanghai Metropole Hotel	100.00%	140
Shanghai New Garden Hotel	57.00%	310
Shanghai Jinsha Hotel	100.00%	294
Shanghai Hua Ting Guest House	100.00%	190

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

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2010

The 5th Annual Starlight Award for PRC Hotels

- **Model for Corporate Governance in the PRC Hotel Industry**

Hotels Magazine of the United States (Chinese Edition)

- **Hotels China Award 2010 — Hotel Corporate Top 10**

2010 Annual Conference of the PRC Hotel Industry

- **PRC Hotel Golden Horse Award — Top 10 Hotel Management Companies**

2010 International Hotel Investment Summit of Asia Hotel Forum

- **Best Hotel M&A Transaction of Asia — Acquisition of Interstate Hotels & Resorts, Inc.**

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 branch 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
"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, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"CSRC"	China Securities Regulatory Commission
"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 license 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
"HAC"	Hotel Acquisition Company, LLC
"HAC Group"	HAC and its subsidiaries
"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"	Interstate Hotels & Resorts, Inc.
"IHR Group"	IHR and its subsidiaries

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"IHR China"	Interstate (China) Hotels & Resorts Co., Ltd.
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development 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 Holdings Company Limited
"Jin Jiang International Finance"	Jin Jiang International Finance Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Travel"	Shanghai Jinjiang International Travel Co., Ltd.
"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, according to the criteria set by the Group
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"PRC" or "Mainland China"	People's Republic of China
"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 2010 to 31 December 2010
"RevPAR"	room revenue per Available Room
"SD&C"	China Securities Depository and Clearing Corporation Limited
"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
"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.
"Thayer Group"	Thayer and its subsidiaries
"Total Number of Rooms"	number of available rooms per hotel
"US"	United States of America

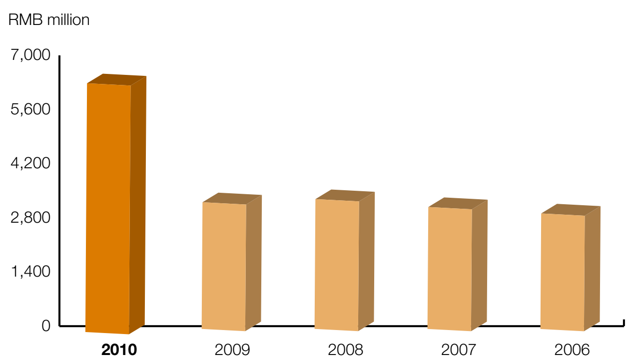
FINANCIAL HIGHLIGHTS

	2010	2009 (Restated)*	2008	2007	2006
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revenue	**6,522**	3,321	3,403	3,197	3,030
Earnings before interests, taxes, depreciation and amortisation ("EBITDA")	**1,317**	952	1,071	1,169	1,047
Profit attributable to shareholders of the Company	**248**	82	270	383	335
Dividends	**122**	91	96	137	145
Proposed dividend per share (RMB cents)	**2.20**	2.00	2.10	3.00	2.60
Total assets	**13,759**	12,762	10,380	13,828	10,202
Total liabilities	**4,849**	3,117	2,001	2,930	3,068
Net assets (total equity)	**8,910**	9,645	8,379	10,898	7,133
Net assets per share (RMB)	**1.95**	2.11	1.84	2.39	1.56
Gearing ratio**	**14.4%**	8.4%	5.2%	3.6%	19.3%
Capital expenditure	**2,005**	1,245	1,001	1,012	970
Net cash generated from operating activities	**1,009**	561	533	470	543

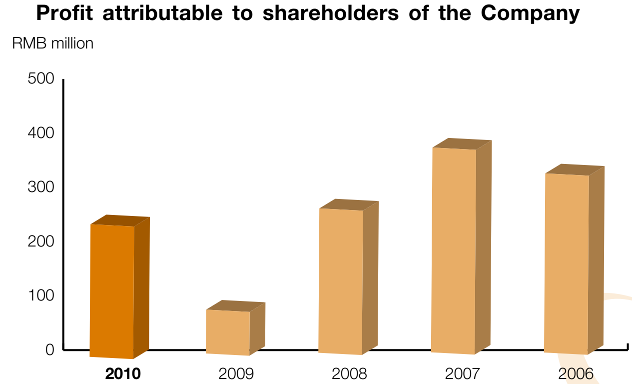
* For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36,702,000 in connection with the acquisition of IHR Group which was completed subsequent to 1 January 2010. As Hong Kong Financial Reporting Standard ("HKFRS") 3 (revised) was not early adopted in 2009, the acquisition costs were capitalised under the HKFRS 3 for the year ended 31 December 2009. Upon adoption of HKFRS 3 (revised) in 2010, the 2009 financial statements were restated and these capitalised costs incurred in 2009 were expensed on a retrospective basis.

** 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.

Revenue



Profit attributable to shareholders of the Company



OPERATIONAL STATISTICS

	2010	2009
Average occupancy rate		
— 5-star Luxury Hotels	**65%**	51%
— 4-star Luxury Hotels	**68%**	56%
— 3-star Commercial Hotels	**67%**	45%
— Budget Hotels	**86%**	80%
Average room rate (RMB)		
— 5-star Luxury Hotels	**961**	832
— 4-star Luxury Hotels	**610**	493
— 3-star Commercial Hotels	**422**	338
— Budget Hotels	**190**	176
RevPAR (RMB)		
— 5-star Luxury Hotels	**621**	423
— 4-star Luxury Hotels	**415**	274
— 3-star Commercial Hotels	**282**	154
— Budget Hotels	**164**	141

Notes:

1. The star-rating for the operational statistics has been re-classified in accordance with the new bases, with the categories of 2-star Commercial Hotels being cancelled while Jin Jiang Hotel, Peace Hotel, Park Hotel, Metropole Hotel, New Asia Hotel and Jin Jiang Pacific Hotel cease to be presented as landmark hotels;

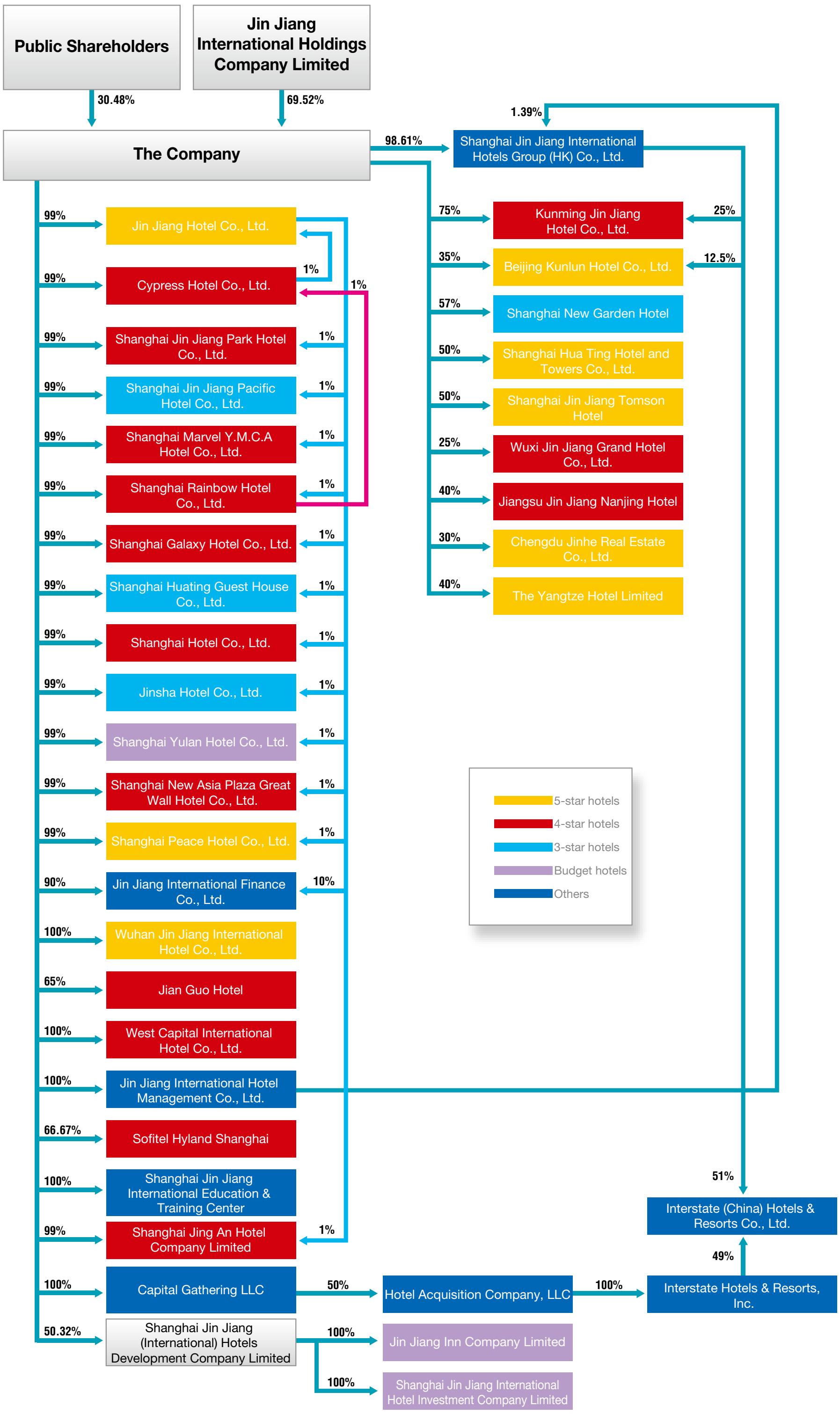
2. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel;

3. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel, Kunming Jin Jiang Hotel and Marvel Hotel; and

4. 3-star Commercial Hotels include: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel and Jinsha Hotel.

CORPORATE STRUCTURE

The following diagram sets out the principal subsidiaries, jointly controlled entities and associated companies of the Company as at 31 December 2010:



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 Company and its subsidiaries for the year ended 31 December 2010.

In 2010, walking out of the shadow of financial tsunami, the global economy had shown moderate recovery. The Chinese economy had maintained a rapid GDP growth of 10.3%. The successful launching of Shanghai World Expo had brought flourishing market demand to the tourism and hotel industry in Shanghai. The average room rate and occupancy rate during the year had increased significantly. Leveraging on its leading position in the industry and strong competitive advantages in terms of its brands, the Group secured steady development. During the Reporting Period, the Group realised revenue amounting to approximately RMB6,521,998,000, representing an increase of 96.4% as compared to the same period last year, while net profit increased by 202.2% as compared to the same period last year to RMB248,323,000. To thank our shareholders for their long term support, the Board has recommended a final dividend of RMB2.2 cents per share (inclusive of tax).

During the Reporting Period, the Group, as a leading hotel operator and manager in the PRC, continued to maintain steady network expansion and further optimised the national deployment of its hotels. As at 31 December 2010, the Group held or managed a total of 707 hotels, offering over 100,000 guest rooms spreading across over 150 cities in 31 provinces, autonomous regions and municipalities in the PRC. These hotels were either in operation or under construction. In addition, the Group has completed various key projects during the Reporting Period, including the acquisition of IHR Group and establishment of IHR China, resumption of the operation of Peace Hotel, completion of subsequent procedures for the strategic asset swap with Jin Jiang Hotels Development, as well as the launching of the high-end 5-star "J" brand, etc. The Group completed the acquisition of Jin Jiang Investment and Jin Jiang Travel in February 2011. As a result, the Group grew further to become a leading comprehensive tourism industry group in the PRC, having principal operations in the hotel industry with international competitiveness.

INDUSTRY LEADERSHIP REINFORCED BY ACCESS TO THE INTERNATIONAL MARKET

Co-operating with Thayer Group, a United State real estate investment enterprise with 20 years of investment experience, the Group has completed the acquisition of the entire IHR Group during the Reporting Period. As the first successful case of Chinese hotel group's participation in acquisition of an international hotel group, the acquisition lays a concrete foundation for the Group's further access to the international market. The Group and IHR Group have also established IHR China, which is the first international leading company to bring its established independent hotel management business into the PRC. At present, IHR China has already commenced management work on its hotel projects.

ASSET STRUCTURE OPTIMISED TO BRING SYNERGY INTO FULL PLAY

During the Reporting Period, the Company entered into a share transfer agreement with its controlling shareholder, Jin Jiang International, to acquire 38.54% of shares in Jin Jiang Investment and 50.21% of shares in Jin Jiang Travel. These acquisitions were completed in February 2011. The Group took advantage of the characteristics of being strongly-complementary and highly-connected among the hotel industry, passenger transportation industry and tourist agency industry in the tourism industry chain. It created the Group's core business and raised the image of "Jin Jiang" brand in the tourism sector by putting into full play the synergy effect of customer sources, marketing channels and branding establishment in hotel, passenger transportation and tourist agency industries.

Furthermore, in relation to assets swap of Star-rated hotels and budget hotels with Jin Jiang Hotels Development, the Group has completed the relevant ownership transfer procedures of the swap-in interests and the swap-out interests. The Group has also obtained the relevant "Asset Ownership Transaction Certificate" issued by the Shanghai United Assets and Equity Exchange. In the future, the Group will, based on the foundation of directly holding and operating Star-rated hotel business, strategically hold interests in upstream and downstream industries such as budget hotel business, passenger transportation and tourism business in order to expand the Group's scale and strengthen its overall competitiveness.

CHAIRMAN'S STATEMENT

DEEPENING BRAND DEVELOPMENT AND OPTIMISING SYSTEM CONSTRUCTION

In December 2010, the Group signed a joint venture agreement, brand licensing agreement and hotel management agreement in relation to the Shanghai Tower Hotel with Shanghai Tower Construction and Development Company Limited. The Group also appointed IHR China to operate and manage the hotel. The above are done to shape the high-end 5-star hotel located at Shanghai Tower, the new landmark in Shanghai, which is the first hotel under the "J" brand series. The Group's development strategy of steady brand promotion, coupled with the launching of the "J" brand, formed Star-rated hotels operated under the "Jin Jiang" brand, the "Marvel" business hotel brand as well as the "Jin Jiang Inn Budget Hotels", "Bestay Hotels Express" and "Yulan" budget hotel brand series.

LOOKING FORWARD TO CREATE BETTER RESULTS

2011 is the first year of the PRC's entering into the 12th Five-Year Plan. Regarding the State's opinion on accelerating the development of tourism, the State suggested to nurture tourism into a strategic pillar industry of the national economy. The Group believes such development will foster overall long-term healthy development of the hotel and tourism industry in the PRC. Entering into the post-World Expo period, Shanghai's hotel industry will return from fast blooming to the normal level; nevertheless, the successful hosting of the World Expo has elevated Shanghai's standing as an international city and has optimised the convention and transportation facilities in Shanghai. These changes, together with the State's plan to develop Shanghai into an international financial and shipping center, is beneficial to the development of the hotel and convention industry as well as the increase in tourism. With the market demand brought by the commencement of the Shanghai Disney project, the Group anticipates that there will be numerous opportunities in the hotel market in Shanghai in the future amidst challenges.

The Group will actively seise the opportunities brought by the State's promotion of the tourism industry and the restructuring and development of Shanghai, continue to have a strong hotel business presence nationally, strengthen our efforts in hotel investment and development in key cities, actively advance the strategic distribution in the south-western and southern region and reinforce and enhance the strategy of multi-brand development. The Group will also bring about the effects of reorganisation and create a hotel, passenger transportation and tourism industry chain through optimisation of asset structure of the hotels. The Group will also strive to utilise the effects of international merger and acquisition, raise the management quality and core competitiveness of the Group rapidly with reference to the professional experience of our international partners and enhance the Group's influence in the international market. We deeply believe that through implementation of the Group's diversified strategy, the Group will put its overall value into full play and achieve excellent results.

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 2010. Because of their enthusiastic and wholehearted devotion, "Jin Jiang" remains as a famous hotel group enjoying good reputation nation-wide. 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. We are prepared to work together with the shareholders to enhance the value of the Company and create a bright future.

Yu Minliang
Chairman

Shanghai, China
30 March 2011

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 53, chairman of the Board and executive director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been general manager of Shanghai Yangtze Hotel Company Limited, 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 Shanghai Yangtze Hotel Company Limited.

Ms. Chen Wenjun (陳文君), aged 55, 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 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 56, executive director, authorised 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 Shanghai Jin Jiang International Catering Investment Co., Ltd., Shanghai Jian Guo Hotel Company Limited ("Jian Guo Hotel") and Yunnan Jin Jiang International Management Company Limited, executive director of Jin Jiang Hotel Management, and chairman of IHR Group and joint chairman of IHR China.

Mr. Chen Hao (陳灝), aged 61, 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 Hotel Company Limited, chairman of Shanghai City Restaurant in Holland, director of Jin Jiang International Hotel Investment, chairman of Wuhan Jin Jiang International Hotel Company Limited ("Wuhan Jin Jiang International"), director of Jin Jiang Inn, vice chairman of Shanghai Jin Jiang International Catering Investment Co., Ltd., executive director of Shanghai Jinya Hotel Company Limited, director of Shanghai Jin Jiang Tomson Hotel Company Limited and Shanghai Jian Guo Hotel, chairman of Sofitel Hyland Shanghai, chairman of Shanghai Jin Jiang International Hotels Group (HK) Company Limited and director of IHR Group.

Mr. Han Min (韓敏), aged 53, executive director and vice president. 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. Han is currently a director of IHR Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Kang Ming (康鳴), aged 39, executive director and authorised 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 16 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, and has been awarded with "Nomination of Excellent Secretary" by the Association of Board Secretaries of Shanghai Listed Companies. 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 60, 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 Group (HK) Company Limited, he is also vice chairman of Jin Jiang Hotels Development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 53, 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 vice-chairman and president of Shanghai Industrial Development Company Limited.

Mr. Xia Dawei (夏大慰), aged 58, 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 56, 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Rui Mingjie (芮明杰), aged 56, independent non-executive director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently member of the academic standards committee, member of the degree committee, chairman of the degree committee of the School of Management, discipline leader in the national key discipline of Industrial Economics, deputy director of the Yangtze Delta Research Institute, person-in-charge of the post-doctoral mobile station in business administration and head of the Department of Industrial Economics at Fudan University. He is also the chief expert of the Innovation Base for the Social Science in Adjustment of Shanghai Industrial Structure (上海市產業結構調整社會科學創新基地), the leader of Shanghai Development Strategy Institute (上海市發展戰略研究所) and vice-chairman of the China Industrial Economic Association (中國工業經濟學會常務副理事長). He was formerly head of the Department of Business Administration of the School of Management, deputy dean of the School of Management and discipline leader in Business Administration at Fudan University, training professor for the senior management of China Enterprises Affairs Commission (中央企業工委) and State Assets Administrative Committee (國家國資委), vice-president of Shanghai Institute of Management Science and independent director of a number of listed companies.

Mr. Yang Menghua (楊孟華), aged 67, 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") and the chairman of the supervisory committee of Shanghai Smart Service Co., Ltd.. Mr. Yeung is now the chairman of the supervisory committee of Shanghai Sandpay Enterprise Service Co., Ltd..

Dr. Tu Qiyu (屠啓宇), aged 41, 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 63, 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 67, 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 Shanghai Renaissance Yangtze Hotel, executive vice president of Gloria International Hotels Ltd. and vice president in New Asia Hotel Management Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Wang Xingze (王行澤), aged 55, 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 47, supervisor, 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 50, 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, Jin Jiang International Hotel Investment, Jin Jiang Inn and Jin Jiang International Finance.

Ms. Chen Junjin (陳君瑾), aged 50, 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 Shanghai Jin Jiang International Hotels Group (HK) Company Limited.

Ms. Jiang Ping (蔣平), aged 53, 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 Lujiazui Investment and Development Company. Ms. Jiang now serves as deputy general manager and board secretary of Shanghai Lujiazui Finance and Trade Zone Development Company Limited.

Mr. Zhou Qiquan (周啓全), aged 60, 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; section head , and deputy manager and manager of planning and the 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.

Ms. Ma Sau Kuen Gloria (馬秀絹), aged 52, Joint Company Secretary. Ms. Ma joined the Company in February 2011. Ms. Ma has almost 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange, and setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma is a director and the head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She holds a Master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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. 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, authorised 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.

Dr. Ai Gengyun (艾耕雲), aged 40, 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 15 years of professional experience in financial reporting, management and internal control.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Shanghai World Expo was held as scheduled in 2010, during which, the hotel business in Shanghai has shown significant recovery. The Group captured the opportunity brought by the World Expo. Not only did the Group actively explore the market of inbound visitors, it also took advantage of its competitive edge of having a thorough understanding of the domestic market, conducted in-depth research on the domestic market for the World Expo, formulated reasonable market strategies and took active steps to develop the market in an attempt to realise the maximisation of operational benefits. The average room rate, average guest room occupancy rate and growth rate of RevPAR were generally better than the average of the Shanghai market, evidencing the enhancement of the Group's efficiency.

During the Reporting Period, the Group realised revenue of approximately RMB6,521,998,000, representing an increase of 96.4% as compared to the same period last year. The operating profit of the Group amounted to approximately RMB552,395,000, representing an increase of 81.5% as compared to the same period last year, and the operating profit excluding other income amounted to RMB412,535,000, representing an increase of RMB452,579,000 as compared to the same period last year. Profit attributable to shareholders of the Company amounted to RMB248,323,000, representing an increase of 202.2% as compared to the same period last year. The increase in revenue was mainly attributable to the increase in revenue of the Group's Star-rated hotels and budget hotels, as well as the proportionate consolidation of 50% of the revenue of IHR Group following the acquisition of such jointly controlled entity on 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, which was greater than the increase in corresponding operating expenses.

As at 31 December 2010, the Group held or managed 707 hotels with over 100,000 rooms. These hotels were either in operation or under construction, spreading across over 150 cities in 31 provinces, autonomous regions and municipalities in the PRC. The Group remains the leading hotel group in the PRC in terms of scale of hotel rooms operated.

In 2009, the Group established HAC jointly with Thayer Group. Thayer Group is a group with extensive investment experience. On 18 December 2009, HAC entered into a merger agreement with IHR to acquire the entire shareholding interests in IHR at a price of US$2.25 per share. The transaction was completed on 18 March 2010. Following completion, IHR became a wholly-owned subsidiary of HAC and the Company indirectly owns a 50% shareholding interest in IHR through HAC.

Upon completion of the acquisition of IHR Group, the Company continued to advance its co-operation with IHR Group and Thayer Group. The Company has established a jointly controlled hotel management company with IHR Group, introducing independent hotel management business to the PRC, and has signed various hotel management contracts with various hotels including Shanghai Tower J Hotel, Shanghai Eastern Jin Jiang Hotel Company Limited and Beijing Changan Hotel (北京長安大廈酒店) to date. The Company has also established a jointly controlled entity, Shanghai Thayer Jinjiang Equity Investment Management Co., Ltd., with Thayer, which will develop the management business of hotel assets and other real estates in the PRC in order to enhance the liquidity of such assets and realise value maintenance and appreciation. Furthermore, the Company also entered into a memorandum of understanding for a training programme with IHR Group and Thayer Group, with plans to train 100 hotel management talents for the Group within 3 years. The first group of 25 managerial staff has completed the domestic selection process and relevant assessments, and have already left for the US.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group further implemented its internal reorganisation. In relation to the assets swap of Star-rated hotels and budget hotels, the Group has completed the relevant ownership transfer procedures of the swap-in interests and the swap-out interests. The Group has also obtained the relevant "Asset Ownership Transaction Certificate" issued by the Shanghai United Assets and Equity Exchange.

To further expand the Group's scale, utilise synergy of the hotel and tourism industry, and explore new business models, the Company entered into a share transfer agreement with Jin Jiang International on 13 August 2010 to acquire 212,586,460 shares in Jin Jiang Investment (representing 38.54% of the total registered capital of Jin Jiang Investment) and 66,556,270 shares in Jin Jiang Travel (representing 50.21% of the total registered capital of Jin Jiang Travel) from Jin Jiang International. The consideration payable was the issuance of 1,001,000,000 new domestic shares in the Company at a price of HK$2.2 per consideration share (i.e., RMB1.919192 per share, based on an exchange rate of HK$1.00=RMB0.87236) and RMB772,909,000 in cash. As at 16 February 2011, the acquisition has been approved by the CSRC, State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company. The Company has already paid the cash consideration to Jin Jiang International and has completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 new domestic shares in the Company at the SD&C. The registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel have also been completed at the SD&C.

STAR-RATED HOTELS

Star-rated hotel operation is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business, where over 80% of our self-managed Star-rated hotels are located. During the Reporting Period, operation of Star-rated hotels contributed approximately RMB2,651,323,000 to the Group's revenue, growing by 37.4% as compared to the same period last year.

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

	2010				2009			
	The Group's Star-rated hotels located in Shanghai		**Other Star-rated hotels in Shanghai**		The Group's Star-rated hotels located in Shanghai		Other Star-rated hotels in Shanghai	
	Average Occupancy Rate (%)	**Average Room Rate (RMB)**	**Average Occupancy Rate (%)**	**Average Room Rate (RMB)**	Average Occupancy Rate (%)	Average Room Rate (RMB)	Average Occupancy Rate (%)	Average Room Rate (RMB)
5-star hotels	**62**	**981**	**68**	**1,151**	47	808	53	1,010
4-star hotels	**68**	**684**	**67**	**612**	54	547	50	508
3-star hotels	**67**	**422**	**63**	**373**	45	338	47	297

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, Renaissance Yangtze Hotel and Peace Hotel;*

2. *4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Sofitel Hyland and Jin Jiang Marvel Y.M.C.A; and*

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2010, the Group owned and managed 111 Star-rated hotels, offering 34,000 guest rooms and among those, the Group was entrusted by third parties other than Jin Jiang International to manage 83 hotels.

The three-year overall refurbishment of Peace Hotel has been completed and the hotel re-opened since 28 July 2010. The re-opened Peace Hotel integrates state-of-the-art modern facilities with historical and cultural heritage; its market position as a high-end luxury hotel has been initially recognised by the market. The Group is devoted to develop it as one of the most luxurious Star-rated hotels in Shanghai.

On 18 December 2010, the Group signed a joint venture agreement, a brand name licensing agreement and a hotel management agreement in relation to the Shanghai Tower Hotel with Shanghai Tower Construction and Development Company Limited. Shanghai Tower Hotel will utilise the Group's high-end luxury "J" brand within the brand system, and a wholly-owned subsidiary of IHR China will be engaged for its management.

Y.M.C.A Hotel commenced operation in February 2010 as the first new-style commercial hotel under the new brand name of "Marvel" and was well-received by the market. With the brand service concept of being simple, highly efficient and of quality, the "Marvel" brand was rapidly recognised by the market, and the Group has developed 3 "Marvel" brand hotel management projects.

During the Reporting Period, the Group continued to optimise its sales system. It has established a national sales office and a comprehensive agency network and has set up a master sales agency for the regions of Japan, Singapore and Hong Kong. Favourable results were achieved by the utilisation of the Lanyang system and implementation of joint sales arrangement with American Express. The Group has strengthened its customer relationship management, with total membership of the Jin Jiang VIP programme over 120,000 people.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of online sales, the Group has dedicated much efforts to strengthen its centralised management of sales by third parties during the Reporting Period; all self-managed Star-rated hotels, and most of the third party-managed hotels have implemented unified management with third party distribution channels. In addition, the development of connections between major domestic third party distributors and the Company's centralised reservation system ("JREZ") has been completed, achieving direct connection in reservation. The Group continued to advance the construction of JREZ, and realised a reservation of 232,000 rooms during the Reporting Period, representing an increase of about 180% in terms of reservation. In particular, referrals through the international distribution system ("IDS") and the global distribution system ("GDS") accounted for 92% of the guests.

BUDGET HOTELS

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

Operation of Jin Jiang Inn Budget Hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB1,621,267,000 to the Group's revenue, representing a 37.7% increase as compared to the same period last year and accounting for 24.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB102,641,000, representing a 39.9% growth compared to the same period last year.

During the Reporting Period, there were 157 newly contracted chain budget hotels which are similar to Jin Jiang Inn Budget Hotels (including "Jinguang Inn" acquired during the Reporting Period), of which 47 were self-managed hotels and 110 were franchised hotels. As at the end of 2010, there were a total of 596 contracted chain budget hotels (of which, there were 522 Jin Jiang Inn Budget Hotels, 53 Bestay Hotels Express, 9 Yulan and 12 Jinguang Inn), offering 73,350 guest rooms in aggregate. Among these contracted chain budget hotels, 396 were franchised hotels, accounting for 66.4% of all contracted chain budget hotels. During the Reporting Period, 84 chain budget hotels which are similar to Jin Jiang Inn Budget Hotels (including "Jinguang Inn" acquired during the Reporting Period) were newly operated, of which 24 were self-managed hotels and 60 were franchised hotels. As at the end of 2010, a total of 417 chain budget hotels were operated (of which, there were 386 Jin Jiang Inn Budget Hotels, 15 Bestay Hotels Express, 5 Yulan and 11 Jinguang Inn), offering 54,254 guest rooms in aggregate. Among these operated chain budget hotels, 271 were franchised hotels, accounting for 64.99% of all operated chain budget hotels.

As at 31 December 2010, budget hotels that are similar to Jin Jiang Inn Budget Hotels operated by the Company covered over 140 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels has presence in 35 cities within 20 provinces, autonomous regions and municipalities in the PRC.

As at 31 December 2010, out of all 417 budget hotels that are similar to Jin Jiang Inn Budget Hotels, 146 were self-managed hotels, accounting for 35.01%, while 271 were franchised hotels, accounting for 64.99%.

During the Reporting Period, there were 358,000 new members of Jin Jiang Inn, making the total number of members reaching 1.19 million. A total of 411,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 8,100 corporate clients. Meanwhile, through the commissioning of the new paging centre and strengthening of its marketing efforts for online reservation, Jin Jiang Inn has effectively enhanced its room reservation functions, providing additional marketing support for chain outlets throughout the PRC and boosted its capacity for guest reception.

During the Reporting Period, the "Jin Jiang Inn" trademark was recognised by the Trademark Office of the State Administration of Industry and Commerce as a famous trademark, was named by the Tourism Award Committee of TTG China as the best branded budget hotels in the Greater China, was certified as "China Well-known Trademark" by the State Administration for Industry and Commerce of China and was also named the "Top 10 China Hotel Group Brand" (中國飯店集團十佳品牌企業) and "China's Outstanding Green Hotel" (中國優秀綠色飯店) by the China's Hotel Association (中國飯店協會).

MANAGEMENT DISCUSSION AND ANALYSIS

FOOD AND RESTAURANTS

The Group's various brands of restaurant chains held through Jin Jiang Hotels Development grew steadily during the Reporting Period. As at 31 December 2010, Shanghai KFC had a total of 269 outlets, representing a net increase of 23 outlets as compared to the end of 2009, enjoying steady growth in revenue and profit and maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya Company Limited and Jing An Bakery had 57, 18 and 58 outlets respectively. Chinoise Story operated 2 restaurants in Jin Jiang Hotel and Wuhan Jin Jiang International Hotel.

OVERSEAS HOTELS

The Group's overseas business mainly comprises of its 50% interest in IHR Group. During the Reporting Period, IHR Group and its affiliates manage and/or have ownership interests in a total of 246 hotel properties with more than 51,000 guest rooms in 36 states of the US, the District of Columbia, Mainland China, Russia, India, Mexico, Belgium, Canada, Ireland and England. On 24 February 2011, IHR Group has obtained 65 hotel management contracts from Summit Hotel Properties, Inc. As at the date of this report, IHR Group and its associates managed a total of 311 hotel properties, offering over 58,000 guest rooms. Through proportionate consolidation, IHR Group contributed to the Group's operating revenue for the Reporting Period amounted to RMB1,953,635,000. The average rate of its self-owned hotel properties is USD103 with an average occupancy rate of 66%, while RevPAR is USD68, representing an increase of 2.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION TECHNOLOGY

In 2010, the Group's business information management and operating level of its major businesses were upgraded, gradually realising the "centralisation" of information system and business integration and management. This was achieved through the utilisation of advanced concepts and technology; service and control functions of the Group's information system were significantly improved.

Jin Jiang Hotels' JERZ central reservation system has been fully implemented by the end of 2010. The Group has achieved centralised management, symbolised by "unified contracting, reservation and settlement" for the distribution of hotel rooms in all member hotels. Co-operation between the Company's JREZ and the central reservation system ("CRS") of domestic and major international third-party distributors was deepened comprehensively, with connection of systems completed and data transmitted seamlessly. Meanwhile, connection between the Company's JREZ and its member hotels' PMS has also achieved a breakthrough, with all three standard PMS products linked. Centralisation of distribution does not only make the Company's reservation more standardised, efficient and smooth, but also raise the efficiency of reservation by the distribution partners and promote better customers' reservation experience.

The Company's centralised procurement platform (phase II) has also been completed. This helped to realise management of information for the entire procurement process in procurement segments, which include cost control, procurement and ordering, online completion, logistics tracking and online settlement for the hotels. This also helped to control the procurement costs of hotels to a large extent and optimised the unified online procurement experience. The project also transferred the core business and accounting system of the major centers which provide unified procurement services to the new information platform and integrated them to the central procurement platform in a seamless manner. Central procurement capability and services had increased notably.

First phase development for the Company's centralised human resources management system, characterised by cloud technology (雲技術), has been completed. It is planned that such system will be gradually promoted to its member hotels in 2011. This will have positive effects on the standardisation of human resources management, effective utilisation and selection of the Company's human resources, coordination and balance of labor costs and remuneration packages. This will also have positive effects on the overall standard of the Group, as well as the integrated development of human resources information of member hotels.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2009 is set out as follows:

	Year ended 31 December 2010		Year ended 31 December 2009	
	RMB in million	**% of Turnover**	RMB in million (Represented)	% of Turnover
Star-rated hotels	**2,651.3**	**40.6%**	1,929.8	58.1%
Budget hotels	**1,621.3**	**24.9%**	1,177.2	35.5%
Food and restaurants	**262.1**	**4.0%**	186.5	5.6%
Other operations in China	**33.7**	**0.5%**	27.2	0.8%
Overseas hotels	**1,953.6**	**30.0%**	—	0.0%
Total	**6,522.0**	**100.0%**	3,320.7	100.0%

Star-rated Hotels

The following table sets out the percentage of contribution from the Group's Star-rated hotel operation and other types of business to the Star-rated hotels segment's turnover for the Reporting Period and the same period in 2009:

	Year ended 31 December 2010		Year ended 31 December 2009	
	RMB in million	**% of Turnover**	RMB in million (Represented)	% of Turnover
Accommodation revenue	**1,398.6**	**52.7%**	875.0	45.4%
Food and beverage sales	**871.0**	**32.8%**	703.3	36.4%
Rental revenue	**171.6**	**6.5%**	163.4	8.5%
Rendering of ancillary services	**111.1**	**4.2%**	104.3	5.4%
Management of Star-rated hotels	**54.5**	**2.1%**	48.4	2.5%
Sales of hotel supplies	**44.5**	**1.7%**	35.5	1.8%
Total	**2,651.3**	**100.0%**	1,929.9	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 rooms of the Group's hotels. Accommodation revenue of the Star-rated hotel operation for the Reporting Period was approximately RMB1,398,581,000, representing a significant increase of 59.8% compared to the same period last year. It was primarily attributable to the success of the Shanghai World Expo, which raised both occupancy rate and ADR. According to the information released by Shanghai Tourism Bureau, the number of inbound visitors in Shanghai region recorded an increase of 35.3% during the Reporting Period. According to the information announced on the official website of the Shanghai World Expo, the number of visitors to the Shanghai World Expo site reached 73.08 million as at the closing date of 31 October 2010.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised of catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. As the Group succeeded in transferring the increased energy, labor and raw material costs of banquets to the customers, and as a result of the increase in hotels' occupancy rate, the revenue from food and beverage sales at Star-rated hotels amounted to approximately RMB870,970,000, representing a growth of 23.8% as compared to the same period last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's hotels for retail, exhibition and other purposes. Rental revenue increased by approximately RMB8,222,000 compared to the same period last year, representing an increase of approximately 5.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Rendering of ancillary services

Revenue from rendering of ancillary services mainly originated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the provision of ancillary services amounted to approximately RMB111,107,000, representing an increase of approximately RMB6,775,000 from the same period in 2009 and a growth of approximately 6.5%.

Star-rated hotel management

The external sales revenue of the Star-rated hotel management division for 2010 amounted to approximately RMB54,535,000, representing an increase of approximately 12.8% compared to last year, which was primarily generated from management fees received for the provision of management services to Star-rated hotels not owned by the Group. With gradual recovery of the economy and success of the Shanghai World Expo, operating results of managed hotels recorded a steady increase, resulting in an increased management fees income.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB9,023,000 compared to the same period in 2009, representing an increase of approximately 25.4%, which was primarily due to the increase in business of Star-rated hotels.

Budget Hotels

Turnover of Budget Hotels during the Reporting Period amounted to approximately RMB1,621,267,000, representing an increase of approximately RMB444,010,000 or approximately 37.7% compared to the same period in 2009. It was mainly due to the opening of 84 and 93 Jin Jiang Inn Budget Hotels in 2010 and 2009 respectively, increasing the number of available rooms, and also due to the increase in initial franchise fees and ongoing franchise fees collected from franchisees for the grant of brand use rights and the provision of technology and management services. During the Reporting Period, revenue from initial and ongoing franchise fees amounted to approximately RMB102,641,000, representing an increase of 39.9% compared to the same period last year.

Food and Restaurant

Food and restaurant operation revenue was derived from New Asia Café de Coral, Jing An Bakery, Chinoise Story and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the segment of food and restaurant operation amounted to approximately RMB262,131,000, representing an increase of RMB75,668,000 or a growth of approximately 40.6% compared to the same period in 2009. Revenue from food and beverage in the past mainly originated 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 increase during the Reporting Period was mainly due to the large number of tourists brought by the success of the World Expo which led to an increase in operating income of chain catering, and the consolidation of Café de Coral since March last year and the proportionate consolidation of Jing An Bakery in 2010.

Other Operations in China

In addition, the Group was also engaged in other domestic businesses, including the provision of intra-group financial services through Jin Jiang International Finance, and the operation of training schools. Revenue in the sum of RMB33,642,000 was realised during the Reporting Period, representing an increase of approximately 23.9% compared to the same period in 2009.

Overseas Hotels

Upon acquiring the overseas hotel business, the Group's additional revenue was approximately RMB1,953,635,000, of which other property management income amounted to approximately RMB1,589,706,000. With the recovery of the world economy, RevPAR of IHR Group's self-operated hotels recorded a growth of approximately 2.1% as compared to last year, while RevPAR of IHR Group's managed hotels also recorded a growth of approximately 4.9% compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB4,970,463,000, representing an increase of approximately 97.4%. The increase was mainly attributable to the additional cost of sales resulted from the acquisition of IHR Group, amounting to approximately RMB1,725,679,000, and the corresponding increase in energy and material consumption due to the increase in occupancy rate of Star-rated hotels and Jin Jiang Inn Budget Hotels. The adding of Xi'an West Capital International Hotel, the re-opening of Peace Hotel and Marvel Y.M.C.A. Hotel, as well as the business expansion and increase in chain outlets of budget hotels also led to an increase in cost of sales. After the proportionate consolidation, the cost incurred from managed properties, being approximately RMB1,589,706,000, has been included in the cost of sales generated from IHR Group. Such cost incurred from managed properties was the same amount as other revenue generated from the managed properties, and therefore had no impact on operating profit.

Gross profit

For the above reasons, the Group recorded a gross profit of approximately RMB1,551,535,000 for the Reporting Period, an increase of approximately RMB748,925,000 or approximately 93.3% compared to the same period in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Other income for the Reporting Period amounted to approximately RMB139,860,000 (same period in 2009: approximately RMB344,359,000). During the Reporting Period, dividend income of RMB52,331,000 (same period in 2009: approximately RMB10,064,000) was received from Changjiang Securities Company Limited, dividend income of approximately RMB37,127,000 (same period in 2009: approximately RMB36,030,000) was received from Suzhou, Wuxi and Hangzhou KFC, and gains of approximately RMB5,343,000 was made from the disposal of shares in China Quanjude (Group) Co. Ltd. ("Quanjude"), Shanghai Tongda Venture Capital Co., Ltd. and Shanghai Yuyuan Tourist Mart Co., Ltd. by a subsidiary Jin Jiang Hotels Development. The decline was primarily due to the gain of approximately RMB75,619,000 generated by the Group during the same period in 2009 resulting from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"), gains of approximately RMB19,293,000 from the disposal of shares in Quanjude by a subsidiary, Jin Jiang Hotels Development, and gains of approximately RMB100,808,000 and approximately RMB62,932,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and a 7% equity interest in Shanghai KFC, respectively at the same period in 2009.

Sales and Marketing Expenses

Sales and marketing expenses for the Reporting Period, comprising primarily of labour costs, travel agents commission and advertising fees, amounted to approximately RMB179,685,000 (same period in 2009: approximately RMB140,920,000), representing an increase of approximately 27.5%. Among which, the additional sales and marketing expenses resulting from the acquisition of the IHR Group amounted to approximately RMB28,246,000.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB909,827,000, representing an increase of approximately 34.4% compared to the same period in 2009 (same period in 2009: approximately RMB676,782,000). The increase was mainly attributable to the additional administrative expenses of approximately RMB173,137,000 resulting from the acquisition of the IHR Group, the consolidation of Xi'an West Capital International Hotel after acquisition at the end of 2009, re-opening of Peace Hotel and Marvel Y.M.C.A. Hotel, the business development and expansion of Jin Jiang Inn Budget Hotels segment, which also led to an increase in administrative expenses.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, was approximately RMB49,488,000 (same period in 2009: approximately RMB24,952,000), representing an increase of approximately 98.3% compared to the same period in 2009. The increase was mainly attributable to the hotels' increased operation results, which increased credit card commission and corresponding bank charges.

Finance Cost

Finance cost comprises of mainly interest expenses in respect of the Group's bank and other borrowings. During the Reporting Period, finance cost was approximately RMB91,899,000 (same period in 2009: approximately RMB35,074,000), representing an increase of approximately 162.0% over the same period last year. The increase was primarily due to the proportionate consolidation of IHR Group into the consolidated financial statements of the Group since 18 March 2010, which led to an increase in finance cost of approximately RMB43,218,000, with an increased finance cost of approximately RMB3,996,000 from Shanghai Jin Jiang Hotel Group (US) Limited (上海錦江國際酒店集團（美國）有限公司) and an increased finance cost of approximately RMB23,769,000 from the Company.

Share of Results of Associates

Results of associates mainly include results of the Group's associates, namely Shanghai KFC and Yangtze Hotel. Share of results of associates for the Reporting Period was approximately RMB84,933,000 (same period in 2009: approximately RMB65,376,000). It was mainly because of the increase in share of results from Shanghai KFC and Yangtze Hotel by approximately RMB13,009,000 and RMB9,207,000 respectively, as compared to the same period in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

The effective tax rate for the Reporting Period was approximately 18.7% (same period in 2009: approximately 25.9%). The decrease of the effective tax rate compared with the same period in 2009 was due to the increase of income not subject to tax and utilisation of previous unrecognised tax losses.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB248,323,000 (same period in 2009: approximately RMB82,167,000), representing an increase of approximately RMB166,156,000 or approximately 202.2% compared to the same period in 2009.

Pledge of Assets

As at 31 December 2010, finance lease equipment of the Group's Mainland China business segment with a net carrying amount of approximately RMB25,389,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB26,339,000; various types of assets of IHR Group with a net carrying value of approximately USD169,126,000 (equivalent to approximately RMB1,120,069,000) was pledged as security for bank borrowing of approximately USD100,941,000 (equivalent to approximately RMB668,500,000).

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 14.4% as at 31 December 2010 due to an increase in borrowings.

GROUP DEBTS AND FINANCIAL CONDITIONS

As at 31 December 2010, the Group's subsidiary located in Mainland China had a total bank borrowing of USD18,960,000 (equivalent to approximately RMB125,566,000), which was the borrowing secured by Jin Jiang International. The total amount of entrusted loans from Jin Jiang International was RMB901,563,000, and the finance lease liabilities for energy conservation projects amounted to RMB26,339,000.

As at 31 December 2010, the Group's overseas subsidiary and jointly controlled entity had total borrowings of USD140,541,000 (equivalent to approximately RMB930,759,000). Among which, USD39,600,000 (equivalent to approximately RMB262,259,000) were unsecured borrowings and USD100,941,000 (equivalent to approximately RMB668,500,000) were secured borrowings, with pledged securities of various types of assets of IHR Group with a net carrying value of approximately USD169,126,000 (equivalent to approximately RMB1,120,069,000).

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 31 December 2010 are analysed as follows:

	Maturity of contracted borrowings outstanding as at 31 December 2010				
(RMB'000)	Within 1 year	In second Year	In third to fifth year	Over 5 years	Total
Borrowings					
Bank borrowings (USD)	355,726	468,082	232,517	—	1,056,325
Borrowings from Jin Jiang International (RMB)	—	901,563*	—	—	901,563
Finance lease liabilities (RMB)	1,481	1,577	5,372	17,909	26,339
Total	357,207	1,371,222	237,889	17,909	1,984,227

Note*: This item of borrowing is fixed-rate borrowing with effective interest rate of 4.36%. Apart from that, all other borrowings are at variable rates.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY MANAGEMENT

The Group had cash and cash equivalents as at 31 December 2010 and 31 December 2009 amounting to approximately RMB1,488,125,000 and approximately RMB1,460,381,000 respectively. The cash flow is relatively sufficient.

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 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. Hence, reducing the Group's interest expenses on external bank borrowings.

During the Reporting Period, neither was the Group 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 A shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), 130,828,701 A shares in Changjiang Securities Company Limited (Stock code: 000783.SZ) and 921,610 A shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH) held by the Group's subsidiary, Jin Jiang Hotels Development, etc.

HUMAN RESOURCES AND TRAINING

The Group's training school provides professional training on various management skills and technical skills. The school provides the Group with management talents of all fields and nurtures industry professionals, where education and training are based on the actual context of hotel management. The Group has set up the Les Roches Jin Jiang International Hotel Management College (the "Les Roches Jin Jiang Management College") in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management. The Management College provides the Group with international leading hotel training courses and trainers to develop future hotel managers with high development and nurturing potential. In 2010, the Management College expanded its enrollment for students and further reinforced the teaching environment and atmosphere with the admission of 242 students, of which 68 were international students.

In order to nurture more management talents for the Group, Les Roches Jin Jiang Management College has solidly provided trainings for various types of management and technical staff on a solid base to satisfy the needs of different posts in the hotel. In 2010, 33 training courses for various positions and skills were provided, with almost 2,000 staff attended such training courses. The overall quality of hotel management staff has been raised continuously via various kinds of training, which in turn enhances the management and service quality of our hotels.

During the Reporting Period, with the need of nurturing more personnel of high caliber to realise the Group's internationalised hotel development, a first group of 25 qualified staff out of 945 middle and senior management were selected for professional training after a series of selection tests in relation to capability and English ability. Such qualified staff have been sent abroad for professional training.

As at 31 December 2010, the Group had approximately 21,897 employees (of which 607 employees were newly added because of the acquisition of IHR Group), which was about 16.7% more as compared to last year. Employee benefit expense increased by approximately RMB443,880,000 or 41.3% as compared to that of 2009. The remuneration package for existing employees comprises of basic salary, discretionary bonus and social security contributions.

MANAGEMENT DISCUSSION AND ANALYSIS

SOCIAL RESPONSIBILITY

During Reporting Period, the World Expo was held in Shanghai and the Group actively participated in the reception works during the World Expo. The reception works during the World Expo was the most difficult and unique mission encountered by the Group, which made many new records for the Group in terms of duration, frequency, scale, number of guests with high specifications and scope of services involved, etc. Amidst such difficult works and challenges, all members of the Group united and co-operated with selfless dedication and whole-heartedly to maintain our services during the World Expo. Meanwhile, to meet the specific needs of the reception works for World Expo, the Group has formulated detailed and customised service solutions for the honored guests of the World Expo in an attempt to bring a memorable brand experience to them, thereby raising the reputation of the Jin Jiang Hotel brand.

Under the collaborated efforts of the Group's staff, the Group completed the reception works for the World Expo in a successful and thorough manner. During the World Expo, the World Expo Food Center managed by the Group had catered for almost 1,800 groups of customers with an aggregate of over 180,000 people, including over 60 leaders of different countries and heads of governments, while hotels in Shanghai designated by the World Expo has catered for over 2,000 groups of designated guests with an aggregate of 2,600 people. Services and maintenance works provided by the Group for the World Expo were well recognised and praised by the relevant parties.

The Group has always focused on the improvement of staff remuneration and welfare. During the Reporting Period, the Group continued to work on improving staff remuneration and raising the fixed salary for all staff of our wholly-owned subsidiaries. The Group has also continued to optimise the supplementary medical insurance program for our staff, with coverage over 10,000 staff

MANAGEMENT DISCUSSION AND ANALYSIS

within the enterprise and successful claims reaching over 24,000. In addition, the Group also actively took part in the "Employer Liability Insurance", strengthening its efforts on employee safety and safeguarding their livelihood, which has achieved remarkable results.

ENERGY CONSERVATION

During the Reporting Period, the Group continued to promote modification projects in relation to its new energy conservation technology system, implementing system modification in Shanghai International Hotel and Yulan Hotel involving primarily air source oriented technology, and the effect of energy conservation was remarkable. In Plaza Changcheng Hotel (廣場長城大酒店) and Wuhan Jin Jiang International Hotel, modification project on residual heat recovery was implemented and had achieved favourable results. The Group has completed the technology alteration for liquid booster pumps of central air-conditioning systems in Jin Jiang Tower, Cypress Hotel, Shanghai Park Hotel and Shanghai New Asia Hotel, which could reduce energy consumption by approximately 30%.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

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

In 2011, the Group remains very optimistic about its future development amidst the challenges in the post-World Expo period. We intend to speed up the development of our core businesses, bring into full play the synergies arising from our international acquisitions and promote industrial upgrades. We will endeavour to enhance values of the Company by taking advantage of the reorganisation effect of the group, and creating a business chain which includes hotel, passenger transportation and tourism services.

With further optimisation of our brand system, the Group will move forward to implement brand division and innovation, which will further optimise the construction of our standardisation system and increase the competitiveness of the Jin Jiang Hotel brand.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a major hotel investor and operator in the PRC. With its competitive advantages in hotel ownership and management, the Group is well-positioned to strengthen control over its hotels while realising potential growth in value 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 is committed to improving its management standards and core competitiveness, and increase its brand influence in the international hotel market. The Group is committed to bringing into full play the synergies of its international acquisitions and to make long-term plans with reference to the expertise and experience of its foreign partners.

The Group will continue to strengthen its six major platforms, namely information, finance, procurement, marketing, human resources and management systems. Innovations will be explored in six aspects, namely, business models, hotel networks, asset allocation, 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 the PRC 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 2010.

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 36 of this report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2010 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 36 of this report. A financial summary of the Group for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 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 2010 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	3,173,500	69.52
H shares	1,391,500	30.48
Total	4,565,000	100.00

The Company has completed the registration procedures relating to the 1,001,000,000 new domestic shares in the Company with SD&C on 16 February 2011, pursuant to which the number of shares in each class of shares of the Company from 16 February 2011 to the date of this report is as follows:

Class of shares	Number of shares in issue ('000)	As a percentage of total share capital (%)
Domestic shares	4,174,500	75.00
Including:		
Jin Jiang International	4,174,500	75.00
H shares	1,391,500	25.00
Total	5,566,000	100.00

REPORT OF THE DIRECTORS

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 Hotel Investment 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 2010, a total of approximately RMB1,091,600,000 of the issue proceeds was utilised by Hotel Investment on an accumulative basis as external investment in the development of Jin Jiang Inn Budget Hotels project.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant subsidiary hotels 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 2010, issue proceeds of approximately RMB649,800,000 were utilised as payments for construction work.

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 30 March 2011, the Board proposed to declare a final dividend of RMB2.2 cents (inclusive of tax) per share for the year ended 31 December 2010.

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 the 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, or other organisations 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 of members on 7 June 2011 must deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the seal of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited no later than 4:30 pm on Friday, 6 May 2011 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 7 June 2011. 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 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 at or before 4:30 p.m. on Friday, 6 May 2011.

REPORT OF THE DIRECTORS

The proposed final dividend is subject to 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 registers of members of the Company on 7 June 2011.

The Company will not take any responsibility arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

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

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such document has incorporated most of the principles and all of the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Listing Rules. The Company was in compliance with the code provisions as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2010, 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 161 to 163.

RESERVES

The Group had a reserve of approximately RMB2,058,633,000 as at 31 December 2010, of which RMB504,538,000 was retained earnings. Details of which are set out in Note 20 to the consolidated financial statements on page 128 to 130.

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 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 2010, in accordance with the PRC Accounting Standards, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB1,140,060,314, of which about RMB122,452,000 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 133 to 137.

REPORT OF THE DIRECTORS

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 2010, 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'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 2010, 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, neither 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.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

According to the announcements issued by the Company on 16 December 2008 and 16 April 2010 (the "Connected Transaction Announcements"), 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 Announcements, 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 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.
Aggregate Rental:	Approximately RMB11,040,000, RMB12,690,000 and RMB13,710,000 for the years ending 31 December 2009, 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.

REPORT OF THE DIRECTORS

(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 prior written notice of termination.
Properties:	2 commercial properties located in Shanghai
Rental:	Approximately RMB10,050,000, RMB10,070,000 and RMB10,560,000 for the years ending 31 December 2009, 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.

(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 2010 and the relevant annual caps for each of the three years ended 31 December 2010 were as follows:

	Historical Figures (RMB million)			Annual Caps (RMB million)		
Items	For the year ended 2008	For the year ended 2009	**For the year ended 2010**	For the year ended 2008	For the year ended 2009	**For the year ended 2010**
Expenditure Items:						
1) Leases and Long Term Leases	20.0	20.4	**20.1**	24	22	**23**
2) Master Food and Beverage Services and Provision of Food Agreement	23.7	16.5	**6.7**	42	33	**43**
3) Master Hotel Supporting Services Agreement	7.4	6.1	**4.7**	N/A	9.2	**12**
Revenue Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	2.5	2.9	**3.2**	N/A	4	**5.1**
2) Master Provision of Hotel Rooms Agreement	19.8	10.4	**24.8**	52	38	**49**

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

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

REPORT OF THE DIRECTORS

(iv) Loan Service Framework Agreement

Date: 16 April 2010

Parties: (i) Jin Jiang International; and (ii) Jin Jiang International Finance

Terms: The Loan Service Framework Agreement will be effective for an initial term of 3 years until 15 April 2013, unless either party terminates the Loan Service Framework Agreement by 3 months' prior written notice to the other party. The term of the Loan Service Framework Agreement can be extended, provided that Jin Jiang International and Jin Jiang International Finance agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.

Nature of transaction: Provision of loan services by Jin Jiang International Finance to Jin Jiang International

Prices: Jin Jiang International Finance shall provide loans to Jin Jiang International and/or its associates (excluding the Group) at interest rates not lower than the relevant rates stipulated or allowed by the People's Bank of China for the same type of loan.

The historical amounts of the Continuing Connected Transactions under the Agreement for the year ended 31 December 2010 and the relevant annual caps for each of the four years ending 31 December 2013 were as follows:

	Historical Figures (RMB million)	Annual Caps (RMB million)			
Items	For the year ended 2010	For the year ended 2010	For the year ending 2011	For the year ending 2012	For the year ending 2013
Loan service framework agreement	5.4	47.8	57.3	71.7	30.5

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 favorable 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.

REPORT OF THE DIRECTORS

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 services by the Group;

(3) were entered into in accordance with the relevant agreements governing such transactions; and

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

Other Connected Transactions

(i) Connected Transactions on the Acquisitions of Shares in Jin Jiang Investment and Jin Jiang Travel

On 13 August 2010, the Company entered into a share transfer agreement (the "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 "Acquisitions").

The Acquisitions would help the Company to build a listed platform with the Company acting as the core corporation and to extend its hotel and tourism business chain: in addition to the Star-rated hotel business and the budget hotel business owned and operated by the Company, the Company would, after completion, extend its operation to the upstream and downstream business sectors, including passenger transportation and logistics business and travel agencies business, so that its core business of hotel and tourism would cover the entire industry chain and enhance the brand image of "Jin Jiang" in the hotel and tourism service sectors.

The Acquisitions would help the Company to create synergy effect and develop new business models: hotel operations, passenger transportation and logistics operations and travel agencies are highly complementary and associated businesses and are parts of the tourism industry chain. Integration of these businesses could create significant synergy effects in the areas of customer sources, marketing channels and brand building etc. and provide the Company with flexibility in developing new business models. After completion, the Company could, through associated business relationships and common shareholding management, centralise allocation of resources, increase its revenue and reduce its cost; and

The Acquisitions would help the Company to expand its scale and enhance its overall competitiveness and shareholders' value: after completion, the total assets and net assets of the Company would be increased and the revenue and net profit of the Company would be significantly increased.

The consideration payable for the acquisition of 212,586,460 shares in Jin Jiang Investment was RMB2,081,221,443 and the consideration payable for the acquisition of 66,556,270 shares in Jin Jiang Travel was RMB612,798,553. The aggregate consideration for the Acquisitions in the amount of RMB2,694,019,996 would be satisfied by way of the Company (i) transferring to Jin Jiang International a security deposit in the amount of RMB231,872,641.20 previously paid by the Company and its bank interests as part of the cash consideration on the date when all the condition precedents were 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 (i.e. RMB1.919192 per consideration share, taking an exchange rate of HK$1.00=RMB0.87236) after satisfaction of all the condition precedents and before the date of completion. Upon completion, each of Jin Jiang Investment and Jin Jiang Travel would become a 40.91% owned subsidiary and a 50.21% owned subsidiary of the Company.

REPORT OF THE DIRECTORS

Upon completion, 1,391,500,000 H shares of the Company, representing 25% of the total registered share capital of the Company after completion, would be held by the public shareholders of the Company.

As the relevant applicable percentage ratios set out in the Listing Rules for the Acquisitions (after aggregation) exceeded 100%, the Acquisitions constituted a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. In addition, as Jin Jiang International was the controlling shareholder of the Company, it was a connected person of the Company. Accordingly, the Acquisitions constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and were subject to the independent shareholders' approval requirement as required under Rule 14A.48 of the Listing Rules.

The Acquisitions were completed on 16 February 2011.

(ii) Connected Transaction on the Acquisition of Equity Interest in Jin Jiang Inn

On 21 June 2010, Jin Jiang Hotels Development, a subsidiary of the Company, entered into an agreement (the "Agreement") with certain individual shareholders of Jin Jiang Inn ("the Jin Jiang Inn's Individual Shareholders") to acquire the Jin Jiang Inn's Individual Shareholders' 8.7750% equity interest in Jin Jiang Inn.

The Transaction not only facilitated the stable development of Jin Jiang Inn but also safeguarded the legal interests of the Jin Jiang Inn's Individual Shareholders. The transaction would help the Group to further expand its budget hotel management and franchised operations.

Pursuant to the Agreement, the consideration for the acquisition of a 5.0790% equity interest in Jin Jiang Inn from the relevant connected persons by Jin Jiang Hotels Development was RMB76,627,204.88 and the consideration for the acquisition of a 3.6960% equity interest in Jin Jiang Inn from the other persons by Jin Jiang Hotels Development was RMB55,753,322.62. Among the Jin Jiang Inn's Individual Shareholders, as Mr. Xu Zurong (徐祖榮), Mr. Yang Weimin (楊衛民), Mr. Chen Hao (陳灝), Mr. Yu Meng (俞萌), Mr. Fan Benhou (范本厚), Mr. Zhang Bin (張斌), Mr. Fang Fuhui (方福匯), Mr. Xu Xianggen (徐祥根) and Ms. Shen Li (沈莉) were either directors, supervisors or chief executives of the Company or a subsidiary of the Company, they were connected persons of the Company. Accordingly, the acquisition of an aggregate of 5.0790% equity interest in Jin Jiang Inn from such persons by Jin Jiang Hotels Development constituted a connected transaction under the Listing Rules.

As each of the applicable percentage ratios for the acquisition exceeds 0.1%, but is less than 5%, the acquisition is subject to the reporting and announcement requirements under Rule 14A.32 of the Listing Rules, but is exempted from the independent shareholders' approval requirement under the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the directors, supervisors and senior management as at 31 December 2010 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 Group 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 2010, 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 Companies (the "Model Code"), which shall be deemed to apply to the supervisors to the same extent as it applies to the directors.

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2010, four directors, namely Mr. Yu Minliang, Mr. Yang Weimin, Mr. Chen Hao and Mr. Xu Zurong, held the following number of shares in Jin Jiang Hotels Development:

Name	Equity interest in Jin Jiang Hotels	Nature of interests	Capacity	Percentage in total registered capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long Position	Beneficial owner	0.0024%
Yang Weimin	497,339	Long Position	Beneficial owner	0.0824%
Chen Hao	497,399	Long Position	Beneficial owner	0.0825%
Xu Zurong	700,020	Long Position	Beneficial owner	0.1160%

Save as disclosed above, as at 31 December 2010, 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 any of the associated corporations of the Company (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 2010, 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	100%	69.52%
National Council for Social Security Fund	H shares	108,282,000 (long position)	Beneficial owner	7.78%	2.37%

Save as disclosed above and so far as the directors are aware, as at 31 December 2010, 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 2010, 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	上海新苑賓館有限公司 (Shanghai New Garden Hotel Co., Ltd)	上海鑫達實業總公司 (Shanghai Xinda Industrial Co., Ltd.)	43%
7	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%
8	上海建國賓館有限公司 (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%
9	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%
10	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%
11	山西金廣快捷酒店管理有限公司 (Shanxi Jinguang Inn Company Limited)	山西金廣投資有限公司 (Shanxi Jinguang Investment Company Limited)	30%
12	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%
13	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%
14	上海新亞大家樂餐飲有限公司 (New Asia Café de Coral Company Limited)	天亨中國有限公司 (Grand Regent China Limited)	25%

Save as disclosed above and so far as the directors of the Company are aware, as at 31 December 2010, 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 2010 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 2010 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 2010 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 financial statements on pages 140 to 143. 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 2010, the executive directors of the Company were Mr. Yu Minliang (chairman), Ms. Chen Wenjun, Mr. Yang Weimin (CEO), Mr. Chen Hao, Mr. Xu Zurong, Mr. Han Min and 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 and Mr. Lee Chung Bo. Mr. Yuan Gongyao has resigned as executive director and vice president of the Company since 16 April 2010; and Mr. Xu Zurong has resigned as executive director and vice president of the Company since 30 March 2011.

As at 31 December 2010, 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 20.

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 monthly 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 for 2010, together with the management.

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".

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from 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, the confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmation, the Company considers that all independent non-executive directors are independent.

REPORT OF THE DIRECTORS

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

30 March 2011

REPORT OF THE SUPERVISORY COMMITTEE

To the shareholders of the Company:

During the Reporting Period, in accordance with the principle of being accountable to all shareholders, 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 facilitating a disciplined operation and sustainable development of the Company.

The supervisory committee convened two meetings during the Reporting Period. On 18 April 2010, the supervisory committee received reports on the financial conditions of the Group in 2009 and considered and approved the 2009 supervisory committee report. On 29 August 2010, the supervisory committee received reports on the financial conditions of the Group during the first half of 2010.

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 annual report and interim report of the Group are true and reliable, and that the audit opinion issued by the 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 of the general meeting(s). The supervisory committee is of the view that the directors and operation staff of the Group performed their duties in accordance with the resolutions of 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 shareholders of the Group 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 financial year ended 31 December 2010.

THE BOARD

The Board currently consists of six 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). Biographical details of the Directors are set out on pages 16 to 20 of this report.

During the Reporting Period, the Board held six meetings. The attendance record of each respective Director at the Board meetings held in 2010 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 (resigned on 16 April 2010)	0/0
Mr. Xu Zurong (resigned on 30 March 2011)	6/6
Mr. Han Min	6/6
Mr. Kang Ming	6/6
Mr. Ji Gang*	6/6
Mr. Xia Dawei*	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*[Note1]	6/6
Mr. Lee Chung Bo*[Note1]	6/6

non-executive Director

* independent non-executive Directors

Note1: Each of Mr. Shen Chengxiang and Mr. Lee Chung Bo attended 2 of the meetings not in person but by alternate.

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. 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-third 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 four 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.

CORPORATE GOVERNANCE REPORT

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 Board meeting.

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 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 2010, the supervisory committee comprised of 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 in February 2002.

The members of the audit committee are appointed by the Board. The audit committee of the Company comprises of 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 2010, the audit committee held 3 meetings. The attendance record of each respective member at the Audit Committee meetings held in 2010 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 2010 was held on 9 April 2010, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2009 were tabled for review and discussion. The second meeting of the audit committee was held on 16 August 2010, at which the condensed unaudited financial statements and the internal audit work of the Group for the first half of 2010 were reviewed and discussed. The third audit committee meeting was held on 21 December 2010, at which the audit plans and internal control tests conducted during 2010 were reviewed and discussed. The first meeting of the audit committee for 2011 was held on 24 March 2011, at which the consolidated financial statements for 2010, internal control report and corporate governance report for 2010 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 2010, the remuneration committee held one meeting. The attendance record of each respective member at the meeting held in 2010 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 the remuneration committee for 2010 was held on 18 April 2010, and the matters discussed included the implementation measures on the 2010 annual evaluation of executive Directors and members of senior management of the Company.

(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 one independent non-executive Director, Dr. Rui Mingjie. The chairman of the strategic investment committee is Mr. Yang Weimin.

In 2010, the strategic investment committee held a meeting on 18 April 2010 and the attendance record of each respective member at the meeting held in 2010 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 the chairman and the 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, and 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 relevant relationships between the board members and the 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 2010, 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 external auditors will retire on the date of convening the following annual general meeting and offer themselves for re-election at such meeting. During the Reporting Period, several external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS, PricewaterhouseCoopers Zhong Tian CPAs Limited Company in the PRC for financial statements of the Group and the Company and for financial statements of some subsidiaries of the Company prepared in accordance with PRC Accounting Standards, Deloitte Touche Tohmatsu CPA Ltd. for financial statements of Jin Jiang Hotels Development and its subsidiaries in accordance with PRC Accounting Standards, and other external auditors for financial statements of other subsidiaries for PRC Accounting Standards. An aggregate remuneration of RMB11,689,000 was paid to these external auditors. No significant remuneration was paid to these external auditors for the provision of non-audit related services to the Group.

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 2010, which give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the profit and cash flows for the Reporting Period. 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 Reporting Period, the Company received over 100 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. Promotional presentations, press conferences and one-to-one meetings with institutional investors are held after the announcement of interim and annual results.

CORPORATE GOVERNANCE REPORT

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, 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.

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 chief executive officer.

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.

EXCLUDED HOTEL BUSINESSES AND SHANGHAI NEW UNION BUILDING CO., LTD. ("NEW UNION")

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2010 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 and whether to take any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group). The decisions and the rationale for them are given in the paragraphs below.

CORPORATE GOVERNANCE REPORT

After considering the relevant proposals presented by the Company, the independent non-executive Directors present at the meetings 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 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 11 March 2011 (the date when the most recent 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 on whether to exercise its Right to purchase Jin Jiang International's 50% equity interests in Eastern Jin Jiang after considering all factors.

Eastern Jin Jiang has in total 852 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 2010 amounted to approximately RMB252.03 million and RMB940.45 million, respectively.

Shanghai Jin Cang Mandarin Hotel Company Limited ("JC Mandarin"): As notified by Jin Jiang International in writing, JC Mandarin has completed the relevant legal procedures and accordingly, Jin Jiang International may transfer its equity rights in JC Mandarin to the Company.

In accordance with the relevant arrangements disclosed in the Prospectus, the Company and Jin Jiang International will engage an internationally recognised independent valuer to issue a valuation report that will determine the consideration for the purchase of the 100% equity interest in JC Mandarin. 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 will convene a meeting to make a final decision on whether to exercise its Right to purchase Jin Jiang International's 100% equity interest in JC Mandarin after considering all factors.

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 2010 amounted to approximately RMB200.25 million and RMB145.80 million 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.

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 2010 amounted to approximately RMB264.53 million and RMB305.29 million 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.

CORPORATE GOVERNANCE REPORT

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 2010 amounted to approximately RMB342.10 million and RMB103.27 million 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 2010 amounted to approximately RMB21.79 million and RMB0.18 million, 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 2010 amounted to approximately RMB7.08 million and nil, 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 2010 amounted to approximately RMB8.79 million and nil, respectively.

New Union: The development project of New Union has not yet received all necessary operational licenses. 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 2010 was approximately nil and RMB596.32 million, respectively.

During the Reporting Period, the only business opportunity reviewed by the independent non-executive Directors was that regarding the acquisition of a 40% equity interest in Eastern Jin Jiang from Shanghai International Group Co., Ltd. and Shanghai Jiushi Corporation.

After the independent non-executive Directors have fully reviewed and considered the documents submitted by the Company to them, the independent non-executive Directors expected that the opportunity of acquiring a 40% equity interest in Eastern Jin Jiang will not bring the Group sustainable profitability, the opportunity is not in line with the current development strategies of the Group and the opportunity is not in the best interests of shareholders of the Company as a whole. Therefore, they decided not to accept such business opportunity.

Other than the above-mentioned business opportunity, Jin Jiang International and its subsidiaries (other than the Group) did not refer any other business opportunity to the Company to own, invest in, participate in, develop, operate or engage in any business opportunity which directly or indirectly competes with the Restricted Businesses. Therefore, the independent non-executive Directors did not make any other decision in relation to whether to take any such business opportunity.

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 164, which comprise the consolidated and company balance sheets as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with section 141 of the Hong Kong Companies Ordinance 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**6,779,849**	5,973,615
Investment property	7	**4,729**	4,887
Land use rights	8	**1,082,972**	1,110,457
Intangible assets	9	**548,879**	54,419
Investments in associates	12	**307,882**	254,969
Available-for-sale financial assets	13	**1,913,208**	3,038,738
Deferred income tax assets	14	**168,165**	36,366
Trade and other receivables	17	**9,211**	—
		10,814,895	10,473,451
Current assets			
Available-for-sale financial assets	13	**83,748**	—
Inventories	15	**86,796**	50,961
Other current asset	16	**—**	11,900
Trade and other receivables	17	**1,003,310**	312,786
Restricted cash	18	**281,823**	452,379
Cash and cash equivalents	19	**1,488,125**	1,460,381
		2,943,802	2,288,407
Total assets		**13,758,697**	12,761,858

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)
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	**122,452**	91,300
— Others		**1,936,181**	2,971,396
		6,623,633	7,627,696
Non-controlling interests		**2,286,095**	2,016,991
Total equity		**8,909,728**	9,644,687
LIABILITIES			
Non-current liabilities			
Borrowings	22	**1,627,020**	655,214
Deferred income tax liabilities	14	**487,534**	756,681
Trade and other payables	21	**8,030**	—
		2,122,584	1,411,895
Current liabilities			
Borrowings	22	**357,207**	421,788
Income tax payable		**75,584**	58,110
Trade and other payables	21	**2,293,594**	1,225,378
		2,726,385	1,705,276
Total liabilities		**4,848,969**	3,117,171
Total equity and liabilities		**13,758,697**	12,761,858
Net current assets		**217,417**	583,131
Total assets less current liabilities		**11,032,312**	11,056,582

The notes on pages 71 to 164 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 2010

		As at 31 December	
	Note	**2010**	2009
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**811,948**	661,997
Investment property	7	**4,729**	4,887
Land use rights	8	**353,835**	45,037
Intangible assets	9	**5,935**	6,331
Investments in subsidiaries	10	**5,454,576**	4,623,866
Investments in jointly controlled entities	11	**1,027,212**	478,788
Investments in associates	12	**209,987**	24,505
Available-for-sale financial assets	13	**193,855**	218,281
		8,062,077	6,063,692
Current assets			
Inventories	15	**4,430**	3,227
Other current assets	16	**—**	5,950
Trade and other receivables	17	**446,101**	287,282
Restricted cash	18	**—**	299,306
Cash and cash equivalents	19	**201,838**	160,048
		652,369	755,813
Total assets		**8,714,446**	6,819,505

BALANCE SHEET (CONTINUED)

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 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	**122,452**	91,300
— Others		**2,579,767**	1,961,220
Total equity		**7,267,219**	6,617,520
LIABILITIES			
Non-current liabilities			
Borrowings	22	**701,821**	89,500
Deferred income tax liabilities	14	**602,468**	16,831
		1,304,289	106,331
Current liabilities			
Borrowings	22	**13,245**	—
Income tax payable		**—**	3,758
Trade and other payables	21	**129,693**	91,896
		142,938	95,654
Total liabilities		**1,447,227**	201,985
Total equity and liabilities		**8,714,446**	6,819,505
Net current assets		**509,431**	660,159
Total assets less current liabilities		**8,571,508**	6,723,851

The notes on pages 71 to 164 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 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (Restated)
Revenue	5(a)	**6,521,998**	3,320,723
Cost of sales	25	**(4,970,463)**	(2,518,113)
Gross profit		**1,551,535**	802,610
Other income	23	**139,860**	344,359
Selling and marketing expenses	25	**(179,685)**	(140,920)
Administrative expenses	25	**(909,827)**	(676,782)
Other expenses	24	**(49,488)**	(24,952)
Operating profit		**552,395**	304,315
Finance costs	27	**(91,899)**	(35,074)
Share of results of associates	12	**84,933**	65,376
Profit before income tax		**545,429**	334,617
Income tax expense	28	**(101,887)**	(86,618)
Profit for the year		**443,542**	247,999
Attributable to:			
Shareholders of the Company	30	**248,323**	82,167
Non-controlling interests		**195,219**	165,832
		443,542	247,999
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share)			
— basic and diluted	30	**5.44**	1.80

The notes on pages 71 to 164 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Dividends	31	**122,452**	91,300

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

		Year ended 31 December	
	Note	**2010**	2009
		RMB'000	RMB'000
			(Restated)
Profit for the year		**443,542**	247,999
Other comprehensive income			
Fair value changes in available-for-sale financial assets — gross	13(a)	**(1,142,530)**	1,725,323
Transfer of fair value changes in available-for-sale financial assets — gross		**(5,344)**	(98,718)
Fair value changes in and transfer of available-for-sale financial assets — tax	14(a)	**286,969**	(406,652)
Asset revaluation surplus arising on a business combination achieved in stages	34(b)	**—**	3,326
Currency translation differences		**(5,254)**	—
Total comprehensive income for the year		**(422,617)**	1,471,278
Attributable to:			
Shareholders of the Company		**(224,105)**	763,210
Non-controlling interests		**(198,512)**	708,068
		(422,617)	1,471,278

The notes on pages 71 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling 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 (before restatement)	—	—	118,869	118,869	165,832	284,701
Changes in accounting policy by adoption of HKFRS 3 (Revised) (note 40)	—	—	(36,702)	(36,702)	—	(36,702)
Profit for the year (restated)	—	—	82,167	82,167	165,832	247,999
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(b))	—	1,673	—	1,673	1,653	3,326
Total other comprehensive income	—	681,043	—	681,043	542,236	1,223,279
Total comprehensive income (restated)	—	681,043	82,167	763,210	708,068	1,471,278
Transaction with owners:						
Profit appropriation	—	23,174	(23,174)	—	—	—
Dividends to non-controlling interests	—	—	—	—	(124,959)	(124,959)
Dividends declared (note 31)	—	—	(95,865)	(95,865)	—	(95,865)
Capital contribution from non-controlling equity holders	—	—	—	—	2,450	2,450
Non-controlling interest arising on business combination (note 34(b))	—	—	—	—	12,794	12,794
Total transactions with owners	—	23,174	(119,039)	(95,865)	(109,715)	(205,580)
Balance at 31 December 2009 (restated)	4,565,000	2,636,733	425,963	7,627,696	2,016,991	9,644,687

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2010

	Note 20	Attributable to shareholders of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2010		4,565,000	2,636,733	425,963	7,627,696	2,016,991	9,644,687
Comprehensive income:							
Profit for the year		—	—	248,323	248,323	195,219	443,542
Other Comprehensive income:							
Fair value changes in available-for-sale financial assets — gross		—	(620,210)	—	(620,210)	(522,320)	(1,142,530)
Transfer of fair value changes in available-for-sale financial assets — gross		—	(2,689)	—	(2,689)	(2,655)	(5,344)
Fair value changes in and transfer of available-for-sale financial assets — tax		—	155,725	—	155,725	131,244	286,969
Currency translation differences		—	(5,254)	—	(5,254)	—	(5,254)
Total other comprehensive income		—	(472,428)	—	(472,428)	(393,731)	(866,159)
Total comprehensive income		—	(472,428)	248,323	(224,105)	(198,512)	(422,617)
Transactions with owners:							
Profit appropriation		—	78,448	(78,448)	—	—	—
Dividends to non-controlling interests		—	—	—	—	(114,038)	(114,038)
Dividends declared (note 31)		—	—	(91,300)	(91,300)	—	(91,300)
Reversal of income tax payable	(vi)	—	15,253	—	15,253	—	15,253
Capital contribution from non-controlling equity holders		—	—	—	—	1,921	1,921
Reorganisation with Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development")	(vii)	—	(619,731)	—	(619,731)	619,731	—
Transaction cost for reorganisation with Jin Jiang Hotels Development	(viii)	—	(27,017)	—	(27,017)	—	(27,017)
Acquisition of equity interests in a subsidiary from non-controlling interests	(ix)	—	(57,163)	—	(57,163)	(81,042)	(138,205)
Non-controlling interest arising on business combination (note 34(a))		—	—	—	—	41,044	41,044
Total transactions with owners		—	(610,210)	(169,748)	(779,958)	467,616	(312,342)
Balance at 31 December 2010		4,565,000	1,554,095	504,538	6,623,633	2,286,095	8,909,728

The notes on pages 71 to 164 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000 (Restated)
Cash flows from operating activities:			
Cash generated from operations	32	**1,243,079**	740,805
Interest paid		**(97,195)**	(35,884)
Income tax paid		**(124,784)**	(107,482)
Transactions cost in relation to the acquisition of a jointly controlled entity	35	**(11,757)**	(36,702)
Net cash generated from operating activities		**1,009,343**	560,737
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		**18,525**	18,707
Proceeds from disposal of investments in associates		**—**	193,762
Proceeds from disposal of an investment in Shanghai Jiu Long Hotel Company Limited ("Jiu Long Hotel")		**—**	15,431
Proceeds from disposal of available-for-sale financial assets		**14,490**	107,028
Purchase of property, plant and equipment		**(634,960)**	(866,088)
Purchase of land use rights		**(6,044)**	(21,631)
Purchase of intangible assets		**(26,017)**	(3,669)
Purchase of available-for-sale financial assets		**(83,413)**	(196,243)
Loans advanced to related parties		**—**	(1,720)
Loan repayments received from related parties		**—**	43,630
Interest received		**9,717**	9,357
Dividends received		**166,026**	157,452
Increase in investments in associates		**(3,537)**	(716)
Acquisition of subsidiaries, net of cash acquired	34	**(49,058)**	(96,157)
Acquisition of a jointly controlled entity, net of cash acquired	35	**(309,931)**	(5,687)
Acquisition of equity shares from a non-controlling interests	36(b)	**(138,205)**	—
Prepayment to a related party for acquisition of shares	1(c)	**(231,873)**	—
Net cash used in investing activities		**(1,274,280)**	(646,544)
Cash flows from financing activities:			
Capital contribution from non-controlling interests		**1,921**	2,450
Proceeds from borrowings		**1,312,338**	997,960
Repayments of borrowings		**(1,106,182)**	(587,090)
Dividends paid to non-controlling interests		**(114,038)**	(124,959)
Increase in deposits from related parties		**—**	8,135
Dividends paid to shareholders of the Company	31	**(91,300)**	(95,865)
Deposit pledged for borrowings	18	**299,306**	(299,306)
Net cash generated from/(used in) financing activities		**302,045**	(98,675)
Increase/(decease) in cash and cash equivalents		**37,108**	(184,482)
Cash and cash equivalents at beginning of the year		**1,460,381**	1,644,962
Exchange losses on cash and cash equivalents		**(9,364)**	(99)
Cash and cash equivalents at end of the year	19	**1,488,125**	1,460,381

The notes on pages 71 to 164 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 GENERAL INFORMATION

Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company"), formerly known as Shanghai New Asia (Group) Company, was established on 16 June 1995 as a wholly state-owned company with limited liability and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") or its predecessors. Pursuant to an enterprise reorganisation in June 2003, the Company was designated by Shanghai SASAC, 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 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.

On 11 November 2010, Shanghai Jin Jiang International Investment and Management Company Limited transterred its 158,675,000 shares in the Company to Jin Jiang International.

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 businesses (the "Hotel Related Businesses") in Mainland China and the United States ("US").

These consolidated financial statements have been approved for issue by the board (the "Board") of directors (the "Directors") of the Company on 30 March 2011.

Key events

(a) Acquisition of Interstate Hotels & Resorts, Inc. ("IHR Group")

Hotel Acquisition Company, LLC ("HAC"), a jointly controlled entity of the Group acquired IHR Group on 18 March 2010. The Group indirectly holds a 50% equity interest in IHR Group through HAC, and accounts for IHR Group as a jointly controlled entity.

Further financial details are given in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 GENERAL INFORMATION (CONTINUED)

Key events (continued)

(b) Reorganisation with Jin Jiang Hotels Development

Pursuant to the reorganisation agreement and the supplemental agreement (together, the "Reorganisation") entered between Jin Jiang Hotels Development, a subsidiary of the Company, listed on the Shanghai Stock Exchange of Mainland China, 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 ("Jin Jiang Inn"), 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 Shanghai Min Hang Hotel Limited, a subsidiary of Jin Jiang Hotels Development (together, the "Transfer-in Assets").

The considerations of the exchange of the Transfer-in Assets and Transfer-out Assets between the Company and Jin Jiang Hotels Development were determined based on the valuation of the respective assets 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 Reorganisation. The difference would be settled in cash. The valuation of the Transfer-in Assets and Transfer-out Assets as at 31 July 2009 are RMB3,071,037,000 and RMB2,728,248,000, respectively.

The Reorganisation was approved by the China Securities Regulatory Committee (the "CSRC") on 12 May 2010 and the completion date of the Reorganisation was 31 May 2010. The Company paid a cash consideration of RMB251,074,000 to Jin Jiang Hotels Development.

Further financial details are given in note 36(a).

(c) 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 the Company by (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 Hong Kong Dollar ("HK$") 2.2 per consideration share after satisfaction of all the condition precedents and before the date of completion. As the Company and Jin Jiang Travel currently holds approximately 2.22% and 0.15% of the total registered share capital of Jin Jiang Investment respectively, upon completion, each of Jin Jiang Investment and Jin Jiang Travel will become a 40.91% owned subsidiary and a 50.21% owned subsidiary of the Company.

As at 31 December 2010, the amount of RMB231,873,000 has been paid to Jin Jiang International by the Company. The Acquisition was approved by the CSRC on 24 January 2011 and the completion date of the Acquisition and issue of new domestic shares was 16 February 2011.

Further financial details are given in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 Certified 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 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. 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. All acquisition-related costs are expensed.

  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. Upon adoption of HKFRS 3 (revised) in 2010, the 2009 financial statements were restated and these capitalised costs incurred in 2009 were expensed on a retrospective basis. The acquisition-related costs of RMB11,757,000 incurred for the year ended 31 December 2010 were recognised as an expense in the consolidated income statement.

- HKAS 12 (amendment), 'Income taxes'. The amendment provides an exception to the principles in the existing standard for measuring deferred income tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1 January 2012. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

  Since October 2010, the HKICPA has published Amendments to HKFRS 7, 'Financial instruments: Disclosures on derecognition', Additions to HKFRS 9, 'Financial instruments — Classification and measurement' for financial liability accounting and Amendments to HKAS 12, 'Income taxes' on Deferred tax: Recovery of underlying assets. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact, if any, they may have on the Group's consolidated financial statements.

- 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 profit or loss. The amendment does not have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have material impact to the Group's consolidated financial statements as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Group has treated the largest cash-generating unit to which goodwill is allocated for the purposes of impairment testing as an operating segment and the amendment does not have material impact on the Group's consolidated financial statements.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation. The amendment does not have a material impact on the Group's consolidated financial statements.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events).

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This is not relevant to the Group, as it does not distribute any non-cash assets to owners for the year ended 31 December 2010.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group as it does not receive from a customer any item of property, plant and equipment that the Group must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This is not currently applicable to the Group, as it has no embedded derivatives.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This is not currently applicable to the Group, as it has no hedging activities.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This is not currently applicable to the Group, as it does not have any plans to settle a liability by the issue of equity.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. This is not relevant to the Group, as it does not have any non-current assets held for sale and discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Company's financial statements, but the Group did not early adopt this part.

New standards, amendments 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' introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.
- Under 'Classification of rights issues' (amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivatives liabilities.
- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments'.
- Amendments to HK (IFRIC) — Int 14 'Prepayments of a minimum funding requirement' correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The Group has not early adopted those third annual improvement project (2010) published in May 2010 by the HKICPA (to be effective in the financial year of 2011) in this consolidated financial statements and will apply those improvements in accordance with their respective effective dates, where applicable.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2010.

(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note2(j)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries (continued)

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)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (continued)

(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.

(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:

Land	Infinited (not depreciated)
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)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (continued)

(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) Cost incurred to obtain management contracts

IHR Group's intangible assets consist of costs incurred to obtain hotel management contract which is amortized over the life of the related hotel management contract ranging from 1 year to 20 years on a straight line basis.

(v) Favourable lease contracts

Favorable lease contract represents the fair value of favourable contractual lease agreements arising from the acquisition of subsidiaries or jointly controlled entities which is amortised over the remaining period of the lease agreement from 5 years to 18 years.

(vi) 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 been 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 2010

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 2010, 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 2010, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2010

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.

(iii) Employee healthcare

IHR Group Associate Benefit Choices plan (the "ABC Plan") provides healthcare benefits for the majority of the employees. The ABC Plan is administered through a third party vendor. The ABC Plan does not provide any post employment or post retirement benefits. Only active employees from IHR Group are eligible for the healthcare benefits.

(iv) Defined contribution plans

IHR Group maintains the defined contribution savings plans for the employees. Eligibility for participation in the plans is based on an employee meeting certain minimum age and service requirements. Employer matching contributions are based on a percentage of employee contributions and are discretionary. Participants may make voluntary, pre tax contributions through salary deferrals to the plan in which they participate.

(v) Deferred compensation plan

IHR Group maintains a deferred compensation plan for certain executives and hotel general managers by depositing compensations into trusts for the benefit of the participating employees. Amounts in the trusts earn investment income, which serves to increase the corresponding deferred compensation obligation. Investments, which are recorded at market value and presented within "Available-for-sale financial assets" in the consolidated balance sheet, are directed by the participants and not guaranteed by IHR Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

The other revenue and other expenses from managed properties represent the expenses incurred in managing the hotel properties for which IHR Group is contractually reimbursed by the property owner and generally include salary and employee benefits for the employees working in the properties and certain other related costs. The reimbursable expenses are recorded as revenue and cost of sales, respectively, with zero effect on operating profit.

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 is 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's and the 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 2010

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 US and most of the Group's transactions, assets and liabilities are denominated in RMB and United States Dollars ("US$"). Other foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses, and for foreign investments. Other foreign currencies are also received from overseas customers. The Group's trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2010 included foreign currencies, denominated in either US$ or other foreign currencies ("Other Foreign Currencies") including Hong Kong Dollars ("HK$"), European Dollar ("EUR"), Russian Ruble ("RUB"), Great British Pounds ("GBP") and Indian Rupee ("INR"), are disclosed in notes 17, 19, 21 and 22.

As at 31 December 2010, if RMB strengthens/weakens by 10% (2009: 10%)*(i.e. RMB/US$ 6.6227 from 7.2850 to 5.9604), against US$ for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ 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	
	2010	2009
	RMB'000	RMB'000
The Group		
Increase/(decrease) in profit for the year		
— Strengthened	**6,901**	(2,910)
— Weakened	**(6,901)**	2,910
The Company		
Increase/(decrease) in profit for the year		
— Strengthened	**9,673**	(20)
— Weakened	**(9,673)**	20

Profit is more sensitive to movement in foreign exchange rate in RMB against US$ in 2010 than 2009 because of the increase in the net amount of US$ dominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

* This represents market estimation as at 31 December 2010 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010, if interest rates on bank deposits and borrowings are 10% (2009: 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	
	2010	2009
	RMB'000	RMB'000
The Group		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(6,175)**	(1,933)
— Decrease in interest rates	**6,175**	1,933
The Company		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(1,769)**	811
— Decrease in interest rates	**1,769**	(811)

Profit of the Group is more sensitive to movement in interest rate in 2010 than 2009 because of the increase in the net amount of bank deposits and borrowings.

* This represents market estimation as at 31 December 2010 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010, 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	
	2010	2009
	RMB'000	RMB'000
The Group		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**406,310**	664,539
— Decrease in quoted market price	**(406,310)**	(664,539)
The Company		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**36,508**	44,762
— Decrease in quoted market price	**(36,508)**	(44,762)

The other comprehensive income is less sensitive to movement in quoted market price of the listed equity investment in 2010 than 2009 because of the decrease in the carrying amount of the listed equity investments.

* This represents market estimation as at 31 December 2010 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010, 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	
	2010	2009
	RMB'000	RMB'000
The Group		
Counterparties		
— Big 4 domestic banks*	**847,990**	1,083,231
— Other domestic commercial banks	**559,541**	355,536
— Foreign owned banks	**70,300**	17,325
	1,477,831	1,456,092
The Company		
Counterparties		
— Big 4 domestic banks*	**12,729**	20,625
— Other domestic commercial banks	**1,083**	3,201
— Jin Jiang International Finance Company Limited	**187,302**	136,104
	201,114	159,930

* Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, 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 2010

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 2010				
Borrowings (excluding finance lease liabilities)	355,726	1,369,645	232,517	—
Finance lease payables	3,055	3,055	9,165	22,547
Contractual interest payable	83,488	56,788	18,503	—
Trade and other payables (excluding non-financial liabilities)	1,746,185	8,030	—	—
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	—	—	—
The Company				
As at 31 December 2010				
Borrowings (excluding finance lease liabilities)	13,245	602,745	99,076	—
Contractual interest payable	28,603	26,843	8,342	—
Trade and other payables (excluding non-financial liabilities)	78,198	—	—	—
As at 31 December 2009				
Borrowings (excluding finance lease liabilities)	—	—	89,500	—
Contractual interest payable	4,135	4,135	3,790	—
Trade and other payables (excluding non-financial liabilities)	70,928	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010 and 2009 were as follows:

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
The Group		
Total borrowings (note 22)	**1,984,227**	1,077,002
Total assets	**13,758,697**	12,761,858
Gearing ratio	**14.42%**	8.44%
The Company		
Total borrowings (note 22)	**715,066**	89,500
Total assets	**8,714,446**	6,819,505
Gearing ratio	**8.21%**	1.31%

The increase in the gearing ratio during 2010 results from the increase of total borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- 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)	1,805,822	—	—	1,805,822
The Company				
Available-for-sale financial assets				
— Equity securities (note 13)	162,255	—	—	162,255

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 2010

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 RMB42,402,000 higher or RMB51,824,000 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 RMB3,828,000 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 RMB81,000 lower/higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

Upon the completion of the reorganisation with Jin Jiang Hotels Development, Jin Jiang International Hotel Management Co., Ltd. became a wholly-owned subsidiary of the Company and did not charge hotel management fees to the star-rated hotels owned by the Group. The Board combined the previous segment of star-rated hotels management into the segment of star-rated hotels for the year ended 31 December 2010, and the comparatives segment information for 2009 was restated accordingly.

Upon the acquisition of the 50% interest of IHR Group in March 2010, the Board assesses the performance of overseas hotels as an individual business segment.

The Board assesses the performance according to five main reportable 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 operations 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover

The Group's revenue which represents turnover for the year ended 31 December 2010 is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(Represented)
Star-rated hotels	**2,651,323**	1,929,852
— Accommodation revenue	**1,398,581**	875,026
— Food and beverage sales	**870,970**	703,248
— Rental revenue	**171,580**	163,358
— Rendering of ancillary services	**111,107**	104,332
— Star-rated hotel management	**54,535**	48,361
— Sales of hotel supplies	**44,550**	35,527
Budget hotels	**1,621,267**	1,177,257
Food and restaurants	**262,131**	186,463
Other operations in China	**33,642**	27,151
Overseas hotels	**1,953,635**	—
— Other revenue from managed properties (note 2(x))	**1,589,706**	—
— Hotel management	**159,886**	—
— Accommodation revenue	**129,319**	—
— Food and beverage sales	**68,465**	—
— Rendering of ancillary services	**5,005**	—
— Rental revenue	**1,254**	—
	6,521,998	3,320,723

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 2010

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information

Year ended 31 December 2010

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	Other operations in China RMB'000	Overseas hotels RMB'000	Group RMB'000
External sales (note 5(a))	2,651,323	1,621,267	262,131	33,642	1,953,635	6,521,998
Including: other revenue from managed properties	—	—	—	—	1,589,706	1,589,706
Inter-segment sales	2,200	648	5,554	66,532	—	74,934
Total gross segment sales	2,653,523	1,621,915	267,685	100,174	1,953,635	6,596,932
Profit for the year	75,651	186,859	123,022	85,377	(27,367)	443,542
Other income (note 23)	23,021	17,347	43,483	54,947	1,062	139,860
Including: interest income (note 23)	5,432	1,286	1,921	42	1,062	9,743
Depreciation of property, plant and equipment (note 6)	(337,689)	(239,554)	(10,464)	(113)	(29,911)	(617,731)
Depreciation of investment property (note 7)	(158)	—	—	—	—	(158)
Amortisation of land use rights (note 8)	(22,654)	(10,729)	(101)	(45)	—	(33,529)
Amortisation of intangible assets (note 9)	(2,433)	(1,561)	(676)	(8,921)	(14,289)	(27,880)
Reversal of inventories write-down (note 15)	37	—	—	—	—	37
Reversal of/(provision for) impairment of trade and other receivables (note 17)	637	—	—	—	(3,862)	(3,225)
Provision for impairment of available-for-sals financial assets (note 13)	—	—	—	(11,000)	—	(11,000)
Finance costs (note 27)	(37,986)	(10,794)	190	—	(43,309)	(91,899)
Share of results of associates (note 12)	4,746	—	84,834	(404)	(4,243)	84,933
Income tax expense (note 28)	(31,393)	(65,176)	(1,399)	(5,230)	1,311	(101,887)
Capital expenditure	443,857	490,747	22,126	3,497	1,044,426	2,004,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

Year ended 31 December 2009 (represented)

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	Other operations in China RMB'000	Overseas hotels RMB'000	Group RMB'000
External sales (note 5(a))	1,929,852	1,177,257	186,463	27,151	—	3,320,723
Inter-segment sales	—	—	4,343	55,949	—	60,292
Total gross segment sales	1,929,852	1,177,257	190,806	83,100	—	3,381,015
Profit for the year (restated)	(17,159)	70,305	167,047	27,806	—	247,999
Other income (note 23)	204,066	10,162	119,803	10,328	—	344,359
Including: interest income (note 23)	5,990	2,376	1,251	46	—	9,663
Depreciation of property, plant and equipment (note 6)	(336,199)	(193,662)	(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)	(1,860)	(473)	—	(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)	581	(30)	(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)	(35,878)	(23,039)	(17,970)	(9,731)	—	(86,618)
Capital expenditure	750,189	442,239	33,596	18,735	—	1,244,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets and liabilities as at 31 December 2010 are as follows:

	Star-rated hotels RMB'000	**Budget hotels RMB'000**	**Food and restaurants RMB'000**	**Other operations in China RMB'000**	**Overseas hotels RMB'000**	**Group RMB'000**
Segment assets	**5,983,993**	**3,545,193**	**180,374**	**2,422,161**	**1,319,094**	**13,450,815**
Investments in associates	**46,360**	**—**	**213,719**	**3,357**	**44,446**	**307,882**
Total assets	**6,030,353**	**3,545,193**	**394,093**	**2,425,518**	**1,363,540**	**13,758,697**
Total liabilities	**1,603,796**	**734,682**	**39,505**	**1,302,844**	**1,168,142**	**4,848,969**

The segment assets and liabilities as at 31 December 2009 are as follows (represented):

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	Other operations in China RMB'000	Overseas hotels RMB'000	Group RMB'000
Segment assets (restated)	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 (restated)	5,741,988	3,352,953	387,360	3,279,557	—	12,761,858
Total liabilities	918,080	1,218,673	44,317	936,101	—	3,117,171

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 the segment of "Other operations in China". Other income in the segment of "Star-rated hotels" for the year ended 31 December 2009 mainly includes gain on disposal of available-for-sale financial assets of RMB79,424,000 and gain on disposal of an investment in associates of RMB101,304,000, while there were no similar significant disposals in the year ended 31 December 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, 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) and acquisition of a jointly controlled entity (note 35).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and 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 2009	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
Additions	—	34,423	4,264	42,127	16,719	685,322	782,855
Additions resulting from acquisition through business combination (note 34)	—	3,326	15	2,065	61,376	4,276	71,058
Additions resulting from acquisition of a jointly controlled entity (note 35)	522,559	—	—	73,748	11,096	65	607,468
Disposals	(7,868)	(41,811)	(7,935)	(16,978)	(1,367)	—	(75,959)
Transfers	301,058	91,812	2,683	63,463	345,617	(804,633)	—
Exchange differences	(15,578)	(26)	(3)	(2,330)	(412)	(43)	(18,392)
At 31 December 2010	**5,189,717**	**1,432,600**	**60,516**	**605,216**	**2,776,071**	**578,333**	**10,642,453**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Land and 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 2009	(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)
Depreciation charge for the year (note 25)	(140,622)	(98,185)	(5,088)	(92,407)	(281,429)	—	(617,731)
Disposals	3,534	29,899	7,174	15,074	362	—	56,043
Exchange differences	347	1	—	456	88	—	892
At 31 December 2010	**(1,576,014)**	**(851,405)**	**(34,649)**	**(324,586)**	**(1,075,950)**	**—**	**(3,862,604)**
Net book amount							
At 31 December 2010	**3,613,703**	**581,195**	**25,867**	**280,630**	**1,700,121**	**578,333**	**6,779,849**
At 31 December 2009	2,950,273	561,756	24,757	195,412	1,548,071	693,346	5,973,615

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

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Cost of sales	**568,313**	502,024
Selling and marketing expenses	**6,177**	5,398
Administrative expenses	**43,241**	32,389
	617,731	539,811

Lease rentals amounting to RMB239,109,000 (2009: RMB221,873,000) relating to the lease of land and buildings are included in cost of sales (note 25).

Borrowing costs of RMB8,000 (2009: RMB775,000) (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 5.08% (2009: 5.99%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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:

	2010 RMB'000	2009 RMB'000
Cost — capitalised finance leases	**28,838**	28,838
Accumulated depreciation	**(3,449)**	(1,517)
Net book amount	**25,389**	27,321

The Group leases machinery under non-cancellable finance lease agreements. The lease terms are between 10 and 15 years.

(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 2009	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
Additions	—	351	—	455	326	46,577	47,709
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 36(a))	135,041	1,953	384	2,047	6,316	71	145,812
Disposals	—	(4,171)	—	(1,044)	—	—	(5,215)
Transfers	—	8,110	—	694	17,254	(26,058)	—
At 31 December 2010	**716,027**	**56,191**	**1,760**	**4,235**	**112,041**	**77,800**	**968,054**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2009	(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 (note 7)	1,571	—	—	—	—	—	1,571
At 31 December 2009	(62,529)	(31,940)	(340)	(592)	(22,350)	—	(117,751)
Depreciation charge for the year	(16,529)	(9,158)	(183)	(1,049)	(16,330)	—	(43,249)
Disposals	—	3,948	—	946	—	—	4,894
At 31 December 2010	**(79,058)**	**(37,150)**	**(523)**	**(695)**	**(38,680)**	**—**	**(156,106)**
Net book amount							
At 31 December 2010	**636,969**	**19,041**	**1,237**	**3,540**	**73,361**	**77,800**	**811,948**
At 31 December 2009	518,457	18,008	1,036	1,491	65,795	57,210	661,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7 INVESTMENT PROPERTY

The Group and the Company

	Buildings RMB'000
Cost	
At 1 January 2009	—
Transfer from property, plant and equipment (note 6)	6,616
At 31 December 2010 and 31 December 2009	6,616
Accumulated depreciation	
At 1 January 2009	—
Transfer from property, plant and equipment (note 6)	(1,571)
Charge for the year (note 25)	(158)
At 31 December 2009	(1,729)
Charge for the year (note 25)	(158)
At 31 December 2010	(1,887)
Net book amount	
At 31 December 2010	**4,729**
At 31 December 2009	4,887

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

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Cost of sales	**158**	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 2010, which includes the building with the carrying amount of RMB4,729,000 (31 December 2009: RMB4,887,000) and the related land use right with the carrying amount of RMB10,816,000 (31 December 2009: RMB11,128,000), is approximately RMB338,571,000 (31 December 2009: RMB334,223,000). The Group and the Company adopted the 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 2010

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 the 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	
	2010	2009
	RMB'000	RMB'000
Cost		
At beginning of the year	**1,267,020**	1,167,677
Additions	**6,044**	21,631
Additions resulting from acquisition through business combination (note 34)	**—**	77,712
At end of the year	**1,273,064**	1,267,020
Accumulated amortisation		
At beginning of the year	**(156,563)**	(124,426)
Charge for the year (note 25)	**(33,529)**	(32,137)
At end of the year	**(190,092)**	(156,563)
Net book amount		
At end of the year	**1,082,972**	1,110,457

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Cost of sales	**33,529**	32,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

8 LAND USE RIGHTS (CONTINUED)

(b) The Company

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Cost		
At beginning of the year	**50,177**	50,177
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 36(a))	**323,508**	—
At the end of the year	**373,685**	50,177
Accumulated amortisation		
At beginning of the year	**(5,140)**	(3,855)
Charge for the year	**(14,710)**	(1,285)
At end of the year	**(19,850)**	(5,140)
Net book amount		
At end of the year	**353,835**	45,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 INTANGIBLE ASSETS

(a) The Group

	Goodwill RMB'000	Software RMB'000	World Expo rights (i) RMB'000	Cost incurred to obtain management contract RMB'000	Favourable lease contract RMB'000	Others RMB'000	Total RMB'000
Cost							
At 1 January 2009	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
Additions	—	20,368	—	1,941	3,708	—	26,017
Additions resulting from acquisition through business combination (note 34)	40,171	510	—	—	47,248	—	87,929
Additions resulting from acquisition of a jointly controlled entity (note 35)	223,308	5,427	—	194,547	—	—	423,282
Disposal	—	—	—	(2,739)	—	—	(2,739)
Exchange differences	(6,657)	(164)	—	(5,782)	—	—	(12,603)
At 31 December 2010	291,647	39,231	18,500	187,967	50,956	1,201	589,502

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

	Goodwill RMB'000	Software RMB'000	World Expo rights (i) RMB'000	Cost incurred to obtain management contract RMB'000	Favourable lease contract RMB'000	Others RMB'000	Total RMB'000
Accumulated amortisation							
At 1 January 2009	—	(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)
Charge for the year (note 25)	—	(6,477)	(7,730)	(12,757)	(916)	—	(27,880)
Disposal	—	—	—	143	—	—	143
Exchange differences	—	34	—	277	—	—	311
At 31 December 2010	—	(10,247)	(15,922)	(12,337)	(916)	(1,201)	(40,623)
Net book amount							
At 31 December 2010	**291,647**	**28,984**	**2,578**	**175,630**	**50,040**	**—**	**548,879**
At 31 December 2009	34,825	9,286	10,308	—	—	—	54,419

(i) A jointly controlled entity of the Group has been granted the rights to associate its brand name with the Shanghai World Expo 2010 from 1 January 2009 to 30 April 2011. 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 service.

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

	Year ended 31 December	
	2010 RMB'000	2009 RMB'000
Cost of sales	**27,880**	10,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

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	
	2010	2009
	RMB'000	RMB'000
Star-rated hotels	**28,377**	28,377
Budget hotels	**46,619**	6,448
Overseas hotels	**216,651**	—
	291,647	34,825

The principal component of goodwill represents the excess of cost of acquisition of certain star-rated hotels, budget hotels and overseas 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 properties of star-rated hotels, budget hotels and overseas hotels, which mainly include land, 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, no provision for impairment losses is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 INTANGIBLE ASSETS (CONTINUED)

(b) The Company

	Software RMB'000	Others RMB'000	Total RMB'000
Cost			
At 1 January 2009	5,903	62	5,965
Additions	1,897	—	1,897
At 31 December 2009	7,800	62	7,862
Additions	1,475	—	1,475
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 36(a))	78	—	78
At 31 December 2010	9,353	62	9,415
Accumulated amortisation			
At 1 January 2009	(148)	(62)	(210)
Charge for the year	(1,321)	—	(1,321)
At 31 December 2009	(1,469)	(62)	(1,531)
Charge for the year	(1,949)	—	(1,949)
At 31 December 2010	(3,418)	(62)	(3,480)
Net book amount			
At 31 December 2010	**5,935**	**—**	**5,935**
At 31 December 2009	6,331	—	6,331

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	At 31 December	
	2010 RMB'000	2009 RMB'000
Investments at cost		
— Shares of a listed company (i)	**685,434**	685,434
— Unlisted equity investments	**4,769,142**	3,938,432
	5,454,576	4,623,866
Market value of listed shares	**7,051,484**	7,154,295

(i) The balance represents the Group's investment in Jin Jiang Hotels Development.

Particulars of the Company's principal subsidiaries are set out in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010 are set out as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Assets		
Non-current assets	**1,711,398**	688,171
Current assets	**498,924**	349,321
	2,210,322	1,037,492
Liabilities		
Non-current liabilities	**744,028**	151,649
Current liabilities	**402,899**	266,861
	1,146,927	418,510
Net assets	**1,063,395**	618,982
Proportionate interests in jointly controlled entities' commitments	**148,635**	15,330

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Revenue	**2,429,431**	331,200
Expenses	**(2,397,131)**	(313,513)
Profit before income tax	**32,300**	17,687
Income tax expense	**(15,784)**	(1,265)
Profit for the year	**16,516**	16,422

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 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Unlisted equity investments, at cost	**1,027,212**	478,788

12 INVESTMENTS IN ASSOCIATES

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	**254,969**	317,800
Additions	**3,537**	6,590
Additions resulting from acquisition of a jointly controlled entity (note 35)	**47,797**	—
Share of results of associates		
— Profit before income tax	**116,838**	90,049
— Income tax expense	**(31,905)**	(24,673)
	84,933	65,376
Declaration of dividends	**(68,987)**	(92,058)
Disposals	**(12,985)**	(20,477)
Transfer out as an associate being a subsidiary through business combination achieved in stages (note 34(b))	**—**	(22,262)
Exchange differences	**(1,382)**	—
At end of the year	**307,882**	254,969

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Total assets	**959,379**	499,526
Total liabilities	**651,497**	244,557
Revenue	**1,434,694**	1,133,326
Profit for the year	**84,933**	65,376

Particulars of the Group's principal associates are set out in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) The Company

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000
Unlisted equity investments, at cost	**215,387**	29,905
Less: provision for impairment	**(5,400)**	(5,400)
	209,987	24,505

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000
At beginning of the year	**3,038,708**	1,224,200
Additions	**95,403**	196,243
Additions resulting from acquisition of a jointly controlled entity (note 35)	**31,084**	—
Fair value changes transferred to other comprehensive income	**(1,142,530)**	1,725,323
Impairment charge	**(11,000)**	—
Disposals	**(13,791)**	(107,028)
Exchange differences	**(918)**	—
At end of the year	**1,996,956**	3,038,738
Less: current portion of available-for-sale financial assets (i)	**(83,748)**	—
	1,913,208	3,038,738

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000
Listed equity investments, at fair value	**1,805,822**	2,953,506
Unlisted equity investments, at cost (ii)	**215,858**	98,956
Less: provision for impairment	**(24,724)**	(13,724)
	1,996,956	3,038,738
Less: current portion of available-for-sale financial assets (i)	**(83,748)**	—
	1,913,208	3,038,738
Market value of listed equity investments	**1,805,822**	2,953,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) The Group (continued)

(i) The balance represents HAC's investment in a money market fund and is expected to be realised within 12 months.

(ii) 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 2010, 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	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	**218,281**	144,057
Fair value changes transferred to other comprehensive income	**(36,685)**	152,686
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 36(a))	**12,259**	—
Disposals	**—**	(78,462)
At end of the year	**193,855**	218,281

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Listed equity investments, at fair value	**162,255**	198,940
Unlisted equity investments, at cost	**33,600**	21,341
Less: provision for impairment	**(2,000)**	(2,000)
	193,855	218,281
Market value of listed equity investments	**162,255**	198,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**156,305**	26,912
— Deferred income tax assets to be recovered within 12 months	**11,860**	9,454
	168,165	36,366
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(483,168)**	(751,823)
— Deferred income tax liabilities to be settled within 12 months	**(4,366)**	(4,858)
	(487,534)	(756,681)
	(319,369)	(720,315)

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	**(720,315)**	(311,736)
Additions resulting from acquisition through business combination (note 34)	**(11,950)**	(17,374)
Additions resulting from acquisition of a jointly controlled entity (note 35)	**511**	—
Credited to consolidated income statement (note 28)	**125,440**	15,447
Credited/(charged) to other comprehensive income	**286,969**	(406,652)
Exchange differences	**(24)**	—
At end of the year	**(319,369)**	(720,315)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2010, 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	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2009	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
Additions resulting from acquisition of a jointly controlled entity (note 35)	—	32,884	511	—	—	—	33,395
(Charged)/credited to consolidated income statement	(2,117)	5,088	16,492	(1,088)	80,688	9,972	109,035
Exchange differences	—	(1,072)	(24)	—	—	—	(1,096)
At 31 December 2010	**10,240**	**37,402**	**47,057**	**14,609**	**80,688**	**14,798**	**204,794**

(i) The amount represents the land appreciation tax in connection with reorganisation with Jin Jiang Hotels Development, which can be deducted against future appreciation when the related land use right and properties are sold out of the Group. However, these appreciation of the related land use right and properties were eliminated in the consolidated balance sheet, which resulted in a deferred income tax asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Provisions for staff welfare (ii) RMB'000	Fair value changes RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2009	(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)
(Charged)/credited 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)
Additions resulting from acquisition through business combination (note 34)	—	(11,950)	—	—	—	(11,950)
Additions resulting from acquisition of a jointly controlled entity (note 35)	—	(32,328)	—	—	(556)	(32,884)
(Charged)/credited to consolidated income statement	(736)	17,524	—	—	(383)	16,405
Creditet to other comprehensive income	—	—	—	286,969	—	286,969
Exchange differences	—	1,007	—	—	65	1,072
At 31 December 2010	**(3,920)**	**(165,038)**	**—**	**(352,343)**	**(2,862)**	**(524,163)**

(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 2010

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 RMB227,083,000 (2009: RMB114,369,000) in respect of tax losses, as the Directors believe it is more likely than not that such tasax losses would not be realised before their expiry between 2011 to 2030. The expiry of related unrecognised deferred income tax assets are analysed as follows:

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Within 1 year	**6,851**	13,053
Between 1 and 2 years	**17,469**	8,770
Between 2 and 3 years	**23,729**	21,306
Between 3 and 4 years	**42,049**	24,042
Between 4 and 5 years	**20,131**	47,198
Over 5 years (i)	**116,854**	—
	227,083	114,369

(i) The amount represents the unrecognised deferred income tax assets of IHR Group, whose tax losses would be deducted against future taxable profit within the next 20 years.

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets to be settled after more than 12 months	**—**	—
Deferred income tax liabilities to be settled after more than 12 months	**(602,468)**	(16,831)
	(602,468)	(16,831)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	**(16,831)**	9,174
Charged to income statement	**(594,808)**	(381)
Credited/(charged) to other comprehensive income	**9,171**	(25,624)
At end of the year	**(602,468)**	(16,831)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14 DEFERRED INCOME TAX (CONTINUED)

(b) The Company (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assetss RMB'000	Tax loss RMB'000	Fair value changes RMB'000	Provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2009	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
Credited to consolidated income statement	2,321	4,810	—	4,646	3,541	15,318
At 31 December 2010	**5,484**	**4,810**	**—**	**4,646**	**3,541**	**18,481**

Deferred income tax liabilities:

	Fair value changes RMB'000	Asset basis differences (i) RMB'000	Total RMB'000
At 1 January 2009	—	—	—
Charged to other comprehensive income	(19,994)	—	(19,994)
At 31 December 2009	(19,994)	—	(19,994)
Charged to consolidated income statement	—	(610,126)	(610,126)
Credited to other comprehensive income	9,171	—	9,171
At 31 December 2010	**(10,823)**	**(610,126)**	**(620,949)**

(i) The special tax treatment rules are applied in the reorganisation with Jin Jiang Hotels Development according to Caishui [2009] No.59 "Notice Regarding Several Questions about Corporate Income Tax Treatment for Corporate Restructuring", and the Company's gain on the Reorganisation is not taxable. As a result, the related carrying amount in excess of tax basis of the equity interests transferred from Jin Jiang Hotels Development to the Company is recognized as a deferred income tax liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

15 INVENTORIES

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Raw materials	**42,154**	25,743
Finished goods/goods held for resale	**7,623**	6,127
Consumables and supplies	**37,019**	19,091
	86,796	50,961

The cost of inventories recognised as expense and included in cost of sales amounted to RMB717,088,000 (2009: RMB477,372,000) (note 25).

The Group reversed the write-down of inventories by RMB37,000 for the year ended 31 December 2010 (2009: RMB26,000) (note 25).

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Raw materials	**2,872**	2,949
Finished goods/goods held for resale	**405**	119
Consumables and supplies	**1,153**	159
	4,430	3,227

16 OTHER CURRENT ASSETS

	At 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
The Group		
Transaction costs of the in-progress reorganisation between Jin Jiang Hotels Development and the Company	**—**	11,900
The Company		
Transaction costs of the in-progress reorganisation between Jin Jiang Hotels Development and the Company	**—**	5,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

17 TRADE AND OTHER RECEIVABLES

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**165,484**	71,408
Less: provision for impairment of trade receivables	**(3,135)**	(3,749)
Trade receivables — net	**162,349**	67,659
Amounts due from related parties (note 37(b))	**399,862**	89,258
Prepayment to a related party (note 37(b))	**231,873**	—
Prepayments and deposits	**171,867**	128,094
Others	**61,285**	41,502
Less: provision for impairment of other receivables	**(14,715)**	(13,727)
Other receivables — net	**850,172**	245,127
	1,012,521	312,786
Less: non-current portion of trade current other receivables	**(9,211)**	—
	1,003,310	312,786
Non-current portion of trade and other receivables	**9,211**	—

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	
	2010	2009
	RMB'000	RMB'000
Current to 3 months	**148,034**	58,158
3 months to 1 year	**15,103**	9,027
Over 1 year	**2,347**	4,223
	165,484	71,408

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
— RMB	**910,229**	312,591
— US$	**94,706**	195
— Other Foreign Currencies	**7,586**	—
	1,012,521	312,786

As of 31 December 2010, trade receivables of RMB14,678,000 (31 December 2009: RMB9,483,000) 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	
	2010	2009
	RMB'000	RMB'000
3 months to 1 year	**13,784**	8,428
Over 1 year	**894**	1,055
	14,678	9,483

As of 31 December 2010, 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 2010, trade and other receivables of RMB10,500,000 (2009: RMB10,500,000) 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	
	2010	2009
	RMB'000	RMB'000
3 months to 1 year	**8,366**	9,115
Over 1 year	**1,462**	1,794
	9,828	10,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
At beginning of the year	**(17,476)**	(18,283)
Receivables written off as uncollectible	**2,851**	268
(Provision for)/reversal of impairment of trade and other receivables (note 25)	**(3,225)**	539
At end of the year	**(17,850)**	(17,476)

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.

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Trade receivables	**6,182**	2,410
Less: provision for impairment of trade receivables	**(174)**	(190)
Trade receivables — net	**6,008**	2,220
Amounts due from related parties (note 37(c))	**197,057**	286,067
Prepayment to a related party (note 37(c))	**231,873**	—
Prepayments and deposits	**12,402**	6,916
Others	**9,534**	2,848
Less: provision for impairment of other receivables	**(10,773)**	(10,769)
Other receivables — net	**440,093**	285,062
	446,101	287,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Current to 3 months	**5,610**	2,133
3 months to 1 year	**413**	124
Over 1 year	**159**	153
	6,182	2,410

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	
	2010	2009
	RMB'000	RMB'000
— RMB	**445,482**	184,859
— US$	**619**	102,423
	446,101	287,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

18 RESTRICTED CASH

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**281,823**	153,073
Deposit pledged for borrowings (ii)	**—**	299,306
	281,823	452,379

(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 the Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.62% (2009: 1.26%) per annum.

(ii) At 31 December 2009, 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% per annum.

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Deposit pledged for borrowings to a subsidiary	**—**	299,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

19 CASH AND BANK DEPOSITS

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Cash at bank and in hand	**956,809**	1,323,992
Bank deposits	**531,316**	136,389
	1,488,125	1,460,381
Cash and bank deposits denominated in		
— RMB	**1,314,568**	1,018,941
— US$	**171,328**	428,686
— Other Foreign Currencies	**2,229**	12,754
	1,488,125	1,460,381

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 7 days to 360 days, was 3.50% (2009: 1.73%) per annum.

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Cash at bank and in hand	**181,838**	160,048
Bank deposits	**20,000**	—
	201,838	160,048
Cash and bank deposits denominated in		
— RMB	**200,132**	159,786
— US$	**1,706**	262
	201,838	160,048

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 30 days to 180 days, was 2.06% (2009: 1.71%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

20 RESERVES

(a) The Group

	Other reserves							
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Asset revaluation surplus (v) RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2009	1,771,990	330,386	(585,291)	415,431	—	1,932,516	462,835	2,395,351
Profit for the year (before restatement)	—	—	—	—	—	—	118,869	118,869
Changes in accounting policy by adoption of HKFRS 3 (Revised)	—	—	—	—	—	—	(36,702)	(36,702)
Profit for the year (restated)	—	—	—	—	—	—	82,167	82,167
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 (restated)	**1,771,990**	**353,560**	**(585,291)**	**1,094,801**	**1,673**	**2,636,733**	**425,963**	**3,062,696**

	Other reserves								
	Capital surplus (i) RMB'000	**Statutory and discretionary surplus reserve (ii) RMB'000**	**Merger reserve (iii) RMB'000**	**Available-for-sale financial assets (iv) RMB'000**	**Asset revaluation surplus (v) RMB'000**	**Translation RMB'000**	**Total RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
At 1 January 2010	1,771,990	353,560	(585,291)	1,094,801	1,673	—	2,636,733	425,963	3,062,696
Profit for the year	—	—	—	—	—	—	—	248,323	248,323
Fair value changes in and transfer of available for-sale financial assets — gross	—	—	—	(620,210)	—	—	(620,210)	—	(620,210)
Disposal of available-for-sale financial assets	—	—	—	(2,689)	—	—	(2,689)	—	(2,689)
Fair value changes in and transfer of available for-sale financial assets — tax	—	—	—	155,725	—	—	155,725	—	155,725
Dividends declared (note 31)	—	—	—	—	—	—	—	(91,300)	(91,300)
Reversal of income tax payable (vi)	—	—	15,253	—	—	—	15,253	—	15,253
Reorganisation with Jin Jiang Hotels Development (vii)	(619,731)	—	—	—	—	—	(619,731)	—	(619,731)
Transaction cost for reorganisation with Jin Jiang Hotels Development (viii)	(27,017)	—	—	—	—	—	(27,017)	—	(27,017)
Acquisition of equity interests in a subsidiary from non-controlling interests (ix)	(57,163)	—	—	—	—	—	(57,163)	—	(57,163)
Profit appropriation	—	78,448	—	—	—	—	78,448	(78,448)	—
Currency translation differences	—	—	—	—	—	(5,254)	(5,254)	—	(5,254)
At 31 December 2010	**1,068,079**	**432,008**	**(570,038)**	**627,627**	**1,673**	**(5,254)**	**1,554,095**	**504,538**	**2,058,633**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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, and the effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the company.

(ii) Pursuant to the Company Law of the 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 the 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) 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.

(vi) Reversal of income tax payable represents the reversal of income tax payable of Shanghai Yulan Hotel Co., Ltd. ("Yulan Hotel") in connection with certain borrowings waived by its previous equity holder.

Before the Group obtained the 100% equity interest in Yulan Hotel from Jin Jiang International on 31 March 2005 under a common control combination, certain borrowings of Yulan Hotel were waived in 2001 and 2002 by its then equity holder, Shanghai Jin Jiang International Investment and Management Company Limited. At that time, tax regulations did not clarify whether or not obtaining such waiver of the borrowings was taxable. Yulan Hotel considered it as an uncertain tax position and provided an income tax payable of RMB15,253,000 after taking into account its then deductible tax losses. In 2010, Yulan Hotel confirmed with local tax authority according to a recent tax circular that such borrowings waived were not taxable and accordingly reversed the related income tax payable previously provided. As the 100% equity interest in Yulan Hotel, transferred from Jin Jiang International to the Group on 31 March 2005, was credited in merger reserve, the reversal of the income tax payable is also credited to merger reserve.

(vii) Transaction with non-controlling interests for reorganisation with Jin Jiang Hotels Development represents the decrease of equity attributable to the shareholders of the Company due to the shortfall between the net carrying amount of Transfer-in Assets, Transfer-out Assets and the cash consideration paid by the Company in connection with the reorganisation with Jin Jiang Hotels Development. This Reorganisation is treated as transaction with non-controlling interests and accordingly the effect of changes in equity attributable to the shareholders of the Company on the net consideration paid in excess of the respective equity interests of net assets of Transfer-in Assets and Transfer-out Assets is recorded in reserve for reorganisation with Jin Jiang Hotels Development. Further details are given in note 36(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

20 RESERVES (CONTINUED)

(a) The Group (continued)

(viii) The transaction cost for reorganisation with Jin Jiang Hotels Development represents the transaction cost incurred in connection with the reorganisation with Jin Jiang Hotels Development. This Reorganisation is treated as transaction with non-controlling interests and accordingly the transaction cost incurred is recorded as a deduction of capital surplus (note 36(a)).

(ix) Acquisition of equity interests in a subsidiary from non-controlling interests represents Jin Jiang Hotels Development's acquisition of 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders for the year ended 31 December 2010. This acquisition is treated as transaction with non-controlling interests and accordingly the consideration paid in excess of the equity interests of net assets is recorded as a reduction of capital surplus. Further details are given in note 36(b).

(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 2009	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
Profit for the year	—	—	—	—	768,513	768,513
Dividends declared (note 31)	—	—	—	—	(91,300)	(91,300)
Fair value changes in available-for-sale financial assets — gross	—	—	(36,685)	(36,685)	—	(36,685)
Fair value changes in and transfer of available-for-sale financial assets — tax	—	—	9,171	9,171	—	9,171
Profit appropriation	—	78,448	—	78,448	(78,448)	—
At 31 December 2010	**1,096,678**	**185,799**	**32,471**	**1,314,948**	**1,387,271**	**2,702,219**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

21 TRADE AND OTHER PAYABLES

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Trade payables	**236,513**	177,635
Amounts due to related parties (note 37(b))	**584,789**	109,792
Payables for purchases of property, plant and equipment and intangible assets	**396,614**	248,928
Salary and welfare payables	**301,737**	238,437
Advances from customers	**270,487**	183,798
Other taxes payable	**169,702**	51,975
Accrued expenses	**107,220**	25,244
Deposits from lessees and constructors	**56,025**	52,997
Payable for insurance expense on behalf of the managed hotels of IHR Group (i)	**42,315**	—
Payable for acquisition of ShanXi Jinguang Inn Company Limited (note 34(a))	**13,837**	—
Payable due to Shanghai World Expo 2010 Bureau (note 9)	**9,169**	16,233
Payables in connection with acquisition of IHR Group	**—**	32,128
Accrued expenses for reorganisation between Jin Jiang Hotels Development and the Company	**—**	11,900
Payable for acquisition of West Capital International Hotel Company Limited West Capital International Hotel (note 34(c))	**—**	9,183
Other	**113,216**	67,128
	2,301,624	1,225,378
Less: non-current portion of trade and other payables	**(8,030)**	—
	2,293,594	1,225,378
Non-current portion of trade and other payables	**8,030**	—

(i) IHR Group centrally manages the procurement of various required insurance to the hotels they manage, including general liability insurance, property insurance, auto insurance, and Workers' Compensation insurance and rebills the managed hotels for the expected costs of the insurance.

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Current to 3 months	**228,815**	162,651
3 months to 1 year	**6,087**	8,543
Over 1 year	**1,611**	6,441
	236,513	177,635

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

21 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
— RMB	**2,069,227**	1,191,631
— US$	**223,939**	32,819
— Other Foreign Currencies	**8,458**	928
	2,301,624	1,225,378

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Trade payables	**9,520**	5,251
Amounts due to related parties (note 37(c))	**2,761**	9,883
Salary and welfare payables	**39,432**	18,992
Advances from customers	**29,289**	11,503
Payables for purchases of property, plant and equipment, and intangible assets	**19,991**	20,300
Other taxes payable	**13,330**	1,229
Accrued expenses	**8,876**	8,236
Deposits from lessees and constructors	**1,683**	—
Payable for acquisition of West Capital International Hotel (note 34(c))	**—**	9,183
Accrued expense for reorganisation between Jin Jiang Hotels Development and the Company	**—**	5,950
Others	**4,811**	1,369
	129,693	91,896

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Current to 3 months	**9,077**	4,688
3 months to 1 year	**414**	305
Over 1 year	**29**	258
	9,520	5,251

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22 BORROWINGS

(a) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**713,844**	—
Bank borrowings — unsecured	**—**	27,313
Borrowings from Jin Jiang International (note 37(b))	**901,563**	601,563
Finance lease liabilities	**26,339**	27,729
	1,641,746	656,605
Less: current portion of long-term secured bank borrowings	**(13,245)**	—
current portion of long-term finance lease liabilities	**(1,481)**	(1,391)
	1,627,020	655,214
Borrowings included in current liabilities:		
Bank borrowings — secured	**80,222**	270,397
Bank borrowings — unsecured	**262,259**	150,000
Current portion of long-term secured bank borrowings	**13,245**	—
Current portion of finance lease liabilities	**1,481**	1,391
	357,207	421,788

As at 31 December 2010, IHR Group's bank borrowings of approximately US$100,941,000 (equivalent to RMB668,500,000) were secured by IHR Group's assets with carrying amount of US$169,126,000 (equivalent to RMB1,120,069,000).

The secured bank borrowings of approximately US$18,960,000 (equivalent to RMB125,566,000) were guaranteed by Jin Jiang International.

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).

(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 2010	**1,038,742**	**588,278**
At 31 December 2009	627,901	27,313
Borrowings included in current liabilities:		
At 31 December 2010	**276,985**	**80,222**
At 31 December 2009	151,391	270,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2010

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Between 1 and 2 years	**1,371,222**	1,482
Between 2 and 5 years	**237,889**	633,920
Over 5 years	**17,909**	19,812
	1,627,020	655,214

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

	At 31 December	
	2010	2009
Borrowings denominated in RMB	**4.3605%**	5.3176%
Borrowings denominated in US$	**4.4124%**	2.4537%

(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 2010		
— Bank borrowings	700,599	688,838
— Borrowings from Jin Jiang International (note 37(b))	901,563	885,215
— Finance lease liabilities	24,858	24,858
	1,627,020	1,598,911
At 31 December 2009		
— Bank borrowings	27,313	27,778
— Borrowings from Jin Jiang International (note 37(b))	601,563	598,126
— Finance lease liabilities	26,338	26,338
	655,214	652,242

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 2010

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	
	2010	2009
	RMB'000	RMB'000
— RMB	**927,902**	779,538
— US$	**1,056,325**	297,464
	1,984,227	1,077,002

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB26,339,000 (2009: RMB27,729,000) are effectively secured as the rights to the leased asset with carrying amount of RMB25,389,000 (2009: RMB27,321,000) (note 6(a)) revert to the lessor in the event of default.

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**3,055**	3,055
Between 1 year and 2 years	**3,055**	3,055
Between 2 years and 5 years	**9,165**	9,165
Over 5 years	**22,547**	25,601
	37,822	40,876
Future finance charges on finance leases	**(11,483)**	(13,147)
Present value of finance lease liabilities	**26,339**	27,729
The present value of finance lease liabilities is as follows:		
Within 1 year	**1,481**	1,391
Between 1 year and 2 years	**1,577**	1,482
Between 2 years and 5 years	**5,372**	5,044
Over 5 years	**17,909**	19,812
	26,339	27,729

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22 BORROWINGS (CONTINUED)

(b) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Borrowings from Jin Jiang International	**589,500**	89,500
Bank borrowings — secured	**125,566**	—
	715,066	89,500
Less: current portion of long-term bank borrowings — secured	**(13,245)**	—
	701,821	89,500
Borrowings included in current liabilities:		
Current portion of long-term bank borrowings — secured	**13,245**	—

The secured bank borrowings of approximately US$18,960,000 (equivalent to RMB125,566,000) were guaranteed by Jin Jiang International.

(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 2010	**701,821**	**—**
At 31 December 2009	89,500	—
Borrowings included in current liabilities:		
At 31 December 2010	**13,245**	**—**
At 31 December 2009	—	—

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Between 1 and 2 years	**602,745**	—
Between 2 and 5 years	**99,076**	89,500
	701,821	89,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22 BORROWINGS (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2010	2009
Borrowings denominated in RMB	**4.2231%**	4.6200%
Borrowings denominated in US$	**2.9525%**	—

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2010		
— Bank borrowings	112,321	111,292
— Borrowings from Jinjiang International	589,500	579,136
	701,821	690,428
At 31 December 2009		
— Borrowings from Jinjiang International	89,500	88,989

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
— RMB	**589,500**	89,500
— US$	**125,566**	—
	715,066	89,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

23 OTHER INCOME

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Subsidy income	**24,641**	12,858
Gain on disposal of investment in associates (a)	**—**	163,740
Interest income	**9,743**	9,663
Dividend income		
— Unlisted equity investments	**43,112**	40,512
— Listed equity investments	**56,321**	14,996
	99,433	55,508
Gain on disposal of available-for-sale financial assets	**6,043**	98,718
Gain on lease termination of a Jin Jiang Inn budget hotel (b)	**—**	3,872
	139,860	344,359

(a) 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.

(b) 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 RMB3,872,000 were recognised in the consolidated income statement for the year ended 31 December 2009.

24 OTHER EXPENSES

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Bank charges	**45,501**	24,855
Loss on disposal of property, plant and equipment	**1,391**	97
Loss on disposal of intangible assets	**2,596**	—
	49,488	24,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Other expenses from managed properties	**1,589,706**	—
Employee benefit expense (note 26)	**1,519,465**	1,075,586
Cost of inventories sold (note 15)	**717,088**	477,372
Depreciation of property, plant and equipment (note 6)	**617,731**	539,811
Utility cost and consumables	**392,523**	364,183
Business tax, property tax and other tax surcharges	**304,690**	229,153
Operating leases — land and buildings	**239,109**	221,873
Repairs and maintenance	**81,050**	54,799
Laundry costs	**68,372**	57,171
Commissions paid to travel agencies	**67,914**	47,688
Pre-operation expenses	**41,791**	6,309
Amortisation of land use rights (note 8)	**33,529**	32,137
Advertising costs	**30,592**	19,669
Amortisation of intangible assets (note 9)	**27,880**	10,526
Telecommunication expenses	**19,467**	13,599
Transportation expenses	**18,845**	11,718
Transaction cost related to the acquisition of a jointly controlled entity (note 35)	**11,757**	36,702
Auditors' remuneration	**11,689**	8,600
Entertainment expenses	**11,426**	7,733
Provision for impairment of available-for-sale financial assets (note 13)	**11,000**	—
Insurance costs	**9,435**	5,745
Legal and consulting costs	**8,161**	5,452
Provision for/(reversal of) impairment of trade and other receivables (note 17)	**3,225**	(539)
Depreciation of investment property (note 7)	**158**	158
Reversal of inventories write-down (note 15)	**(37)**	(26)
Others	**223,409**	110,396
	6,059,975	3,335,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

26 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	**960,815**	677,106
Retirement and housing benefits (a)	**271,378**	198,439
Welfare and other expenses	**287,272**	200,041
	1,519,465	1,075,586
Number of employee	**21,897**	18,770

(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.

IHR Group maintains the defined contribution savings plans for the employees. Eligibility for participation in the plans is based on an employee meeting certain minimum age and service requirements. Employer matching contributions are based on a percentage of employee contributions and are discretionary. Participants may make voluntary, pre tax contributions through salary deferrals to the plan in which they participate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 2010, 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	—	313	192	57	562
Mr. Chen Hao	—	303	169	55	527
Mr. Yuan Gongyao (i)	—	—	—	—	—
Mr. Xu Zurong	—	303	112	52	467
Mr. Han Min	—	237	103	53	393
Mr. Kang Ming	—	235	73	49	357
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	1,391	649	266	3,106
Supervisors					
Mr. Wang Guoxing	—	—	—	—	—
Mr. Wang Xingze	—	237	103	53	393
Mr. Ma Mingju	—	—	—	—	—
Ms. Chen Junjin	—	—	—	—	—
Ms. Jiang Ping	—	—	—	—	—
Mr. Zhou Qiquan	—	—	—	—	—
	—	237	103	53	393
Senior management members other than directors and supervisors					
Mr. Ngai Wai Feng	—	—	—	—	—
Dr. Ai Gengyun	—	235	73	49	357
	—	235	73	49	357
	800	1,863	825	368	3,856

(i) Resigned as the director on 16 April 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

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

The emoluments fell within following bands:

	Year ended 31 December	
	2010	2009
	Number	Number
Nil to RMB881,000 (equivalent to HK$1,000,000)	**25**	25

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2010 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2010 are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Salary and allowances	**6,816**	4,888
Discretionary bonuses	**142**	451
Retirement scheme contributions	**248**	105
	7,206	5,444

The emoluments fell within the following bands:

	Year ended 31 December	
	2010	2009
	Number	Number
RMB851,000 (equivalent to HK$1,000,000) to RMB1,276,000 (equivalent to HK$1,500,000)	**4**	5
RMB1,702,000 (equivalent to HK$2,000,000) to RMB2,127,000 (equivalent to HK$2,500,000)	**1**	—
	5	5

(d) During the year ended 31 December 2010, 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 2010

27 FINANCE COSTS

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Interest expenses		
— Bank borrowings	**60,100**	31,583
— Borrowings from Jin Jiang International	**34,158**	2,693
— Financial lease liabilities	**1,664**	1,294
	95,922	35,570
Less: amounts capitalised in property, plant and equipment (note 6)	**(8)**	(775)
	95,914	34,795
Net foreign exchange (gain)/losses	**(4,015)**	279
	91,899	35,074

28 INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Mainland China current corporate income tax ("CIT")	**227,327**	102,065
Mainland China deferred income tax (note 14(a))	**(125,069)**	(15,447)
US deferred income tax (note 14(a))	**(371)**	—
	101,887	86,618

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 2010 (2009: 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 a preferential income tax rate of 22% in 2010 (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 year ended 31 December 2010 (2009: 16.5%). For the year ended 31 December 2010, 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 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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% (2009: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Profit before income tax	**545,429**	334,617
Tax calculated at a tax rate of 25% (2009: 25%)	**136,357**	83,654
Effect of different taxation rates	**(969)**	(26,592)
Income not subject to tax	**(26,364)**	(20,234)
Expenses not deductible for tax purposes	**8,116**	9,760
Tax losses for which no deferred income tax assets were recognised	**22,666**	56,374
Utilization of previous unrecognised tax losses	**(16,686)**	—
Effect of share of profit tax of associates	**(21,233)**	(16,344)
Income tax expense	**101,887**	86,618

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 RMB768,513,000 (2009: RMB257,852,000).

30 EARNINGS PER SHARE

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Profit attributable to shareholders of the Company	**248,323**	82,167
Weighted average number of ordinary shares in issue (thousands)	**4,565,000**	4,565,000
Basic earnings per share (RMB cents)	**5.44**	1.80

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 2010

31 DIVIDENDS

A final dividend in respect of the year ended 31 December 2009 of RMB2.0 cents per share, totalling RMB91,300,000 (final dividend in respect of the year ended 31 December 2008: RMB2.1 cents per share, totalling RMB95,865,000) was paid in July 2010. On 30 March 2011, the Directors recommended the payment of a final dividend of RMB2.2 cents per share, totalling RMB122,452,000 in respect of the year ended 31 December 2010. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 8 June 2011. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Proposed final dividend of RMB2.2 cents (i) (2009: RMB2.0 cents) per share	**122,452**	91,300

(i) As explained in note 1(c) and note 39, new 1,001,000,000 domestic shares was issued on 16 February 2011 and the ordinary share of the Company was increased to 5,566,000,000 shares. On 30 March 2011, the Directors recommended the payment of a final dividend of RMB2.2 cents per share, totalling RMB122,452,000 in respect of the year ended 31 December 2010 to all the shareholders of the Company after the issue of new domestic shares.

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Year ended 31 December	
	Note	**2010**	2009
		RMB'000	RMB'000
			(Restated)
Profit for the year		**443,542**	247,999
Adjustments for:			
— income tax expense	28	**101,887**	86,618
— depreciation of property, plant and equipment	25	**617,731**	539,811
— depreciation of investment property	25	**158**	158
— amortisation of land use rights	25	**33,529**	32,137
— amortisation of intangible assets	25	**27,880**	10,526
— transaction cost in relation to the acquisition of a jointly controlled entity	25	**11,757**	36,702
— loss on disposal of property, plant and equipment	24	**1,391**	97
— loss on disposal of intangible assets	24	**2,596**	—
— gain on disposal of available-for-sale financial assets	23	**(6,043)**	(98,718)
— gain on disposal of investment in associates	23	**—**	(163,740)
— provision for/(reversal of) impairment of trade and other receivables	25	**3,225**	(539)
— reversal of inventories to net realisable value	25	**(37)**	(26)
— provision for impairment of available-for-sale financial assets	25	**11,000**	—
— interest income	23	**(9,743)**	(9,663)
— interest expenses	27	**95,914**	34,795
— net foreign exchange (gain)/losses	27	**(4,015)**	279
— share of results of associates	12	**(84,933)**	(65,376)
— dividend income	23	**(99,433)**	(55,508)
Changes in working capital:			
— mandatory reserve deposit		**(128,750)**	66,655
— inventories		**(34,579)**	6,667
— trade and other receivables		**(345,061)**	37,688
— trade and other payables		**605,063**	34,243
Cash generated from operations		**1,243,079**	740,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

33 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at 31 December 2010 but not yet incurred is as follows:

(i) The Group

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**114,646**	377,501

(ii) The Company

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**54,478**	9,776

(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 2010 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	
	2010	2009
	RMB'000	RMB'000
Not later than 1 year	**144,090**	151,998
Later than 1 year and not later than 5 years	**311,322**	347,845
Later than 5 years	**771,619**	787,399
	1,227,031	1,287,242

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For the year ended 31 December 2010

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	
	2010	2009
	RMB'000	RMB'000
Not later than 1 year	**289,510**	227,159
Later than 1 year and not later than 5 years	**1,080,525**	900,754
Later than 5 years	**2,312,172**	2,273,545
	3,682,207	3,401,458

(ii) The Company

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Not later than 1 year	**46,861**	46,342
Later than 1 year and not later than 5 years	**182,193**	181,393
Later than 5 years	**635,940**	677,290
	864,994	905,025

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Not later than 1 year	**622**	1,010
Later than 1 year and not later than 5 years	**296**	357
	918	1,367

(c) Loan commitments

The Group

Loan commitments of RMB231,430,000 (31 December 2009: RMB860,000) represent undrawn loan facilities offered by Jin Jiang International Finance Company Limited and granted to related parties (note 37(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

34 BUSINESS COMBINATION

(a) Shanxi Jinguang Inn Company Limited ("Jinguang Inn")

Pursuant to the agreement of capital injection and equity transfer of Jinguang Inn signed between the Shanghai Jinjiang International Hotel Investment Company Limited ("Jin Jiang International Hotel Investment" and a wholly owned subsidiary of Jin Jiang Hotels Development) and Shanxi Jinguang Investment Company Limited ("Jinguang Investment") on 19 September 2010. Jin Jiang International Hotel Investment acquired 40% equity interest newly issued by Jinguang Inn, at a cash consideration of approximately RMB76,631,000. Meanwhile, Jinguang Investment transferred its 30% equity interest in Jinguang Inn to Jin Jiang International Hotel Investment, at a cash consideration of approximately RMB57,473,000. The equity transfer was completed on 30 November 2010 and Jin Jiang International Hotel Investment hold 70% equity interest in Jinguang Inn thereafter.

The acquired business contributed revenues of RMB7,987,000 and net loss of RMB617,000 to the Group for the period from 1 December 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, Group revenue would have been RMB6,596,811,000, and profit for the year would have been RMB442,835,000. 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 2010, together with the consequential tax effects.

Details of net assets acquisition are as follows:

	RMB'000
Purchase consideration:	
— Cash paid in 2010	122,104
— Cash to be paid (note 21)	13,837
Total purchase consideration	135,941

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34 BUSINESS COMBINATION (CONTINUED)

(a) Shanxi Jinguang Inn Company Limited ("Jinguang Inn") (continued)

The assets and liabilities as of 30 November 2010 arising from the acquisition are as follows:

	Fair values RMB'000
Cash and cash equivalents	82,229
Property, plant and equipment (note 6)	71,058
Intangible assets (note 9)	47,758
Inventories	1,109
Trade and other receivables	9,872
Trade and other payables	(29,290)
Deferred income tax liabilities (note 14)	(11,950)
Borrowings	(33,972)
Net assets	136,814
Less: Non-controlling interests (30%)	(41,044)
Share of net assets	95,770
Add: Goodwill (note 9)	40,171
Total purchase consideration	135,941
Total purchase consideration settled in cash	122,104
Cash and cash equivalents in the subsidiary acquired	(82,229)
Cash outflow on acquisition	39,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

34 BUSINESS COMBINATION (CONTINUED)

(b) 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 RMB3,350,159,000, and profit for the year would have been RMB280,672,000. 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 paid in 2009	12,794

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

	Fair values RMB'000
Cash and cash equivalents	35,330
Property, plant and equipment (note 6)	29,215
Inventories	5,484
Trade and other receivables	6,369
Trade and other payables	(25,222)
Net assets	51,176
Less: Non-controlling 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

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34 BUSINESS COMBINATION (CONTINUED)

(c) 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 RMB139,598,000. 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 year 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 in 2009	130,000
— Cash paid in 2010 (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
Cash and cash equivalents	11,307
Property, plant and equipment (note 6)	151,077
Land use right (note 8)	77,712
Intangible assets (note 9)	336
Inventories	1,288
Trade and other receivables	1,192
Trade and other payables	(3,314)
Borrowings	(100,000)
Deferred income tax liabilities (note 14(a))	(17,374)
Net assets	122,224
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 2010

35 ACQUISITION OF A JOINTLY CONTROLLED ENTITY

Details of the Group's 50% equity interest in net assets of IHR Group acquired (note 1(a)) are as follows:

	RMB'000
Total purchase cash consideration paid in 2010	357,715

The Group's 50% equity interest in assets and liabilities as of 18 March 2010 arising from the acquisition of IHR Group are as follows:

	Fair values RMB'000
Cash and cash equivalents	47,784
Property, plant and equipment (note 6)	607,468
Intangible assets (note 9)	199,974
Investments in associates (note 12)	47,797
Available-for-sale financial assets (note 13)	31,084
Deferred income tax assets (note 14)	511
Trade and other receivables, non-current	10,701
Inventories	1,219
Trade and other receivables, current	70,312
Restricted cash	22,247
Borrowings, non-current	(489,442)
Trade and other payables, non-current	(12,068)
Borrowings, current	(209,531)
Trade and other payables, current	(191,905)
Income tax payable	(1,744)
Fair value of net assets	134,407
Goodwill (note 9)	223,308
Total purchase consideration	357,715
Purchase consideration settled in cash	(357,715)
Cash and cash equivalents acquired	47,784
Cash outflow on acquisition	(309,931)
Acquisition related cost	
— incurred in 2009	36,702
— incurred in 2010	11,757
	48,459

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36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Reorganisation with Jin Jiang Hotels Development

The Group

As explained in note 1(b), the reorganisation with Jin Jiang Hotels Development is treated as the transaction with non-controlling interests. The net consideration paid by the Company is RMB251,074,000 and the carrying amounts of the Transfer-in Assets and Transfer-out Assets on the completion date of the Reorganisation were RMB620,125,000 and RMB1,616,497,000, respectively. Considering the 49.68% of non-controlling interests in Jin Jiang Hotels Development, the Group recognised an increase in non-controlling interests of RMB619,731,000 and a decrease in equity attributable to the shareholders of the Company of RMB619,731,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling interests as at 31 May 2010 is summarised as follows:

	At 31 May 2010 RMB'000
Carrying amount of Transfer-in Assets acquired	**620,125**
Carrying amount of Transfer-out Assets disposed of	**(1,616,497)**
Net consideration paid to Jin Jiang Hotels Development	**(251,074)**
Excess of consideration paid	**(1,247,446)**
Multiply: percentage of share of non-controlling interests	**49.68%**
Effect of changes on equity attributable to the shareholders of the Company	**(619,731)**
Effect of changes on non-controlling interests	**619,731**

The transaction cost of RMB27,017,000 in connection of the Reorganisation was recognized as an decrease in equity attributable to the shareholders of the Company.

The Company

The assets and liabilities of Transfer-in Assets as of 31 May 2010 acquired by the Company in connection with reorganisation with Jin Jiang Hotels Development are as follows:

	Fair values RMB'000
Cash and cash equivalents	7,615
Property, plant and equipment (note 6)	145,812
Land use right (note 8)	323,508
Intangible assets (note 9)	78
Investments in subsidiaries	1,819,807
Investments in jointly controlled entities	641,628
Investments in associates	185,482
Available-for-sale financial assets (note 13)	12,259
Inventories	1,269
Trade and other receivables	6,011
Trade and other payables	(96,070)
Fair value of net assets	3,047,399

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS (CONTINUED)

(b) Acquisition of additional interest in a subsidiary

On 21 June 2010, Jin Jiang Hotels Development acquire the remaining 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders for a purchase consideration of RMB138,205,000, and Jin Jiang Inn had become a wholly-owned subsidiary of Jin Jiang Hotels Development since then. The carrying amount of the non-controlling interests in Jin Jiang Inn on the date of acquisition was RMB24,607,000, which was recognised by Jin Jiang Hotels Development as a decrease in non-controlling interests. Considering the 50.32% of equity interests in Jin Jiang Hotels Development, the Group recognised a decrease in non-controlling interests of RMB81,042,000 and a decrease in equity attributable to the shareholders of the Company of RMB57,163,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling interests as at 21 June 2010 is summarised as follows:

	At 21 June 2010 RMB'000
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	24,607
Consideration paid to non-controlling interests	(138,205)
Excess of consideration paid	(113,598)
Mutiply: percentage of equity interests in Jin Jiang Hotels Development	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(57,163)
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	(24,607)
Excess of consideration paid recognised in non-controlling interests	(56,435)
Effect of changes on non-controlling interests	(81,042)

(c) Effects of transactions with non-controlling interests on the equity attributable to the shareholders of the Company for the year ended 31 December 2010

	Year ended 31 December 2010 RMB'000
Total comprehensive loss for the year attributable to the shareholders of the Company	(224,105)
Changes in equity attributable to shareholders of the Company arising from:	
— Transaction with non-controlling interests for reorganisation with Jin Jiang Hotels Development	(619,731)
— Transaction cost for reorganisation with Jin Jiang Hotels Development	(27,017)
— Acquisition of additional interests in subsidiary	(57,163)
Total effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company	(703,911)
	(928,016)

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For the year ended 31 December 2010

37 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 2010:

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Interest Income received	**5,376**	—
— Provision of food and beverage service	**810**	—
— Sales of hotel supplies	**680**	1,352
— Provision of hotel services	**378**	483
— Provision of training services	**50**	35
	7,294	1,870
— Borrowings received	**300,000**	601,563
— Interest expenses paid	**40,929**	2,693
— Rental expenses paid	**6,468**	6,293
— Receipt of food and beverage service	**124**	—
	347,521	610,549
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	**26,046**	13,988
— Provision of other services	**3,399**	2,373
— Rental income received	**724**	793
	30,169	17,154
— Rental expenses paid	**13,568**	14,062
— Purchase of food and beverage	**952**	2,116
— Receipt of laundry services	**493**	2,158
— Acquisition of Jing An Bakery Holdings Co., Limited	**—**	15,350
— Receipt of other services	**5,473**	4,970
	20,486	38,656

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For the year ended 31 December 2010

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Transactions with jointly controlled entities of the Group		
— Management fees received	**4,891**	3,535
— Sales of hotel supplies	**1,446**	2,292
— Interest income received	**921**	846
— Rental income received	**325**	—
	7,583	6,673
— Purchase of food and beverage	**6,708**	—
— Interest expenses paid	**2,013**	2,405
	8,721	2,405
Transactions with associates of the Group		
— Rental income received	**3,797**	3,258
— Interest income received	**3,314**	3,897
— Management fees received	**1,909**	2,877
— Sales of hotel supplies	**2,752**	3,959
	11,772	13,991
— Interest expenses paid	**36**	40
— Purchase of food and beverage	**—**	10,230
	36	10,270
Transactions with companies with common directors		
— Sales of hotel supplies	**4,123**	1,357
— Sales of food and beverage	**434**	881
— Management fees received	**—**	398
	4,557	2,636
— Purchase of food and beverage	**5,678**	4,943
— Rental expenses paid	**60**	—
	5,738	4,943

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For the year ended 31 December 2010

37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Amounts due from related parties (note 17(a))		
— Jin Jiang International (i)	273,122	273
— Subsidiaries of Jin Jiang International	4,863	2,352
— Jointly controlled entities of the Group (ii)	20,306	16,985
— Associates of the Group (iii)	101,347	69,285
— Companies with common directors	224	363
	399,862	89,258
Prepayments to related parties (note 17(a))		
— Jin Jiang International (iv)	231,873	—
Amounts due to related parties (note 21(a))		
— Jin Jiang International (v)	(431,532)	(3,106)
— Subsidiaries of Jin Jiang International (vi)	(14,510)	(6,680)
— Jointly controlled entities of the Group (vii)	(129,733)	(93,033)
— Associates of the Group (viii)	(8,638)	(6,380)
— Companies with common directors	(376)	(593)
	(584,789)	(109,792)
Borrowings (note 22(a))		
— Jin Jiang International (ix)	(901,563)	(601,563)
Loan commitments (note 33(c))		
— Jin Jiang International	230,000	—
— Jointly controlled entities of the Group	430	860
— Associates of the Group	1,000	—
	231,430	860

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) The balance includes unsecured loans to Jinjiang International of RMB270,000,000 as at 31 December 2010 (31 December 2009: nil) with effective interest rates of 4.59% (2009: nil) per annum.

(ii) The balance includes secured loans to a jointly controlled entity of RMB16,340,000 as at 31 December 2010 (31 December 2009: RMB15,910,000) with effective interest rate of 4.78% (2009: 5.04%) per annum which were guaranteed by a third party.

(iii) The balance includes secured loans to an associate of RMB58,000,000 as at 31 December 2010 (31 December 2009: RMB55,000,000) with effective interest rate of 5.32% (2009: 7.54%) per annum which were guaranteed by their properties, and the unsecured loan of RMB30,000,000 as at 31 December 2010 (31 December 2009: nil) with effective interest rate of 5.10% (2009: nil) per annum.

(iv) The balance represents the prepayment of RMB231,873,000 to Jin Jiang International in connection with the Acquisition (note1(c)).

(v) The balance includes deposits from Jinjiang International of RMB424,210,000 as at 31 December 2010 (31 December 2009: nil) with effective interest rate of 1.60% (2009: nil) per annum.

(vi) The balance includes deposits from a subsidiary of Jinjiang International of RMB10,000,000 as at 31 December 2010 (31 December 2009: nil) with effective interest rate of 1.35% (2009: nil) per annum.

(vii) The balance includes deposits from jointly controlled entities of RMB128,097,000 as at 31 December 2010 (31 December 2009: RMB92,453,000) with effective interest rate of 1.97% (2009: 2.71%) per annum.

(viii) The balance includes deposits from associates of RMB7,087,000 as at 31 December 2010 (31 December 2009: RMB6,204,000) with effective interest rate of 1.25% (2009: 0.36%) per annum.

(ix) The balance includes unsecured borrowing from Jin Jiang International of RMB901,563,000 as at 31 December 2010 (31 December 2009: RMB601,563,000) with effective interest rate of 4.36% (2009: 4.62%) per annum.

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 December	
	2010	2009
	RMB'000	RMB'000
Amounts due from related parties (note 17(b))		
— Subsidiaries of Jin Jiang International	**72**	786
— Subsidiaries of the Group	**185,528**	274,622
— Jointly controlled entities of the Group	**957**	159
— Associates of the Group	**10,500**	10,500
	197,057	286,067
Prepayments to related parties (note 17(b))		
— Jin Jiang International (i)	**231,873**	—
Amounts due to related parties (note 21(b))		
— Jin Jiang International	**(761)**	(1,384)
— Subsidiaries of the Group	**(1,864)**	(8,025)
— Subsidiaries of Jin Jiang International	**(31)**	(439)
— Jointly controlled entities of the Group	**(97)**	(27)
— Companies with common directors	**(8)**	(8)
	(2,761)	(9,883)
Borrowing (note 22(b))		
— Jin Jiang International (ii)	**(589,500)**	(89,500)

(i) The balance represents the prepayment in connection with the Acquisition (note 1(c)).

(ii) The balance includes unsecured borrowings from Jin Jiang International of RMB589,500,000 as at 31 December 2010 (31 December 2009: RMB89,500,000) with effective interest rates of 4.22% (2009: 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	
	2010	2009
	RMB'000	RMB'000
Salary and other allowances	**1,625**	1,941
Discretionary bonus	**722**	658
Retirement scheme contributions	**316**	336
	2,663	2,935

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38 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2010, 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
Shanghai Marvel Y.M.C.A Hotel Company Limited 上海商悦青年會大酒店有限公司	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	RMB88,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	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	RMB500,000	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

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38 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	Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
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
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 Cafe 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, X'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$39,600	100.0%	—	Investment operations Wilmington USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西京廣快捷酒店管理有限公司	China Mainland, 15th August,2006	RMB68,333	70.0%	—	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company

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38 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 北京崑崙飯店有限公司	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$146,378	—	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	—	34.1%	Fast food operations, Shanghai Mainland China	Limited liability company
Interstate Hotels & Resorts, INC 美國州際酒店與度假村集團	USA 31 July 2002	US$106,190	—	50.0%	Hotel real estate investment and hotel management, Arlington, USA	Incorporate
Interstate (China) Hotels & Resorts Co.,Limited 洲際(中國)酒店和度假村有限公司	HongKong, 24 March 2010	US$1,282	—	50.0%	Investment Holding Limited liability company, Hongkong, China	
Shanghai Thayer Jin Jiang Equity Investment Management Company Limited 上海錦江德爾股權投資管理有限公司	Mainland China, 13 August 2010	US$5,000	50.0%	—	Investment Management, Shanghai, Mainland China	Limited liability company
Interstate (Shanghai) Hotels & Retors Co., Limited 上海州際卓逸酒店和度假村管理有限公司	Mainland China, 16 September 2010	US$1,800	—	50%	Hotel management, 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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39 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of shares in Jin Jiang Investment and Jin Jiang Travel involving issue of new domestic shares

As explained in note 1(c), as at 16 February 2011, the acquisition has been approved by CSRC, State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company. The Company has already paid the cash consideration of RMB772,909,000 to Jin Jiang International and has completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 domestic shares in the Company at the China Securities Depository and Clearing Corporation Limited ("SD&C"). The registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel have also been completed at the SD&C.

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 for the year ending 31 December 2011 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. Comparative figures as at 31 December 2010 and for the year then ended will also be represented on the same basis.

As at 30 March 2011, the consolidated financial statements of Jin Jiang Investment and Jin Jiang Travel prepared in accordance with HKFRS are not available to the Group and the Group will assess the impact of the Acquisition on the Group's consolidated financial statements for the year ending 31 December 2011.

40 RESTATEMENT

As explained in note 2, the Group incurred and capitalised acquisition costs of RMB36,702,000 for the year ended 31 December 2009, in connection with the acquisition of IHR Group which was completed on 18 March 2010. As HKFRS 3 (revised) was adopted in 2010 (note 2), these acquisition costs, capitalised under the HKFRS 3 for the year ended 31 December 2009, were expensed on transition to HKFRS 3 (revised) on a retrospective basis, and the consolidated financial statements as at and for the year ended 31 December 2009 were restated accordingly. As the restatement has no effect on the Group's consolidated balance sheet as at 31 December 2008, no third consolidated balance sheet at the beginning of the earliest comparative period is presented.