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

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

**(Stock Code: 02006)**

## 2011 FINAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company" or "Jin Jiang Hotels") is pleased to announce the final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011 (the "Reporting Period"). These results have been reviewed by the audit committee of the Board.

In 2011, the hotel and tourism industry in Shanghai faced numerous challenges, including the post-World Expo effect, European debt crisis, domestic macro-economic adjustment and continuous surge in operating costs such as salary and energy. Leveraging on its comprehensive and diversified asset portfolio as well as superior operation and management services, the Group responded actively by undergoing multi-brand strategy, international merger and acquisition and integration, market-oriented talent mechanism, construction of management and operation center as well as the integration of industry chains.

During the Reporting Period, the Group realised sales revenue of approximately RMB12,653,434,000, representing an increase of 7.0% as compared to the same period last year. The operating profit of the Group amounted to approximately RMB903,937,000, representing an increase of 1.1% as compared to the same period last year. Profit attributable to shareholders of the Company amounted to approximately RMB536,178,000, representing an increase of 38.4% as compared to the same period last year.

As at 31 December 2011, the Group held or managed 858 hotels with over 120,000 rooms. These hotels were either in operation or under construction, spreading across over 190 cities in 31 provinces, autonomous regions and municipalities in the People's Republic of China ("PRC" or "Mainland China"). The Group remains the leading hotel group in the PRC in terms of the number of hotel rooms operated.

During the Reporting Period, the transaction on the acquisition of 212,586,460 shares in Jin Jiang International Industrial Investment Co., Ltd. ("Jin Jiang Investment") (representing approximately 38.54% of the total registered capital of Jin Jiang Investment) and 66,556,270 shares in Shanghai Jin Jiang International Travel Co., Ltd. ("Jin Jiang Travel") (representing approximately 50.21% of the total registered capital of Jin Jiang Travel) (the "Acquisition") from Jin Jiang International Holdings Company Limited ("Jin Jiang International", the parent and ultimate holding company) by the Company has been completed. Such transaction would further expand the scale of the Group, and put synergy within the hotel and tourism industries into full play with effective integration of resources with Jin Jiang Investment and Jin Jiang Travel, and thus exploring a new business model. Currently, efforts are being made on the integration plan concerning the vehicle resources of Jin Jiang Investment, while the connection plan of customer base with Jin Jiang Travel has also been commenced.

## OPERATIONAL STATISTICS

| | **2011** | 2010 |
|---|---|---|
| **Average occupancy rate** | | |
| — 5-star Luxury Hotels | **58%** | 65% |
| — 4-star Luxury Hotels | **62%** | 68% |
| — Commercial Hotels | **56%** | 68% |
| — Budget Hotels | **88%** | 86% |
| **Average room rate (RMB)** | | |
| — 5-star Luxury Hotels | **902** | 961 |
| — 4-star Luxury Hotels | **540** | 610 |
| — Commercial Hotels | **338** | 411 |
| — Budget Hotels | **182** | 188 |
| **Revenue per available room ("RevPAR") (RMB)** | | |
| — 5-star Luxury Hotels | **527** | 621 |
| — 4-star Luxury Hotels | **335** | 416 |
| — Commercial Hotels | **191** | 279 |
| — Budget Hotels | **161** | 163 |

*Notes:*

1. 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;

2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel; and

3. Commercial Hotels include: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Magnolia Hotel and Marvel Y.M.C.A..

## FINANCIAL HIGHLIGHTS

| | **2011** | 2010 (Restated)* | 2010 (Before Restated) | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Items of Consolidated Income Statement (RMB million) | | | | | | |
| Revenue | **12,653** | 11,824 | 6,522 | 3,321 | 3,403 | 3,197 |
| Earnings before interests, taxes, depreciation and amortisation ("EBITDA") | **2,177** | 2,046 | 1,317 | 952 | 1,071 | 1,169 |
| Profit attributable to shareholders of the Company | **536** | 387 | 248 | 82 | 270 | 383 |
| Dividends | **223** | 122 | 122 | 91 | 96 | 137 |
| Proposed dividend per share (RMB cents) | **4.00** | 2.20 | 2.20 | 2.00 | 2.10 | 3.00 |
| Items of Consolidated Balance Sheet (RMB million) | | | | | | |
| Total assets | **18,266** | 18,445 | 13,759 | 12,762 | 10,380 | 13,828 |
| Total liabilities | **6,412** | 6,453 | 4,849 | 3,117 | 2,001 | 2,930 |
| Net assets (total equity) | **11,854** | 11,992 | 8,910 | 9,645 | 8,379 | 10,898 |
| Net assets per share (RMB) | **2.13** | 2.15 | 1.95 | 2.11 | 1.84 | 2.39 |
| Gearing ratio** | **13.0%** | 11.8% | 14.4% | 8.4% | 5.2% | 3.6% |
| Capital expenditure | **2,543** | 2,484 | 2,005 | 1,245 | 1,001 | 1,012 |
| Item of Consolidated Statement of Cash Flows (RMB million) | | | | | | |
| Net cash generated from operating activities | **1,307** | 1,503 | 1,009 | 561 | 533 | 470 |

* Upon the completion of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel were included in the consolidated financial statements of the Group for the year ended 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 ended 31 December 2010 were restated on the same basis.

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

## SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

**Consolidated Income Statement**
*For the year ended 31 December 2011*

| | Note | **Year ended 31 December** **2011** ***RMB'000*** | 2010 *RMB'000* (Restated) |
|---|---|---|---|
| Revenue | 3 | **12,653,434** | 11,823,708 |
| Cost of sales | 4 | **(10,707,534)** | (9,656,542) |
| Gross profit | | **1,945,900** | 2,167,166 |
| Other income | | **635,753** | 240,063 |
| Selling and marketing expenses | 4 | **(602,776)** | (590,540) |
| Administrative expenses | 4 | **(991,719)** | (865,892) |
| Other expenses | | **(83,221)** | (56,548) |
| Operating profit | | **903,937** | 894,249 |
| Finance costs | | **(89,753)** | (98,570) |
| Share of results of associates | | **177,324** | 202,160 |
| Profit before income tax | | **991,508** | 997,839 |
| Income tax expense | 5 | **(84,363)** | (170,524) |
| Profit for the year | | **907,145** | 827,315 |
| Attributable to: | | | |
| Shareholders of the Company | | **536,178** | 387,360 |
| Non-controlling equity holders | | **370,967** | 439,955 |
| | | **907,145** | 827,315 |
| Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share) | | | |
| — basic and diluted | 6 | **9.63** | 6.96 |
| Dividends | 7 | **222,640** | 122,452 |

**Consolidated Statement of Comprehensive Income**
*For the year ended 31 December 2011*

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| **Profit for the year** | **907,145** | 827,315 |
| **Other comprehensive income** | | |
| Fair value changes on available-for-sale financial assets — gross | **(743,309)** | (1,345,111) |
| Transfer of fair value changes on available-for-sale financial assets — gross | **(13,509)** | (38,252) |
| Fair value changes on and transfer of fair value changes on available-for-sale financial assets — tax | **189,035** | 345,798 |
| Currency translation differences | **(8,606)** | (5,254) |
| **Total comprehensive income for the year** | **330,756** | (215,504) |
| **Attributable to:** | | |
| Shareholders of the Company | **229,390** | (146,558) |
| Non-controlling equity holders | **101,366** | (68,946) |
| | **330,756** | (215,504) |

**Consolidated Balance Sheet**
*As at 31 December 2011*

| | Note | As at 31 December 2011 RMB'000 | 2010 RMB'000 (Restated) |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **8,246,272** | 7,933,118 |
| Investment properties | | **191,240** | 196,288 |
| Land use rights | | **2,035,563** | 1,205,477 |
| Intangible assets | | **981,374** | 806,580 |
| Investments in associates | | **692,622** | 681,537 |
| Available-for-sale financial assets | | **1,832,479** | 2,627,704 |
| Deferred income tax assets | | **244,581** | 175,121 |
| Trade and other receivables | 8 | **71,722** | 32,642 |
| | | **14,295,853** | 13,658,467 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | | **911** | — |
| Available-for-sale financial assets | | **—** | 83,748 |
| Inventories | | **153,353** | 142,077 |
| Trade and other receivables | 8 | **995,308** | 1,499,958 |
| Restricted cash | | **326,483** | 313,577 |
| Cash and cash equivalents | | **2,494,175** | 2,747,102 |
| | | **3,970,230** | 4,786,462 |
| Total assets | | **18,266,083** | 18,444,929 |
| EQUITY | | | |
| Capital and reserves attributable to shareholders of the Company | | | |
| Share capital | 1 | **5,566,000** | 4,565,000 |
| Reserves | | | |
| — Proposed final dividend | 7 | **222,640** | 122,452 |
| — Others | | **1,386,615** | 3,151,478 |
| | | **7,175,255** | 7,838,930 |
| Non-controlling equity holders | | **4,678,616** | 4,153,312 |
| Total equity | | **11,853,871** | 11,992,242 |

| | Note | As at 31 December 2011 RMB'000 | 2010 RMB'000 (Restated) |
|---|---|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | **1,858,710** | 1,627,020 |
| Deferred income tax liabilities | | **640,371** | 623,752 |
| Trade and other payables | 9 | **165,232** | 60,420 |
| | | **2,664,313** | 2,311,192 |
| Current liabilities | | | |
| Borrowings | | **520,423** | 552,437 |
| Income tax payable | | **120,944** | 106,244 |
| Trade and other payables | 9 | **3,106,532** | 3,482,814 |
| | | **3,747,899** | 4,141,495 |
| Total liabilities | | **6,412,212** | 6,452,687 |
| Total equity and liabilities | | **18,266,083** | 18,444,929 |
| Net current assets | | **222,331** | 644,967 |
| Total assets less current liabilities | | **14,518,184** | 14,303,434 |

# NOTES TO THE SELECTED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

On 11 January 2006, the Company's name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the 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 16 February 2011, 1,001,000,000 ordinary shares of RMB1 per share were issued and allotted to Jin Jiang International as part of the consideration to acquire Jin Jiang Investment and Jin Jiang Travel. Accordingly, the share capital of the Company was increased to RMB5,566,000,000.

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

Upon completion of the Acquisition, the Group expanded its businesses in investment and operation of hotels and related businesses (the "Hotel Related Businesses") in Mainland China and the United States of America ("US") with the businesses in investment and operation of vehicle, logistics and related businesses (the "Vehicle and Logistics Business") and investment and operation of travel agency and related businesses (the "Travel Agency Business") in Mainland China.

**Key events**

***(a) Acquisition of 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.

***(b) Transaction with Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development")***

Pursuant to the reorganisation agreement and the supplemental agreement (together, the "Transaction") 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 Transaction was approved by the China Securities Regulatory Committee (the "CSRC") on 12 May 2010 and the completion date of the Transaction was 31 May 2010.

***(c) Acquisition of shares in Jin Jiang Investment and 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 was satisfied by the Company by (i) transferring to Jin Jiang International cash consideration of RMB772,909,000; and (ii) 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. As the Company and Jin Jiang Travel had held approximately 2.22% and 0.15% of the total registered share capital of Jin Jiang Investment before the Acquisition, upon completion, each of Jin Jiang Investment and Jin Jiang Travel became a 40.91% owned subsidiary and a 50.21% owned subsidiary of the Company.

The Acquisition was completed on 16 February 2011.

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 of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel were included in the consolidated financial statements of the Group for the year ended 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 ended 31 December 2010 were represented on the same basis.

***(d) Business combination other than common control combination of Hua Ting Hotel and Towers Company Limited ("Hua Ting Hotel and Towers")***

The Group holds a 50% equity interest in Hua Ting Hotel and Towers, who was previously a jointly controlled entity of the Group. Due to certain amendments to the articles of association of Hua Ting Hotel and Towers, the Group is allowed to (i) appoint an additional director to the board of directors of Hua Ting Hotel and Towers (the "Board of Hua Ting Hotel and Towers") so that a majority of the Board of Hua Ting Hotel and Towers can be appointed by the Group; and (ii) being authorized by the Board of Hua Ting Hotel and Towers, the general manager, who is appointed by the Group, is responsible for decisions making on financial and operational policies of Hua Ting Hotel and Towers as well as for dealing with the matters arising from the ordinary course of operation and production of Hua Ting Hotel and Towers (the "Amendments to Articles"). The Amendments to Articles have become effective on 27 December 2011.

Upon completion of the Amendments to Articles, the Group has obtained the control of Hua Ting Hotel and Towers with no consideration, and Hua Ting Hotel and Towers has become a subsidiary of the Group.

## 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 and financial assets at fair value through profit or loss 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.

### (a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

    - The name of the government and the nature of their relationship;

    - The nature and amount of any individually significant transactions; and

    - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

The Group has early adopted the government-related entity exemption since the financial year beginning 1 January 2009. The clarification and simplification of the definition of a related party do not result in a material impact on the Group's consolidated financial statements.

### (b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

- HKFRS 7 (Amendment), 'Disclosures — Transfers of financial assets' will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- HKFRS 7 (Amendment), 'Financial instruments: Disclosures — Offsetting financial assets and financial liabilities' requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. Group is yet to assess HKFRS 7 (Amendment)'s full impact and intends to adopt HKFRS 7 (Amendment) upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 11 changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. The jointly controlled assets classification in HKAS 31, 'Interests in Joint Ventures', has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

  A joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

  A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. Joint ventures are accounted for using the equity method in accordance with HKAS 28, 'Investments in Associates'. Entities can no longer account for an interest in a joint venture using the proportionate consolidation method.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 (revised 2011) have been included in the new HKFRS 10. The Group is yet to assess HKAS 27 (revised 2011)'s full impact and intends to adopt HKAS 27 (revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28 (revised 2011)'s full impact and intends to adopt HKAS 28 (revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 32 (Amendment) clarifies the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right of set-off'; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The Group is yet to assess HKAS 32 (Amendment)'s full impact and intends to adopt HKAS 32 (Amendment) no later than the accounting period beginning on or after 1 January 2014.

## 3 TURNOVER AND SEGMENT INFORMATION

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

With the expansion of IHR Group's hotel management operation in Mainland China, the segment of "Overseas hotels" was renamed to "IHR Group".

Upon the completion of the Acquisition, Jin Jiang Investment and Jin Jiang Travel became subsidiaries of the Company. The Board assesses the performance of Vehicle and Logistics Business and Travel Agency Business as individual business segments, with representing comparatives in segment information.

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

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

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

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

(4) IHR Group (previously known as "Overseas hotels"): operation of wholly-owned hotels, hotel management services and related services under IHR Group;

(5) Vehicle and logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;

(6) Travel agency: provision of travel agency and related services; and

(7) Other operation: intra-group financial services, training and education.

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

**(a) Turnover**

The Group's revenue which represents turnover for the year ended 31 December 2011 is as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Star-rated hotels | **2,582,773** | 2,643,126 |
| — Accommodation revenue | **1,191,131** | 1,391,306 |
| — Food and beverage sales | **951,600** | 870,970 |
| — Rendering of ancillary services | **122,322** | 111,107 |
| — Rental revenue | **183,340** | 170,869 |
| — Sales of hotel supplies | **66,792** | 44,339 |
| — Star-rated hotel management | **67,588** | 54,535 |
| Budget hotels | **1,888,091** | 1,620,574 |
| Food and restaurants | **270,513** | 262,131 |
| IHR Group | **2,752,993** | 1,953,635 |
| — Accommodation revenue | **159,262** | 129,319 |
| — Food and beverage sales | **85,657** | 68,465 |
| — Rendering of ancillary services | **6,787** | 5,005 |
| — Rental revenue | **1,458** | 1,254 |
| — Hotel management | **216,167** | 159,886 |
| — Other revenue from managed properties (i) | **2,283,662** | 1,589,706 |
| Vehicle and logistics | **3,187,741** | 3,235,874 |
| — Vehicle operating | **1,339,294** | 1,303,184 |
| — Trading of automobile | **595,356** | 605,510 |
| — Refrigerated logistics | **107,959** | 89,096 |
| — Freight forwarding | **1,125,491** | 1,213,572 |
| — Others | **19,641** | 24,512 |
| Travel agency | **1,930,426** | 2,074,750 |
| — Travel agency | **1,887,288** | 2,028,972 |
| — Others | **43,138** | 45,778 |
| Other operation | **40,897** | 33,618 |
| | **12,653,434** | 11,823,708 |

(i) 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 amounts are recorded as revenue and cost of sales, respectively, with zero effect on operating profit.

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

## (b) Segment information

*Year ended 31 December 2011*

| | Star-rated hotels | Budget hotels | Food and restaurants | IHR Group | Vehicle and logistics | Travel agency | Other operation | The Group |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 2,582,773 | 1,888,091 | 270,513 | 2,752,993 | 3,187,741 | 1,930,426 | 40,897 | 12,653,434 |
| Including: other revenue from managed properties | — | — | — | 2,283,662 | — | — | — | 2,283,662 |
| Inter-segment sales | 4,995 | 1,338 | 10,651 | — | 3,940 | 1,973 | 87,297 | 110,194 |
| Total gross segment sales | 2,587,768 | 1,889,429 | 281,164 | 2,752,993 | 3,191,681 | 1,932,399 | 128,194 | 12,763,628 |
| Profit for the year | 231,873 | 179,004 | 82,753 | 9,523 | 295,025 | 28,866 | 80,101 | 907,145 |
| Other income | 431,113 | 9,524 | 46,706 | 1,157 | 66,814 | 23,358 | 57,081 | 635,753 |
| Including: interest income | 9,302 | 625 | 976 | 1,157 | 8,559 | 5,612 | 1,105 | 27,336 |
| Depreciation of property, plant and equipment | (386,187) | (295,927) | (13,289) | (39,117) | (269,422) | (5,847) | (688) | (1,010,477) |
| Depreciation of investment properties | (158) | — | — | — | (605) | (4,285) | — | (5,048) |
| Amortization of land use rights | (23,286) | (11,282) | (101) | — | (1,977) | (25) | (45) | (36,716) |
| Amortization of intangible assets | (4,562) | (7,213) | (2,093) | (25,445) | (16) | (493) | (3,459) | (43,281) |
| Reversal of inventories write-down | 85 | — | — | — | — | 234 | — | 319 |
| Provision for impairment of trade and other receivables | (316) | (509) | — | (303) | (25) | (397) | 3 | (1,547) |
| Finance costs | (41,582) | (1,012) | (8) | (40,960) | (3,932) | — | (2,259) | (89,753) |
| Share of results of associates | 5,380 | — | 70,216 | 2,161 | 102,607 | (4,106) | 1,066 | 177,324 |
| Income tax expense | (729) | (61,944) | 341 | 53,238 | (54,459) | (6,920) | (13,890) | (84,363) |
| Capital expenditure | 1,514,237 | 327,002 | 48,012 | 215,383 | 435,657 | 2,238 | 291 | 2,542,820 |

*Year ended 31 December 2010 (Restated)*

| | Star-rated hotels *RMB'000* | Budget hotels *RMB'000* | Food and restaurants *RMB'000* | IHR Group *RMB'000* | Vehicle and logistics *RMB'000* | Travel agency *RMB'000* | Other operation *RMB'000* | The Group *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| External sales | 2,643,126 | 1,620,574 | 262,131 | 1,953,635 | 3,235,874 | 2,074,750 | 33,618 | 11,823,708 |
| Including: other revenue from managed properties | — | — | — | 1,589,706 | — | — | — | 1,589,706 |
| Inter-segment sales | 10,397 | 1,341 | 5,554 | — | 11,275 | 337 | 66,556 | 95,460 |
| Total gross segment sales | 2,653,523 | 1,621,915 | 267,685 | 1,953,635 | 3,247,149 | 2,075,087 | 100,174 | 11,919,168 |
| Profit for the year | 63,256 | 185,977 | 123,022 | (27,367) | 332,090 | 64,984 | 85,353 | 827,315 |
| Other income | 23,021 | 13,368 | 43,483 | 1,062 | 67,785 | 36,397 | 54,947 | 240,063 |
| Including: interest income | 5,432 | 1,286 | 1,921 | 1,062 | 7,897 | 4,648 | 42 | 22,288 |
| Depreciation of property, plant and equipment | (337,689) | (239,554) | (10,464) | (29,911) | (256,375) | (6,751) | (113) | (880,857) |
| Depreciation of investment properties | (158) | — | — | — | (605) | (4,285) | — | (5,048) |
| Amortization of land use rights | (22,654) | (10,729) | (101) | — | (1,977) | (27) | (45) | (35,533) |
| Amortization of intangible assets | (2,433) | (1,561) | (676) | (14,289) | (15) | (66) | (8,921) | (27,961) |
| Reversal of inventories write-down | 37 | — | — | — | — | — | — | 37 |
| Provision for impairment of trade and other receivables | 637 | — | — | (3,862) | 517 | 467 | — | (2,241) |
| Provision for impairment of available-for-sale financial assets | — | — | — | — | — | — | (11,000) | (11,000) |
| Finance costs | (37,986) | (10,794) | 190 | (43,309) | (5,633) | (1,038) | — | (98,570) |
| Share of results of associates | 4,746 | — | 84,834 | (4,243) | 112,243 | 4,984 | (404) | 202,160 |
| Income tax expense | (31,393) | (65,177) | (1,399) | 1,311 | (56,855) | (11,781) | (5,230) | (170,524) |
| Capital expenditure | 443,856 | 490,747 | 22,126 | 1,044,426 | 472,291 | 7,288 | 3,497 | 2,484,231 |

The segment assets as at 31 December 2011 are as follows:

| | **Star-rated hotels** ***RMB'000*** | **Budget hotels** ***RMB'000*** | **Food and restaurants** ***RMB'000*** | **IHR Group** ***RMB'000*** | **Vehicle and logistics** ***RMB'000*** | **Travel agency** ***RMB'000*** | **Other operation** ***RMB'000*** | **The Group** ***RMB'000*** |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 5,813,645 | 3,455,190 | 171,708 | 1,422,268 | 2,873,943 | 1,235,009 | 2,601,698 | 17,573,461 |
| Investments in associates | 47,851 | — | 216,090 | 46,364 | 348,702 | 30,715 | 2,900 | 692,622 |
| Total assets | 5,861,496 | 3,455,190 | 387,798 | 1,468,632 | 3,222,645 | 1,265,724 | 2,604,598 | 18,266,083 |

The restated segment assets as at 31 December 2010 are as follows:

| | Star-rated hotels *RMB'000* | Budget hotels *RMB'000* | Food and restaurants *RMB'000* | IHR Group *RMB'000* | Vehicle and logistics *RMB'000* | Travel agency *RMB'000* | Other operation *RMB'000* | The Group *RMB'000* |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 5,978,266 | 3,545,193 | 180,374 | 1,322,599 | 2,881,971 | 1,437,828 | 2,417,161 | 17,763,392 |
| Investments in associates | 46,360 | — | 213,719 | 44,446 | 334,092 | 39,563 | 3,357 | 681,537 |
| Total assets | 6,024,626 | 3,545,193 | 394,093 | 1,367,045 | 3,216,063 | 1,477,391 | 2,420,518 | 18,444,929 |

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". Other income in the segment of "Star-rated hotels" for the year ended 31 December 2011 mainly includes revaluation gain of RMB403,801,000 for remeasuring 50% equity interests in Hua Ting Hotel and Towers, while there were no similar significant gain in the year ended 31 December 2010.

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, 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.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use right and intangible assets, including additions resulting from acquisition through business combinations other than common control combination and acquisition of jointly controlled entities.

## 4 EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Cost of inventories sold | **3,172,014** | 3,169,804 |
| Employee benefit expense | **2,492,732** | 2,211,693 |
| Other expenses from managed properties | **2,283,662** | 1,589,706 |
| Transportation expenses | **1,039,028** | 1,123,800 |
| Depreciation of property, plant and equipment | **1,010,477** | 880,857 |
| Utility cost and consumables | **630,061** | 566,431 |
| Business tax, property tax and other tax surcharges | **409,848** | 365,294 |
| Operating leases — land and buildings | **365,600** | 271,504 |
| Repairs and maintenance | **184,670** | 178,070 |
| Laundry costs | **63,044** | 60,657 |
| Advertising costs | **43,850** | 46,163 |
| Amortisation of intangible assets | **43,281** | 27,961 |
| Amortisation of land use rights | **36,716** | 35,533 |
| Commissions paid to travel agencies | **31,041** | 39,282 |
| Telecommunication expenses | **22,365** | 21,446 |
| Legal and consulting costs | **20,927** | 19,136 |
| Entertainment expenses | **20,735** | 18,790 |
| Auditors' remuneration | **19,812** | 19,556 |
| Pre-operation expenses | **8,429** | 17,039 |
| Depreciation of investment properties | **5,048** | 5,048 |
| Provision for impairment of trade and other receivables | **1,547** | 2,241 |
| Transaction cost related to the acquisition of a jointly controlled entity | **—** | 11,757 |
| Provision for impairment of available-for-sale financial assets | **—** | 11,000 |
| Reversal of inventories write-down | **(319)** | (37) |
| Others | **397,461** | 420,243 |
| | **12,302,029** | 11,112,974 |

## 5 INCOME TAX EXPENSE

| | Year ended 31 December 2011 *RMB'000* | 2010 *RMB'000* (Restated) |
|---|---|---|
| Current tax: | | |
| Mainland China current corporate income tax ("CIT") | **199,765** | 297,270 |
| US current income tax | **867** | — |
| | **200,632** | 297,270 |
| Deferred tax: | | |
| Mainland China deferred income tax | **(62,164)** | (126,375) |
| US deferred income tax | **(54,105)** | (371) |
| | **(116,269)** | (126,746) |
| | **84,363** | 170,524 |

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the year ended 31 December 2011 (2010: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations except for as described below.

The Company, Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited, Jin Jiang Investment, JHJ International Transportation Co., Ltd., Shanghai Zhen Dong Automobile Service Co., Ltd., and Shanghai Jin Mao Jin Jiang Automobile Service Co., Ltd. were registered in Shanghai Pudong New Area and entitled to the preferential income tax rates of 24% for the year ended 31 December 2011 (2010: 22%).

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary and jointly controlled entities incorporated in Hong Kong for the year ended 31 December 2011 (2010: 16.5%). For the year ended 31 December 2011, the Group's subsidiary and jointly controlled entities incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax.

US income tax is provided at a rate of 35% on the estimated assessable profits of Group's subsidiary and jointly controlled entities incorporated in US for the year ended 31 December 2011 (2010: 35%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2010: 25%) in the Mainland China as follows:

| | Year ended 31 December 2011 *RMB'000* | 2010 *RMB'000* (Restated) |
|---|---|---|
| Profit before income tax | **991,508** | 997,839 |
| Tax calculated at a tax rate of 25% (2010: 25%) | **247,877** | 249,460 |
| Effect of different taxation rates | **(529)** | (8,087) |
| Income not subject to tax | **(133,932)** | (36,711) |
| Expenses not deductible for tax purposes | **9,647** | 10,442 |
| Tax losses for which no deferred income tax assets were recognised | **70,088** | 23,537 |
| Utilization of previous unrecognised tax losses | **(10,352)** | (17,577) |
| Recognition of previously unrecognized tax losses (a) | **(54,105)** | — |
| Effect of share of profit tax of associates | **(44,331)** | (50,540) |
| Income tax expense | **84,363** | 170,524 |

(a) The amount for the year ended 31 December 2011 represents the tax effect of IHR Group's recognition of previously unrecognised tax losses.

## 6 EARNINGS PER SHARE

| | Year ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Profit attributable to shareholders of the Company | **536,178** | 387,360 |
| Weighted average number of ordinary shares in issue (thousands) | **5,566,000** | 5,566,000 |
| Basic earnings per share (RMB cents) | **9.63** | 6.96 |

Basic earnings per share for the year ended 31 December 2011 and 2010 have been computed by dividing the profit attributable to the shareholders of the Company for the year ended 31 December 2011 and 2010 by 5,566,000,000 ordinary shares outstanding upon completion of the Acquisition, as if such shares had been outstanding for all years presented.

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

## 7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2010 of RMB2.2 cents per share, totalling RMB122,452,000 (final dividend in respect of the year ended 31 December 2009: RMB2.0 cents per share, totalling RMB91,300,000) was paid in July 2011. On 28 March 2012, the Directors recommended the payment of a final dividend of RMB4.0 cents per share, totalling RMB222,640,000 in respect of the year ended 31 December 2011. Such dividend is to be approved by the shareholders at the Annual General Meeting. The consolidated financial statements do not reflect this dividend payable.

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| Proposed final dividend of RMB4.0 cents (2010: RMB2.2 cents) per share | **222,640** | 122,452 |

## 8 TRADE AND OTHER RECEIVABLES

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade receivables | **427,326** | 448,425 |
| Less: provision for impairment of trade receivables | **(11,961)** | (12,094) |
| Trade receivables — net | **415,365** | 436,331 |
| Amounts due from related parties | **153,204** | 416,128 |
| Prepayment to a related party | **—** | 231,873 |
| Prepayments and deposits | **309,610** | 312,936 |
| Notes receivable | **22,797** | 12,608 |
| Dividends receivable | **—** | 3,837 |
| Others | **180,313** | 133,737 |
| Less: provision for impairment of other receivables | **(14,259)** | (14,850) |
| Other receivables — net | **651,665** | 1,096,269 |
| | **1,067,030** | 1,532,600 |
| Less: non-current portion of trade and other receivables | **(71,722)** | (32,642) |
| | **995,308** | 1,499,958 |
| Non-current portion of trade and other receivables | **71,722** | 32,642 |

The majority of the Group's sales in Hotel Related Businesses, Vehicle and Logistic Business and Travel Agency Business 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 | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Current to 3 months | **397,437** | 382,024 |
| 3 months to 1 year | **18,549** | 55,201 |
| Over 1 year | **11,340** | 11,200 |
| | **427,326** | 448,425 |

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

## 9 TRADE AND OTHER PAYABLES

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Trade payables | **483,504** | 488,868 |
| Advances from customers | **647,767** | 600,630 |
| Salary and welfare payables | **483,017** | 389,638 |
| Payables for purchases of property, plant and equipment, and intangible assets | **332,068** | 396,614 |
| Amounts due to related parties | **310,702** | 657,447 |
| Deposits from lessees and constructors | **188,848** | 193,953 |
| Other taxes payable | **163,098** | 184,078 |
| Accrued expenses | **104,271** | 108,020 |
| Payable for relocation compensation and settlement allowance | **49,654** | 52,390 |
| Payable for insurance expense on behalf of the managed hotels of IHR Group (i) | **48,288** | 42,315 |
| Payable for acquisition of a jointly controlled entity | **47,470** | — |
| Notes payable | **29,277** | 12,406 |
| Dividend payable to non-controlling equity holders | **20,131** | 20,062 |
| Advances from disposal of a subsidiary | **—** | 112,785 |
| Others | **363,669** | 284,028 |
| | **3,271,764** | 3,543,234 |
| Less: non-current portion of trade and other payables | **(165,232)** | (60,420) |
| | **3,106,532** | 3,482,814 |
| Non-current portion of trade and other payables | **165,232** | 60,420 |

(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 | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Current to 3 months | **411,531** | 429,571 |
| 3 months to 1 year | **60,607** | 57,389 |
| Over 1 year | **11,366** | 1,908 |
| | **483,504** | 488,868 |

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

## 10 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at 31 December 2011 but not yet incurred is as follows:

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Acquisition of property, plant and equipment | **153,897** | 169,670 |

### (b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements.

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

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

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Not later than 1 year | **168,217** | 160,577 |
| Later than 1 year and not later than 5 years | **411,489** | 313,963 |
| Later than 5 years | **771,127** | 772,485 |
| | **1,350,833** | 1,247,025 |

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

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Not later than 1 year | **456,733** | 310,053 |
| Later than 1 year and not later than 5 years | **1,158,882** | 1,117,306 |
| Later than 5 years | **2,340,595** | 2,319,303 |
| | **3,956,210** | 3,746,662 |

**(c) Loan commitments**

Loan commitments of RMB86,200,000 (31 December 2010: RMB231,430,000) represent undrawn loan facilities offered by Jin Jiang International Finance Company Limited and granted to related parties.

**(d) Investment Commitments**

Pursuant to the framework agreement signed on 14 December 2011, Shanghai Jin Jiang International Hotel Investment Company Limited ("Jin Jiang International Hotel Investment", a wholly owned subsidiary of Jin Jiang Hotels Development), committed to acquire 30% equity interests in Shanxi Jinguang Inn Company Limited ("Jinguang Inn") at a consideration not less than RMB61,000,000. As at 31 December 2011, Jin Jiang International Hotel Investment has already paid RMB18,000,000 as a prepayment for the acquisition, and the remaining part will be paid in accordance with the acquisition progress.

Pursuant to the board resolution of Shanghai Yoshinoya Company Limited ("Shanghai Yoshinoya") dated 18 October 2011, Shanghai Jin Jiang International Catering Investment Company Limited committed to make the additional capital injection of USD856,305 (equivalent to approximately RMB5,395,000) to Shanghai Yoshinoya.

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

As at 31 December 2011, the Company held a 30% equity interest in Chengdu Jinhe with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the third party, at a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and is not determinable as at 28 March 2012.

## 11 RESTATEMENT

As explained in note 1, the Acquisition is 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 year ended 30 June 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 were also represented on the same basis. As the restatement is not for changing an accounting policy or correcting an error, no third consolidated balance sheet at the beginning of the earliest comparative period is presented.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Star-Rated Hotels

Star-rated hotel operation and management 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 RMB2,582,773,000 to the Group's revenue, dropping by 2.3% as compared to the same period last year.

Performance of the Group's Star-rated hotels in Shanghai is set out below:

| | **2011 Group's Star-rated hotels in Shanghai** | | 2010 Group's Star-rated hotels in Shanghai | |
|---|---|---|---|---|
| | **Occupancy Rate** ***(%)*** | **Average Roomrate** ***(RMB)*** | Occupancy Rate *(%)* | Average Roomrate *(RMB)* |
| 5-star hotels | **55%** | **859** | 62% | 981 |
| 4-star hotels | **59%** | **606** | 68% | 687 |
| Commercial hotels | **56%** | **338** | 68% | 411 |

*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, Shanghai Jing An Hotel and Sofitel Hyland; and

3. Commercial hotels: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Magnolia Hotel and Marvel Y.M.C.A..

During the Reporting Period, the RevPAR of the hotels in Beijing, Xian, Wuhan and Kunming invested by Company recorded growth as compared to the same period last year. As at the date of this announcement, the RevPAR of Star-rated hotels operated and managed by the Group in January and February 2012 has increased as compared to the same period in 2011.

As at 31 December 2011, the Group owned and managed 115 Star-rated hotels, offering 35,000 guest rooms and among those, the Group was engaged by third parties other than Jin Jiang International to manage 85 hotels.

To foster the internationalisation strategy of the Group's hotel business and further integrate the Group's hotel management resources, the Group continued to construct Jin Jiang Hotel Management Company, introduced an international management team, integrated hotel brands and management resources, in order to facilitate the market and international development of the Group's hotel business.

During the Reporting Period, the Company has engaged a world renowned brand consultant firm to act as the brand consultant of the Group's high-end "J" hotel brand, and the interior design company for "J" brand hotels and the engineering design, technology standardisation and development company for "J" brand have also been selected.

During the Reporting Period, the number of contracted Marvel chain business hotels amounted to 5, of which, 2 hotels in Shanghai and Chengdu have already commenced operation. With its brand concept of simplified, highly efficient and quality services, the hotel has acquired market recognition in a relatively swift manner, The Group plans to establish a Marvel hotel company to run the Marvel brand chain commercial hotels independently.

During the Reporting Period, the Company continued to optimise its sales system and strengthen its management on customer relations, and the total number of members in Jin Jiang's V.I.P. scheme has reached approximately 220,000. The Group has entered into a partnership with SolMelia hotel group in Spain, and each of the parties has selected 6 member hotels to be added to the other's electronic business hotel reservation system, staff members of one party will also be sent to the other party for training.

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; 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 650,000 room nights during the Reporting Period, representing a significant increase in terms of reservation.

**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 RMB1,888,091,000 to the Group's revenue, representing a 16.5% increase as compared to the same period last year and accounting for 14.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB139,279,000, representing a 41.1% growth compared to the same period last year. As at the date of this announcement, the RevPAV of Jin Jiang Inn in January and February 2012 grew from the same period in 2011.

During the Reporting Period, there were 147 newly contracted chain budget hotels, such as Jin Jiang Inn, of which 7 were self-managed hotels and 140 were franchised hotels. As at 31 December 2011, there were a total of 743 contracted chain budget hotels (of which, there were 645 Jin Jiang Inn Budget Hotels, 75 Bestay Hotels Express, 9 Yulan and 14 Jinguang Inn), offering 88,958 guest rooms in aggregate. Among these contracted chain budget hotels, 536 were franchised hotels, accounting for 72% of all contracted chain budget hotels. During the Reporting Period, 137 chain budget hotels such as Jin Jiang Inn were newly operated, of which 26 were self-managed hotels and 111 were franchised hotels. As at 31 December 2011, a total of 554 chain budget hotels were operated (of which, there were 489 Jin Jiang Inn Budget Hotels, 46 Bestay Hotels Express, 6 Yulan and 13 Jinguang Inn), offering 68,915 guest rooms in aggregate.

As at 31 December 2011, budget hotels that are similar to Jin Jiang Inn Budget Hotels operated by the Company covered over 170 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels has presence in 45 cities within 20 provinces, autonomous regions and municipalities in the PRC.

As at 31 December 2011, out of all 554 budget hotels that are similar to Jin Jiang Inn Budget Hotels, 172 were self-managed hotels, accounting for 31%, while 382 were franchised hotels, accounting for 69%.

During the Reporting Period, there were 820,000 new members of Jin Jiang Inn, making the total number of members reaching 2.43 million. A total of 600,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 15,000 corporate clients. Meanwhile, through the commissioning of the new paging centre and strengthening of its promotional 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 increasingly boosted its capacity for guest reception.

During the Reporting Period, Jin Jiang Inn, via brand licensing and co-operation, entered into a contract with Oishi International Group to expand the Jin Jiang Inn brand to Philippine through brand licensing. With the brand alliance with Louvre Hotel Group, 15 Companil hotels will operate in the name of Jin Jiang Inn in 6 cities, including Paris, Nice, Lyon, Marseille, Provence and Bordeaux, making it the very first PRC budget hotel brand operating in Europe.

During the Reporting Period, the "Jin Jiang Inn" brand was conferred "Outstanding Franchise Brand in Chinese Catering and Hotel Industry 2010–2011" by China Chain Store & Franchise Association.

**Food and Restaurants**

The Group's various brands of food and restaurant chains held through Jin Jiang Hotels Development grew steadily during the Reporting Period. As at 31 December 2011, Shanghai KFC had a total of 289 outlets, representing a net increase of 20 outlets as compared to the end of 2010, enjoying steady growth in revenue and maintaining its leading position in Shanghai's fast food industry. "New Asia Snacks", "Shanghai Yoshinoya" and Jing An Bakery had 58, 21 and 46 outlets respectively. "Chinoise Story" operated 2 restaurants in Jin Jiang Hotel and Wuhan Jin Jiang International Hotel.

**IHR Group**

The Group's overseas business mainly comprises of its 50% interest in IHR Group. During the Reporting Period, IHR Group and its affiliates managed and/or had ownership interests in a total of 387 hotel properties with more than 70,000 guest rooms in 40 states of the United States, the District of Columbia, Mainland China, Russia, India, Mexico, Belgium, Canada, Ireland and Holland. IHR Group's operating revenue for the Reporting Period amounted to RMB2,752,993,000. The average rate of its self-owned hotel properties is USD107 with an average occupancy rate of 66.1%, while RevPAR is USD70, representing an increase of 4.2% as compared with the same period last year. The average rate of managed hotels is USD129 with an average occupancy rate of 70.4%, while RevPAV is USD91, representing an increase of 6.9% as compared with the same period last year.

**Vehicle and Logistics**

During the Reporting Period, the turnover of the vehicle and logistics business was approximately RMB3,187,741,000, representing a decrease of 1.5% compared with the same period of last year. The number of vehicles has exceeded 10,000.

Renovation and equipment installation were completed for the 1st phase engineering work of the "Jin Jiang Automobile Service Centre" of Jin Jiang Automobile Company, and its operation has commenced. With particular regards to the post-World Expo operating characteristics, the Group expanded channels of providing additional revenue by increasing its marketing efforts, and capturing business opportunities derived from peak passenger flow during the Spring Festival, Ching Ming Festival, and the May 1st Golden Week, etc. The Group participated in the transportation and car rental services for the 14th World Swimming Championships. The Group also increased e-commerce marketing efforts. The online car sales and car repair system were also launched by making use of the online car rental service which was previously established.

Having successfully introduced strategic investors, Shanghai Jinjiang International Cold Logistics Development Co., Ltd. actively proceeded to the acquisition of Shanghai Xintiantian Dazhong Cold Logistics Co., Ltd.'s 33% equity interest as planned, and facilitated the cooperation project with Shanghai Fisheries General Corporation. The Group enhanced efforts in searching for opportunities internally, and expanded resources related to refrigeration chambers. It increased efforts in technology modification, and completed the Wusong cold chamber — multi-purpose cold chamber (變溫庫) technology modification project, which increased market competitiveness.

JHJ International Transportation Co., Ltd. ("JHJ International Transportation") enhanced sales and marketing efforts for logistics projects, continued to carry out research and development on direct-sale customer business, specialty business and value-added business, as well as further developed transportation business for large items, exhibition items and dangerous goods, in order to enhance market share. It also enhanced water transportation network for containers along the Yangtze River route, and a direct external trade sea route from Jiujiang, Jiangxi to Incheon, Korea was opened. The central China region bonded logistics business (taking Chongqing as representative) developed rapidly. Bonded logistics businesses in places such as Beijing, Qingdao, Suzhou, Wuhan, Shanghai developed and progressed orderly, optimizing business structure.

**Travel Agency**

During the Reporting Period, turnover from the travel agency was RMB1,930,426,000, representing a decrease of 7.0% compared with the same period of last year. The travel agency faced rather rigorous challenges during the Reporting Period. Firstly, due to the market is entering into the correction phase after the World Expo. Secondly, due to the series of unexpected events, such as the massive earthquake as well as secondary disasters such as tsunami and nuclear accident in Japan on 11 March 2011, which seriously affected the outbound and inbound tourism markets. The Group adjusted its operation strategies in a timely manner, and achieved good results in actively expanding the tourism markets of Europe and America.

**Information Technology**

In 2011, along with the continuous development of its operation, the Group also placed emphasis on the construction and application of information technology platforms with an aim to enhance the efficiency of hotel management and operation. We believe that the supporting role of information centralisation system would become increasingly essential.

During the Reporting Period, Jing Jiang Hotel's central reservation system JREZ has completed the overall integration and real-time, two-way connection with the distribution system in both domestic and international networks. The upgrading and modification of the website for direct sales (www.jinjiang.com) has also been completed, and the introduction of electronic prepayment function has brought the functionality of the official website of Jin Jiang to another new level. The website introduces three third party partners in respect of prepayments, and co-operation with 16 credit cards issued by domestic banks has also been formed. Such move would bring convenience for online payments and further optimise the reservation experience of customers of Jin Jiang Hotel. In addition, further integration and expansion of the system for Jin Jiang Hotel's members were also conducted, and with the sharing of members' points and points gained from other business of the Group (eg. Jin Jiang Travel and Jin Jiang Investment), the benefits to members have been enhanced.

Furthermore, further application of the Group's central procurement system and central human resources management system has also been launched in hotels within Shanghai. Departments of relevant functions would, on such foundation, actively introduce such centralised information system into other hotel members to strengthen the supporting role of the system.

During the Reporting Period, the Group further enhanced the construction and promotion of information standardisation. With the amendment of the standards for information environment and system construction of hotels based on the development pace of information technology and the latest achievements, items such as wifi coverage and hotel network security have been incorporated into the fundamental requirements. For the construction of information technology infrastructure in newly opened hotels, official guidance, namely "the proposal on construction of information technology projects", has been launched to underpin the specific characteristics of every hotel with a view to bring the information service products and information management systems to meet the requirements of Jin Jiang Hotel during the preparation stage.

## FINANCIAL REVIEW

### *Turnover*

The Group's financial information during the Reporting Period as compared to the same period in 2010 is set out as follows:

| | **Year ended 31 December 2011** | | Year ended 31 December 2010 | |
|---|---|---|---|---|
| | ***RMB in million*** | ***% of Turnover*** | *RMB in million* (Restated) | *% of Turnover* |
| Star-rated hotels | **2,582.8** | **20.4%** | 2,643.1 | 22.4% |
| Budget hotels | **1,888.1** | **14.9%** | 1,620.6 | 13.7% |
| Food and restaurants | **270.5** | **2.1%** | 262.1 | 2.2% |
| IHR Group | **2,753.0** | **21.8%** | 1,953.6 | 16.5% |
| Vehicle and logistics | **3,187.7** | **25.2%** | 3,235.9 | 27.4% |
| Travel agency | **1,930.4** | **15.3%** | 2,074.8 | 17.5% |
| Other operations | **40.9** | **0.3%** | 33.6 | 0.3% |
| Total | **12,653.4** | **100.0%** | 11,823.7 | 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 2010:

| | **Year ended 31 December 2011** | | Year ended 31 December 2010 | |
|---|---|---|---|---|
| | ***RMB in million*** | ***% of Turnover*** | *RMB in million* (Restated) | *% of Turnover* |
| — Accommodation revenue | **1,191.1** | **46.1%** | 1,391.3 | 52.6% |
| — Food and beverage sales | **951.6** | **36.8%** | 871.0 | 33.0% |
| — Rendering of ancillary services | **122.3** | **4.8%** | 111.1 | 4.2% |
| — Rental revenue | **183.4** | **7.1%** | 170.9 | 6.5% |
| — Sales of hotel supplies | **66.8** | **2.6%** | 44.3 | 1.7% |
| — Management income of Star-rated hotels | **67.6** | **2.6%** | 54.5 | 2.0% |
| Total | **2,582.8** | **100.0%** | 2,643.1 | 100.0% |

*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 RMB1,191,131,000, representing a decrease of approximately 14.4% compared to the same period in 2010. It was primarily attributable to intense competition among Star-rated hotels after the World Expo. Currently, the supply side of the industry exceeds the demand side, and both the number of business travelers and tourists have dropped. The number of inbound tourists staying overnight in Shanghai decreased by approximately 3.9% compared to the same period last year, of which, the number of inbound foreigners decreased by approximately 6.4% compared to the same period last year, and thus directly affected the amount of accommodation revenue of Star-rated hotels.

*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. The unit price of food and price of banquets have surged along with the upward adjustment of costs of energy, labour and raw materials, and although the sales revenue for food and beverage was affected by the decrease in occupancy rate of hotels, the wedding banquet market has achieved excellent performance, and the sales revenue for food and beverage in Star-rated hotels amounted to approximately RMB951,600,000, representing an increase of 9.3% from the same period last year.

*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 RMB122,322,000, representing an increase of approximately 10.1% from 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 and it increased by approximately RMB12,471,000 compared to the same period in 2010 to approximately RMB183,340,000 during the Reporting Period, representing an increase of approximately 7.3%.

*Sales of hotel supplies*

Turnover from guest supplies and hotel products increased by approximately RMB22,453,000 compared to the same period in 2010, representing an increase of approximately 50.6%, which was primarily due to the increase in purchase volume further driven by the Group's centralised procurement platform.

*Star-rated hotel management*

During the Reporting Period, the external sales revenue of the Star-rated hotel management division amounted to approximately RMB67,588,000, representing an increase of approximately 23.9% compared to the same period last year, this was primarily generated from management fees received for the provision of management services to Star-rated hotels not owned by the Group. With the increase in the number of hotel management projects overseas, while the operating results of managed hotels recorded a steady increase, the management fees income also recorded an increase.

**Budget Hotels**

Turnover of Jin Jing Inn during the Reporting Period amounted to approximately RMB1,888,091,000, representing an increase of approximately RMB267,517,000 or approximately 16.5% compared to the same period last year. It was mainly due to the opening of 147 and 84 Jin Jiang Inn in 2011 and 2010 respectively, which increased 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 RMB139,279,000, representing an increase of 41.1% compared to the same period last year. During the Reporting Period, revenue from newly added room reservation channels amounted to approximately RMB12,342,000.

**Food and Restaurants**

Revenue for food and restaurant operation was mainly 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 RMB270,513,000, representing an increase of RMB8,382,000 or a growth of approximately 3.2% compared to the same period last year. The increase from food and restaurant operation during the Reporting Period was mainly due to the consolidation of Jing An Bakery since 1 July 2011, representing an increase in sales revenue of approximately RMB29,522,000 as compared to the same period last year, partially offset by the decrease in business of New Asia Café de Coral and Chinoise Story because of the drop in the number of tourists after the World Expo.

**IHR Group**

During the Reporting Period, the operating revenue of IHR Group was approximately RMB2,752,993,000, representing an increase of 40.9% from the same period last year, while revenue for other managed properties amounted to approximately RMB2,283,662,000. The increase of revenue of IHR Group was mainly due to the recognition of revenue relating to IHR Group attributable to the first three months of the Reporting Period (which, as compared with last year, were not recognised as the completion of merger and acquisition of IHR Group and its consolidation into the Group took place in March 2010), as well as the increase in the number of hotels managed by IHR Group by 145 compared to the same period last year. The RevPAR of self-operated hotels of IHR Group increased by approximately 4.2% from the same period last year, and the RevPAR of hotels managed by IHR Group also recorded a growth of approximately 6.9% compared with the same period last year.

**Vehicle and Logistics**

During the Reporting Period, the revenue for vehicle and logistics was approximately RMB3,187,741,000, representing a decrease of approximately 1.5% from approximately RMB3,235,874,000 in the same period last year, which was mainly due to the decrease in the amount of freight logistics.

**Travel Agency**

During the Reporting Period, the revenue for travel agency was approximately RMB1,930,426,000, representing a decrease of approximately 7.0% from approximately RMB2,074,750,000 in the same period last year. The decrease was mainly due to the fact that the tourism market entered into the adjustment period after the World Expo as well as the effect of successive occurrence of sudden incidents around the world on both outbound and inbound tourism markets.

**Other Operations**

In addition, the Group also engages in other domestic business, including the provision of financial services via Jin Jiang International Finance Company Limited ("Jin Jiang International Finance") and the service of the provision of training. During the Reporting Period, revenue of RMB40,897,000 was realised, representing an increase of approximately 21.7% compared to the same period last year.

***Cost of Sales***

Cost of sales for the Reporting Period amounted to approximately RMB10,707,534,000, representing an increase of approximately 10.9%. The increase was mainly due to the recognition of cost of sales relating to IHR Group attributable to the first three months of the Reporting Period (which, as compared with last year, were not recognised as the completion of merger and acquisition of IHR Group and its consolidation into the Group took place in March 2010), as well as the corresponding increase in the cost of commodities, energy and material consumption resulted from the expansion of the Budget Hotel segment. From 1 July 2011, Jing An Bakery is consolidated into the Group, resulting in an increase in cost of sales of food and beverage chain by approximately RMB21,237,000. Given the surge of oil price and the expiry of concessionary car purchase policy, the cost of sales of vehicle operation and logistics also recorded a growth. The Group has completed the merger and acquisition of IHR Group on 18 March 2010, and consolidated its business into the Group. The portion of cost of sales from IHR Group upon the proportionately consolidation included other expense for managed properties equivalent to approximately RMB2,283,662,000, while such expenses was RMB1,589,706,000 for the same period last year. As such amount was the same with other revenue from managed properties, the operating profit was not affected.

***Gross Profit***

For the above reasons, the Group recorded a gross profit of approximately RMB1,945,900,000 for the Reporting Period, representing a decrease of approximately RMB221,266,000 or approximately 10.2% compared to the same period in 2010.

***Other Income***

Other income for the Reporting Period amounted to approximately RMB635,753,000 (same period in 2010: approximately RMB240,063,000), representing an increase of 164.8% compared to the same period last year. The increase was primarily due to a gain of RMB403,801,000 for the Reporting Period (same period in 2010: nil) as a result of measuring at fair value its 50% equity interest in Hua Ting Hotel, in excess of the carrying amount of its previously held equity interest when the Group obtained the control of Hua Ting Hotel and Towers due to certain amendments to the articles of association of Hua Ting Hotel and Towers, while dividend income of approximately RMB41,036,000 was received from Suzhou, Wuxi and Hangzhou KFC (same period in 2010: approximately RMB37,127,000).

*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 RMB602,776,000 (same period in 2010: approximately RMB590,540,000), representing an increase of approximately 2.1%. The increase was mainly due to the recognition of sales and marketing expense relating to IHR Group attributable to the first three months of the Reporting Period (which, as compared with last year, were not recognised as the completion of merger and acquisition of IHR Group and its consolidation into the Group took place in March 2010), and the corresponding increase in sales and marketing expenses due to the addition of IHR Group's business compared to the same period last year, while Jing An Bakery is consolidated into the Group from 1 July 2011, resulting in an increase in sales and marketing expenses by approximately RMB11,709,000 compared to the same period last year. On the other hand, as the number of tourists decreased after the World Expo, the decrease in commission of the hotel sector offset part of the increase in sales and marketing expenses.

*Administrative Expenses*

Administrative expenses for the Reporting Period was approximately RMB991,719,000, representing an increase of approximately 14.5% compared to the same period last year (same period in 2010: approximately RMB865,892,000). The increase was mainly due to the recognition of management fees relating to IHR Group attributable to the first three months of the Reporting Period (which, as compared with last year, were not recognised as the completion of merger and acquisition of IHR Group and its consolidation into the Group took place in March 2010), and the management fees increased correspondingly due to the growth in IHR Group's business compared to the same period last year, while the expansion of Budget Hotel business segment also led to the increase in management fees.

*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 RMB83,221,000 (same period in 2010: approximately RMB56,548,000), representing an increase of approximately 47.2% compared to the same period last year. The increase was mainly attributable to the increase in loss on disposal of IHR Group's intangible assets during the Reporting Period and the increase of the Group's bank charges compared to the same period last year.

*Finance Cost*

Finance cost comprises of interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost was approximately RMB89,753,000 (same period in 2010: approximately RMB98,570,000), representing a decrease of approximately 8.9% over the same period last year. The decrease was primarily due to the re-financing arrangement of the bank borrowings by IHR Group during the Reporting Period, which resulted in a decrease in interest expenses, as well as the increase in foreign exchange income driven by the continuous and significant appreciation of Renminbi against the US dollars from last year, which offsets part of the finance cost.

### *Share of Results of Associates*

Results of associates mainly include results of the Group's associates, namely Shanghai Kentucky Fried Chicken Company Limited, Yangtze Hotel Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd, Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd.. Share of results of associates for the Reporting Period was approximately RMB177,324,000 (same period in 2010: approximately RMB202,160,000). The decrease was mainly because of the decrease in the share of results from Shanghai Kentucky Fried Chicken Company Limited and Shanghai Pudong International Airport Transport Terminal Co. Ltd. by approximately RMB12,673,000 and RMB10,920,000 respectively, as compared to the same period last year.

### *Taxation*

The effective tax rate for the Reporting Period was approximately 8.5% (same period in 2010: approximately 17.1%), which was mainly due to the income not subject to tax of approximately RMB403,801,000 arising from the revaluation gain for measuring 50% equity interest in Hua Ting Hotel and Towers, as well as the significant improvement in the profitability of IHR Group, which has recognized deferred income tax assets of approximately RMB54,105,000 for previously unrecognized tax loans and tax credits during the Reporting Period.

### *Net Profit*

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB536,178,000 (same period in 2010: approximately RMB387,360,000), representing an increase of approximately RMB148,818,000 or approximately 38.4%.

## GROUP DEBTS AND FINANCIAL CONDITIONS

### Borrowings and Pledge of Assets

As at 31 December 2011, the borrowings included:

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| Borrowings included in non-current liabilities: | | |
| Bank borrowings — secured | **418,373** | 713,844 |
| Bank borrowings — unsecured | **643,565** | — |
| Borrowings from related parties | **901,563** | 901,563 |
| Finance lease liabilities | **25,021** | 26,339 |
| | **1,988,522** | 1,641,746 |
| Less: current portion of long-term secured bank borrowings | **(128,538)** | (13,245) |
| current portion of long-term finance lease | **(1,274)** | (1,481) |
| | **1,858,710** | 1,627,020 |
| Borrowings included in current liabilities: | | |
| Bank borrowings — secured | **48,139** | 106,876 |
| Bank borrowings — unsecured | **76,554** | 300,835 |
| Borrowings from related parties | **27,500** | 130,000 |
| Other borrowings — unsecured | **238,418** | — |
| Current portion of long-term secured bank borrowings | **128,538** | 13,245 |
| Current portion of financial lease | **1,274** | 1,481 |
| | **520,423** | 552,437 |

As at 31 December 2011, the pledge of assets are analysed as follows:

(1) Bank borrowings of US$31,039,000, equivalent to RMB195,573,000 (31 December 2010: US$100,941,000, equivalent to RMB668,500,000), which were secured by assets with carrying amount of US$57,951,000, equivalent to RMB365,143,000 (31 December 2010: US$169,126,000, equivalent to RMB1,120,069,000).

(2) Bank borrowings of US$18,400,000, equivalent to RMB115,937,000 (31 December 2010: nil) were secured by a deposit of RMB12,000,000 and US$6,445,000, equivalent to RMB40,610,000 (31 December 2010: US$4,025,000, equivalent to RMB26,654,000), which were secured by RMB deposits with equivalent amount;

(3) Bank borrowings of US$16,960,000, equivalent to RMB106,863,000 (31 December 2010: US$18,960,000, equivalent to RMB125,566,000), which were guaranteed by Jin Jiang International;

(4) Bank borrowings of US$1,195,000, equivalent to RMB7,529,000 (31 December 2010: nil), which were pledged by trade receivables of approximately US$1,328,000, equivalent to RMB8,368,000 (31 December 2010: nil); and

(5) Finance lease liabilities of RMB25,021,000 (31 December 2010: RMB26,339,000), which were pledged by finance lease equipments with a net carrying amount of approximately RMB25,164,000 (31 December 2010: RMB25,389,000).

The Group has fulfilled all covenants under the remaining borrowing agreements. The maturity of the borrowings is as follows:

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **520,423** | 552,437 |
| Between 1 and 2 years | **915,801** | 1,371,222 |
| Between 2 and 5 years | **926,371** | 237,889 |
| Over 5 years | **16,538** | 17,909 |
| | **2,379,133** | 2,179,457 |

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

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* |
| | | (Restated) |
| — RMB | **1,254,531** | 1,059,402 |
| — US$ | **1,124,602** | 1,120,055 |
| | **2,379,133** | 2,179,457 |

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

| | At 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | | (Restated) |
| Borrowings denominated in RMB | **4.7398%** | 4.3058% |
| Borrowings denominated in US$ | **3.5327%** | 4.6609% |

**Treasury Management**

The Group had cash and cash equivalents as at 31 December 2011 and 31 December 2010 amounting to approximately RMB2,494,175,000 and approximately RMB2,747,102,000 respectively. The cash flow is relatively sufficient.

**Interest Rate Risk Management**

Jin Jiang International Finance Company Limited ("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 Company 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, and hence, reducing the Group's interest expenses on external bank borrowings.

During the Reporting Period, the Group was not subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Group will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

**Available-for-sale Financial Assets**

Available-for-sale financial assets held by the Group included 19,723,274 A shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), as well as 130,796,701 A shares in Changjiang Securities Company Limited (Stock code: 000783.SZ), 53,173,976 A shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH), 20,361,307 shares in YuYuan Trade Mart (600655.SH) and 19,952,662 shares in Pudong Development Bank Co., Ltd (600000.SH) held by the Group's subsidiaries.

**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 "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 middle and senior management with high development and nurturing potential. In 2011, the Management College expanded its enrollment for students and further reinforced the teaching environment and atmosphere with the admission of 290 students, of which 78 were international students.

During the Reporting Period, the Management College was approved by the Human Resources and Social Security Bureau in Shanghai as the base for nurturing high-caliber talents for Jin Jiang International, thereby securing the supply of more high-caliber talents for the Group. In 2011, 26 training sessions for various positions and skills were provided, with almost 1,300 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, the training scheme entered among the Company, Interstate Hotels & Resorts, Inc. ("IHR", together with its subsidiaries referred to as the "IHR Group") and Thayer Lodging Group, Inc. ("Thayer", together with its subsidiaries referred to as the "Thayer Group") for the training of 100 hotel management talents for the Group with a term of three years has been making steady progress. The first group of 25 management personnel has completed the six-month training in the United States, and gradually assumed important positions. As at the date of this announcement, the domestic selection and training procedures for the second group of 25 trainees have been completed, who have already arrived the United States for training.

As at 31 December 2011, the Group had approximately 31,097 employees, which was about 0.3% more as compared to last year. In 2011, employee benefit expense increased by approximately RMB281,039,000 or 12.7% as compared to that of 2010. The remuneration package for existing employees comprises of basic salary, discretionary bonus and social security contributions. No share options scheme has been established.

**Social Responsibility**

During the Reporting Period, the Group took an active role and acted in co-operation with the National Tourism Bureau, and implemented pilot scheme on the standardisation of tourism industry. The Group applied for the qualification of model pilot units of standardised high Star-rated hotel and Budget Hotel under the National Tourism System for Shanghai Jin Jiang Hotel and Huamu Inn of Jin Jiang Inn, and has successfully passed the final review on 15 December 2011 with good reception. Through the pilot scheme, the Group has preliminarily established a set of relatively comprehensive standardisation system and initiated a sustained optimisation cycle in terms of training, implementation and improvement, thereby improving the hotels' standard of service and management, and ultimately the overall operational efficiency. Under such foundation, the Group would move further to commence the standardisation and promotion by duplicating the achievements of pilot scheme in Shanghai Jin Jiang Hotel to 4 Star-rated hotels, namely New Jin Jiang Hotel, Huating Hotel, Jian Guo Hotel and Rainbow Hotel, while the achievements of pilot standardisation of Huamu Inn of Jin Jiang Inn would be applied in 6 inns within Xuhui District. Such measure would expand the achievements gained from one point to others, and thus amplifying the benefits.

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 and the supplementary commercial medical insurance coverage for retired personnel for our staff. In addition, the Group also timely provides funding assistance for those employees in need. During the year, over 2,500 employees received such assistance, and an aggregate of over RMB1.38 million has been utilized. In particular, funds were provided for the treatment of serious diseases for 16 employees, and an aggregate of almost RMB0.2 million has been utilized.

**Energy Conservation**

During the Reporting Period, the Group continued to promote modification projects in relation to its new energy conservation technology system, completing system modification in Kunming Jin Jiang Hotel and New Asia Hotel involving primarily air source and residual heat-recovery, and the effect of energy conservation was remarkable. The Group co-operated with relevant government authorities on the assessment of the energy conservation features of Galaxy Hotel and Rainbow Hotel, and has completed the construction of the segment measurement system on energy consumption, which has achieved satisfactory results. An aggregate of approximately RMB6 million in energy conservation incentives were received from the government, providing funds for the subsequent energy conservation modifications for both hotels. The Group has completed the natural gas boiler project of Galaxy Hotel and Rainbow Hotel by the way of Energy Management Contract (EMC), and has achieved excellent social and economical benefits.

**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.

The Group remains very optimistic about its future development. 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, utilise the benefit of restructuring, integrate hotel, vehicle and logistics and travel agency industry chain to enhance the value of the Company. At the same time, we will facilitate the transformation of the Company's operation model and system as well as optimise the market-oriented remuneration system and risk incentive restraint mechanisms. Furthermore, we will facilitate the utilisation of Company's assets with a view of enhancing their value. The Group will also make continuous enhancement and optimisation of measures on lowering cost and increasing revenue, as well as explore the marketing network via various channels, while striving to control and optimise the business structure and staff cost.

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.

The Group is committed to bring 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, improve its management standards and core competitiveness, and increase its brand influence in the international hotel market via the strategy of "going out" and "introducing in". We will endeavour to speed up the business development of Interstate (China) Hotels & Resorts Co., Ltd. ("IHR China"), and thereby reaslising a new breakthrough for the third party hotel management business.

The Group will continue to optimise the functional construction of hotel management center, budget hotel operation center, automobile service center, tourist center, food and beverage management center and hotel asset management center, and keep on strengthening its six major areas, namely the information, finance, procurement, marketing, human resources and management systems. Innovations will be furthered business models, hotel networks, asset allocation, systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in areas of brand building, networking, human resources and management systems, so that it will develop into a leader in the hotel and tourism industry in the PRC with international competitiveness.

## DIVIDENDS

On 28 March 2012, the Board proposed to declare a final dividend of RMB4.0 cents (inclusive of tax) per share for the year ended 31 December 2011.

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.

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders.

The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2011 annual general meeting to be issued by the Company in due course.

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 2011.

## 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 2011, 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 Mr. Chen Hao (chairman), an executive director, and Mr. Ji Gang and Mr. Yang Menghua, two independent non-executive directors. In compliance with Rule 3.25 of the Listing Rules which will come into effect on 1 April 2012, Mr. Ji Gang, an independent non-executive director of the Company, has been appointed as the chairman of the remuneration committee of the Company to replace Mr. Chen Hao, an executive director, with effect from 28 March 2012.

## NOMINATION COMMITTEE

In compliance with code provision A.5.1 of the Code of Corporate Governance as set out in Appendix 14 to the Listing Rules which will come into effect on 1 April 2012, the Board has established the nomination committee on 28 March 2012. The nomination committee of the Company comprises Mr. Yu Minliang (chairman), being the chairman of the Board and an executive director, and Mr. Xia Dawei and Dr. Rui Mingjie, two independent non-executive directors. The major duties of the nomination committee include: (1) review the structure, number of members and composition (including the skills, knowledge and experience) of the Board at least annually, and make suggestions on any proposed changes of the Board in accordance with the corporate strategies of the Company; (2) identify candidates with appropriate qualifications to act as directors, and select and nominate such candidates to act as directors or make recommendations to the Board in this regard; (3) evaluate the independence of independent non-executive directors; and (4) make suggestions to the Board on the appointment or re-appointment of directors and the succession plan of directors (in particular, the chairman and chief executive officer).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities.

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

Shanghai, the People's Republic of China, 28 March 2012

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

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