




Jin Jiang Hotels

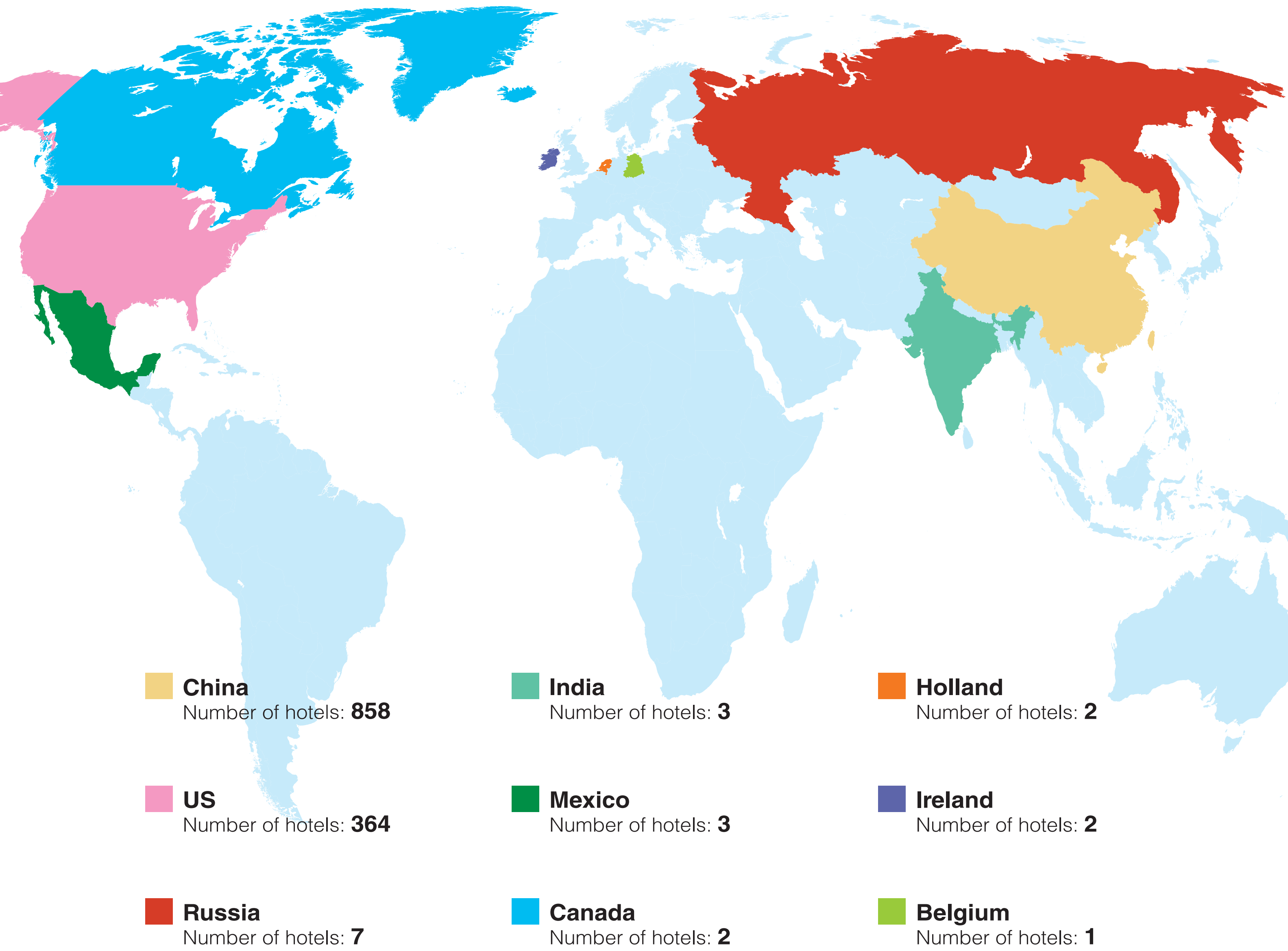
Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006

ANNUAL REPORT 2011

Global Hotel Deployment



Note: Inclusive of hotels managed and owned by IHR Group.

Contents

CORPORATE INFORMATION

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

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

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

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

AUTHORISED REPRESENTATIVES
Mr. Yang Weimin
Mr. Kang Ming

JOINT COMPANY SECRETARIES
Mr. Kang Ming
Ms. Ma Sau Kuen Gloria

QUALIFIED ACCOUNTANT
Dr. Ai Gengyun

NOMINATION COMMITTEE
Mr. Yu Minliang *(Chairman)*
Mr. Xia Dawei
Dr. Rui Mingjie

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

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

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

INTERNATIONAL AUDITOR
PricewaterhouseCoopers

PRC AUDITOR
PricewaterhouseCoopers Zhong Tian
CPAs Limited Company

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

As to PRC law:
King and Wood

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

ENGLISH NAME OF THE COMPANY
Shanghai Jin Jiang International Hotels
(Group) Company Limited

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

INVESTOR AND MEDIA RELATIONS CONSULTANT
iPR Ogilvy Limited

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

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

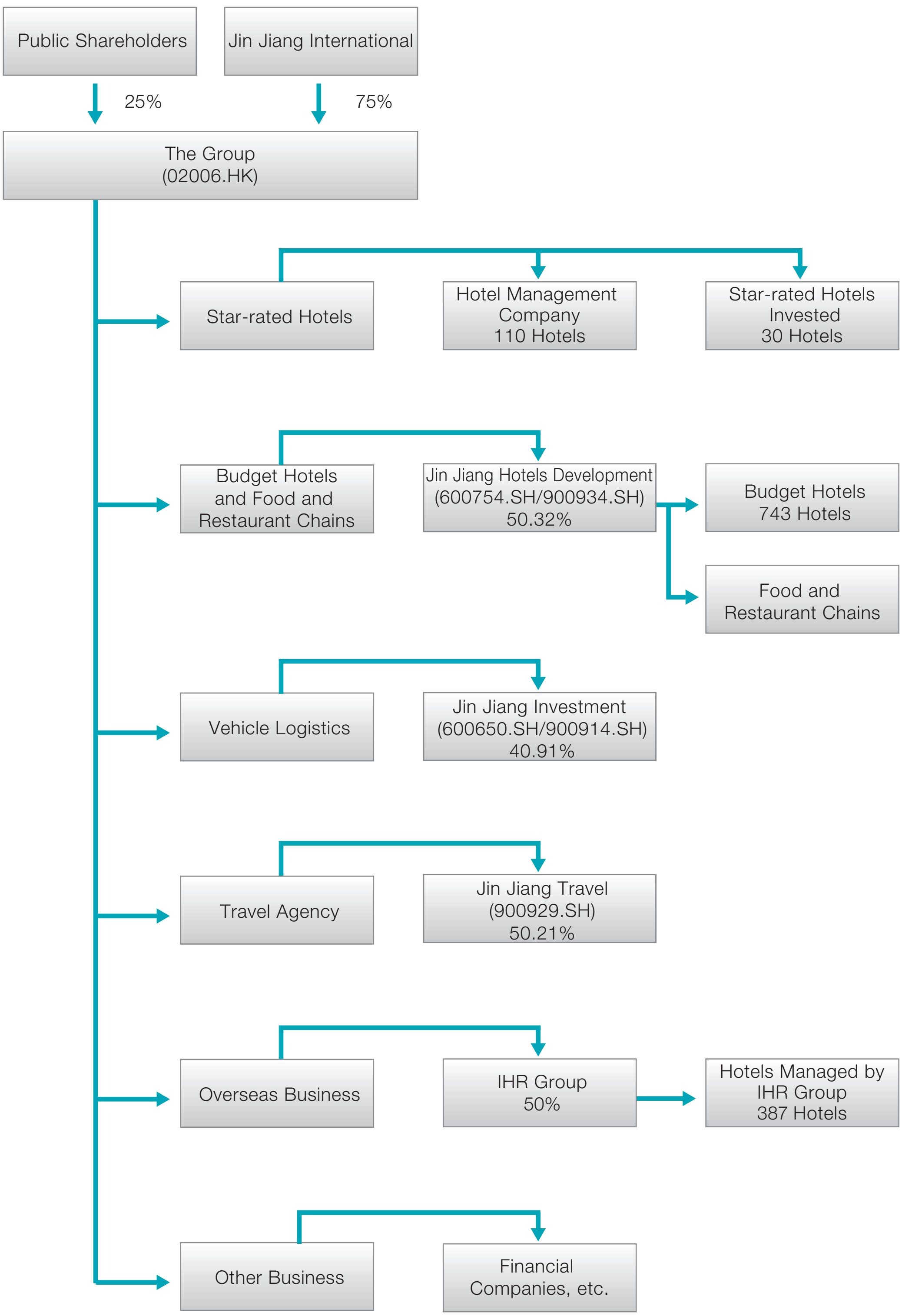
PRINCIPAL PLACES OF BUSINESS IN THE PRC
26/F., Union Building
No. 100 Yan'an East Road
Shanghai, the PRC (Puxi)

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

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

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

CORPORATE STRUCTURE



INFORMATION ON HOTELS OF THE GROUP

1 — STATISTICS OF ALL HOTELS (Within China)

All hotels (As at 31 December 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Luxury Hotels										
— 5-star hotels	6	3,120	2	938	49	15,711			57	19,769
— 4-star hotels	11	4,124	2	932	34	7,948			47	13,004
Sub-total	17	7,244	4	1,870	83	23,659			104	32,773
Commercial Hotels	9	1,947			2	317			11	2,264
Total number of Star-rated Hotels	26	9,191	4	1,870	85	23,976			115	35,037
Budget Hotels	207	28,573					536	60,385	743	88,958
Total	233	37,764	4	1,870	85	23,976	536	60,385	858	123,995

INFORMATION ON HOTELS OF THE GROUP

2 — STATISTICS OF HOTELS IN OPERATION (Within China)

In operation (As at 31 December 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels in operation	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Luxury Hotels										
– 5-star hotels	6	3,120	2	938	24	8,217			32	12,275
– 4-star hotels	11	4,124	2	932	28	6,691			41	11,747
Sub-total	17	7,244	4	1,870	52	14,908			73	24,022
Commercial Hotels	9	1,947			2	317			11	2,264
Total number of Star-rated Hotels	26	9,191	4	1,870	54	15,225			84	26,286
Budget Hotels	172	24,844					382	44,071	554	68,915
Total	198	34,035	4	1,870	54	15,225	382	44,071	638	95,201

INFORMATION ON HOTELS OF THE GROUP

3 — STATISTICS OF HOTELS UNDER DEVELOPMENT (Within China)

Under development (As at 31 December 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels under development	
	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Hotel Category										
Luxury Hotels										
– 5-star hotels					**25**	**7,494**			**25**	**7,494**
– 4-star hotels					**6**	**1,257**			**6**	**1,257**
Sub-total					**31**	**8,751**			**31**	**8,751**
Commercial Hotels										
Total number of Star-rated Hotels					**31**	**8,751**			**31**	**8,751**
Budget Hotels	**35**	**3,729**					**154**	**16,314**	**189**	**20,043**
Total	**35**	**3,729**			**31**	**8,751**	**154**	**16,314**	**220**	**28,794**

INFORMATION ON HOTELS OF THE GROUP

4 — STATISTICS OF REGIONAL DISTRIBUTION (Within China)

Province / autonomous region / municipality		In operation				Under development			
		Star-rated hotels		Budget hotels		Star-rated hotels		Budget hotels	
		Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms	Number of hotels	Total number of Rooms
Eastern region	Shanghai	29	10,127	80	10,275	1	268	21	2,445
	Zhejiang	3	853	38	4,532	1	285	17	1,705
	Jiangsu	8	2,300	105	12,302	6	1,573	25	2,647
	Anhui	2	396	14	1,597			3	257
	Shandong	3	880	56	6,089	4	1,620	20	2,008
Northern region	Beijing	12	3,619	36	4,817	2	488	11	1,177
	Tianjin			11	1,536			5	471
	Hebei	3	591	14	1,548			11	1,155
	Liaoning	3	925	17	2,497			12	1,176
	Jilin			7	934			5	516
	Heilongjiang	1	174	7	855	2	822	1	90
Central region	Henan	3	909	22	2,918	2	590	7	677
	Hubei	2	777	18	2,501			4	435
	Hunan	1	300	8	1,152	1	280	0	0
	Jiangxi	3	735	10	1,270			2	188
	Guangxi			2	387			0	0
Southern region	Fujian	1	320	16	1,843	1	300	7	838
	Guangdong	1	350	19	2,359			5	638
	Hainan	2	543	1	281			0	0
Northwestern region	Shanxi			26	3,334	1	115	4	412
	Shaanxi	1	216	14	1,774	2	662	9	1,142
	Gansu	1	236	3	347			2	161
	Qinghai			3	269			2	171
	Xinjiang			2	213	1	280	2	245
	Inner Mongolia	1	900	7	964	4	1,057	6	757
	Ningxia			2	260			1	105
Southwestern region	Chongqing	1	315	2	257			0	0
	Sichuan	1	250	7	1,072	2	190	4	412
	Guizhou	1	250	4	413			0	0
	Yunnan	1	320	2	250	1	221	3	215
	Tibet			1	69			0	0
Total		84	26,286	554	68,915	31	8,751	189	20,043

INFORMATION ON HOTELS OF THE GROUP

5 — STATISTICS OF HOTELS OWNED AND MANAGED BY IHR GROUP AS AT 31 DECEMBER 2011

	Number of hotels	Total number of Rooms
USA, Canada and Mexico	369	65,292
Russia	7	2,031
Europe	5	712
India	3	454
China	3	1,630
Total	387	70,119

INFORMATION ON HOTELS OF THE GROUP

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

Name of hotel	Effective interests held by the Company	Number of Rooms
5-star hotels		
Shanghai Jin Jiang Hotel	100.00%	442
Shanghai Peace Hotel	100.00%	270
Shanghai Jin Jiang Tower	100.00%	582
Shanghai Huating Hotel & Towers	50.00%	773
Shanghai Jin Jiang Tomson Hotel	50.00%	398
Shanghai Renaissance Yangtze Hotel	40.00%	540
Beijing Kunlun Hotel	47.50%	646
Wuhan Jin Jiang International Hotel	100.00%	407
4-star hotels		
Shanghai Park Hotel	100.00%	261
Shanghai Jian Guo Hotel	65.00%	455
Shanghai Galaxy Hotel	100.00%	666
Shanghai Rainbow Hotel	100.00%	640
Shanghai Cypress Hotel	100.00%	149
Shanghai Hotel	100.00%	527
Shanghai Jing An Hotel	100.00%	228
Shanghai Sofitel Hotel	66.67%	401
Holiday Inn Downtown Shanghai	100.00%	531
Wuxi Jin Jiang Grand Hotel	25.00%	353
Kunming Jin Jiang Hotel	100.00%	320
West Capital International Hotel	100.00%	216
Jiangsu Nanjing Hotel	40.00%	309
Commercial hotels		
Shanghai Pacific Hotel	100.00%	189
Shanghai New Asia Hotel	100.00%	327
Shanghai Metropole Hotel	100.00%	140
Shanghai Marvel Hotel	100.00%	142
Shanghai New Garden Hotel	57.00%	310
Shanghai Jinsha Hotel	100.00%	294
Shanghai Magnolia Hotel	100.00%	329
Shanghai Hua Ting Guest House	100.00%	190

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

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2011

China Securities Golden Bauhinia Award 2011

- **PRC Listed Company with the Most Influential Brand Overseas**

4th TTG China Travel Awards

- **Best Local Chain Hotel Group in Greater China Market**

2011 Annual Conference of the PRC Hotel Industry

- **PRC Hotel Golden Horse Award — Most Popular PRC Hotel Group 2010–2011**
  — Top 10 PRC Hotel Brand 2010–2011

The 6th Annual Starlight Award for PRC Hotel

- **Best PRC Hotel Management Group**

3rd Continental Diamond Awards of World Hotel Association

- **Hotel Group with the Most Development Value**

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Acquired Companies"	Shanghai Jin Jiang International Hotels Development Company Limited New Asia Hotel, Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel, Shanghai Jin Jiang International Management College, Jin Jiang International Hotel Management Company Limited, Sofitel Hyland Shanghai Company Limited, Shanghai Jian Guo Hotel Company Limited, Shanghai Jin Jiang Tomson Hotel Company Limited, Wuhan Jin Jiang International Hotel Co., Ltd., Thayer Jin Jiang Interactive Company Limited, Shanghai Yangtze Hotel Company Limited and Wenzhou Dynasty Hotel Company Limited
"Acquired Interests"	all assets and liabilities of the branch New Asia Hotel, all assets and liabilities of Shanghai Jin Jiang International Hotels Development Company Limited Metropole Hotel, 100% equity interest in Shanghai Jin Jiang International Management College, 99% equity interest in Jin Jiang International Hotel Management Company Limited, 66.67% equity interest in Sofitel Hyland Shanghai Company Limited, 65% equity interest in Shanghai Jian Guo Hotel Company Limited, 50% equity interest in Shanghai Jin Jiang Tomson Hotel Company Limited, 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer Jin Jiang Interactive Company Limited, 40% equity interest in Shanghai Yangtze Hotel Company Limited and 15% equity interest in Wenzhou Dynasty Hotel Company Limited held or owned by Shanghai Jin Jiang Hotels Development
"ADR"	room revenue divided by rooms in use
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of directors of the Company
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"Disposed Companies"	Jin Jiang Inn, Hotel Investment and Shanghai Jin Jiang Da Hua Hotel Co., Ltd.
"Disposed Interests"	the 71.225% equity interest in Jin Jiang Inn, the 80% equity interest in Hotel Investment and the 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. held by the Company
"Franchisee(s)"	third parties who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademarks
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"HAC"	Hotel Acquisition Company, LLC
"Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, jointly controlled entities or subsidiaries of the Company
"IHR"	Interstate Hotels & Resorts, Inc.
"IHR China"	Interstate (China) Hotels & Resorts Co., Ltd.
"IHR Group"	IHR and its subsidiaries

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

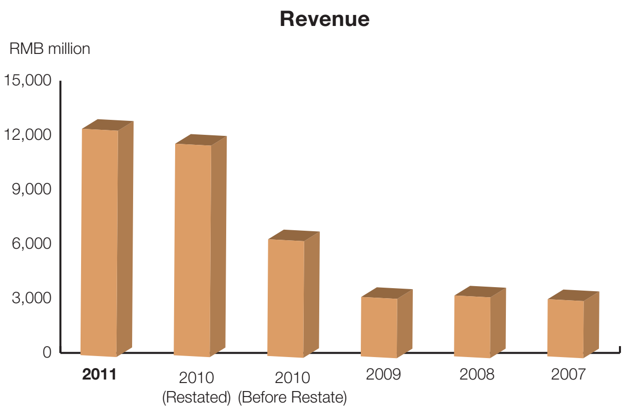
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang Inn Budget Hotels"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Inn, or which are owned by third parties to which Jin Jiang Inn has granted a franchise, most of which are operating under the trademarks of 锦江之星 and Ji INN
"Jin Jiang International"	Jin Jiang International Holdings Company Limited, the parent and ultimate holding company
"Jin Jiang International Finance"	Jin Jiang International Finance Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Travel"	Shanghai Jinjiang International Travel Co., Ltd.
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group (excluding Shanghai Jin Jiang Hotel, Peace Hotel and Park Hotel which are categorised as Landmark Hotels)
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the saleable inventory for a period longer than six months
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"Reporting Period"	the period from 1 January 2011 to 31 December 2011
"RevPAR"	room revenue per Available Room
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Star-Rating Standard Manual"	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Thayer Group"	Thayer Lodging Group, Inc.
"Total Number of Rooms"	number of available rooms per hotel

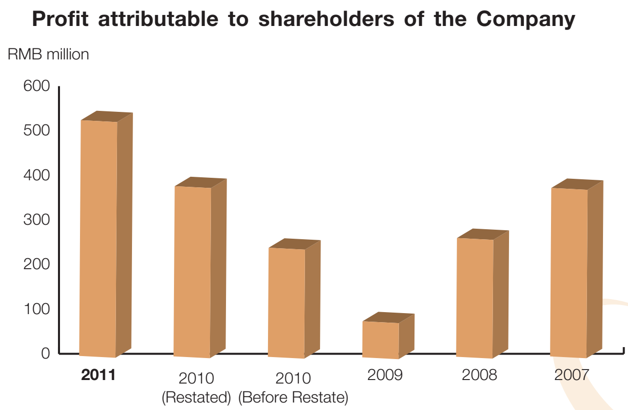
FINANCIAL HIGHLIGHTS

	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, items in 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.





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
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..

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board the annual report of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company" or "Jin Jiang Hotel") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

In 2011, global economy weakened under the influence of factors such as the European debt crisis, while pressure was felt by the consumption and demand of developed countries. With the slowdown in the growth of international tourist sources, domestic hotel sector experienced pressure from both an oversupply of rooms after the World Expo and an increase in operating costs. Nevertheless, the Group took initiatives to overcome various adverse impacts through continuous optimisation of its hotel network across China and steady facilitation of resource integration, to continuously enhance the operating capacity of the hotels, enhance the operation of multi-brand business model, construct hotel, transportation and tourism industry chains to realize a steady growth in the annual result. The Group's revenue amounted to approximately RMB12.65 billion during the year, representing an increase of 7% as compared with last year, while profit attributable to equity owners of the Company increased by 38.4% as compared with the same period last year to approximately RMB540 million. To thank our shareholders for their long term support, the Board has recommended a final dividend of RMB4.0 cents per share (2010: RMB2.2 cents).

CONTINUOUS EXTENSION OF HOTEL NETWORK DEPLOYMENT

During the year under review, as the leading hotel operator and manager in China, the Group continued to maintain steady expansion on its network, and its domestic and overseas hotel deployment was further extended. The Group has a total of 858 hotels within China, offering over 120,000 rooms, of which, there are a total of 115 Star-rated hotels and 743 budget hotels; while there are around 400 hotels overseas, offering over 70,000 rooms. The Group currently ranks twelfth among 300 hotel groups worldwide.

SIGNIFICANT EFFECTS OF INTERNATIONAL ACQUISITION AND INTEGRATION

Following the joint acquisition of IHR Group with Thayer Lodging Group, an USA-based company in 2010, acquisitions of Summit, Alliance, Vincent and Noble have also been gradually completed by IHR Group during the year. Hence, the total number of managed projects has increased from 242 last year to almost 400, and the debt restructuring plan was smoothly implemented. Currently, IHR has achieved smooth transition of management team, and steady growth in scale and efficiency.

FURTHER MARKETISATION AND INTERNATIONALISATION OF HOTEL OPERATION

During the year, the Group has further optimised the construction of centralised systems, such as the central reservation system, central procurement platform and human resources management system, and further strengthened the teams of Jin Jiang Hotel Management Company by recruiting international and market-oriented professionals and managers. Meanwhile, the Group also entered into a partnership arrangement with the SolMelia hotel group in Spain, under which, each party selects 6 member hotels to commence co-operation in terms of room reservation, while personnels of each party are also sent to the other for training.

"Jin Jiang Inn", the budget hotel brand, continued to maintain its leading market position, and has successfully entered into overseas markets such as France and Philippine via brand franchise and co-operation.

STEADY IMPLEMENTATION OF MULTI-BRAND STRATEGY

The Group has steadily implemented multi-brand development strategy. On the basis of its existing Star-rated hotel brand "Jin Jiang Hotel", budget hotel brands "Jin Jiang Inn", "Bestay", "Magnolia" and "Jinguang Inn" as well as business hotel brand "Marvel", the building up of the high-end brand "J Hotel" has made progress as scheduled, and plans regarding target customers, brand positioning and design of core logo were also confirmed.

CHAIRMAN'S STATEMENT

EFFECTIVE INTEGRATION BETWEEN HOTEL AND TOURISM INDUSTRY CHAINS

During the year, the Group leveraged on its e-commerce platform, website, www.jinjiang.com, to promote the connection and synergy effect among its businesses. At the same time, the Group also took a step forward in integrating all of its resources, including hotel, tourism, car rental and air ticket booking. Such move has fostered the interaction among customers, systems and products by e-commerce platform.

CO-EXISTENCE OF OPPORTUNITIES AND CHALLENGES IN THE FUTURE

Looking forward, although the global economy would still be clouded for a certain period under the international financial crisis, the growth in demand for domestic tourism will be sustained by the surge in household income as well as the acceleration of urbanization. It is anticipated that China would become the most popular travel destination in the world in the future. With tourism designated as the strategic and core industry and the establishment of international renowned tourism city in Shanghai, tourism enterprises in China and Shanghai would benefit from such favourable policies and opportunities. The World Expo has further enhanced the status of Shanghai as an international metropolis, and fostered the construction of the city as an international economic, financial, shipment and trading center, which is anticipated to bring with it growth in the number relevant business customer bases.

Leveraging on its leading position and competitive edge in the hotel industry in China, the Group will steadily expand the scale of its hotel business, and strive to enhance the value of IHR Group and its pace of internationalisation, while facilitating the development of IHR China. The operating capability and international influence of "Jin Jiang' brand will also be enhanced, and we will equip ourselves with a stronger international and market-oriented team. Meanwhile, the Group will foster the establishment of hotel, passenger logistics and tourism industry chains as well as make adjustment on operation structure and the transformation of their mechanisms and systems with an aim to create an innovative travel experience and enhance its core competitiveness under the integration of industry resources via e-commerce platform. Our target is to promote the growth of the Group in the comprehensive tourism industry with domestically leading status, international competitiveness and focus on hotel sector.

Lastly, I would like to take this opportunity to express sincere gratitude to all of our employees, who continued to make invaluable contributions to the Group in 2011. Because of their enthusiastic and wholehearted devotion, "Jin Jiang" remains as a famous hotel group enjoying good reputation nation-wide. I would also like to take this opportunity to thank all shareholders, investors and the public for their enduring and vigorous support to the Group. We are prepared to work together with the shareholders to enhance the value of the Company and create a bright future.

Yu Minliang
Chairman

Shanghai, China
28 March 2012

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 54, chairman of the Board and executive director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been the general manager of Shanghai Yangtze Hotel Company Limited, general manager of Jin Jiang Hotels Development, general manager of Shanghai New Asia (Group) Company, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the board's executive committee of Jin Jiang International since joining the Group in 1984. Apart from serving as secretary of the Party and chairman of Jin Jiang International, Mr. Yu is currently the chairman of Jin Jiang Hotels Development and chairman of the Shanghai Yangtze Hotel Company Limited.

Ms. Chen Wenjun (陳文君), aged 56, executive director. Ms. Chen is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. She has been the deputy general manager of Jin Jiang Hotel Company Limited, vice president, director and assistant to the president of Jin Jiang (Group) Company Limited, director of Jin Jiang Hotels Development and director of Jin Jiang Investment since joining the Group in 1981. She has also been director and financial controller of Jin Jiang International. Apart from being the senior vice president of Jin Jiang International, Ms. Chen is now the chairman of Jin Jiang Hotel Company Limited, Jin Jiang International Finance and Shanghai Hotel Company Limited.

Mr. Yang Weimin (楊衛民), aged 57, executive director, authorised representative and chief executive officer ("CEO") of the Company. Mr. Yang is a senior economist with a master's degree in law from the East China University of Science & Technology. He has extensive experience in hotel management, and has worked as the deputy manager and principal of the training division of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Tower of the Company, vice president of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Hotel Management Company Limited, vice president of Jin Jiang International, CEO and vice chairman of Jin Jiang Hotels Development since joining the Group in 1989. He is currently the vice-chairman of Jin Jiang Hotels Development, chairman of Shanghai Jin Jiang International Catering Investment Co., Ltd., chairman of Shanghai Jin Jiang Tomson Hotel Company Limited ("Jin Jiang Tomson"), Shanghai Jian Guo Hotel Company Limited ("Jian Guo Hotel") and Yunnan Jin Jiang International Management Company Limited, executive director of Jin Jiang Hotel Management, chairman of IHR Group, joint chairman of IHR China and vice chairman of Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd.

Mr. Chen Hao (陳灝), aged 62, executive director. Mr. Chen is a senior economist and an engineer with a bachelor's degree in industrial automation from Shanghai Polytechnic University. He has many years of experience in hotel management, having been engineering director of Shanghai New Asia Tomson Hotel, general manager of Shanghai Tian Cheng Hotel, executive manager, acting general manager of Jin Jiang Hotels Development, assistant to the president of Jin Jiang International and director and executive president of Jin Jiang Hotels Development since joining the Group in 1985. He is currently a director of Jin Jiang Hotels Development, vice chairman of Wenzhou Dynasty Hotel Company Limited, chairman of Wuhan Jin Jiang International Hotel Company Limited ("Wuhan Jin Jiang International"), vice chairman of Shanghai Jin Jiang International Catering Investment Co., Ltd., director of Jin Jiang Tomson Hotel and Shanghai Jian Guo Hotel, chairman of Sofitel Hyland Shanghai Co., Ltd., chairman of Shanghai Jin Jiang International Hotels Group (HK) Company Limited and director of IHR Group.

Mr. Han Min (韓敏), aged 54, executive director and vice president. He holds a master's degree in international law from Fudan University. He has been a manager of the investment development division of Jin Jiang (Group) Company Limited, manager of the merger division of Jin Jiang International and director of Shanghai Jin Jiang International Travel Company Limited since joining the Group in 2005. Mr. Han is currently a director of IHR Group and chairman of Kunming Jin Jiang Hotel Company Limited.

Mr. Kang Ming (康鳴), aged 40, executive director and authorised representative. Mr. Kang is a senior accountant, holding a master's degree in Economics from the Shanghai University of Finance and Economics. Mr. Kang has gained experience in listed companies concerning information disclosure, corporate governance, capital operation and investor relationship in the past 17 years since joining the Group in 1994. He was previously the board secretary of Jin Jiang Hotels Development, the A Shares and B Shares of which are listed on the Shanghai Stock Exchange, and has been awarded with "Nomination of Excellent Secretary" by the Association of Board Secretaries of Shanghai Listed Companies. He is also a joint company secretary of the Company (the "Joint Company Secretary"), the board secretary of the Company and the chief secretary (vice president) of the executive committee of the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Shen Maoxing (沈懋興), aged 61, vice-chairman of the Board and a non-executive director. Mr. Shen holds a master's degree of business administration from Macau University of Science and Technology. He has extensive experience in hotel management, and has been the vice president of Huating Group, general manager and chairman of Jin Jiang Hotel Management Company Limited, president of Jin Jiang (Group) Company Limited and vice chairman, chief operation officer and executive president of Jin Jiang International since joining the Group in 1995. Currently, apart from being the vice secretary of the Party, the vice chairman and president of Jin Jiang International, as well as the chairman of Jin Jiang Investment, he is currently a vice chairman of Jin Jiang Hotels Development, Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang") and Jin Jiang International Group (HK) Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 54, independent non-executive director, is a senior economist with a master's degree in economics. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, general manager of Shanghai Zhongya Hotel; general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee; and director of Zhabei District Economic Committee. Mr. Ji is currently the vice-chairman and president of Shanghai Industrial Development Company Limited.

Mr. Xia Dawei (夏大慰), aged 59, independent non-executive director, is a professor and an instructor for doctoral candidates. Mr. Xia is currently the principal of Shanghai National Accounting Institute, vice president of Chinese Industrial Economic Association, member of the Corporate Internal Control Standards Committee under the Ministry of Finance of PRC, honorary professor of the School of Management of Fudan University and a member of the Expert Committee for Listed Companies of Shanghai Stock Exchange.

Mr. Sun Dajian (孫大建), aged 57, independent non-executive director, is a senior accountant and PRC certified public accountant with a bachelor's degree in accounting from Shanghai University of Finance and Economics. He has worked as auditor in Hong Kong local accountants firm for one year. Mr. Sun has also gained ample accounting experience as manager of Dahua Accountants Firm and manager of Pricewaterhouse Da Hua. He is now the financial controller of Shanghai Yaohua Pilkington Glass Company Limited, a listed company in the PRC, with primary responsibilities to oversee the internal control and accounting policies of the Company as well as its annual audit. The directors have evaluated Mr. Sun's education, qualification and experience and are satisfied that he has the necessary training and experience to satisfy the requirements of Rule 3.10(2) of the Listing Rules. In addition, Mr. Sun also currently acts as the independent director of Zhejang Wanfeng Auto Wheel Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Rui Mingjie (芮明杰), aged 57, independent non-executive director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently member of the academic standards committee, member of the degree committee, chairman of the degree committee of the School of Management, discipline leader in the national key discipline of Industrial Economics, deputy director of the Yangtze Delta Research Institute, person-in-charge of the post-doctoral mobile station in business administration and head of the Department of Industrial Economics at Fudan University. He is also the chief expert of the Innovation Base for the Social Science in Adjustment of Shanghai Industrial Structure (上海市產業結構調整社會科學創新基地), the leader of Shanghai Development Strategy Institute (上海市發展戰略研究所) and vice-chairman of the China Industrial Economic Association (中國工業經濟學會常務副理事長). He was formerly head of the Department of Business Administration of the School of Management, deputy dean of the School of Management and discipline leader in Business Administration at Fudan University, training professor for the senior management of China Enterprises Affairs Commission (中央企業工委) and State Assets Administrative Committee (國家國資委), vice-president of Shanghai Institute of Management Science and independent director of a number of listed companies.

Mr. Yang Menghua (楊孟華), aged 68, independent non-executive director, was deputy director of Shanghai Branch of Bank of Communications and director of Shanghai New Asia (Group) Company Limited (now known as "Jin Jiang Hotels Development"), the chairman of the supervisory committee of Shanghai Smart Service Co., Ltd. and the chairman of the supervisory committee of Shanghai Sandpay Enterprise Service Co., Ltd..

Dr. Tu Qiyu (屠啓宇), aged 42, independent non-executive director, is a professor at Shanghai Academy of Social Sciences and East China Normal University, specialising in International Economics and Urban Studies. Dr. Tu was formerly Fulbright Professor of Bard College, New York from 2001 to 2002 and a visiting scholar at Harvard University, Cambridge University, Fondation Nationale des Sciences Politiques and Hamburg Institute for Economic Research. He has received 4 awards for policy-making advisory from the Shanghai Municipal Government since 2003. Dr. Tu was named among the "Top Ten Young Economists of Shanghai" in 2003 by Shanghai Youths Federation and was conferred the title of "Outstanding Returning Talents from Overseas of Shanghai" in 2004. Since 2011, he has been the chief editor of "The Blue Paper of International Cities".

Mr. Shen Chengxiang (沈成相), aged 64, independent non-executive director, is a senior economist with a master's degree committed to making contributions to the PRC tourism. He is currently serving as vice president of China Tourism and Hospitality Association, chairman of Hotels Association under Hainan Tourism Industry Association and vice chairman of the China Famous Hotel Organisation. He was named among the "Top Ten Personnel in the PRC Hotel Industry 2005". Mr. Shen is the chairman and general manager of China Huandao Group Nanfang Industrial Development Company Limited and chairman of several hotel companies, including Hainan Huandao Taide Hotel Property Management Company Limited, Beijing Huandao Boya Hotel Company Limited, Hainan Yalongwan Undersea World Travel Company Limited, Hainan Huandao Undersea World Hotel Company Limited and Hainan Huandao International Travel Agency Company Limited.

Mr. Lee Chung Bo (李松坡), aged 68, independent non-executive director, has extensive experience in hotel operation and management having attended a number of training programs held by the international hotel groups and holding various posts in different hotel companies and hotels. He has been food and beverage manager of the Peninsula Group, resident manager of Shanghai Renaissance Yangtze Hotel, executive vice president of Gloria International Hotels Ltd. and vice president in New Asia Hotel Management Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Wang Xingze (王行澤), aged 56, chairman of the supervisory committee. Mr. Wang joined the Group in 2003 and he has been a deputy director of the administration office of Shanghai New Asia (Group) Company. He is currently the chairman of the supervisory committee of Jin Jiang Hotels Development.

Mr. Wang Guoxing (王國興), aged 48, supervisor, is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. He joined the Group in 1992. Mr. Wang was previously lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial controller of Shanghai New Asia (Group) Company Limited (which is the predecessor of the Company), deputy financial controller of Jin Jiang International, chief secretary (vice president) of the executive committee of the board of Jin Jiang International. He is currently the chief secretary (vice president) of the executive committee of the board of Jin Jiang International.

Mr. Ma Mingju (馬名駒), aged 51, supervisor, holds a master's degree in business administration from the Asia International Open University (Macau) and is a senior accountant. He joined the Group in 2005 and was a manager of the planning and finance division of Jin Jiang International and a director of Jin Jiang Inn. Mr. Ma is currently vice president, manager of planning and finance division and general manager of the finance business division of Jin Jiang International, director of Beijing Kunlun Hotel Company Limited and Jin Jiang International Finance.

Ms. Chen Junjin (陳君瑾), aged 51, supervisor, is an accountant with a post-secondary diploma in accounting and finance from Shanghai Tourism College. Ms. Chen joined the Group in 1981 and was previously accountant of finance department of Cypress Hotel; head of finance department of Jin Jiang (Group) Company Limited, deputy financial controller of Jin Jiang International Hotel Management Company Limited, head of finance department and the general manager of Shanghai Jin Jiang International Hotels Group (HK) Company Limited. Ms. Chen is now the head of auditing department Jin Jiang Hotels Development.

Mr. Zhou Qiquan (周啓全), aged 61, supervisor, graduated from Shanghai College of Finance & Economics (now known as Shanghai University of Finance & Economics) with a post-secondary diploma in finance & credit and is an accountant. Mr. Zhou joined the Group in 2003. He was previously the person-in-charge of the finance department of Shanghai Luwan Residential Corporation; section head, and deputy manager and manager of planning and the finance department of Shanghai Minhang United Development Company Limited.

JOINT COMPANY SECRETARIES

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

Ms. Ma Sau Kuen Gloria (馬秀絹), aged 53, Joint Company Secretary. Ms. Ma joined the Company in February 2011. Ms. Ma has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange, and setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma is a director and the head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She holds a Master degree in Business Administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

Mr. Xu Ming (許銘), aged 40, executive president of the Company. Mr. Xu joined the Group in 1992. He has a wealth of experience in hotel management. He was a vice general manager of Nanjing Hotel of Shanghai Jin Jiang International Hotels Development Company Limited, the general manager of Metropole Hotel of Shanghai Jin Jiang International Hotels Development Company Limited, the general manager of Shanghai Jian Guo Hotel, the general manager of Shanghai Rainbow Hotel and the general manager of Jin Jiang Hotel. He is currently a director of IHR (China) and a director of Shanghai Huating Hotel Co., Ltd.

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

Mr. Bernold Olaf Schroeder, aged 44, vice president of the Company. Mr. Schroeder joined the Group in 2011. He has a wealth of experience in hotel management. He was the regional controller, a vice president, a senior vice president and the managing director-hotel operations of Banyan Tree Hotels and Resorts. He is currently the chief executive officer of Jin Jiang International Hotel Management Company Limited.

Dr. Ai Gengyun (艾耕雲), aged 41, is a qualified accountant. He joined Jin Jiang Hotels Development, a subsidiary of the Company, in 1995 and has been controller of the Planning and Finance Department of the Company since April 2006. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a qualified senior accountant in the PRC with over 16 years of professional experience in financial reporting, management and internal control.

Ms. Zhang Wei (張偉), aged 44, vice president of the Company. Ms. Zhang joined the Group in 1987, and previously acted as the vice general manager of Nanjing Hotel, vice general manager of Eastern Asia Hotel, executive vice manager of Peace Hotel and general manager of Jin Jiang World Expo Apartment.

Mr. Qian Jin (錢進), aged 50, vice president and chief engineer of the Company. Mr. Qian joined the Group in 2011. He holds the bachelor degree in engineering, and has extensive experience in design and construction sectors. Mr. Qian was previously the deputy head of the Quality and Safety Department of Shanghai Jiangong Group and the director of Shanghai Jiangong Design Institute.

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

Mr. Xu Lei (徐磊), aged 40, vice president of the Company. Mr. Xu joined the Group in 2006. He holds a doctor's degree from Shanghai Jiaotong University. He has accumulated experience in investment over years. He was the manager of Investment Department of Shanghai Super Ocean Group and the general manager of Shanghai Kexun Investment Management Co., Ltd., a vice controller of Business Development Department of Shanghai Jin Jiang International Hotels Development Company Limited and a vice controller and the controller of Investment Development Department of the Company.

Mr. You Yang (由楊), aged 32, vice president of the Company. Mr. You joined the Group in 2012, and holds a master's degree in law. He was the vice director of international exchange department of Shanghai Normal University (上海師範大學), and was sent to Northridge School, California State University for study for a year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 Investment (representing approximately 38.54% of the total registered capital of Jin Jiang Investment) and 66,556,270 shares in Jin Jiang Travel (representing approximately 50.21% of the total registered capital of Jin Jiang Travel) (the "Acquisition") from Jin Jiang International 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.

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:

5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel, Renaissance Yangtze Hotel and Peace Hotel;

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

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 Magnolia 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 Magnolia 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 in operation 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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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, it was due to the market is entering into the correction phase after the World Expo. Secondly, it was 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 million	% of Turnover	RMB 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 million	% of Turnover	RMB 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

MANAGEMENT DISCUSSION AND ANALYSIS

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% from the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

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 proportionate 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 proportionate 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 an after-tax 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 proportionate 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 proportionate 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 losses during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 long-term 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 USD31,039,000, equivalent to approximately RMB195,573,000 (31 December 2010: USD100,941,000, equivalent to approximately RMB668,500,000), which were secured by assets with carrying amount of USD57,951,000, equivalent to approximately RMB365,143,000 (31 December 2010: USD169,126,000, equivalent to approximately RMB1,120,069,000).

(2) Bank borrowings of USD18,400,000, equivalent to approximately RMB115,937,000 (31 December 2010: nil) were secured by a deposit of RMB12,000,000 and bank borrowings of USD6,445,000, equivalent to approximately RMB40,610,000 (31 December 2010: USD4,025,000, equivalent to approximately RMB26,654,000), which were secured by RMB deposits with equivalent amount;

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Bank borrowings of USD16,960,000, equivalent to approximately RMB106,863,000 (31 December 2010: USD18,960,000, equivalent to approximately RMB125,566,000), which were guaranteed by Jin Jiang International;

(4) Bank borrowings of USD1,195,000, equivalent to approximately RMB7,529,000 (31 December 2010: nil), which were pledged by trade receivables of approximately USD1,328,000, equivalent to approximately 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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
		(Restated)
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
USD	**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 USD	**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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Tourist 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the training scheme entered among the Company, IHR Group and 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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, upgrading of Landmark 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 IHR China, and thereby realising 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 for 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.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting their report together with audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

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

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 22 to 39 of this report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 75 of this report. Management discussion and analysis on financial review are set out on pages 28 to 34 of this report. A financial summary of the Group for the years ended 31 December 2007, 2008, 2009, 2010 and 2011 is set out on page 13 of this report.

SHARE CAPITAL

The number of shares in each class of shares of the Company as at 31 December 2011 is set out as follows:

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

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

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

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

As at 31 December 2011, a total of approximately RMB1,091,600,000 of the issue proceeds was utilised by Jin Jiang Hotel Investment on an accumulative basis as external investment in the development of Jin Jiang Inn Budget Hotels project.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant subsidiary hotels for the refurbishment of certain Landmark Hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A Hotel. For the year ended 31 December 2011, issue proceeds applied for the refurbishment of Landmark Hotels and Luxury Hotels have already been paid.

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

DIVIDENDS

On 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.

REPORT OF THE DIRECTORS

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" and "Corporate Governance Report" 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.

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.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 200 to 204.

RESERVES

The Group had a reserve of approximately RMB1,609,255,000 as at 31 December 2011, of which RMB1,456,031,000 was retained earnings. Details of which are set out in Note 20 to the consolidated financial statements on page 152 to 156.

DISTRIBUTABLE RESERVES

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

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

As at 31 December 2011, in accordance with the PRC Accounting Standards, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB1,130,110,926, of which about RMB222,640,000 is proposed to be the final dividend for the year.

FIXED ASSETS

Details of hotels in which the Group held substantial equity interests are set out on page 9 of this report.

BORROWINGS

The details of short and long term borrowings are set out in Note 22 to the consolidated financial statements on pages 159 to 165.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2011, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the 10th day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable in case of a default in payment.

REPORT OF THE DIRECTORS

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2011, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

None of the directors, their associates or any shareholder (who to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

According to the announcements issued by the Company on 16 April 2010 and 23 December 2011 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Agreements; (2) the Leases, Long Term Leases and Master Property Leasing Agreement; and (3) Master Electronic Commerce Service Agreement for each of the three years ending 31 December 2014 calculated on an annual basis is more than 0.1% but less than 5%, the continuing connected transactions under these agreements are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement in accordance with Rule 14A.34 of the Listing Rules. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

REPORT OF THE DIRECTORS

(i) Master Agreements

Date: 20 November 2006

Parties:

(i) Jin Jiang International as provider and/or recipient (as the case may be); and

(ii) the Company as provider and/or recipient (as the case may be)

Terms: Each of the Master Agreements has a current term due to expire on 31 December 2011. Upon the expiry of such initial term, each of the Master Agreements shall automatically extend for further terms of 3 years, subject to the fulfillment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party. As at or prior to 30 September 2011 (being 3 months prior to the expiry of each of the Master Agreements), no party has given written notice to terminate any of the Master Agreements, and each of the Master Agreements shall automatically extend for three years and expire on 31 December 2014.

Nature of transactions:

(a) Master Food and Beverage Services and Provision of Food Agreement:

- (i) provision of food; (ii) food and beverage services; and (iii) other related or ancillary goods and services by Jin Jiang International Group to the Group as well as by the Group to Jin Jiang International Group.

(b) Master Hotel Supporting Services Agreement:

- (i) provision of IT services, laundry services, lift maintenance services, film development services, printing services, telecommunication and electronic products, telephone services, hotel-related goods and other hotel supporting services; and (ii) other related or ancillary goods and services by Jin Jiang International Group to the Group.

(c) Master Provision of Hotel Rooms Agreement:

- (i) provision of hotel rooms; and (ii) other related or ancillary goods and services by the Group to Jin Jiang International Group; and

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provisions of products and services as contemplated by each of the Master Agreements, therefore they do not constitute new categories of connected transactions.

Prices: Each relevant product or service must be provided in accordance with the following general pricing principles:

- stated-prescribed prices; or
- where there is no state-prescribed price, then according to relevant market prices.

Payment for goods and services under the Master Agreements is usually settled monthly or quarterly in arrears, as the case may be.

REPORT OF THE DIRECTORS

The historical amounts of the Continuing Connected Transactions under the Master Agreement for the three years ended 31 December 2011 and the relevant annual caps for each of the three years ended 31 December 2011 were as follows:

Items	Historical Figures (RMB million)			Annual Caps (RMB million)		
	For the year ended 2009	For the year ended 2010	**For the year ended 2011**	For the year ended 2009	For the year ended 2010	**For the year ended 2011**
Expenditure Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	16.5	6.7	**4.0**	33	43	**47**
2) Master Hotel Supporting Services Agreement	6.1	4.7	**3.2**	9.2	12	**13.1**
Revenue Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	2.9	3.2	**2.6**	4	5.1	**5.6**
2) Master Provision of Hotel Rooms Agreement	10.4	24.8	**13.5**	38	49	**54**

The annual caps for the Continuing Connected Transactions for the three years ending 31 December 2014 are set out in the table below:

Items	Annual Caps for the Items (RMB million)		
	For the year ending 2012	For the year ending 2013	For the year ending 2014
Expenditure Items:			
1) Master Food and Beverage Services and Provision of Food Agreement	23	23	23
2) Master Hotel Supporting Services Agreement	7	7	7
Revenue Items:			
1) Master Food and Beverage Services and Provision of Food Agreement	4	4.5	5
2) Master Provision of Hotel Rooms Agreement	27	27	27

REPORT OF THE DIRECTORS

(ii) Leases, Long Term Leases and Master Property Leasing Agreement

Leases

Dates:	30 November 2004, 20 February 2006, 16 June 2006, 25 August 2006, 21 September 2006, 22 September 2006 and 10 November 2006
Parties:	(i) certain associates of Jin Jiang International as landlord; and (ii) certain members of the Group as tenant
Properties:	11 commercial properties located in Shanghai
Terms:	Each of the Leases has automatically extended for further terms of 3 years and has a term due to expire on 31 December 2011. Upon the expiry of such term, each of the Leases shall automatically extend for further terms of 3 years with the rent to be agreed by the parties based on the then prevailing market price, subject to the fulfillment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party.
Aggregate Rental:	Approximately RMB11,040,000, RMB12,690,000 and RMB13,710,000 for the years ended 31 December 2009, 2010 and 2011, respectively, which shall be paid monthly in advance (except for two leases, which shall be paid quarterly in advance), and which is inclusive of the expected future figures of utility charges and administrative fees as disclosed in the Prospectus.

Long Term Leases

Dates:	10 June 1996 and 6 February 2006
Parties:	(i) certain associates of Jin Jiang International as landlord; and (ii) certain members of the Group as tenant
Terms:	Each of the Long Term Leases has a current term of 20 years and will expire on 30 June 2016 and 31 December 2026, as the case may be, unless the relevant member of the Group gives to the lessor at least 1 year prior written notice of termination.
Properties:	2 commercial properties located in Shanghai
Rental:	Approximately RMB10,050,000, RMB10,070,000 and RMB10,560,000 for the years ended 31 December 2009, 2010 and 2011, respectively, which shall be paid quarterly or semi-annually in advance, as the case may be, and which is inclusive of the expected future figures of utility charges and administrative fees.

REPORT OF THE DIRECTORS

The historical amount of the Continuing Connected Transactions under the Leases and Long Term Leases for the three years ended 31 December 2011 and the relevant annual caps for each of the three years ended 31 December 2011 were as follows:

	Historical figures (RMB million)			Annual caps (RMB million)		
Items	For the year ended 2009	For the year ended 2010	**For the year ended 2011**	For the year ended 2009	For the year ended 2010	**For the year ended 2011**
Leases and Long Term Leases	20.4	20.1	**20.5**	22	23	**25**

Master Property Leasing Agreement

Background: Prior to entering into the Master Property Leasing Agreement, certain members of the Group have rented several properties located in Shanghai from certain associates of Jin Jiang International pursuant to the terms of the Leases and the Long Term Leases. As it is contemplated that members of the Group and members of Jin Jiang International Group may from time to time in the future consider entering into new lease arrangements in respect of properties owned by Jin Jiang International Group, in order to systematically organise all the property leasing arrangements between the Group and Jin Jiang International Group for the purposes of Chapter 14A of the Listing Rules, on 23 December 2011, the Company and Jin Jiang International have entered into the Master Property Leasing Agreement. Details of the Master Property Leasing Agreement are set out below.

Date: 23 December 2011

Parties:
(i) Jin Jiang International; and
(ii) the Company

Terms: The Master Property Leasing Agreement will be effective for an initial term of three years until 31 December 2014, unless either party terminates the Master Property Leasing Agreement by three months' prior written notice to the other party. The term of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions: Jin Jiang International Group will lease some properties legally owned by it to the Group and provide other property leasing related services to the Group.

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provisions of services as contemplated by the Master Property Leasing Agreement, therefore they do not constitute new categories of connected transactions.

Prices: Property leasing services must be provided in accordance with the following general pricing principles:

- state-prescribed price; or
- where there is no state-prescribed price, then according to relevant market prices.

Other major terms: All existing agreements between Jin Jiang International Group and the Group in relation to the transactions (to the extent which cover the transactions after the effective date of the Master Property Leasing Agreement) will be deemed as the implementation agreements pursuant to the Master Property Leasing Agreement since the effective date of the Master Property Leasing Agreement.

REPORT OF THE DIRECTORS

The annual caps for the Continuing Connected Transactions under the Master Property Leasing Agreement for the three years ending 31 December 2014 are as follows:

	Annual caps for the items (RMB million)		
Items	For the year ending 2012	For the year ending 2013	For the year ending 2014
Maximum property leasing service fees payable by the Group under the Master Property Leasing Agreement for the relevant period	30	32	34

(iii) Master Electronic Commerce Service Agreement

Date: 23 December 2011

Parties: (i) Jin Jiang International; and

(ii) the Company

Terms: The Master Electronic Commerce Service Agreement will be effective for an initial term of three years until 31 December 2014, unless either party terminates the Master Electronic Commerce Service Agreement by three months' prior written notice to the other party. The term of the Master Electronic Commerce Service Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

Nature of transactions: Jin Jiang International Group will provide the Electronic Commerce Services to the Group.

It is envisaged that from time to time and as required, individual implementation agreements may be entered into between the Group, Jin Jiang International, its subsidiaries and/or associates, as appropriate.

As the implementation agreements are simply further elaborations on the provisions of services as contemplated by the Master Electronic Commerce Service Agreement, therefore they do not constitute new categories of connected transactions.

Prices: The Electronic Commerce Services must be provided in accordance with the following general pricing principles:

- state-prescribed price; or
- where there is no state-prescribed price, then according to relevant market prices.

The annual caps for the Continuing Connected Transactions under the Master Electronic Commerce Service Agreement for the three years ending 31 December 2014 are as follows:

	Annual caps for the items (RMB million)		
Items	For the year ending 2012	For the year ending 2013	For the year ending 2014
Maximum service fees payable by the Group under the Master Electronic Commerce Service Agreement for the relevant period	19	38	50

REPORT OF THE DIRECTORS

(iv) Loan Service Framework Agreement

Date:	16 April 2010
Parties:	(i) Jin Jiang International; and (ii) Jin Jiang International Finance
Terms:	The Loan Service Framework Agreement will be effective for an initial term of 3 years until 15 April 2013, unless either party terminates the Loan Service Framework Agreement by 3 months' prior written notice to the other party. The term of the Loan Service Framework Agreement can be extended, provided that Jin Jiang International and Jin Jiang International Finance agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with.
Nature of transaction:	Provision of loan services by Jin Jiang International Finance to Jin Jiang International.
Prices:	Jin Jiang International Finance shall provide loans to Jin Jiang International and/or its associates (excluding the Group) at interest rates not lower than the relevant rates stipulated or allowed by the People's Bank of China for the same type of loan.

The historical amounts of the Continuing Connected Transactions under the Loan Service Framework Agreement for the two years ended 31 December 2011 and the relevant annual caps for each of the two years ended 31 December 2011 were as follows:

	Historical Figures (RMB million)		Annual Caps (RMB million)	
Items	For the year ended 2010	**For the year ended 2011**	For the year ended 2010	**For the year ended 2011**
Loan service framework agreement	5.4	**0.9**	57.3	**57.3**

The relevant annual caps for the Continuing Connected Transactions under the Loan Service Framework Agreement for the year ending 31 December 2012 and four and a half months ending 15 April 2013 are as follows:

	Annual caps (RMB million)	
Items	For the year ending 2012	For the four and a half months ending 15 April 2013
Loan Service Framework Agreement	71.7	30.5

REPORT OF THE DIRECTORS

The independent non-executive directors, Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo, have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

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

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

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

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

(1) received the approval of the Board;

(2) were in accordance with the pricing policies of the Group if the transactions involve provision of services by the Group;

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

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

Other Connected Transactions

Provision of a loan to Kunlun Hotel

On 9 November 2011, Jin Jiang International Finance, a subsidiary of the Company, and Kunlun Hotel entered into the Loan Agreement, pursuant to which, Jin Jiang International Finance agreed to provide a loan in the principal amount of RMB80,000,000 to Kunlun Hotel.

The loan will be used to satisfy the working capital requirements of Kunlun Hotel, which will help the Group to fully centralise its existing cash resources and improve its capital efficiency, as well as providing interest income to the Group.

A 52.5% equity interest in Kunlun Hotel is held by Shanghai International Group, which is the controlling shareholder of SIG Investment. SIG Investment is a substantial shareholder of Sofitel Hyland and Jian Guo Hotel, which are the subsidiaries of the Company, therefore Kunlun Hotel is a connected person of the Company pursuant to the Listing Rules. As such, the transaction in relation to provision of loan by Jin Jiang International Finance to Kunlun Hotel under the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the consideration ratio for the principal amount of the loan exceeds 1% but is less than 5%, the transaction under the Loan Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the directors, supervisors and senior management as at 31 December 2011 are set out on pages 17 to 21.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND SUPERVISORS

As at 31 December 2011, none of the directors, chief executive officer or supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), which shall be deemed to apply to the supervisors to the same extent as it applies to the directors.

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2011, three directors, namely Mr. Yu Minliang, Mr. Yang Weimin and Mr. Chen Hao, held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares in Jin Jiang Hotels Development held	Nature of interests	Capacity	Percentage in total registered capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long Position	Beneficial owner	0.0024%
Yang Weimin	497,339	Long Position	Beneficial owner	0.0824%
Chen Hao	497,399	Long Position	Beneficial owner	0.0825%

Save as disclosed above, as at 31 December 2011, none of the directors, chief executive officer or supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of any of the associated corporations of the Company (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such directors, chief executive officer and supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the supervisors to the same extent as it applies to the directors).

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

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 December 2011, so far as was known to the directors, the following persons (other than a director, chief executive officer or supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (long position)	Beneficial owner	100%	75%
National Council for Social Security Fund	H shares	108,282,000 (long position)	Beneficial owner	7.78%	1.96%
Kwok Hoi Hing	H shares	69,646,000 (long position)	Beneficial owner	5.01%	1.25%

Save as disclosed above and so far as the directors are aware, as at 31 December 2011, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2011, so far as the directors are aware, each of the following persons, not being (1) a director, chief executive officer or supervisor of the Company or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

	Name of subsidiary	Name of shareholder	Percentage of shareholding
1	上海錦花旅館有限公司 (Shanghai Jinhua Hotel Co., Ltd.)	上海花木經濟發展總公司 (Shanghai Huamu Economic Development Company Limited)	20%
2	揚州錦揚旅館有限公司 (Yangzhou Jinyang Hotel Co., Ltd.)	揚州市雙橋鄉農工商總公司 (Yangzhou Shuangqiao Town NGS Co., Ltd.)	25%
3	上海錦海旅館有限公司 (Shanghai Jinhai Hotel Co., Ltd)	閔行區商業建設公司 (Minhang Commercial Construction Co., Ltd.)	30%
4	蘇州新區錦獅旅館有限公司 (Suzhou New Area Jinshi Hotel Co., Ltd.)	蘇州新區獅山農工商總公司 (Suzhou Shishan Industry & Commercial Co., Ltd.)	40%
5	南京錦繡旅館有限公司 (Nanjing Jinxu Hotel Co., Ltd.)	上海浦東新區合慶繡品服裝(集團)有限公司 (Shanghai Pudong Heqing Embroidery Clothing (Group) Co., Ltd.)	40%
6	上海新苑賓館有限公司 (Shanghai New Garden Hotel Co., Ltd)	上海鑫達實業總公司 (Shanghai Xinda Industrial Co., Ltd.)	43%
7	上海海侖賓館有限公司 (Sofitel Hyland Shanghai Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	33.33%
8	上海建國有限公司 (Shanghai Jian Guo Co., Ltd)	上海國際集團投資管理有限公司 (SIG Investment Management Co., Ltd.)	35%
9	上海錦江飯店發展有限公司 (Shanghai Jin Jiang Hotels Development Co., Ltd.)	上海錦江飯店實業有限公司 (Shanghai Jin Jiang Hotel Industries Company Limited)	10%
10	北京錦江北方物業管理有限公司 (Beijing Jin Jiang Northern Property Management Company Limited)	北京市崑崙經貿公司 (Beijing Kun Lun Economy & Trade Company Limited)	20%
11	澳大利亞新亞大包快餐(連鎖)有限公司 (New Asia Chains of Snack (Australia) PTY. Ltd.)	英華進出口有限公司 (Ying Hua Import & Expert Pty Limited)	45%
12	上海錦江同樂餐飲管理有限公司 (Shanghai Jin Jiang Tung Lok Catering Management Inc.)	新加坡同樂(中國)控股有限公司 (Tung Lok (China) Holdings Pte. Ltd.)	49%
13	上海豫錦酒店管理有限公司 (Shanghai YuJin Hotel Management Company Limited)	上海豫園(集團)有限公司 (Shanghai Yuyuan (Group) Co., Ltd.)	40%
14	上海浦東友誼汽車服務有限責任公司 (Shanghai Pudong Friendship Automobile Service Co., Ltd.)	廣茂投資發展中心 (Guangmao Investment and Development Center)	12.17%

REPORT OF THE DIRECTORS

	Name of subsidiary	Name of shareholder	Percentage of shareholding
15	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	中油上海銷售有限公司 (Shanghai ZhongYou Trading Co., Ltd.)	19%
16	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Taxi Services Co., Ltd.)	30%
17	上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automotive Sales Co., Ltd.)	上海永達(集團)股份有限公司 (Shanghai Yong Da (Group) Co., Ltd.)	20%
18	上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)	周力平 Liping Zhou	20%
19	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co.,Ltd.)	49.02%
20	上海錦江國際低溫物流發展有限公司 (Shanghai Jinjiang International Cold Logistics Development Co., Ltd.)	Mitsui & Co. (Asia Pacific) Pte. Ltd. Mitsui & Co. (Asia Pacific) Pte. Ltd.	49%
21	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
22	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	香港旋光有限公司 (Hongkong Xuanguang Co., Ltd.)	13.25%
23	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海廊下集體資產有限公司 (Shanghai Langxia assets management Co., Ltd.)	30%
24	上海華亭賓館有限公司 (Shanghai Hua Ting Hotel and Towers Company Limited.)	上海精文投資有限公司 (Shanghai Jinwin Investment Co.,Ltd.)	25%
25	上海華亭賓館有限公司 (Shanghai Hua Ting Hotel and Towers Company Limited.)	上海廣播電影電視發展有限公司 (Shanghai Media & Entertainment Holding (Group) Co.,Ltd.)	12.50%
26	上海華亭賓館有限公司 (Shanghai Hua Ting Hotel and Towers Company Limited.)	文匯新民聯合報業集團 (Wenhui Xinmin United Press Group)	12.50%
27	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
28	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%

Save as disclosed above and so far as the directors of the Company are aware, as at 31 December 2011, no other person, not being (1) a director, chief executive officer or a supervisor of the Company or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2011 or at any time during the Reporting Period, there is or was no contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the directors or the supervisors of the Company is or was materially interested, whether directly or indirectly.

As at 31 December 2011 or at any time during the Reporting Period, there was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company was a party and in which any of the directors or the supervisors of the Company has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As at 31 December 2011 or at any time during the Reporting Period, none of the directors or the supervisors of the Company is or was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

The term of the Directors of the second session of the Board and the supervisory committee shall expire on the day when the Annual General Meeting 2011 of the Company was convened. In accordance with the structure of the Group after business integration and the needs of future development, as at the date of this report, the nomination of the candidates of Directors and Supervisors for the new session of the Board and the supervisory committee is still in process. Therefore, the transition of the second session of the Board and the supervisory committee will be postponed and will be completed before 31 October 2012, and the term of the Board Committees and management of the Company will be extended correspondingly.

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

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

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

EMOLUMENT POLICY OF THE GROUP

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

REPORT OF THE DIRECTORS

The compensation of the directors, supervisors and the five highest paid individuals and information regarding pension scheme have been stated in Note 26 to the financial statements on pages 168 to 172. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 22% and 8% respectively.

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

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

As at 31 December 2011, the executive directors of the Company were Mr. Yu Minliang (chairman), Ms. Chen Wenjun, Mr. Yang Weimin (CEO), Mr. Chen Hao, Mr. Han Min and Mr. Kang Ming; the non-executive director was Mr. Shen Maoxing (vice chairman); the independent non-executive directors were Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo. Mr. Xu Zurong had resigned as an executive director and the vice president of the Company since 30 March 2011.

As at 31 December 2011, the supervisors of the Company were Mr. Wang Xingze (chairman of supervisory committee), Mr. Wang Guoxing, Mr. Ma Mingju, Ms. Chen Junjin and Mr. Zhou Qiquan. Ms. Jiang Ping passed away on 15 August 2011.

Detailed biographies of the directors and the supervisors are set out on pages 17 to 20 in this report.

PENSION SCHEMES

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

AUDIT COMMITTEE

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

The annual results have been reviewed by the audit committee. Such committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, internal controls and financial reporting, including review of the audited annual results for 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 two independent non-executive directors, Mr. Ji Gang and Mr. Yang Menghua. 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 with effect from 28 March 2012.

REPORT OF THE DIRECTORS

NOMINATION COMMITTEE

In compliance with code provision A.5.1 of the Corporate Governance Code 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, being two independent non-executive directors. The major duties of the nomination committee includes: (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 the 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).

PUBLIC FLOAT

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

NON-EXECUTIVE DIRECTOR

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

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from all independent non-executive directors, Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo, the confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. Based on their confirmation, the Company considers that all independent non-executive directors are independent.

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

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

INTERNATIONAL AUDITOR

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

By order of the Board
Yu Minliang
Chairman of the Board

28 March 2012

REPORT OF THE SUPERVISORY COMMITTEE

To the shareholders of the Company:

During the Reporting Period, in accordance with the principle of being accountable to all shareholders, all members of the supervisory committee have strictly adhered to the principles of conscientiousness and faithfully discharged their supervisory duties with prudence in accordance with the requirements set out in the Company Law of the PRC, the Articles of Association, for the purpose of facilitating a disciplined operation and sustainable development of the Company.

The supervisory committee convened two meetings during the Reporting Period. On 30 March 2011, the supervisory committee received reports on the financial conditions of the Group in 2010 and considered and approved the 2010 supervisory committee report. On 30 August 2011, the supervisory committee received reports on the financial conditions of the Group during the first half of 2011.

Having conducted reviews on the financial system, financial reporting and internal audit of the Group, the supervisory committee is of the view that information contained in the annual report and interim report of the Group are true and reliable, and that the audit opinion issued by the auditors is fair and objective.

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

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

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

CORPORATE GOVERNANCE REPORT

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such document has incorporated most of the principles and all of the code provisions of the "Code on Corporate Governance" and "Corporate Governance Report" as set out in Appendix 14 to the Listing Rules. The Company was in compliance with the code provisions set out in Appendix 14 to the Listing Rules for the financial year ended 31 December 2011.

THE BOARD

The Board currently consists of six executive Directors, one non-executive Director and eight independent non-executive Directors (at least one independent non-executive Director possesses appropriate professional qualification or possesses accounting or related financial management expertise). Biographical details of the Directors are set out on pages 17 to 19 of this report.

During the Reporting Period, the Board held seven meetings. The attendance record of each respective Director at the Board meetings held in 2011 is set out in the following table:

Directors	Attendance/number of meetings held
Mr. Yu Minliang *(chairman)*	7/7
Mr. Shen Maoxing *(vice chairman)*#	7/7
Ms. Chen Wenjun	7/7
Mr. Yang Weimin *(CEO)*	7/7
Mr. Chen Hao	7/7
Mr. Xu Zurong (resigned on 30 March 2011)	0/0
Mr. Han Min	7/7
Mr. Kang Ming	7/7
Mr. Ji Gang*[Note 1]	7/7
Mr. Xia Dawei*	7/7
Mr. Sun Dajian*	7/7
Dr. Rui Mingjie*	7/7
Mr. Yang Menghua*	7/7
Dr. Tu Qiyu*	7/7
Mr. Shen Chengxiang*[Note 2]	7/7
Mr. Lee Chung Bo*[Note 2]	7/7

non-executive Director
* independent non-executive Directors

Note 1: Mr. Ji Gang attended one of the meetings not in person but by alternative.

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

NOMINATION OF DIRECTORS AND TERM OF OFFICE

A nomination committee has been set up under the Board on 28 March 2012. A Shareholder holding 5% or more of the total voting shares of the company may propose a candidate to the general meeting as a Director in a written form. A written notice stating their intention to nominate a candidate for directorship and the nominee's consent to be nominated shall be delivered to the Company after the dispatch of the notice of general meeting at which the election of Directors will be held and not less than

CORPORATE GOVERNANCE REPORT

7 days before the general meeting, and the notice period shall not be less than 7 days. The criteria for nomination shall be based mainly on the academic qualifications, experience and other biographical details of the candidates. The independence of the candidates and their potential contributions to the Board as a whole will also be considered.

Our Directors (including the non-executive Director) shall be appointed for a term of three years from the effective date of their appointment. The term of the Directors of the second session of the Board shall expire on the day when the Annual General Meeting 2011 of the Company was convened. In accordance with the structure of the Group after business integration and the needs of future development, as at the date of this report, the nomination of the candidates of Directors for the new session of the Board is still in process. Therefore, the transition of the second session of the Board will be postponed and will be completed before 31 October 2012, and the term of the Board Committees and management of the Company will be extended correspondingly.

RESPONSIBILITIES OF THE BOARD

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

1. To be responsible to convene general meetings and report their work therein;
2. To execute the resolutions passed in general meetings;
3. To determine the Company's business plans and investment plans;
4. To prepare the Company's annual financial budget and final accounts;
5. To formulate the Company's profit appropriation plan (including annual dividend payout plan) and loss recovery plan;
6. To formulate plans to increase/reduce the registered capital and to issue the Company's debenture;
7. To formulate the Company's merger, spin-off, and dissolution plans;
8. To determine the establishment of the Company's internal management structure;
9. To engage or terminate chief executive officer, and based on nominations of the chief executive officer, engage or terminate the Company's executive president, vice president(s), finance officers, and determine their remunerations;
10. To formulate the Company's basic management system;
11. To draw up proposals to amend the Articles of Association;
12. To determine the Company's wage level, fringe benefits and incentive scheme according to the relevant requirements of the PRC;
13. To determine major business and administrative matters not specified in the Articles of Association to be resolved in the Company's general meeting(s);
14. To formulate major acquisition and disposal plans of the Company; and
15. To perform other functions as authorised by in the Articles of Association and general meeting(s) of the Company.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

2. Adjustments to the internal management systems of the Company;

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

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

SUPERVISORY COMMITTEE

By the end of 2011, the supervisory committee comprised of 5 members. The background and biographies of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management".

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

(1) Audit Committee

The Company's audit committee is a committee established by the Board. Its main responsibility is to review and supervise the Company's financial reporting procedures and internal controls and to maintain an appropriate relationship with the Company's auditors. The audit committee has adopted the terms of reference set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002.

The members of the audit committee are appointed by the Board. The audit committee of the Company comprises of three independent non-executive Directors, Mr. Xia Dawei, Mr. Yang Menghua and Mr. Sun Dajian and one of them possesses appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the audit committee is Mr. Xia Dawei and the secretary to the audit committee is Dr. Ai Gengyun.

In 2011, the audit committee held 3 meetings. The attendance record of each respective member at the Audit Committee meetings held in 2011 is set out in the following table:

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

The first meeting of the audit committee for 2011 was held on 24 March 2011, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2010 were tabled for review and discussion. The second meeting of the audit committee was held on 26 August 2011, at which the condensed unaudited financial statements and the internal audit work of the Group for the first half of 2011 were reviewed and discussed. The third audit committee meeting was held on 23 December 2011, at which the audit plans and internal control tests conducted during 2011 were reviewed and discussed. The first meeting of the audit committee for 2012 was held on 22 March 2012, at which the consolidated financial statements for 2011, internal control report and corporate governance report for 2011 of the Group were tabled for review and discussion.

(2) Remuneration Committee

The Company's remuneration committee is a committee established by the Board. Its main duties are to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and members of senior management and to draw up procedures for formulating a remuneration policy that is incentive-based and disciplined. The remuneration committee of the Company consists of one executive Director, Mr. Chen Hao, and two independent non-executive Directors, Mr. Ji Gang and Mr. Yang Menghua. Mr. Chen Hao was the chairman of the remuneration committee. 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 with the effect on 28 March 2012. Mr. Chen Hao will continue to act as a member of the remuneration committee.

CORPORATE GOVERNANCE REPORT

In 2011, the remuneration committee held one meeting. The attendance record of each respective member at the meeting held in 2011 is set out in the following table:

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

The meeting of the remuneration committee for 2011 was held on 30 March 2011, and the matters discussed included the implementation measures on the 2011 annual evaluation of executive Directors and members of senior management of the Company.

(3) Nomination Committee

In compliance with code provision A.5.1 of the Corporate Governance Code 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, Mr. Xia Dawei and Dr. Rui Mingjie, with Mr. Yu Minliang acting as its chairman. 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 on 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).

(4) Strategic Investment Committee

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

In 2011, the strategic investment committee held a meeting on 28 March 2011 and the attendance record of each respective member at the meeting held in 2011 is set out in the following table:

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the then effective Model Code as set out in Appendix 10 to the Listing Rules as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2011, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the then effective Model Code.

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The external auditors will retire on the date of convening the following annual general meeting and offer themselves for re-election at such meeting. During the Reporting Period, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS and PricewaterhouseCoopers Zhong Tian CPAs Limited Company in the PRC for consolidated financial statements of the Group prepared in accordance with PRC Accounting Standards. An aggregate remuneration of RMB5,725,500 was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for their provision of audit services on consolidated financial statements for the Company during the Reporting Period. No significant remuneration was paid to these external auditors for the provision of non-audit related services to the Group.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2011, which give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made judgments under circumstances and estimates that are reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

PricewaterhouseCoopers, the international auditor of the Company, have set out their responsibilities in the independent auditor's report as set out on page 69.

INVESTOR RELATIONS

The Company places strong emphasis on communications with shareholders and investors as well as the transparency of the Company: designated department and staff were put in place to provide reception for investors and analysts. During the Reporting Period, the Company received over 100 groups of funds managers and analysts and answered their questions on the Company. Arrangements were made for visits to various types of hotels, allowing them to have a prompt understanding of the operations and latest developments of the business of the Company. The Company conducted true, accurate, complete and timely

CORPORATE GOVERNANCE REPORT

information disclosure in strict compliance with relevant laws and regulations, the Articles of Association and the Listing Rules. Investors can access information and statutory announcements of the Company at any time by visiting its website www.jinjianghotels.com.cn. Annual reports, interim reports, circulars and announcements published since the Company's listing are available under the section "Investor Relations" on the Company's website. Promotional presentations, press conferences and one-to-one meetings with institutional investors are held after the announcement of interim and annual results.

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

INTERNAL CONTROLS, AUDIT AND RISK MANAGEMENT

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

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

To further strengthen the corporate internal control and meet the needs of corporate management, an internal control project group was established by the Company in March 2009, headed by Mr. Yang Weimin, an executive Director and the chief executive officer.

MAJOR DUTIES OF INTERNAL AUDIT

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held four meetings in 2011 to consider whether or not to exercise the relevant Rights granted to the Company by Jin Jiang International over the relevant Excluded Hotel Businesses and New Union under the Deed of Non-Competition and whether to take any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

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

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The proportion of capital injected by each of the shareholders of Eastern Jin Jiang after it became a limited liability company was confirmed. On 31 December 2010, Jin Jiang International informed the Company in writing that Shanghai International Group Co., Ltd. and Shanghai Jiushi Corporation intended to dispose of their respective 20% equity interests in Eastern Jin Jiang. On 9 January 2011, the independent non-executive Directors held an independent board committee meeting and decided not to take up such business opportunity referred by Jin Jiang International, a written confirmation regarding the same was sent to Jin Jiang International accordingly. As at the date of this report, Jin Jiang International has completed the acquisition of the 40% equity interests in Eastern Jin Jiang. Jin Jiang International currently holds 90% equity interests in Eastern Jin Jiang. Jin Jiang International is in a position to transfer its interests in Eastern Jin Jiang to the Company. It is up to the Company's decision whether to exercise its Right to purchase Jin Jiang International's 90% direct and indirect equity interests in Eastern Jin Jiang.

In accordance with the relevant arrangements disclosed in the Prospectus, an internationally recognised independent valuer will be jointly appointed by the Company and Jin Jiang International to issue a valuation report that would determine the consideration for the purchase of the 90% equity interests in Eastern Jin Jiang. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision on whether to exercise its Right to purchase Jin Jiang International's 90% equity interests in Eastern Jin Jiang after considering all factors.

Eastern Jin Jiang has in total 852 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB156.54 million and RMB861.32 million, respectively.

Shanghai Jin Cang Mandarin Hotel Company Limited ("JC Mandarin"): As notified by Jin Jiang International in writing, JC Mandarin has completed the relevant legal procedures and accordingly, Jin Jiang International may transfer its equity rights in JC Mandarin to the Company. In accordance with the relevant arrangements disclosed in the Prospectus, the Company and Jin Jiang International will engage an internationally recognised independent valuer to issue a valuation report that will determine the consideration for the purchase of the 100% equity interest in JC Mandarin. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors will convene a meeting to make a final decision on whether to exercise its Right to purchase Jin Jiang International's 100% equity interest in JC Mandarin after considering all factors.

CORPORATE GOVERNANCE REPORT

JC Mandarin has in total 510 rooms. The revenue and net assets of JC Mandarin as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB172.31 million and RMB155.09 million respectively.

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

Pacific Shanghai has in total 496 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB252.33 million and RMB298.56 million respectively.

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

Garden Hotel Shanghai has in total 492 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB313.10 million and RMB103.26 million respectively.

New Jin Jiang Business Travellers Hotels, a branch of Shanghai Jin Jiang International Industrial Investment Company Limited ("New Jin Jiang Business Travellers"): As Jin Jiang Investment, the parent of New Jin Jiang Business Travellers, has been incorporated into the Group, New Jin Jiang Business Travellers has been incorporated into the Group and the business of New Jin Jiang Business Travellers ceases to constitute the excluded hotel business.

New Jin Jiang Business Travellers has in total 131 rooms. The revenue and net assets of New Jin Jiang Business Travellers as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB16.42 million and RMB nil respectively.

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

Jinyuan Inn and Jiaozhou Road Inn each has in total 82 rooms and 103 rooms respectively. The revenue and net assets of Jinyuan Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB2.94 million and RMB nil respectively. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2011 amounted to approximately RMB7.07 million and RMB nil respectively.

New Union: The development project of New Union has received all necessary operational licenses. In accordance with the relevant arrangements disclosed in the Prospectus, the Company and Jin Jiang International will engage an internationally recognized independent valuer to issue a valuation report that will determine the consideration for the purchase of the 100% equity interests in New Union. In accordance with the relevant PRC laws, Jin Jiang International will appoint another valuer qualified under the PRC laws to issue a second valuation report. Upon issuance of the two valuation reports, the independent non-executive Directors shall convene a meeting to make a final decision, after considering all factors, on whether to exercise its Right to purchase Jin Jiang International's 100% equity interests in New Union.

The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards as at 31 December 2011 was approximately RMB148.22 million and RMB466.62 million respectively.

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 204, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	8,246,272	7,933,118
Investment properties	7	191,240	196,288
Land use rights	8	2,035,563	1,205,477
Intangible assets	9	981,374	806,580
Investments in associates	12	692,622	681,537
Available-for-sale financial assets	13	1,832,479	2,627,704
Deferred income tax assets	14	244,581	175,121
Trade and other receivables	17	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	13	—	83,748
Inventories	16	153,353	142,077
Trade and other receivables	17	995,308	1,499,958
Restricted cash	18	326,483	313,577
Cash and cash equivalents	19	2,494,175	2,747,102
		3,970,230	4,786,462
Total assets		18,266,083	18,444,929

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	20(a)	5,566,000	4,565,000
Reserves	20(b)		
— Proposed final dividend	31	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
LIABILITIES			
Non-current liabilities			
Borrowings	22	1,858,710	1,627,020
Deferred income tax liabilities	14	640,371	623,752
Trade and other payables	21	165,232	60,420
		2,664,313	2,311,192
Current liabilities			
Borrowings	22	520,423	552,437
Income tax payable		120,944	106,244
Trade and other payables	21	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

The notes on pages 81 to 204 are an integral part of these consolidated financial statements.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

BALANCE SHEET

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	703,381	811,948
Investment properties		4,573	4,729
Land use rights	8	341,191	353,835
Intangible assets	9	5,377	5,935
Investments in subsidiaries	10	5,949,588	5,454,576
Investments in jointly controlled entities	11	823,245	1,027,212
Investments in associates	12	209,987	209,987
Available-for-sale financial assets	13	155,857	193,855
Trade and other receivables	17	6,622	—
		8,199,821	8,062,077
Current assets			
Non-current assets held for sale	15	138,804	—
Inventories	16	4,277	4,430
Trade and other receivables	17	182,013	446,101
Restricted cash	18	12,000	—
Cash and cash equivalents	19	214,011	201,838
		551,105	652,369
Total assets		8,750,926	8,714,446

BALANCE SHEET (CONTINUED)

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	20(a)	5,566,000	4,565,000
Reserves	20(c)		
— Proposal final dividend	31	222,640	122,452
— Others		1,154,503	2,579,767
Total equity		6,943,143	7,267,219
LIABILITIES			
Non-current liabilities			
Borrowings	22	803,761	701,821
Deferred income tax liabilities	14	559,130	602,468
		1,362,891	1,304,289
Current liabilities			
Borrowings	22	262,602	13,245
Trade and other payables		182,290	129,693
		444,892	142,938
Total liabilities		1,807,783	1,447,227
Total equity and liabilities		8,750,926	8,714,446
Net current assets		106,213	509,431
Total assets less current liabilities		8,306,034	8,571,508

The notes on pages 81 to 204 are an integral part of this financial statement.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 (Restated)
Revenue	5(a)	**12,653,434**	11,823,708
Cost of sales	25	**(10,707,534)**	(9,656,542)
Gross profit		**1,945,900**	2,167,166
Other income	23	**635,753**	240,063
Selling and marketing expenses	25	**(602,776)**	(590,540)
Administrative expenses	25	**(991,719)**	(865,892)
Other expenses	24	**(83,221)**	(56,548)
Operating profit		**903,937**	894,249
Finance costs	27	**(89,753)**	(98,570)
Share of results of associates	12	**177,324**	202,160
Profit before income tax		**991,508**	997,839
Income tax expense	28	**(84,363)**	(170,524)
Profit for the year		**907,145**	827,315
Attributable to:			
Shareholders of the Company	30	**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	30	**9.63**	6.96

The notes on pages 81 to 204 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000
Dividends	31	**222,640**	122,452

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 (Restated)
Profit for the year		**907,145**	827,315
Other comprehensive income			
Fair value changes on available-for-sale financial assets — gross	13(a)	**(743,309)**	(1,345,111)
Transfer of fair value changes on available-for-sale financial assets — gross		**(13,509)**	(38,252)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	14(a)	**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)

The notes on pages 81 to 204 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note 20(b)	Attributable to shareholders of the Company Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling equity holders RMB'000	Total Equity RMB'000
Balance at 31 December 2009, as previously presented		4,565,000	2,636,733	425,963	7,627,696	2,016,991	9,644,687
Common control combination (note 36)		—	726,520	488,318	1,214,838	1,882,240	3,097,078
Balance at 31 December 2009 (Restated)		4,565,000	3,363,253	914,281	8,842,534	3,899,231	12,741,765
Comprehensive income:							
Profit for the year		—	—	387,360	387,360	439,955	827,315
Other comprehensive income:							
Fair value changes on available-for-sale financial assets — gross		—	(687,288)	—	(687,288)	(657,823)	(1,345,111)
Transfer of fair value changes on available-for-sale financial assets — gross		—	(17,575)	—	(17,575)	(20,677)	(38,252)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax		—	176,199	—	176,199	169,599	345,798
Currency translation differences		—	(5,254)	—	(5,254)	—	(5,254)
Total other comprehensive income		—	(533,918)	—	(533,918)	(508,901)	(1,042,819)
Total comprehensive income		—	(533,918)	387,360	(146,558)	(68,946)	(215,504)
Transaction with owners:							
Profit appropriation		—	78,448	(78,448)	—	—	—
Dividends to non-controlling equity holders		—	—	—	—	(254,713)	(254,713)
Dividends to Jin Jiang International Holdings Company Limited ("Jin Jiang International") before the completion of common control combination		—	—	(77,088)	(77,088)	—	(77,088)
Dividends declared (note 31)		—	—	(91,300)	(91,300)	—	(91,300)
Reversal of income tax payable	(v)	—	15,253	—	15,253	—	15,253
Capital contribution from non-controlling equity holders		—	—	—	—	1,921	1,921
Disposal of subsidiaries		—	—	—	—	(3,716)	(3,716)
Reorganisation with Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development")	(vi)	—	(619,731)	—	(619,731)	619,731	—
Transaction cost for reorganisation with Jin Jiang Hotels Development	(vii)	—	(27,017)	—	(27,017)	—	(27,017)
Acquisition of equity interests in a subsidiary from non-controlling equity holders	(viii)	—	(57,163)	—	(57,163)	(81,240)	(138,403)
Non-controlling equity holders arising on business combination (note 35(c))		—	—	—	—	41,044	41,044
Total transaction with owners		—	(610,210)	(246,836)	(857,046)	323,027	(534,019)
Balance at 31 December 2010 (Restated)		4,565,000	2,219,125	1,054,805	7,838,930	4,153,312	11,992,242

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2011

		Attributable to shareholders of the Company					
	Note 20(b)	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling equity holders RMB'000	Total Equity RMB'000
Balance at 31 December 2010 (Restated)		4,565,000	2,219,125	1,054,805	7,838,930	4,153,312	11,992,242
Comprehensive income:							
Profit for the year		—	—	536,178	536,178	370,967	907,145
Other Comprehensive income:							
Fair value changes on available-for-sale financial assets — gross		—	(391,132)	—	(391,132)	(352,177)	(743,309)
Transfer of fair value changes on available-for-sale financial assets — gross		—	(6,445)	—	(6,445)	(7,064)	(13,509)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax		—	99,395	—	99,395	89,640	189,035
Currency translation differences		—	(8,606)	—	(8,606)	—	(8,606)
Total other comprehensive income		—	(306,788)	—	(306,788)	(269,601)	(576,389)
Total comprehensive income		—	(306,788)	536,178	229,390	101,366	330,756
Transactions with owners:							
Profit appropriation		—	12,500	(12,500)	—	—	—
Issue of shares, net of expenses (note 20(a))		1,001,000	912,480	—	1,913,480	—	1,913,480
Consideration for common control combination (note 36)		—	(2,694,020)	—	(2,694,020)	—	(2,694,020)
Dividends declared (note 31)		—	—	(122,452)	(122,452)	—	(122,452)
Dividends to non-controlling equity holders		—	—	—	—	(288,855)	(288,855)
Capital contribution from a non-controlling equity holder		—	—	—	—	1,200	1,200
Disposal of equity interests in a subsidiary to a non-controlling equity holder (note 38(a))	(ix)	—	9,927	—	9,927	72,507	82,434
Acquisition of equity interests in a subsidiary from non-controlling equity holders		—	—	—	—	(1,261)	(1,261)
Effect of business combination other than common control combination (note 35(a)(b))		—	—	—	—	640,347	640,347
Total transactions with owners		1,001,000	(1,759,113)	(134,952)	(893,065)	423,938	(469,127)
Balance at 31 December 2011		5,566,000	153,224	1,456,031	7,175,255	4,678,616	11,853,871

The notes on pages 81 to 204 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from operating activities:			
Cash generated from operations	32	**1,617,068**	1,804,128
Interest paid		**(94,931)**	(101,460)
Income tax paid		**(210,166)**	(187,976)
Transactions cost in relation to business combination and acquisition of jointly controlled entities		**(4,777)**	(11,757)
Net cash generated from operating activities		**1,307,194**	1,502,935
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		**103,623**	93,416
Proceeds from disposal of investments in associates		**1,535**	—
Proceeds from disposal of available-for-sale financial assets		**207,825**	69,846
Proceeds from disposal of financial assets at fair value through profit or loss		**1,804**	—
Purchase of property, plant and equipment		**(1,107,990)**	(1,056,490)
Purchase of land use rights		**(20,065)**	(6,044)
Purchase of intangible assets		**(124,597)**	(84,085)
Purchase of in investment in associates		**(31,189)**	(3,537)
Purchase of available-for-sale financial assets		**(81,672)**	(122,671)
Purchase of tradable financial assets at fair value through profit or loss		**(3,948)**	—
Interest received		**27,623**	22,262
Dividends received		**298,865**	235,190
Advance received for disposal of a jointly controlled entity		**20,000**	—
Prepayment to a third party for acquisition of shares in an associate		**(8,543)**	—
Prepayment to a non-controlling equity holder for acquisition of shares in a subsidiary	34(d)	**(18,000)**	—
Proceeds from disposal and partial disposal of subsidiaries		**1,885**	109,069
Acquisition of jointly controlled entities, net of cash acquired	37(a)	**(47,715)**	(309,931)
Acquisition of equity shares from a non-controlling equity holder		**(1,261)**	(138,403)
Consideration for business combination other than common control combination, net of cash acquired	35	**60,147**	(49,058)
Cash consideration for common control combination		**(547,710)**	(231,873)
Net cash used in investing activities		**(1,269,383)**	(1,472,309)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2011

	Note	Year ended 31 December 2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from financing activities:			
Capital contribution from non-controlling equity holders		**1,200**	1,921
Proceeds from borrowings		**1,296,157**	1,079,918
Repayments of borrowings		**(1,139,285)**	(708,799)
Dividends paid to non-controlling equity holders		**(288,787)**	(255,521)
Dividends paid to shareholders of the Company	31	**(122,452)**	(91,300)
Dividends paid to Jin Jiang International before the completion of common control combination		**—**	(77,088)
Deposit pledged for borrowings		**(25,956)**	299,306
Net cash (used in)/generated from financing activities		**(279,123)**	248,437
(Decease)/increase in cash and cash equivalents		**(241,312)**	279,063
Cash and cash equivalents at beginning of the year		**2,747,102**	2,478,689
Exchange losses on cash and cash equivalents		**(11,615)**	(10,650)
Cash and cash equivalents at end of the year	19(a)	**2,494,175**	2,747,102

The notes on pages 81 to 204 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL INFORMATION

Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company"), formerly known as Shanghai New Asia (Group) Company, was established on 16 June 1995 as a wholly state-owned company with limited liability and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") or its predecessors. Pursuant to an enterprise reorganisation in June 2003, the Company was designated by Shanghai SASAC 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 Company and its subsidiaries (the "Group") entered into several group reorganisation transactions ("Reorganisation") with Jin Jiang International, its subsidiaries other than the Group and other state-owned enterprises under the administration and control of Shanghai SASAC, through which the Group obtained from these companies equity interests in certain subsidiaries, jointly controlled entities and associates which were engaged in hotels and related business and also transferred to Jin Jiang International equity interests in certain subsidiaries, a jointly controlled entity and associates which were engaged in non-hotel related business.

On 11 January 2006, the Company's name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the People's Republic of China (the "PRC" or "Mainland China") by converting its paid-in capital and reserves of 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 Shanghai Jin Jiang International Industrial Investment Co., Ltd. ("Jin Jiang Investment") and Shanghai Jin Jiang International Travel Co., Ltd. ("Jin Jiang Travel") (the "Acquisition") (note 1(c) and note 36). 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.

These consolidated financial statements were approved for issue by the board (the "Board") of directors (the "Director") of the Company on 28 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL INFORMATION (CONTINUED)

Key events

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

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

Further financial details are given in note 37(b).

(b) Transaction with Jin Jiang Hotels Development

Pursuant to the reorganisation agreement and the supplemental agreement entered into between Jin Jiang Hotels Development, a subsidiary of the Company which is listed on the Shanghai Stock Exchange of Mainland China, and the Company dated 28 August 2009 and 29 September 2009, respectively (the "Transaction"), 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 all the 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.

Further financial details are given in note 38(b).

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL INFORMATION (CONTINUED)

Key events (continued)

(c) Acquisition of shares in Jin Jiang Investment and Jin Jiang Travel involving issue of new domestic shares (continued)

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 of the Company 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.

Before and after the Acquisition, although Jin Jiang International or the Company holds less than half of the equity interest in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that Jin Jiang International or the Company has de facto control over Jin Jiang Investment after taking into consideration, among other things; (i) the dispersed shareholder structure excluding those interests directly and indirectly held by Jin Jiang International or the Group; (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (iii) the extent of involvement of directors of Jin Jiang Investment nominated by Jin Jiang International or the Company in its operational and financial policy setting and decision making. Hence, the Director concludes that Jin Jiang Investment and the Company are under common control by Jin Jiang International, and the Group consolidates Jin Jiang Investment after the Acquisition.

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 a common control combination 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Since completion of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel have been included in the consolidated financial statements of the Group for the year ended 31 December 2011 as if the Acquisition 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 also represented on the same basis.

Further financial details are given in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 GENERAL INFORMATION (CONTINUED)

Key events (continued)

(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, which 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, appoint the general manager who 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 the articles of association have become effective on 27 December 2011.

Upon completion of the amendments to the articles of association, the Group has obtained control over Hua Ting Hotel and Towers with no consideration, and Hua Ting Hotel and Towers become a subsidiary of the Group. Further financial details are given in note 35(a).

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.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures

(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. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(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 (continued)

- 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.

- HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates to be equity accounted following the issue of HKFRS 11.

- 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 standards are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(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 (continued)

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. The Group's share of assets and liabilities, revenue and results of jointly controlled entities are given in note 11(a).

- 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and loss resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling equity holder in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling equity holder's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

Goodwill (note 2.2(i)) is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling equity holder over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling equity holders that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling equity holders are also recorded in equity.

Disposal of subsidiaries

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

(ii) Separate financial statements

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment (note 2.2(j)). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (notes 2.2(j)). See note 2.2(j) for the impairment of non-financial assets including goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 2.2(j)). The results of associates are accounted for by the Company on the basis of dividend received or receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(c) Jointly controlled entities

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

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 2.2(j)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(f) Property, plant and equipment

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

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

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

Land	Infinited (not depreciated)
Buildings	20 to 50 years
Plant and machinery	3 to 20 years
Operating vehicle	4 to 10 years
Motor vehicles	3 to 12 years
Furniture, fittings and equipment	3 to 17 years
Renovations and leasehold improvements	5 to 20 years but not exceeding the lease period

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2(j)).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(g) Investment properties

Investment properties comprises buildings and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives from 20 to 50 years.

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

(h) Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years.

Amortisation of land use rights is calculated on the straight-line method over the period of the land use rights.

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling equity holder in the acquiree. Goodwill on acquisition of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall impairment test of the investments in associates.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 8 years).

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

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

(iv) Cost incurred to obtain management contracts

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

(v) Favourable lease contracts

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

(vi) Licenses of operating vehicles

Authorised licenses of operating vehicles are capitalised on the basis of cost incurred, which will not be expired and need to renewal, and are carried at cost less any subsequent accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(vii) Others

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

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

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

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

(k) Financial assets

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(k) Financial assets (continued)

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year ended 31 December 2011, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(k) Financial assets (continued)

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in note 2.2(m).

(l) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

(o) Share capital

Ordinary shares are classified as equity.

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

(p) Trade and other payables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(q) Borrowings

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

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

(r) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Current and deferred income tax

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

(i) Current income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(s) Current and deferred income tax (continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(t) Employee benefits

(i) Pension obligations

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

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

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

(ii) Housing benefits

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

(iii) Employee healthcare

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

(iv) Defined contribution plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(t) Employee benefits (continued)

(v) Deferred compensation plan

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

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(u) Provisions and contingent liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(u) Provisions and contingent liabilities (continued)

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

(v) Government grants

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

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

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

(w) Revenue recognition

Revenue from hotel accommodation, hotel management and related services, food and beverage sales, vehicle operating, refrigerated logistics, freight forwarding, travel agency and other ancillary services is recognised when the services are rendered.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(x) Lease

(i) Operating leases

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

(ii) Finance leases

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

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

(y) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries, jointly controlled entities or associates to secure loans and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, jointly controlled entities or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the consolidated financial statements of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(z) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

The Group mainly operates in Mainland China and US and most of the Group's transactions, assets and liabilities are denominated in RMB and United States Dollars ("USD"). Other foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses, and for foreign investments. Other foreign currencies are also received from overseas customers. The Group's trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2011 included foreign currencies, denominated in either USD or other foreign currencies ("Other foreign currencies") including Hong Kong Dollars ("HK$"), Euro ("EUR"), Russian Ruble ("RUB"), Great British Pounds ("GBP") and Indian Rupee ("INR"), are disclosed in notes 17,19, 21 and 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(1) Foreign exchange risk (continued)

As at 31 December 2011, if RMB strengthens/weakens by 10% (2010: 10%)*(i.e. RMB/USD 6.3009 from 6.9310 to 5.6708) against USD with all other variance held constant, post-tax profit for the year would have changed mainly as a result of foreign exchange gains/losses on translation of USD denominated trade and other receivables, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
The Group		
Increase/(decrease) in profit for the year		
— Strengthened	**5,982**	8,054
— Weakened	**(5,982)**	(8,054)
The Company		
Increase/(decrease) in profit for the year		
— Strengthened	**8,142**	9,673
— Weakened	**(8,142)**	(9,673)

Profit is less sensitive to movement in foreign exchange rate in RMB against USD in 2011 than 2010 because of the decrease in the net amount of USD dominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

* This represents market estimation as at 31 December 2011 for the subsequent 12 months.

(2) Cash flow and fair value interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(2) Cash flow and fair value interest rate risk (continued)

As at 31 December 2011, if interest rates on bank deposits and borrowings are 10% (2010: 10%)* (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
The Group		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(5,189)**	(5,557)
— Decrease in interest rates	**5,189**	5,557
The Company		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(2,275)**	(1,769)
— Decrease in interest rates	**2,275**	1,769

Profit of the Group is less sensitive to movement in interest rate in 2011 than 2010 because of the decrease in the net amount of bank deposits and borrowings.

(3) Price risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(3) Price risk (continued)

As at 31 December 2011, if the quoted market price of the listed equity investments increases/decreases 30%* with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on available-for-sales financial assets. Details of the changes are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
The Group		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**373,188**	543,733
— Decrease in quoted market price	**(373,188)**	(543,733)
The Company		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**27,958**	36,508
— Decrease in quoted market price	**(27,958)**	(36,508)

The other comprehensive income is less sensitive to movement in quoted market price of the listed equity investment in 2011 than 2010 because of the decrease in the carrying amount of the listed equity investments.

* This represents market estimation as at 31 December 2011 for the subsequent 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk

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

As at 31 December 2011, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
The Group		
Counterparties		
— Big 4 domestic banks*	**1,537,034**	1,763,436
— Other domestic commercial banks	**813,669**	871,909
— Foreign owned banks	**132,062**	100,541
	2,482,765	2,735,886
The Company		
Counterparties		
— Big 4 domestic banks*	**18,293**	12,729
— Other domestic commercial banks	**4,666**	1,083
— Jin Jiang International Finance Company Limited	**190,524**	187,302
	213,483	201,114

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

The Group granted financial guarantees to its jointly controlled entities and associates with maximum exposure to credit risk as follows:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Credit risk exposure relating to off-balance sheet items		
— Financial guarantees	**38,100**	28,100

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

(iii) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

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

	Within 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000
The Group				
As at 31 December 2011				
Borrowings (excluding finance lease liabilities)	519,149	914,164	920,799	—
Finance lease payables	2,568	3,051	9,153	20,279
Contractual interest payable	87,424	38,996	28,939	—
Trade and other payables (excluding non-financial liabilities)	2,191,396	165,232	—	—
Financial guarantees (off-balance sheet items)	34,100	4,000	—	—
As at 31 December 2010 (Restated)				
Borrowings (excluding finance lease liabilities)	550,956	1,369,645	232,517	—
Finance lease payables	3,055	3,055	9,165	22,547
Contractual interest payable	86,846	56,788	18,503	—
Trade and other payables (excluding non-financial liabilities)	2,590,086	60,420	—	—
Financial guarantees (off-balance sheet items)	8,000	16,100	4,000	—
The Company				
As at 31 December 2011				
Borrowings (excluding finance lease liabilities)	262,602	622,102	181,660	—
Contractual interest payable	42,493	13,764	8,866	—
Trade and other payables (excluding non-financial liabilities)	142,628	—	—	—
As at 31 December 2010				
Borrowings (excluding finance lease liabilities)	13,245	602,745	99,076	—
Contractual interest payable	28,603	26,843	8,342	—
Trade and other payables (excluding non-financial liabilities)	78,198	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2011 and 2010 were as follows:

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
The Group		
Total borrowings (note 22(a))	**2,379,133**	2,179,457
Total assets	**18,266,083**	18,444,929
Gearing ratio	**13.02%**	11.82%
The Company		
Total borrowings (note 22(b))	**1,066,363**	715,066
Total assets	**8,750,926**	8,714,446
Gearing ratio	**12.19%**	8.21%

The increase in the gearing ratio during 2011 results from the increase of total borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	Total
The Group				
As at 31 December 2011				
Available-for-sale financial assets				
— Equity securities (note 13(a))	1,651,589	—	—	1,651,589
Financial assets at fair value through profit or loss				
— Equity securities	911	—	—	911
	1,652,500	—	—	1,652,500
As at 31 December 2010 (Restated)				
Available-for-sale financial assets				
— Equity securities (note 13(a))	2,450,399	—	—	2,450,399
The Company				
As at 31 December 2011				
Available-for-sale financial assets				
— Equity securities (note 13(b))	124,257	—	—	124,257
As at 31 December 2010				
Available-for-sale financial assets				
— Equity securities (note 13(b))	162,255	—	—	162,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB81,820,000 higher or RMB100,002,000 lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Deferred income tax assets and liabilities

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

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilised. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB9,391,000 higher/lower.

(iii) Impairment of property, plant and equipment, investment properties, land use rights and intangible assets

Under HKAS 36, it is required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by the entity. These conditions include whether a significant decrease in the market value of the asset has occurred, whether changes in the entity's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen. In the last quarter of 2011, the Group's shares were trading at a level well below the carrying value of net assets. In addition, there has been a substantial downward shift in prices and economic activity over the recent months and a negative economic outlook for the coming years. This is considered an impairment indicator for the Group in total, and has resulted in a review of assets and cash generating units that might be impaired.

The Group's management assesses at each of the balance sheet date whether property, plant and equipment, investment properties, land use rights and intangible assets have any indication of impairment, in accordance with the accounting policy stated in note 2.2(j). The recoverable amount is higher of an asset's value in use and fair value less costs to sell, which is estimated based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGUs to fall below its carrying amount. No impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed. If the provision for impairment of trade and other receivables rate had been 10% higher/lower with all other variables held constant, profit for the year would have been RMB89,000 lower/higher.

(v) Useful lives and estimated impairment of intangible assets — license of operating vehicles

The intangible assets of the Jin Jiang Investment mainly represented the license of operating vehicles which will not be expired and need no renewal. The management of the Group believes that the license will be in use and can bring in expected inflows of economic benefits in the foreseeable future. So, the useful lives of the license are indefinite. The license is subject to test of impairment losses annually and whenever there is an indicator that it may have been impaired.

Determining whether intangible assets — license of operating vehicles are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets — license of operating vehicles has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and appropriate discount rates in order to calculate the present values. Where the actual cash flows are less than expected, a material impairment loss may arise.

For the purposes of impairment testing, license of operating vehicles has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits. As at 31 December 2011, management determined that the CGU containing license of operating vehicles had not suffered any impairment. The basis of recoverable amount of the above CGU and the major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on the value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the Group and applicable discount rates. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows included budgeted sales and gross margin and such estimation was based on the CGU's past performance and management's expectations for the market development. Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the recoverable amount of the CGU to fall below its carrying amount. No impairment loss was considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

5 TURNOVER AND SEGMENT INFORMATION

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

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 and after 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 restating 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover

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

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover (continued)

(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

The segment results for the year ended 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
External sales (note 5(a))	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 (note 23)	431,113	9,524	46,706	1,157	66,814	23,358	57,081	635,753
Including: interest income (note 23)	9,302	625	976	1,157	8,559	5,612	1,105	27,336
Depreciation of property, plant and equipment (note 6)	(386,187)	(295,927)	(13,289)	(39,117)	(269,422)	(5,847)	(688)	(1,010,477)
Depreciation of investment properties (note 7)	(158)	–	–	–	(605)	(4,285)	–	(5,048)
Amortization of land use rights (note 8)	(23,286)	(11,282)	(101)	–	(1,977)	(25)	(45)	(36,716)
Amortization of intangible assets (note 9)	(4,562)	(7,213)	(2,093)	(25,445)	(16)	(493)	(3,459)	(43,281)
Reversal of inventories write-down (note 16)	85	–	–	–	–	234	–	319
Provision for impairment of trade and other receivables (note 17)	(316)	(509)	–	(303)	(25)	(397)	3	(1,547)
Finance costs (note 27)	(41,582)	(1,012)	(8)	(40,960)	(3,932)	–	(2,259)	(89,753)
Share of results of associates (note 12)	5,380	–	70,216	2,161	102,607	(4,106)	1,066	177,324
Income tax expense (note 28)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The restated segment results for the year ended 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
External sales (note 5(a))	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 (note 23)	23,021	13,368	43,483	1,062	67,785	36,397	54,947	240,063
Including: interest income (note 23)	5,432	1,286	1,921	1,062	7,897	4,648	42	22,288
Depreciation of property, plant and equipment (note 6)	(337,689)	(239,554)	(10,464)	(29,911)	(256,375)	(6,751)	(113)	(880,857)
Depreciation of investment properties (note 7)	(158)	—	—	—	(605)	(4,285)	—	(5,048)
Amortization of land use rights (note 8)	(22,654)	(10,729)	(101)	—	(1,977)	(27)	(45)	(35,533)
Amortization of intangible assets (note 9)	(2,433)	(1,561)	(676)	(14,289)	(15)	(66)	(8,921)	(27,961)
Reversal of inventories write-down (note 16)	37	—	—	—	—	—	—	37
Provision for impairment of trade and other receivables (note 17)	637	—	—	(3,862)	517	467	—	(2,241)
Provision for impairment of available-for-sale financial assets	—	—	—	—	—	—	(11,000)	(11,000)
Finance costs (note 27)	(37,986)	(10,794)	190	(43,309)	(5,633)	(1,038)	—	(98,570)
Share of results of associates (note 12)	4,746	—	84,834	(4,243)	112,243	4,984	(404)	202,160
Income tax expense (note 28)	(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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 measuring 50% equity interests in Hua Ting Hotel and Towers (note 35(a)), 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 the respective segments.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), land use rights (note 8) and intangible assets (note 9), including additions resulting from acquisition through business combinations other than common control combination (note 35) and acquisition of jointly controlled entities (note 37).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost								
At 1 January 2010 (Restated)	4,875,007	1,466,910	1,438,293	298,864	668,515	2,420,956	755,413	11,923,958
Additions	1,291	40,279	343,375	24,822	43,079	19,077	766,810	1,238,733
Additions resulting from acquisition through business combination other than common control combination (note 35(c))	—	3,326	—	15	2,065	61,376	4,276	71,058
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	522,559	—	—	—	73,748	11,096	65	607,468
Transfers	346,364	104,994	5,412	16,370	64,688	345,751	(883,579)	—
Disposals	(44,037)	(49,665)	(180,567)	(49,932)	(21,018)	(1,367)	—	(346,586)
Exchange differences	(15,578)	(26)	—	(3)	(2,330)	(412)	(43)	(18,392)
At 31 December 2010 (Restated)	5,685,606	1,565,818	1,606,513	290,136	828,747	2,856,477	642,942	13,476,239
Additions	33,040	25,135	42,780	14,127	29,160	33,463	850,783	1,028,488
Additions resulting from acquisition through business combination other than common control combination	344,049	24,522	—	467	4,036	16,199	—	389,273
Transfers	368,556	114,564	255,943	25,625	37,327	439,345	(1,241,360)	—
Disposals	(6,278)	(44,080)	(282,460)	(42,333)	(20,196)	(43,797)	—	(439,144)
Exchange differences	(24,634)	(106)	—	(12)	(4,044)	(870)	(720)	(30,386)
At 31 December 2011	**6,400,339**	**1,685,853**	**1,622,776**	**288,010**	**875,030**	**3,300,817**	**251,645**	**14,424,470**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Land and buildings RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment								
At 1 January 2010 (Restated)	(1,748,023)	(835,143)	(822,506)	(171,158)	(448,176)	(912,287)	—	(4,937,293)
Depreciation charge for the year (note 25)	(151,077)	(103,477)	(209,265)	(36,947)	(96,067)	(284,024)	—	(880,857)
Disposals	23,037	35,856	155,778	40,507	18,597	362	—	274,137
Exchange Difference	347	1	—	—	456	88	—	892
At 31 December 2010 (Restated)	(1,875,716)	(902,763)	(875,993)	(167,598)	(525,190)	(1,195,861)	—	(5,543,121)
Depreciation charge for the year (note 25)	(176,730)	(102,178)	(227,086)	(30,208)	(120,930)	(353,345)	—	(1,010,477)
Disposals	2,680	39,437	243,374	28,490	19,081	39,856	—	372,918
Exchange differences	915	4	—	2	1,322	239	—	2,482
At 31 December 2011	**(2,048,851)**	**(965,500)**	**(859,705)**	**(169,314)**	**(625,717)**	**(1,509,111)**	**—**	**(6,178,198)**
Net book amount								
At 31 December 2011	**4,351,488**	**720,353**	**763,071**	**118,696**	**249,313**	**1,791,706**	**251,645**	**8,246,272**
At 31 December 2010 (Restated)	3,809,890	663,055	730,520	122,538	303,557	1,660,616	642,942	7,933,118

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000 (Restated)
Cost of sales	**943,367**	819,709
Selling and marketing expenses	**36,852**	32,373
Administrative expenses	**30,258**	28,775
	1,010,477	880,857

Lease rentals amounting to RMB365,600,000 (2010: RMB271,504,000) relating to the lease of land and buildings are included in cost of sales (note 25).

No borrowing costs (2010: RMB8,000) (note 27) arising on financing entered into for the construction of certain property, plant and equipment have been capitalised and are included in "Additions" in property, plant and equipment. The capitalisation rate was 5.08% for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

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

	2011 RMB'000	2010 RMB'000 (Restated)
Cost — capitalised finance leases	30,486	28,838
Accumulated depreciation	(5,322)	(3,449)
Net book amount	25,164	25,389

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

(b) The Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost							
At 1 January 2010	580,986	49,948	1,376	2,083	88,145	57,210	779,748
Additions	—	351	—	455	326	46,577	47,709
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 38(b))	135,041	1,953	384	2,047	6,316	71	145,812
Disposals	—	(4,171)	—	(1,044)	—	—	(5,215)
Transfers	—	8,110	—	694	17,254	(26,058)	—
At 31 December 2010	716,027	56,191	1,760	4,235	112,041	77,800	968,054
Additions	—	277	—	514	329	84,679	85,799
Disposals	—	(797)	(91)	(947)	(45)	—	(1,880)
Transfers	—	6,199	—	3,999	141,536	(151,734)	—
Transfer to non-current assets held for sale	—	(4,807)	—	(3,105)	(134,063)	—	(141,975)
At 31 December 2011	**716,027**	**57,063**	**1,669**	**4,696**	**119,798**	**10,745**	**909,998**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction-in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment							
At 1 January 2010	(62,529)	(31,940)	(340)	(592)	(22,350)	—	(117,751)
Depreciation charge for the year	(16,529)	(9,158)	(183)	(1,049)	(16,330)	—	(43,249)
Disposals	—	3,948	—	946	—	—	4,894
At 31 December 2010	(79,058)	(37,150)	(523)	(695)	(38,680)	—	(156,106)
Depreciation charge for the year	(20,463)	(4,720)	(222)	(3,824)	(26,152)	—	(55,381)
Disposals	—	729	87	883	—	—	1,699
Transfer to non-current assets held for sale (note 15)	—	146	—	88	2,937	—	3,171
At 31 December 2011	(99,521)	(40,995)	(658)	(3,548)	(61,895)	—	(206,617)
Net book amount							
At 31 December 2011	**616,506**	**16,068**	**1,011**	**1,148**	**57,903**	**10,745**	**703,381**
At 31 December 2010	636,969	19,041	1,237	3,540	73,361	77,800	811,948

7 INVESTMENT PROPERTIES

The Group

	Buildings RMB'000 (Restated)
Cost	
At 31 December 2010 and at 31 December 2011	258,949
Accumulated depreciation	
At 1 January 2010 (Restated)	(57,613)
Charge for the year (note 25)	(5,048)
At 31 December 2010 (Restated)	(62,661)
Charge for the year (note 25)	(5,048)
At 31 December 2011	(67,709)
Net book amount	
At 31 December 2011	**191,240**
At 31 December 2010 (Restated)	196,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7 INVESTMENT PROPERTIES (CONTINUED)

The Group (continued)

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Cost of sales	**5,048**	5,048

The fair value of the properties as at 31 December 2011, which includes the building with the carrying amount of RMB191,240,000 (31 December 2010: RMB196,288,000) and the related land use right with the carrying amount of RMB22,149,000 (31 December 2010: RMB22,722,000), is approximately RMB807,692,000 (31 December 2010: RMB782,540,000). The Group adopted the income approach to arrive at the fair value. The income approach determines the fair value by discounting its annual expected cash flows using an appropriate rate of return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 LAND USE RIGHTS

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

(a) The Group

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000 (Restated)
Cost		
At beginning of the year	**1,428,876**	1,422,832
Additions	**20,065**	6,044
Additions resulting from acquisition through business combination other than common control combination	**846,834**	—
Disposal	**(540)**	—
At end of the year	**2,295,235**	1,428,876
Accumulated amortisation		
At beginning of the year	**(223,399)**	(187,866)
Charge for the year (note 25)	**(36,716)**	(35,533)
Disposal	**443**	—
At end of the year	**(259,672)**	(223,399)
Net book amount		
At end of the year	**2,035,563**	1,205,477

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000 (Restated)
Cost of sales	**36,716**	35,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8 LAND USE RIGHTS (CONTINUED)

(b) The Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Cost		
At beginning of the year	373,685	50,177
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 38(b))	–	323,508
At the end of the year	373,685	373,685
Accumulated amortisation		
At beginning of the year	(19,850)	(5,140)
Charge for the year	(12,644)	(14,710)
At end of the year	(32,494)	(19,850)
Net book amount		
At end of the year	341,191	353,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 INTANGIBLE ASSETS

(a) The Group

	Goodwill RMB'000	Software RMB'000	World Expo Rights (i) RMB'000	Cost incurred to obtain management contract RMB'000	Favourable lease contract RMB'000	Licence of operation vehicles RMB'000	Others RMB'000	Total RMB'000
Cost								
At 1 January 2010 (Restated)	34,825	43,258	18,500	—	—	233,973	1,201	331,757
Additions resulting from acquisition through business combination other than common control combination (note 35(c))	40,171	510	—	—	47,248	—	—	87,929
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	223,308	5,427	—	194,547	—	—	—	423,282
Additions	—	22,957	—	1,941	3,708	21,111	—	49,717
Disposal	—	(52)	—	(2,739)	—	—	—	(2,791)
Exchange difference	(6,657)	(165)	—	(5,783)	—	—	—	(12,605)
At 31 December 2010 (Restated)	291,647	71,935	18,500	187,966	50,956	255,084	1,201	877,289
Additions	968	10,714	—	77,235	814	68,164	1,069	158,964
Additions resulting from acquisition through business combination other than common control combination	—	—	—	—	3,867	—	13	3,880
Additions resulting from acquisition of a jointly controlled entity (note 37(a))	46,204	—	—	49,112	—	—	—	95,316
Disposal	—	(3)	(18,500)	(20,095)	—	—	—	(38,598)
Exchange differences	(11,702)	(289)	—	(11,863)	—	—	—	(23,854)
At 31 December 2011	**327,117**	**82,357**	**—**	**282,355**	**55,637**	**323,248**	**2,283**	**1,072,997**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

	Goodwill RMB'000	Software RMB'000	World Expo Rights (i) RMB'000	Cost incurred to obtain management contract RMB'000	Favourable lease contract RMB'000	Licence of operation vehicles RMB'000	Others RMB'000	Total RMB'000
Accumulated amortisation								
At 1 January 2010 (Restated)	–	(33,852)	(8,192)	–	–	–	(1,201)	(43,245)
Charge for the year (note 25)	–	(4,937)	(7,730)	(12,757)	(2,537)	–	–	(27,961)
Disposal	–	42	–	143	–	–	–	185
Exchange difference	–	35	–	277	–	–	–	312
At 31 December 2010 (Restated)	–	(38,712)	(15,922)	(12,337)	(2,537)	–	(1,201)	(70,709)
Charge for the year (note 25)	–	(11,248)	(2,578)	(23,467)	(5,817)	–	(171)	(43,281)
Disposal	–	–	18,500	2,620	–	–	–	21,120
Exchange differences	–	121	–	1,126	–	–	–	1,247
At 31 December 2011	**–**	**(49,839)**	**–**	**(32,058)**	**(8,354)**	**–**	**(1,372)**	**(91,623)**
Net book amount								
At 31 December 2011	**327,117**	**32,518**	**–**	**250,297**	**47,283**	**323,248**	**911**	**981,374**
At 31 December 2010 (Restated)	291,647	33,223	2,578	175,629	48,419	255,084	–	806,580

(i) A jointly controlled entity of the Group has been granted the rights to associate its brand name with the Shanghai World Expo 2010 from 1 January 2009 to 30 April 2011. Also, the jointly controlled entity was granted the role as the exclusive online hotel reservation service provider of Shanghai World Expo 2010.

In return for the rights and benefits obtained, the jointly controlled entity was required to pay the consideration in form of cash and value in kind services. The total contract sum attributable to the Group is RMB18,500,000 of which 50% is to be settled in the form of cash while the remaining portion is to be settled in the form of value in kind service.

The right was expired on 30 April 2011 and the related intangible asset was disposed for the year ended 31 December 2011.

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

	Year ended 31 December	
	2011 RMB'000	2010 RMB'000 (Restated)
Cost of sales	**43,281**	27,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to operating segments. An operating segment level summary of the goodwill is presented below:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Star-rated hotels	**28,377**	28,377
Budget hotels	**46,619**	46,619
IHR Group	**252,121**	216,651
	327,117	291,647

The principal component of goodwill represents the excess of cost of acquisition of certain star-rated hotels, budget hotels and IHR Group over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs which are determined by their value in use.

The recoverable amounts of a CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates.

The key assumption used for value-in-use calculations in 2011 are as follows:

	Star-rated Hotels	**Budget Hotels**	**IHR Group**
Gross margin	**32%**	**20%**	**46%**
Growth rate	**3.81%**	**4.12%**	**3.09%**
Discount rate	**15%**	**19%**	**15%**

The key assumption used for value-in-use calculations in 2010 are as follows:

	Star-rated Hotels	Budget Hotels	IHR Group
Gross margin	38%	23%	48%
Growth rate	3.81%	4.12%	3.00%
Discount rate	15%	19%	15%

In view of the value-in-use of the CGUs, no provision for impairment losses is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9 INTANGIBLE ASSETS (CONTINUED)

(b) The Company

	Software RMB'000
Cost	
At 1 January 2010	7,800
Additions	1,475
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 38(b))	78
At 31 December 2010	9,353
Additions	2,558
At 31 December 2011	**11,911**
Accumulated amortisation	
At 1 January 2010	(1,469)
Charge for the year	(1,949)
At 31 December 2010	(3,418)
Charge for the year	(3,116)
At 31 December 2011	**(6,534)**
Net book amount	
At 31 December 2011	**5,377**
At 31 December 2010	5,935

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	At 31 December	
	2011 RMB'000	2010 RMB'000
Investments at cost		
— Shares of a listed company (i)	961,480	685,434
— Unlisted equity investments	4,988,108	4,769,142
	5,949,588	5,454,576
Market value of listed shares	7,221,449	7,051,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

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

Particulars of the Company's principal subsidiaries are set out in note 40.

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) The Group

The Group's share of assets and liabilities, revenue and results of jointly controlled entities included in consolidated balance sheet and consolidated income statement during the year ended 31 December 2011 are set out as follows:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Assets		
Non-current assets	**1,818,387**	1,903,546
Current assets	**862,682**	873,933
	2,681,069	2,777,479
Liabilities		
Non-current liabilities	**740,205**	744,792
Current liabilities	**632,366**	644,001
	1,372,571	1,388,793
Net assets	**1,308,498**	1,388,686
Proportionate interests in jointly controlled entities' capital and lease commitments	**139,568**	85,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(a) The Group (continued)

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Revenue	**4,372,492**	3,783,588
Expenses	**(4,309,433)**	(3,697,713)
Profit before income tax	**63,059**	85,875
Income tax expense (i)	**28,219**	(26,618)
Profit for the year	**91,278**	59,257

(i) The amount for the year ended 31 December 2011 mainly includes the tax effect of IHR Group's recognition of previously unrecognised tax losses of RMB54,105,000 (note 28).

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

Particulars of the Group's principal jointly controlled entities are set out in note 40.

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted equity investments, at cost	**823,245**	1,027,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12 INVESTMENTS IN ASSOCIATES

(a) The Group

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**681,537**	569,050
Additions	**31,189**	51,333
Share of results of associates	**177,324**	202,160
— Profit before income tax	**232,888**	273,789
— Income tax expense	**(55,564)**	(71,629)
Declaration of dividends	**(193,122)**	(119,435)
Disposals	**(1,535)**	(20,189)
Exchange differences	**(2,771)**	(1,382)
At end of the year	**692,622**	681,537

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Total assets	**1,669,006**	1,639,828
Total liabilities	**976,384**	958,291
Revenue	**2,671,049**	2,340,493
Profit for the year	**177,324**	202,160

Particulars of the Group's principal associates are set out in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Unlisted equity investments, at cost	**215,387**	215,387
Less: provision for impairment	**(5,400)**	(5,400)
	209,987	209,987

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**2,711,452**	3,983,600
Additions	**81,882**	122,671
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	**—**	31,084
Fair value changes transferred to other comprehensive income	**(743,309)**	(1,345,111)
Impairment charge	**—**	(11,000)
Disposals	**(210,582)**	(68,876)
Exchange differences	**(6,964)**	(916)
At end of the year	**1,832,479**	2,711,452
Less: current portion of available-for-sale financial assets (i)	**—**	(83,748)
	1,832,479	2,627,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) The Group (continued)

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Listed equity investments, at fair value	**1,651,589**	2,450,399
Unlisted equity investments, at cost (ii)	**199,533**	290,696
Less: provision for impairment	**(18,643)**	(29,643)
	1,832,479	2,711,452
Less: current portion of available-for-sale financial assets (i)	**—**	(83,748)
	1,832,479	2,627,704
Market value of listed equity investments	**1,651,589**	2,450,399

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

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

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**193,855**	218,281
Fair value changes transferred to other comprehensive income	**(37,998)**	(36,685)
Additions resulting from reorganisation with Jin Jiang Hotels Development (note 38(b))	**—**	12,259
At end of the year	**155,857**	193,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(b) The Company (continued)

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Listed equity investments, at fair value	**124,257**	162,255
Unlisted equity investments, at cost	**33,600**	33,600
Less: provision for impairment	**(2,000)**	(2,000)
	155,857	193,855
Market value of listed equity investments	**124,257**	162,255

14 DEFERRED INCOME TAX

(a) The Group

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**224,884**	158,114
— Deferred income tax assets to be recovered within 12 months	**19,697**	17,007
	244,581	175,121
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(630,491)**	(619,386)
— Deferred income tax liabilities to be settled within 12 months	**(9,880)**	(4,366)
	(640,371)	(623,752)
	(395,790)	(448,631)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**(448,631)**	(909,712)
Additions resulting from acquisition through business combination other than common control combination	**(255,980)**	(11,950)
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	**—**	511
Credited to consolidated income statement (note 28)	**116,269**	126,746
Credited to equity in connection with the tax effect of employment termination benefit for disposal of equity interests in a subsidiary to a non-controlling equity holder	**4,902**	—
Credited to other comprehensive income	**189,035**	345,798
Exchange differences	**(1,385)**	(24)
At end of the year	**(395,790)**	(448,631)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2010 (Restated)	13,585	502	30,078	15,697	—	8,971	68,833
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	—	32,884	511	—	—	—	33,395
(Charged)/credited to consolidated income statement	(2,116)	5,089	16,492	(1,088)	80,688	11,555	110,620
Exchange differences	—	(1,072)	(24)	—	—	—	(1,096)
At 31 December 2010 (Restated)	11,469	37,403	47,057	14,609	80,688	20,526	211,752
Additions resulting from acquisition through business combination other than common control combination	4	—	—	—	—	—	4
Credited to equity in connection with the tax effect of employment termination benefit for disposal of equity interests in a subsidiary to a non-controlling equity holder	—	—	—	4,902	—	—	4,902
(Charged)/credited to consolidated income statement	(2,572)	(2,301)	93,648	8,184	—	12,106	109,065
Exchange differences	—	(1,697)	(1,385)	—	—	—	(3,082)
At 31 December 2011	**8,901**	**33,405**	**139,320**	**27,695**	**80,688**	**32,632**	**322,641**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2010 (Restated)	(3,184)	(139,292)	(834,081)	(1,988)	(978,545)
Additions resulting from acquisition through business combination other than common control combination (note 35)	—	(11,950)	—	—	(11,950)
Additions resulting from acquisition of a jointly controlled entity (note 37(b))	—	(32,328)	—	(556)	(32,884)
(Charged)/credited to consolidated income statement	(736)	17,525	—	(663)	16,126
Credited to other comprehensive income	—	—	345,798	—	345,798
Exchange differences	—	1,007	—	65	1,072
At 31 December 2010 (Restated)	(3,920)	(165,038)	(488,283)	(3,142)	(660,383)
Additions resulting from acquisition through business combination other than common control combination	—	(255,984)	—	—	(255,984)
(Charged)/credited to consolidated income statement	(416)	6,358	—	1,262	7,204
Credited to other comprehensive income	—	—	189,035	—	189,035
Exchange differences	—	1,602	—	95	1,697
At 31 December 2011	**(4,336)**	**(413,062)**	**(299,248)**	**(1,785)**	**(718,431)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB219,943,000 (2010: RMB229,819,000) in respect of tax losses, as the Directors believe it is more likely than not that such tax losses would not be realised before their expiry between 2012 to 2031. The expiry of related unrecognised deferred income tax assets are analysed as follows:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Within 1 year	**17,596**	6,948
Between 1 and 2 years	**23,053**	17,804
Between 2 and 3 years	**41,364**	24,395
Between 3 and 4 years	**21,370**	42,816
Between 4 and 5 years	**54,484**	21,002
Over 5 years (i)	**62,076**	116,854
	219,943	229,819

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

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Deferred income tax assets to be settled after more than 12 months	**—**	—
Deferred income tax liabilities to be settled after more than 12 months	**(559,130)**	(602,468)
	(559,130)	(602,468)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14 DEFERRED INCOME TAX (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
At beginning of the year	**(602,468)**	(16,831)
Credited/(charged) to income statement	**33,839**	(594,808)
Credited to other comprehensive income	**9,499**	9,171
At end of the year	**(559,130)**	(602,468)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets	Tax loss	Provision	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	3,163	—	—	—	3,163
Credited to income statement	2,321	4,810	4,646	3,541	15,318
At 31 December 2010	5,484	4,810	4,646	3,541	18,481
Credited to income statement	8	28,744	—	2,697	31,449
At 31 December 2011	**5,492**	**33,554**	**4,646**	**6,238**	**49,930**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14 DEFERRED INCOME TAX (CONTINUED)

(b) The Company (continued)

Deferred income tax liabilities:

	Fair value changes RMB'000	Asset basis differences (i) RMB'000	Total RMB'000
At 1 January 2010	(19,994)	—	(19,994)
Charged to income statement	—	(610,126)	(610,126)
Credited to other comprehensive income	9,171	—	9,171
At 31 December 2010	(10,823)	(610,126)	(620,949)
Credited to income statement	—	2,390	2,390
Credited to other comprehensive income	9,499	—	9,499
At 31 December 2011	**(1,324)**	**(607,736)**	**(609,060)**

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

15 NON-CURRENT ASSETS HELD FOR SALE

The Company

The Company entered an agreement with a subsidiary in Beijing to transfer the leasehold improvements, machinery and equipment of a leased property in Beijing currently managed by the Company to the subsidiary within 1 year. The net book amount of RMB138,804,000 leasehold improvements, machinery and equipment (note 6) were reclassified as non-current assets held for sale as at 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

16 INVENTORIES

(a) The Group

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Raw materials	**51,752**	44,591
Finished goods/goods held for resale	**67,296**	59,469
Consumables and supplies	**34,305**	38,017
	153,353	142,077

The cost of inventories recognised as expense and included in cost of sales amounted to RMB3,172,014,000 (2010: RMB3,169,804,000) (note 25).

The Group reversed the write-down of inventories by RMB319,000 for the year ended 31 December 2011 (2010: RMB37,000) (note 25).

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Raw materials	**3,664**	2,872
Finished goods/goods held for resale	**302**	405
Consumables and supplies	**311**	1,153
	4,277	4,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

17 TRADE AND OTHER RECEIVABLES

(a) The Group

	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 (note 39(b))	**153,204**	416,128
Prepayment to a related party (note 39(b))	**—**	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 Business, Vehicle and Logistics 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
RMB	**877,956**	1,331,528
USD	**183,167**	190,980
Other foreign currencies	**5,907**	10,092
	1,067,030	1,532,600

As of 31 December 2011, trade and other receivables of RMB337,086,000 (31 December 2010: RMB366,748,000) were impaired. The amount of the provision was RMB26,220,000 (31 December 2010: RMB26,944,000). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. Ageing analysis of these receivables at respective balance sheet dates are as follows:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
3 months to 1 year	**299,356**	325,199
Over 1 year	**37,730**	41,549
	337,086	366,748

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
At beginning of the year	**(26,944)**	(27,963)
Receivables written off as uncollectible	**2,271**	3,260
Provision for impairment of trade and other receivables (note 25)	**(1,547)**	(2,241)
At end of the year	**(26,220)**	(26,944)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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

The maximum exposure of the Group to credit risk at the balance sheet date was the carrying value of trade and other receivables as mentioned above.

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Trade receivables	**6,916**	6,182
Less: provision for impairment of trade receivables	**(205)**	(174)
Trade receivables — net	**6,711**	6,008
Amounts due from related parties (note 39(c))	**164,411**	197,057
Prepayment to a related party (note 39(c))	**—**	231,873
Prepayments and deposits	**17,773**	12,402
Others	**10,513**	9,534
Less: provision for impairment of other receivables	**(10,773)**	(10,773)
Other receivables — net	**181,924**	440,093
	188,635	446,101
Less: non-current portion of trade and other receivables	**(6,622)**	—
	182,013	446,101
Non-current portion of trade and other receivables	**6,622**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Current to 3 months	6,500	5,610
3 months to 1 year	251	413
Over 1 year	165	159
	6,916	6,182

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

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
— RMB	187,645	445,482
— USD	990	619
	188,635	446,101

18 RESTRICTED CASH

(a) The Group

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Mandatory reserve deposit (i)	259,718	281,823
Deposit pledged for borrowings (ii)	52,610	26,654
Other restricted cash (iii)	14,155	5,100
	326,483	313,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

18 RESTRICTED CASH (CONTINUED)

(a) The Group (continued)

(i) Mandatory reserve deposit of Jin Jiang International Finance Company Limited, a subsidiary and non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.62% (2010: 1.62%) per annum.

(ii) At 31 December 2011, the deposit was placed with commercial banks as pledge for borrowings amounted to USD18,400,000, equivalent to RMB115,937,000 and USD6,445,000, equivalent to RMB40,610,000 respectively (31 December 2010: USD4,025,000, equivalent to RMB26,654,000) (note 22(a)). The weighted average effective interest rate on the deposit was 3.41% (2010: 3.26%) per annum.

(iii) Other restricted cash included (1) guarantee fund for providing travel agency services of RMB8,982,000 (31 December 2010: RMB4,500,000) as is required by National Tourism Administration of the People's Republic of China, (2) deposit pledged for issuance of letters of credit of RMB5,173,000 (31 December 2010: RMB600,000).

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Deposit pledged for borrowings	**12,000**	—

19 CASH AND CASH EQUIVALENTS

(a) The Group

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Cash at bank and in hand	**1,786,458**	2,215,786
Bank deposits	**707,717**	531,316
	2,494,175	2,747,102
Cash and cash equivalents denominated in		
— RMB	**2,265,729**	2,508,526
— USD	**224,710**	220,706
— Other foreign currencies	**3,736**	17,870
	2,494,175	2,747,102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19 CASH AND CASH EQUIVALENTS (CONTINUED)

(a) The Group (continued)

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 7 days to 360 days, was 3.49% (2010: 3.42%) per annum.

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Cash at bank and in hand	**130,011**	181,838
Bank deposits	**84,000**	20,000
	214,011	201,838
Cash and cash equivalents denominated in		
— RMB	**211,537**	200,132
— USD	**2,453**	1,706
— Other foreign currencies	**21**	—
	214,011	201,838

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 30 days to 180 days, was 2.13% (2010: 2.06%) per annum.

20 SHARE CAPITAL AND RESERVES

(a) Share capital — the Group and the Company

	Share capital	
	Number of shares	Amount
	'000	RMB'000
At 1 January 2010 and 2011	4,565,000	4,565,000
Issue of ordinary shares	1,001,000	1,001,000
At 31 December 2011	5,566,000	5,566,000

The Group issued 1,001,000,000 ordinary shares of RMB1 per share at a price of HK$2.2 in February 2011 and received a net proceed of RMB1,913,480,000 to finance part of the total consideration for the Acquisition (note 36).

The resulted share premium of RMB912,480,000 was recorded as capital surplus in reserves (note 20(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group

	Other reserves							
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010, as previously presented	1,773,663	353,560	(585,291)	1,094,801	—	2,636,733	425,963	3,062,696
Common control combination	—	—	377,815	348,705	—	726,520	488,318	1,214,838
At 1 January 2010 (Restated)	1,773,663	353,560	(207,476)	1,443,506	—	3,363,253	914,281	4,277,534
Profit for the year	—	—	—	—	—	—	387,360	387,360
Fair value changes on available-for-sale financial assets — gross	—	—	—	(687,288)	—	(687,288)	—	(687,288)
Transfer of fair value changes on available-for-sale financial assets — gross	—	—	—	(17,575)	—	(17,575)	—	(17,575)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	—	—	176,199	—	176,199	—	176,199
Profit appropriation		78,448				78,448	(78,448)	—
Currency translation differences	—	—	—	—	(5,254)	(5,254)	—	(5,254)
Dividends to Jin Jiang International before the completion of common control combination	—	—	—	—	—	—	(77,088)	(77,088)
Dividends declared (note 31)	—	—	—	—	—	—	(91,300)	(91,300)
Reversal of income tax payable (v)	—	—	15,253	—	—	15,253	—	15,253
Reorganisation with Jin Jiang Hotels Development (vi)	(619,731)	—	—	—	—	(619,731)	—	(619,731)
Transaction cost for reorganisation with Jin Jiang Hotels Development (vii)	(27,017)	—	—	—	—	(27,017)	—	(27,017)
Acquisition of equity interests in a subsidiary from non-controlling equity holders (viii)	(57,163)	—	—	—	—	(57,163)	—	(57,163)
At 31 December 2010 (Restated)	1,069,752	432,008	(192,223)	914,842	(5,254)	2,219,125	1,054,805	3,273,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group (continued)

	Other reserves							
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2010 (Restated)	1,069,752	432,008	(192,223)	914,842	(5,254)	2,219,125	1,054,805	3,273,930
Profit for the year	—	—	—	—	—	—	536,178	536,178
Fair value changes on available for-sale financial assets-gross	—	—	—	(391,132)	—	(391,132)	—	(391,132)
Transfer of fair value changes on available-for-sale financial assets-gross	—	—	—	(6,445)	—	(6,445)	—	(6,445)
Fair value changes and transfer of fair value changes on available for-sale financial assets — tax	—	—	—	99,395	—	99,395	—	99,395
Profit appropriation	—	12,500	—	—	—	12,500	(12,500)	—
Currency translation differences	—	—	—	—	(8,606)	(8,606)	—	(8,606)
Issue of shares, net of expenses (note 20(a))	912,480	—	—	—	—	912,480	—	912,480
Consideration for common control combination (note 36)	—	—	(2,694,020)	—	—	(2,694,020)	—	(2,694,020)
Dividends declared (note 31)	—	—	—	—	—	—	(122,452)	(122,452)
Disposal of equity interests in a subsidiary to a non-controlling equity holder (ix)	9,927	—	—	—	—	9,927	—	9,927
At 31 December 2011	1,992,159	444,508	(2,886,243)	616,660	(13,860)	153,224	1,456,031	1,609,255

(i) Capital surplus represents premium arising from shareholders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share, and the effect for transactions with non-controlling equity holders on changes in equity attributable to shareholders of the Company.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group (continued)

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

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

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

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

(vi) Transaction with non-controlling equity holders for reorganisation with Jin Jiang Hotels Development represents the decrease of equity attributable to the shareholders of the Company due to the shortfall between the net carrying amount of Transfer-in Assets, Transfer-out Assets and the cash consideration paid by the Company in connection with the reorganisation with Jin Jiang Hotels Development. This Transaction is treated as transaction with non-controlling equity holders and accordingly the effect of changes in equity attributable to the shareholders of the Company on the net consideration paid in excess of the respective equity interests of net assets of Transfer-in Assets and Transfer-out Assets is recorded in reserve for reorganisation with Jin Jiang Hotels Development. Further details are given in note 38(b).

(vii) The transaction cost for reorganisation with Jin Jiang Hotels Development represents the transaction cost incurred in connection with the reorganisation with Jin Jiang Hotels Development. This Transaction is treated as transaction with non-controlling equity holders and accordingly the transaction cost incurred is recorded as a deduction of capital surplus (note 38(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

20 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group (continued)

(viii) Acquisition of equity interests in a subsidiary from non-controlling equity holders represents Jin Jiang Hotels Development's acquisition of 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders for the year ended 31 December 2010. This acquisition is treated as transaction with non-controlling equity holders and accordingly the consideration paid in excess of the equity interests of net assets is recorded as a reduction of capital surplus. Further details are given in note 38(c).

(ix) Disposal of equity interests in a subsidiary to a non-controlling equity holder represents Jin Jiang Investment and its subsidiary Shanghai Jin Jiang Automobile Service Co., Ltd. ("Jin Jiang Automobile Service")'s disposal of 49% equity interests in Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. ("Jin Jiang Cold Logistics") to its non-controlling equity holder for the year ended 31 December 2011. This disposal is treated as a transaction with a non-controlling equity holder and accordingly the consideration received in excess of the equity interests of net assets is recorded in capital surplus. Further details are given in note 38(a).

(c) Reserves — the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for sale financial assets RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2010	1,096,678	107,351	59,985	1,264,014	788,506	2,052,520
Profit for the year	—	—	—	768,513	768,513	
Fair value changes on available-for-sale financial assets — gross	—	—	(36,685)	(36,685)	—	(36,685)
Fair value changes on available-for-sale financial assets — tax	—	—	9,171	9,171	—	9,171
Dividends declared (note 31)	—	—	—	—	(91,300)	(91,300)
Profit appropriation	—	78,448	—	78,448	(78,448)	—
At 31 December 2010	1,096,678	185,799	32,471	1,314,948	1,387,271	2,702,219
Profit for the year	—	—		—	331,369	331,369
Fair value changes on available-for-sale financial assets — gross	—	—	(37,998)	(37,998)	—	(37,998)
Fair value changes on available-for-sale financial assets — tax	—	—	9,499	9,499	—	9,499
Issue of shares, net of expenses (note 20(a))	912,480	—	—	912,480	—	912,480
Effect of common control combination	(2,417,974)	—	—	(2,417,974)	—	(2,417,974)
Dividends declared (note 31)	—	—	—	—	(122,452)	(122,452)
Profit appropriation	—	12,500	—	12,500	(12,500)	—
At 31 December 2011	**(408,816)**	**198,299**	**3,972**	**(206,545)**	**1,583,688**	**1,377,143**

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For the year ended 31 December 2011

21 TRADE AND OTHER PAYABLES

(a) The Group

	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 (note 39(b))	**310,702**	657,447
Deposits from lessees and constructors	**188,848**	193,953
Other tax 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 (note 37(a))	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

21 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	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. The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
RMB	**2,987,161**	3,250,620
USD	**270,815**	268,213
Other foreign currencies	**13,788**	24,401
	3,271,764	3,543,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS

(a) The Group

	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 (note 39(b))	**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 (note 39(b))	**27,500**	130,000
Other borrowings — unsecured	**238,418**	—
Current portion of long-term secured bank borrowings	**128,538**	13,245
Current portion of long-term financial lease	**1,274**	1,481
	520,423	552,437

As at 31 December 2011, the secured bank borrowings included:

(1) Bank borrowings of USD31,039,000, equivalent to RMB195,573,000 (31 December 2010: USD100,941,000, equivalent to RMB668,500,000), which were secured by assets with carrying amount of USD57,951,000, equivalent to RMB365,143,000 (31 December 2010: USD169,126,000, equivalent to RMB1,120,069,000).

(2) Bank borrowings of USD18,400,000, equivalent to RMB115,937,000 (31 December 2010: nil) were secured by a deposit of RMB12,000,000 and bank borrowings USD6,445,000, equivalent to RMB40,610,000 (31 December 2010: USD4,025,000, equivalent to RMB26,654,000), which were secured by RMB deposits with equivalent amount;

(3) Bank borrowings of USD16,960,000, equivalent to RMB106,863,000 (31 December 2010: USD18,960,000, equivalent to RMB125,566,000), which were guaranteed by Jin Jiang International; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

(4) Bank borrowings of USD1,195,000, equivalent to RMB7,529,000 (31 December 2010: nil), which were pledged by trade receivables of approximately USD1,328,000, equivalent to RMB8,368,000 (31 December 2010: nil).

As at 31 December 2011, other unsecured borrowings mainly includes the borrowing of RMB200,000,000 (2010: nil) from a third party entrusted through the Bank of Communications.

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

	6 months or less RMB'000	6-12 months RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2011	**925,310**	**933,400**
At 31 December 2010 (Restated)	1,038,742	588,278
Borrowings included in current liabilities:		
At 31 December 2011	**384,356**	**136,067**
At 31 December 2010 (Restated)	445,561	106,876

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

	At 31 December	
	2011 RMB'000	2010 RMB'000
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
	1,858,710	1,627,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

(iii) 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 USD	**3.5327%**	4.6609%

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2011		
— Bank borrowings	933,400	933,400
— Borrowings from related parties (note 39(b))	901,563	878,942
— Finance lease liabilities	23,747	23,747
	1,858,710	1,836,089
At 31 December 2010		
— Bank borrowings	700,599	688,838
— Borrowings from related parties (note 39(b))	901,563	885,215
— Finance lease liabilities	24,858	24,858
	1,627,020	1,598,911

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

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(a) The Group (continued)

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

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

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB25,021,000 (2010: RMB26,339,000) are effectively secured as the rights to the leased asset with carrying amount of RMB25,164,000 (2010: RMB25,389,000) (note 6(a)) revert to the lessor in the event of default.

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**2,568**	3,055
Between 1 year and 2 years	**3,051**	3,055
Between 2 years and 5 years	**9,153**	9,165
Over 5 years	**20,279**	22,547
	35,051	37,822
Future finance charges on finance leases	**(10,030)**	(11,483)
Present value of finance lease liabilities	**25,021**	26,339
The present value of finance lease liabilities is as follows:		
Within 1 year	**1,274**	1,481
Between 1 year and 2 years	**1,637**	1,577
Between 2 years and 5 years	**5,572**	5,372
Over 5 years	**16,538**	17,909
	25,021	26,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(b) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Borrowings from related parties (note 39(c))	**589,500**	589,500
Borrowings from subsidiaries of the Company	**120,000**	—
Bank borrowing — secured	**106,863**	125,566
	816,363	715,066
Less: current portion of long-term bank borrowing — secured	**(12,602)**	(13,245)
	803,761	701,821
Borrowings included in current liabilities:		
Bank borrowing — unsecured	**50,000**	—
Other borrowing — unsecured	**200,000**	—
Current portion of long-term bank borrowings — secured	**12,602**	13,245
	262,602	13,245

The secured bank borrowings of approximately USD16,960,000, equivalent to RMB106,863,000 (2010: USD18,960,000, equivalent to RMB125,566,000) were guaranteed by Jin Jiang International.

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

	6 months or less	6-12 months
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2011	**709,500**	**94,261**
At 31 December 2010	701,821	—
Borrowings included in current liabilities:		
At 31 December 2011	**250,000**	**12,602**
At 31 December 2010	13,245	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Between 1 and 2 years	**622,101**	602,745
Between 2 and 5 years	**181,660**	99,076
	803,761	701,821

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

	At 31 December	
	2011	2010
Borrowings denominated in RMB	**4.9163%**	4.2231%
Borrowings denominated in USD	**3.0085%**	2.9525%

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2011		
— Bank borrowings	94,261	83,515
— Borrowings from Jin Jiang International	589,500	573,482
— Borrowings from a related party	120,000	118,166
	803,761	775,163
At 31 December 2010		
— Bank borrowings	112,321	111,292
— Borrowings from Jin Jiang International	589,500	579,136
	701,821	690,428

The carrying amounts of current borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22 BORROWINGS (CONTINUED)

(b) The Company (continued)

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
— RMB	**959,500**	589,500
— USD	**106,863**	125,566
	1,066,363	715,066

23 OTHER INCOME

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Revaluation gain from remeasuring 50% equity interests in Hua Ting Hotel and Towers (note 35(a))	**403,801**	—
Subsidy income	**38,035**	29,576
Interest income	**27,336**	22,288
Dividend income	**101,905**	117,959
— Unlisted equity investments	**56,404**	51,711
— Listed equity investments	**45,501**	66,248
Gain on disposal of property, plant and equipment	**43,315**	21,900
Gain on disposal of available-for-sale financial assets	**10,753**	39,223
Gain on disposal of investment in associates	**—**	3,574
Others	**10,608**	5,543
	635,753	240,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

24 OTHER EXPENSES

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Bank charges	**53,471**	50,092
Loss on disposal of intangible assets	**17,477**	2,606
Loss on business combination other than common control combination (note 35(b))	**3,576**	—
Loss on disposal of property, plant and equipment	**3,182**	3,807
Others	**5,515**	43
	83,221	56,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25 EXPENSES BY NATURE

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Cost of inventories sold (note 16)	**3,172,014**	3,169,804
Employee benefit expense (note 26)	**2,492,732**	2,211,693
Other expenses from managed properties (note 5(a))	**2,283,662**	1,589,706
Transportation expenses	**1,039,028**	1,123,800
Depreciation of property, plant and equipment (note 6)	**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 (note 6)	**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 (note 9)	**43,281**	27,961
Amortisation of land use rights (note 8)	**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 (note 7)	**5,048**	5,048
Provision for impairment of trade and other receivables (note 17)	**1,547**	2,241
Transaction cost related to the acquisition of a jointly controlled entity (note 37)	**—**	11,757
Provision for impairment of available-for-sale financial assets (note 13)	**—**	11,000
Reversal of inventories write-down (note 16)	**(319)**	(37)
Others	**397,461**	420,243
	12,302,029	11,112,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Wages and salaries	**1,797,794**	1,568,238
Retirement and housing benefits (a)	**418,185**	377,418
Welfare and other expenses	**276,753**	266,037
	2,492,732	2,211,693
Number of employee	**31,097**	30,995

(a) Retirement benefit and housing benefits schemes

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors' and supervisors' emoluments

The emoluments of every director and supervisor for the year ended 31 December 2011, on a named basis, are set out as below:

Name	Director's fee RMB'000	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Mr. Yu Minliang	–	–	–	–	–
Mr. Shen Maoxing	–	–	–	–	–
Ms. Chen Wenjun	–	–	–	–	–
Mr. Yang Weimin	–	300	208	59	567
Mr. Chen Hao	–	287	158	29	474
Mr. Xu Zurong (i)	–	66	125	13	204
Mr. Han Min	–	229	115	54	398
Mr. Kang Ming	–	204	77	53	334
Mr. Ji Gang	100	–	–	–	100
Mr. Xia Dawei	100	–	–	–	100
Mr. Sun Dajian	100	–	–	–	100
Dr. Rui Mingjie	100	–	–	–	100
Mr. Yang Menghua	100	–	–	–	100
Dr. Tu Qiyu	100	–	–	–	100
Mr. Shen Chengxiang	100	–	–	–	100
Mr. Lee Chung Bo	100	–	–	–	100
	800	1,086	683	208	2,777
Supervisors					
Mr. Wang Guoxing	–	–	–	–	–
Mr. Wang Xingze	–	226	115	54	395
Mr. Ma Mingju	–	–	–	–	–
Ms. Chen Junjin	–	173	73	52	298
Ms. Jiang Ping (ii)	–	–	–	–	–
Mr. Zhou Qiquan	–	–	–	–	–
	–	399	188	106	693
	800	1,485	871	314	3,470

(i) Resigned as the director on 30 March 2011.

(ii) Passed away on 15 August 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors' and supervisors' emoluments (continued)

The emoluments of every director and supervisor for the year ended 31 December 2010, on a named basis, are set out as below:

Name	Director's fee RMB'000	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Mr. Yu Minliang	—	—	—	—	—
Mr. Shen Maoxing	—	—	—	—	—
Ms. Chen Wenjun	—	—	—	—	—
Mr. Yang Weimin	—	313	192	57	562
Mr. Chen Hao	—	303	169	55	527
Mr. Yuan Gongyao (i)	—	—	—	—	—
Mr. Xu Zurong	—	303	112	52	467
Mr. Han Min	—	237	103	53	393
Mr. Kang Ming	—	235	73	49	357
Mr. Ji Gang	100	—	—	—	100
Mr. Xia Dawei	100	—	—	—	100
Mr. Sun Dajian	100	—	—	—	100
Dr. Rui Mingjie	100	—	—	—	100
Mr. Yang Menghua	100	—	—	—	100
Dr. Tu Qiyu	100	—	—	—	100
Mr. Shen Chengxiang	100	—	—	—	100
Mr. Lee Chung Bo	100	—	—	—	100
	800	1,391	649	266	3,106
Supervisors					
Mr. Wang Guoxing	—	—	—	—	—
Mr. Wang Xingze	—	237	103	53	393
Mr. Ma Mingju	—	—	—	—	—
Ms. Chen Junjin	—	—	—	—	—
Ms. Jiang Ping	—	—	—	—	—
Mr. Zhou Qiquan	—	—	—	—	—
	—	237	103	53	393
	800	1,628	752	319	3,499

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors' and supervisors' emoluments (continued)

The emoluments fell within following bands:

	Year ended 31 December	
	2011	2010
	Number	Number
Nil to RMB811,000 (equivalent to HK$1,000,000)	**22**	23

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2011 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2011 are as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Salary and allowances	**6,564**	6,816
Discretionary bonuses	**484**	142
Retirement scheme contributions	**259**	248
	7,307	7,206

The emoluments fell within the following bands:

	Year ended 31 December	
	2011	2010
	Number	Number
RMB811,000 (equivalent to HK$1,000,000) to RMB1,216,000 (equivalent to HK$1,500,000)	**2**	4
RMB1,621,000 (equivalent to HK$2,000,000) to RMB2,027,000 (equivalent to HK$2,500,000)	**2**	1
RMB2,027,000 (equivalent to HK$2,500,000) to RMB2,432,000 (equivalent to HK$3,000,000)	**1**	—
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

26 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(d) During the year ended 31 December 2011, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

27 FINANCE COSTS

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000 (Restated)
Interest expenses	**94,419**	100,187
— Bank borrowings	**44,869**	60,100
— Borrowings from related parties	**42,615**	38,423
— Other unsecured borrowings	**5,381**	—
— Financial lease liabilities	**1,554**	1,664
Less: amounts capitalised in property, plant and equipment (note 6)	**—**	(8)
	94,419	100,179
Net foreign exchange gain	**(4,666)**	(1,609)
	89,753	98,570

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

28 INCOME TAX EXPENSE

	Year ended 31 December	
	2011	2010
	RMB'000	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 (note 14(a))	**(62,164)**	(126,375)
US deferred income tax (note 14(a))	**(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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

28 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2011	2010
	RMB'000	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.

29 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company has been dealt with in the financial statements of the Company to the extent of RMB331,369,000 (2010: RMB768,513,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30 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 (note 36), 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.

31 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Year ended 31 December	
		2011	2010
	Note	**RMB'000**	RMB'000 (Restated)
Profit for the year		**907,145**	827,315
Adjustments for:			
— income tax expense	28	**84,363**	170,524
— depreciation of property, plant and equipment	25	**1,010,477**	880,857
— depreciation of investment properties	25	**5,048**	5,048
— amortisation of land use rights	25	**36,716**	35,533
— amortisation of intangible assets	25	**43,281**	27,961
— transaction cost in relation to business combination and acquisition of jointly controlled entities	37	**4,777**	11,757
— loss on disposal of property, plant and equipment	23, 24	**(40,133)**	(18,093)
— loss on disposal of intangible assets	24	**17,477**	2,606
— gain on disposal of available-for-sale financial assets	23	**(10,753)**	(39,223)
— gain on disposal of investment in associates		**(2,266)**	—
— loss on revaluation of financial assets at fair value through profit or loss		**1,233**	—
— gain on business combination other than common control combination		**(400,225)**	—
— provision for impairment of trade and other receivables	25	**1,547**	2,241
— reversal of inventories to net realisable value	25	**(319)**	(37)
— provision for impairment of available-for-sale financial assets	25	**—**	11,000
— interest income	23	**(27,336)**	(22,288)
— interest expenses	27	**94,419**	100,187
— net foreign exchange gain	27	**(4,666)**	(1,609)
— share of results of associates	12	**(177,324)**	(202,160)
— dividend income	23	**(101,905)**	(117,959)
Changes in working capital:			
— restricted cash		**13,050**	(157,504)
— inventories		**(7,632)**	(39,082)
— trade and other receivables		**279,421**	(395,972)
— trade and other payables		**(109,327)**	723,026
Cash generated from operations		**1,617,068**	1,804,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

33 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Not later than 1 year	**34,100**	8,000
Later than 1 year and not later than 5 years	**4,000**	20,100
	38,100	28,100

The Group provides guarantees for the bank borrowings of the jointly controlled entities and associates of the Group.

The financial guarantees contracts had not been recognised in the consolidated financial statements as the Group considered that the fair value of the guarantees contract was insignificant.

34 COMMITMENTS

(a) Capital commitments

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

(i) The Group

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

(ii) The Company

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**6,197**	54,478

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34 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue and the operating lease expenses recognised in the consolidated income statement for the year ended 31 December 2011 are disclosed in notes 5(a) and 25, respectively.

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

(i) The Group

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

	At 31 December	
	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

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34 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) The Company

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Not later than 1 year	**49,009**	46,861
Later than 1 year and not later than 5 years	**190,215**	182,193
Later than 5 years	**571,118**	635,940
	810,342	864,994

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Not later than 1 year	**1,014**	622
Later than 1 year and not later than 5 years	**150**	296
	1,164	918

(c) Loan commitments

The Group

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 (note 39(b)).

(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 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 USD 856,305 (equivalent to approximately RMB5,395,000) to Shanghai Yoshinoya.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34 COMMITMENTS (CONTINUED)

(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.

35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION

(a) Hua Ting Hotel and Towers

As disclosed in note 1(d), the Group holds a 50% equity interest in Hua Ting Hotel and towers, which 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 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, appoint the general manager who 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 the articles of association became effective on 27 December 2011.

Upon completion of the amendments to the articles of association, the Group has obtained control over Hua Ting Hotel and Towers with no consideration, and Hua Ting Hotel and Towers became a subsidiary of the Group.

If the business combination had occurred on 1 January 2011, the Group's revenue would have been RMB12,740,812,000, and profit for the year would have been RMB879,058,000. These amounts have been calculated using the Group's accounting policies and by adjusting the result of Hua Ting Hotel and Towers as a subsidiary to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and land use right had applied from 1 January 2011, together with consequential tax effects.

Details of the consideration are as follows:

	RMB'000
Total purchase consideration	—

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35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(a) Hua Ting Hotel and Towers (continued)

The following table summarises the fair value of assets and liabilities remeasured and the non-controlling equity holders on 27 December 2011:

	Fair values RMB'000
Cash and cash equivalents	125,548
Property, plant and equipment	540,492
Land use right	861,655
Intangible assets	23
Inventories	3,958
Trade and other receivables, current	46,168
Deferred income tax liabilities	(279,273)
Trade and other payables, current	(35,773)
Fair value of net assets	1,262,798
Less: Non-controlling equity holders (50%)	(631,399)
Share of net assets	631,399
Less: 50% equity interest previously held	(227,598)
Revaluation gain (i)	403,801
Purchase consideration settled in cash	—
50% share of cash and cash equivalents in the subsidiary obtained	62,774
Cash inflow on the business combination	62,774
Acquisition related cost	210

(i) The Group recognised a gain of RMB403,801,000 as a result of remeasuring at fair value its 50% equity interest in Hua Ting Hotel and Towers in excess of the carrying amount of its previously held equity interest. The gain is included in other income (note 23) in the Group's consolidated income statement for the year ended 31 December 2011.

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35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(b) Jing An Bakery Holding Company Limited ("Jing An Bakery Holdings")

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

On 1 July 2011, pursuant to an equity transfer agreement signed among the Group, China Bakery Group Limited ("China Bakery") and JJ Bakery Holdings Limited ("JJ Bakery"), China Bakery and JJ Bakery transferred each of their 10% equity interest in Jing An Bakery Holdings to the Group, at a total cash consideration of approximately RMB8,050,000.

The equity transfer was completed in July 2011 and the Group holds a 60% equity interest in Jing An Bakery Holdings which became a subsidiary of the Group thereafter.

The acquired business contributed revenues of RMB29,522,000 and net loss of RMB5,287,000 to the Group for the period from 1 July 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group revenue would have been RMB12,672,175,000, and profit for the year would have been RMB902,846,000. These amounts have been calculated using the Group's accounting policies but without considering any adjustment to the results of the subsidiary as no significant fair value adjustment had been made to the assets and liabilities upon the acquisition.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	4,025
— Cash to be paid	4,025
Total purchase consideration	8,050

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35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(b) Jing An Bakery Holding Company Limited ("Jing An Bakery Holdings") (continued)

The followings table summarises the fair value of assets acquired, liabilities assumed and the non-controlling equity holder at the acquisition date:

	Fair values RMB'000
Cash and cash equivalents	5,391
Property, plant and equipment	26,396
Intangible assets	6,445
Available-for-sale financial assets	350
Inventories	2,241
Trade and other receivables	8,635
Deferred income tax liabilities	(1,580)
Trade and other payables	(21,197)
Non-controlling equity holder	(4,311)
Net assets	22,370
Less: Non-controlling equity holder (40%)	(8,948)
Share of net assets	13,422
Less: 40% equity interest previously held	(8,948)
Add: Loss as a result of lower value of net assets (i)	3,576
Total purchase consideration	8,050
Total purchase consideration settled in cash	(4,025)
60% share of cash and cash equivalents in the subsidiary acquired	3,235
Cash outflow on acquisition	(790)
Acquisition related cost	23

(i) The Group recognised a loss of RMB3,576,000 for the difference between the fair value of 20% equity interest acquired and the total consideration agreed for the acquisition. The loss is included in other expenses in the Group's consolidated income statement for the year ended 31 December 2011.

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35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(c) Jinguang Inn

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

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid in 2010	122,104
— Cash paid in 2011	1,837
— Cash to be paid	12,000
Total purchase consideration	135,941

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35 BUSINESS COMBINATION OTHER THAN COMMON CONTROL COMBINATION (CONTINUED)

(c) Jinguang Inn (continued)

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

	Fair values RMB'000
Cash and cash equivalents	82,229
Property, plant and equipment (note 6)	71,058
Intangible assets (note 9)	47,758
Inventories	1,109
Trade and other receivables	9,872
Trade and other payables	(29,290)
Deferred income tax liabilities (note 14)	(11,950)
Borrowings	(33,972)
Net assets	136,814
Less: Non-controlling equity holders (30%)	(41,044)
Share of net assets	95,770
Add: Goodwill (note 9)	40,171
Total purchase consideration	135,941
Total purchase consideration settled in cash in 2010	122,104
Cash and cash equivalents in the subsidiary	(82,229)
Cash outflow on acquisition in 2010	39,875
Cash outflow on acquisition in 2011	1,837

36 COMMON CONTROL COMBINATION

Further to note 1(c), the Company paid the cash consideration of RMB231,873,000 and RMB541,036,000 to Jin Jiang International in August 2010 and January 2011 respectively. As at 16 February 2011, the Acquisition had been approved by CSRC, State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company. In addition, the Company had completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 domestic shares in the Company at the China Securities Depository and Clearing Corporation Limited ("SD&C"), and the registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel had also been completed at the SD&C. The Company has paid the transaction cost of RMB9,319,000 for the year ended 31 December 2011.

The Acquisition was completed on 16 February 2011.

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36 COMMON CONTROL COMBINATION (CONTINUED)

The dividends of RMB77,088,000 declared by Jin Jiang Investment and Jin Jiang Travel to Jin Jiang International during the year ended 31 December 2010 were debited to retained earnings. The total consideration of the Acquisition of RMB2,694,020,000 were debited to merger reserve (note 20(b)) for the year ended 31 December 2011.

The following is a reconciliation of the effect arising from the common control combination in respect of the Acquisition on the consolidated balance sheets as at 31 December 2011 and 31 December 2010.

The consolidated balance sheet as at 31 December 2011:

		Common control combination				
	Group before the Acquisition RMB'000	Jin Jiang Investment RMB'000	Jin Jiang Travel RMB'000	Adjustments RMB'000	Sub-total RMB'000	Consolidated RMB'000
Investment in Jin Jiang Investment	889,958	—	6,890	(896,848)	(889,958)	—
Investment in Jin Jiang Travel	486,978	—	—	(486,978)	(486,978)	—
Other net assets/(liabilities)	10,024,563	2,395,390	868,519	(1,434,601)	1,829,308	11,853,871
	11,401,499	2,395,390	875,409	(2,818,427)	452,372	11,853,871
Net assets						
Share capital	5,566,000	551,610	132,556	(684,166)	—	5,566,000
Merger reserve	(570,038)	—	—	(2,316,205)	(2,316,205)	(2,886,243)
Other reserves	2,778,514	694,857	651,659	(1,085,563)	260,953	3,039,467
Retained earnings	874,358	895,621	90,144	(404,092)	581,673	1,456,031
Non-controlling equity holders	2,752,665	253,302	1,050	1,671,599	1,925,951	4,678,616
Total equity	11,401,499	2,395,390	875,409	(2,818,427)	452,372	11,853,871

The consolidated balance sheet as at 31 December 2010:

		Common control combination				
	Group before the Acquisition RMB'000	Jin Jiang Investment RMB'000	Jin Jiang Travel RMB'000	Adjustments RMB'000	Sub-total RMB'000	Consolidated RMB'000
Investment in Jin Jiang Investment	140,177	—	9,214	(149,391)	(140,177)	—
Investment in Jin Jiang Travel	—	—	—	—	—	—
Other net assets/(liabilities)	8,769,551	2,246,218	977,926	(1,453)	3,222,691	11,992,242
	8,909,728	2,246,218	987,140	(150,844)	3,082,514	11,992,242
Net assets						
Share capital	4,565,000	551,610	132,556	(684,166)	—	4,565,000
Merger reserve	(570,038)	—	—	377,815	377,815	(192,223)
Other reserves	2,124,133	664,693	734,299	(1,111,777)	287,215	2,411,348
Retained earnings	504,538	841,618	116,410	(407,761)	550,267	1,054,805
Non-controlling equity holders	2,286,095	188,297	3,875	1,675,045	1,867,217	4,153,312
Total equity	8,909,728	2,246,218	987,140	(150,844)	3,082,514	11,992,242

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37 ACQUISITION OF JOINTLY CONTROLLED ENTITIES

(a) Noble Management Company ("Noble")

On 1 November 2011, IHR Group, a jointly controlled entity of the Group, acquired 100% ownership in Noble, a hotel operating division of Noble Investment Group, one of a leading lodging and hospitality investment organizations in the US.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	48,455
— Cash to be paid	47,470
Total purchase consideration	95,925

The Group's 50% share in assets and liabilities as of 1 November 2011 arising from the acquisition are as follows:

	Fair values RMB'000
Cash and cash equivalents	740
Intangible assets (note 9)	49,112
Trade and other receivables	2,729
Trade and other payables	(2,860)
Net assets	49,721
Add: Goodwill (note 9)	46,204
Total purchase consideration	95,925
Total purchase consideration settled in cash	48,455
Cash in subsidiary acquired	(740)
Cash outflow on acquisition	47,715
Acquisition related cost	1,899

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37 ACQUISITION OF JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) IHR Group

Further to note 1(a), the acquisition of IHR Group was completed on 18 March 2010 with the total purchase cash consideration as follows:

	RMB'000
Total purchase consideration	357,715

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

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

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38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Partial disposal of equity interests in Jin Jiang Cold Logistics

In 2011, Jin Jiang Investment and its subsidiary Jin Jiang Automobile Service disposed partial equity interests in Jin Jiang Cold Logistics to a third party for a cash consideration of RMB89,729,000. Meanwhile, the third party contributed capital increase of RMB23,023,000 to Jin Jiang Cold Logistics. Thereafter, Jin Jiang Investment held 51% equity interest in Jin Jiang Cold Logistics. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders is summarised as follows:

	RMB'000
Cash consideration received in 2010	112,752
Carrying amount of non-controlling equity holders disposed	(58,168)
Excess of consideration received	54,584
Less: after-tax effect of the employment termination benefit and income tax for the transaction	(30,318)
	24,266
Multiply: percentage of equity interests in Jin Jiang Investment	40.91%
Effect of changes on the equity attributable to the shareholders of the Company	9,927
Carrying amount of non-controlling equity holders disposed	58,168
Excess of consideration received recognised in non-controlling equity holders	14,339
Effect of changes on non-controlling equity holders	72,507

(b) Transaction with Jin Jiang Hotels Development

The Group

Further to note 1(b), the considerations of the exchange of the Transfer-in Assets and Transfer-out Assets between the Company and Jin Jiang Hotels Development were determined based on the valuation of the respective assets as at 31 July 2009 and the profit or loss of the Transfer in Assets and Transfer-out Assets between 1 August 2009 and the completion date of the Transaction. The difference was settled in cash. The valuation of the Transfer-in Assets and Transfer-out Assets as at 31 July 2009 were RMB3,071,037,000 and RMB2,728,248,000, respectively.

The Transaction was approved by CSRC on 12 May 2010 and the completion date of the Reorganisation was 31 May 2010. The Company paid a cash consideration of RMB251,074,000 to Jin Jiang Hotels Development.

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38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (CONTINUED)

(b) Transaction with Jin Jiang Hotels Development (continued)

The Group (continued)

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

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

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

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38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (CONTINUED)

(b) Transaction with Jin Jiang Hotels Development (continued)

The Company

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

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

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38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (CONTINUED)

(c) Acquisition of additional interest in a subsidiary

On 21 June 2010, Jin Jiang Hotels Development acquired the remaining 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders for a purchase consideration of RMB138,205,000, and Jin Jiang Inn became a wholly-owned subsidiary of Jin Jiang Hotels Development. The carrying amount of the non-controlling equity holders in Jin Jiang Inn on the date of acquisition was RMB24,607,000, which was recognised by Jin Jiang Hotels Development as a decrease in non-controlling equity holders. Considering the 49.68% of non-controlling equity holders in Jin Jiang Hotels Development, the Group recognised a decrease in non-controlling equity holders of RMB81,042,000 and a decrease in equity attributable to the shareholders of the Company of RMB57,163,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling equity holders as at 21 June 2010 is summarised as follows:

	At 21 June 2010 RMB'000
Carrying amount of non-controlling equity holders acquired by Jin Jiang Hotels Development	24,607
Consideration paid to non-controlling equity holders	(132,381)
Consideration to be paid to non-controlling equity holders	(5,824)
Excess of consideration paid/to be paid	(113,598)
Multiply: percentage of equity interests in Jin Jiang Hotels Development	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(57,163)
Carrying amount of non-controlling equity holders acquired by Jin Jiang Hotels Development	(24,607)
Excess of consideration paid recognised in non-controlling equity holders	(56,435)
Effect of changes on non-controlling equity holders	(81,042)

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38 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL (CONTINUED)

(d) Effects of transactions with non-controlling equity holders on the equity attributable to the shareholders of the Company

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Total comprehensive income for the year attributable to the shareholders of the Company	**330,756**	(215,504)
Changes in equity attributable to shareholders of the Company arising from:		
— Transaction with non-controlling equity holders for reorganisation with Jin Jiang Hotels Development	**—**	(619,731)
— Transaction cost for reorganisation with Jin Jiang Hotels Development	**—**	(27,017)
— Acquisition of additional interests in a subsidiary	**—**	(57,163)
— Partial disposal of equity interests in Jin Jiang Cold Logistics	**9,927**	—
Total effect for transactions with non-controlling equity holders on changes in equity attributable to shareholders of the Company	**9,927**	(703,911)
	340,683	(919,415)

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39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions — the Group

The Group had the following significant related party transactions during the year ended 31 December 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000 (Restated)
Transactions with Jin Jiang International		
— Provision of food and beverage service	1,283	1,140
— Interest Income received	902	5,376
— Provision of vehicle operating services	484	1,551
— Provision of other services	484	288
— Provision of training services	365	50
— Provision of hotel services	116	362
— Sales of hotel supplies	93	680
	3,727	9,447
— Interest expenses paid	50,571	49,595
— Rental expenses paid	11,773	13,175
— Receipt of food and beverage service	601	225
— Borrowings received	—	719,500
	62,945	782,495
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	12,812	17,935
— Sales of hotel supplies	8,396	4,505
— Provision of other services	4,798	3,588
— Rental income received	2,444	2,317
	28,450	28,345
— Rental expenses paid	16,766	13,683
— Receipt of other services	4,821	5,364
— Purchase of food and beverage	3,252	3,456
— Receipt of laundry services	297	493
	25,136	22,996

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For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Transactions with jointly controlled entities of the Group		
— Management fees received	**4,402**	4,891
— Sales of hotel supplies	**2,528**	3,238
— Interest income received	**1,332**	921
— Rental income received	**337**	325
— Provision of other services	**85**	195
	8,684	9,570
— Interest expenses paid	**3,262**	3,294
— Receipt of other services	**2,351**	181
— Purchase of food and beverage	**—**	6,708
	5,613	10,183
Transactions with associates of the Group		
— Sales of hotel supplies	**4,160**	2,905
— Rental income received	**3,803**	4,837
— Interest income received	**2,609**	3,314
— Management fees received	**2,471**	1,909
	13,043	12,965
— Purchase of vehicles and related parts	**98,545**	118,336
— Purchase of food and beverage	**700**	668
— Receipt of travelling services	**584**	4,507
— Interest expenses paid	**54**	36
	99,883	123,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Amounts due from related parties (note 17(a))

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
— Jin Jiang International (i)	**394**	271,118
— Subsidiaries of Jin Jiang International	**4,754**	5,250
— Jointly controlled entities of the Group (ii)	**91,306**	20,306
— Associates of the Group (iii)	**56,750**	119,454
	153,204	416,128
Prepayments to related parties (note 17(a))		
— Jin Jiang International (iv)	**—**	231,873
Amounts due to related parties (note 21(a))		
— Jin Jiang International (v)	**(183,350)**	(440,222)
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International (vi)	**(24,315)**	(60,556)
— Jointly controlled entities of the Group (vii)	**(76,476)**	(138,115)
— Associates of the Group (viii)	**(26,561)**	(18,188)
— Companies with common directors	**—**	(366)
	(310,702)	(657,447)
Borrowings from related parties (note 22)		
— Jin Jiang International (ix)	**(901,563)**	(1,031,563)
— A subsidiary of Jin Jiang International (x)	**(20,000)**	—
— A jointly controlled entity of the Group (xi)	**(7,500)**	—
	(929,063)	(1,031,563)

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For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Loan commitments (note 34(c))

	At 31 December	
	2011	2010
	RMB'000	RMB'000
		(Restated)
— Associates of the Group	**46,200**	1,000
— Jointly controlled entities of the Group	**40,000**	430
— Jin Jiang International	**—**	230,000
	86,200	231,430

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

(ii) The balance includes secured loans to a jointly controlled entity of RMB16,340,000 as at 31 December 2011 (31 December 2010: RMB16,340,000) with effective interest rate of 5.39% (2010: 4.78%) per annum which were guaranteed by a third party, and a secured loan to a jointly controlled entity of RMB42,000,000 as at 31 December 2011 (31 December 2010: nil) with effective interest rate of 6.56% per annum which was guaranteed by their properties, and an unsecured loan to a jointly controlled entity of RMB4,000,000 as at 31 December 2011 (31 December 2010: nil) with effective interest rate of 5.45% per annum which was guaranteed by a subsidiary of the Group, and unsecured loans to a jointly controlled entity of RMB21,000,000 as at 31 December 2011 (31 December 2010: nil) with effective interest rate of 6.56% per annum.

(iii) The balance includes secured loans to an associate of the Group of RMB18,000,000 as at 31 December 2011 (31 December 2010: RMB58,000,000) with effective interest rate of 6.20% (2010: 5.32%) per annum which were guaranteed by their properties, and an unsecured loan of RMB20,000,000 as at 31 December 2011 (31 December 2010: RMB30,000,000) with effective interest rate of 6.65% (2010: 5.10%) per annum.

(iv) The balance as at 31 December 2010 represented the prepayment of RMB231,873,000 to Jin Jiang International in connection with the Acquisition.

(v) The balance includes deposits from Jin Jiang International of RMB168,559,000 as at 31 December 2011 (31 December 2010: RMB424,210,000) with effective interest rate of 1.30% (2010: 1.60%) per annum.

(vi) The balance includes deposits from subsidiaries of Jin Jiang International of RMB11,500,000 as at 31 December 2011 (31 December 2010: RMB10,000,000) with effective interest rate of 3.24% (2010: 1.35%) per annum.

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For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

Loan commitments (note 34(c)) (continued)

(vii) The balance includes deposits from jointly controlled entities of RMB65,436,000 as at 31 December 2011 (31 December 2010: RMB128,097,000) with effective interest rate of 1.99% (2010: 1.97%) per annum.

(viii) The balance includes deposits from associates of RMB4,225,000 as at 31 December 2011 (31 December 2010: RMB7,087,000) with effective interest rate of 0.50% (2010: 1.25%) per annum.

(ix) The balance includes unsecured borrowings from Jin Jiang International of RMB901,563,000 as at 31 December 2011 (31 December 2010: RMB1,031,563,000) with effective interest rate of 4.36% (2010: 4.52%) per annum.

(x) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB20,000,000 as at 31 December 2011 (2010: nil) with effective interest rate of 5.68% per annum.

(xi) The balance includes an unsecured borrowing from a jointly controlled entity of the Group of RMB7,500,000 as at 31 December 2011 (2010: nil) with effective interest rate of 5.90% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 December	
	2011	2010
	RMB'000	RMB'000
Amounts due from related parties (note 17(b))		
— Subsidiaries of the Group	**152,832**	185,528
— Associates of the Group	**10,500**	10,500
— Jointly controlled entities of the Group	**993**	957
— Subsidiaries of Jin Jiang International	**86**	72
	164,411	197,057
Prepayments to related parties (note 17(b))		
— Jin Jiang International (i)	**—**	231,873
Amounts due to related parties		
— Subsidiaries of the Group	**(3,525)**	(1,864)
— Jin Jiang International	**(761)**	(761)
— Subsidiaries of Jin Jiang International	**(36)**	(31)
— Jointly controlled entities of the Group	**(6)**	(97)
— Companies with common directors	**—**	(8)
	(4,328)	(2,761)
Borrowing (note 22(b))		
— Jin Jiang International (ii)	**(589,500)**	(589,500)
— Subsidiaries of the Group (iii)	**(120,000)**	—
	(709,500)	(589,500)

(i) The balance as at 31 December 2010 represented the prepayment in connection with the Acquisition.

(ii) The balance includes unsecured borrowings from Jin Jiang International of RMB589,500,000 as at 31 December 2011 (31 December 2010: RMB589,500,000) with effective interest rates of 4.22% (2010: 4.22%) per annum.

(iii) The balance includes unsecured borrowings from subsidiaries of the Group of RMB120,000,000 as at 31 December 2011 (31 December 2010: nil) with effective interest rates of 6.10% per annum.

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

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For the year ended 31 December 2011

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Salary and other allowances	**3,810**	1,625
Discretionary bonus	**710**	722
Retirement scheme contributions	**349**	316
	4,869	2,663

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2011, the Company had direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries						
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悦青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	99.0%	1.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	–	100.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

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For the year ended 31 December 2011

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

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	USD8,000	75.0%	25.0%	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Jin Jiang International Finance Company Limited 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	90.0%	10.0%	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	–	100.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB603,241	50.3%	–	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	–	100.0%	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB100,000	100.0%	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	–	100.0%	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	–	100.0%	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company

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

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	–	60.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團（香港）有限公司	Hong Kong, 14, February 2000	HK$70,736	98.6%	1.4%	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.7%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Café de Coral Company Limited 上海新亞大家樂餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	–	75.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA 15 May 2009	USD39,600	100.0%	–	Investment operations Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	–	70.0%	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co.,Ltd 靜安麵包房控股有限公司	British Virginislands Britain, 21 April 2009	HK$41,692	–	60.0%	Investment operation Hong Kong, China	Limited liability company
Shanghai Hua Ting Hotel and Towers Company Limited 上海華亭賓館有限公司	Mainland China, 19 September 1985	RMB120,000	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Travel Co.,Ltd 上海錦江國際旅游股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.21%	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Industrial Investment Co.,Ltd 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	38.54%	2.37%	Vehicle and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	USD1,000	–	85.37%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jinjiang International Cold Logistics Development Co.,Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	–	51.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	–	100.0%	Trading of food, Shanghai, Mainland China	Limited liability company

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

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai Jin Jiang Auto Service Co., Ltd 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	–	93.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅游有限公司	Mainland China, 25 August 1993	RMB24,990	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
(b) Jointly controlled entities						
Beijing Kunlun Hotel Company Limited 北京崑崙飯店有限公司	Mainland China, 24 May 1988	USD34,167	35.0%	12.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	USD24,340	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	USD3,000	50.0%	–	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai New Garden Hotel 上海新苑賓館	Mainland China, 26 November 1984	RMB13,975	57.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Hotel Acquisition Company, LLC	USA 6 July 2009	USD146,378	–	50.0%	Investment operations company, Wilmington, USA	Limited liability company
Interstate Hotels & Resorts, INC 美國州際酒店與度假村集團	USA 31 July 2002	USD106,190	–	50.0%	Hotel real estate investment and hotel management, Arlington, USA	Limited liability company
Interstate (China) Hotels & Resorts Co.,Limited 洲際(中國)酒店和度假村有限公司	Hong Kong, 24 March 2010	USD1,282	–	50.0%	Investment Holding, Hong Kong, China	Limited liability company
Shanghai Thayer Jin Jiang Equity Investment Management Company Limited 上海錦江德爾股權投資管理有限公司	Mainland China, 13 August 2010	USD5,000	50.0%	–	Investment Management, Shanghai, Mainland China	Limited liability company
Interstate (Shanghai) Hotels & Retors Co., Limited 上海州際卓逸酒店和度假村管理有限公司	Mainland China, 16 September 2010	USD1,800	–	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd 上海中心大厦錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB 30,000	50.0%	–	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co.,Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 06 December 1992	USD10,000	–	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大眾新亞出租汽車有限公司	Mainland China, 27 April 2000	USD30,000	–	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 08 September 1993	RMB24,700	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre 上海市機動車駕駛員培訓中心	Mainland China, 25 August 1989	RMB4,340	–	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	USD7,900	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(c) Associates						
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	RMB18,000	30.0%	–	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December1994	RMB67,570	25.0%	–	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
The Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	USD53,000	40.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	USD27,010	–	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	–	41.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	USD12,300	–	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	–	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	–	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Shanghai Pudong Int'l Airport Cargo Terminal Co.,Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 08 October 1999	RMB311,610	–	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	–	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	–	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	–	30.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Huangpu River Cruise Co.,Ltd. 上海浦江游覽有限公司	Mainland China, 4 May 1982	RMB50,000	–	20.0%	Travel agency, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅游運輸有限公司	Mainland China, 16 August 1990	RMB8,000	–	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	–	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Oneday Travel Service Co.,Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	–	22.86%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Property Management Co.,Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	–	24.65%	Travel agency, Shanghai, Mainland China	Limited liability company

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As explained in note 1(c), the Acquisition is regarded as a common control combination 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. Since completion of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel have been included in the consolidated financial statements of the Group for year ended 31 December 2011 as if the Acquisition 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 due to a change of accounting policy or a correction of an error, no third consolidated balance sheet at the beginning of the earliest comparative period is presented.