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Shanghai Jin Jiang International Hotels (Group) Company Limited*

上海錦江國際酒店（集團）股份有限公司

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

(Stock Code: 02006)

ANNOUNCEMENT OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL SUMMARY

	Six months ended 30 June 2012 (RMB'000)	Six months ended 30 June 2011 (RMB'000)	Increase/ (Decrease) (%)
Revenue	6,537,184	5,931,189	10.2
Operating profit	477,394	418,365	14.1
Profit attributable to the shareholders of the Company	167,827	165,221	1.6
Earnings per share (expressed in RMB cents)	3.02	2.97	1.6

SUMMARY OF RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group. The interim results have been reviewed by the audit committee of the Company. For the six months ended 30 June 2012, sales revenue of the Group amounted to approximately RMB6,537,184,000, representing an increase of 10.2% as compared to the same period of last year; operating profit of the Group was approximately RMB477,394,000, representing an increase of 14.1% as compared to the same period of last year, while profit attributable to the shareholders of the Company amounted to approximately RMB167,827,000, representing an increase of 1.6% as compared to the same period of last year. Earnings per share were RMB3.02 cents, representing an increase of 1.6%.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE
WITH HONG KONG FINANCIAL REPORTING STANDARDS**

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2012

	<i>Note</i>	Six months ended 30 June	
		2012	2011
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4(a)	6,537,184	5,931,189
Cost of sales	5	(5,487,787)	(4,944,077)
Gross profit		1,049,397	987,112
Other income		279,678	163,750
Selling and marketing expenses	5	(277,746)	(254,242)
Administrative expenses	5	(535,058)	(439,409)
Other expenses		(38,793)	(38,783)
Other losses		(84)	(63)
Operating profit		477,394	418,365
Finance costs		(62,770)	(49,160)
Share of results of associates		60,888	87,551
Profit before income tax		475,512	456,756
Income tax expense	6	(94,462)	(76,338)
Profit for the period		381,050	380,418
Attributable to:			
Shareholders of the Company		167,827	165,221
Non-controlling interests		213,223	215,197
		381,050	380,418
Earnings per share for profit attributable to the shareholders of the Company for the period (<i>expressed in RMB cents per share</i>)			
— basic and diluted	7	3.02	2.97
Dividends	8	—	—

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	381,050	380,418
Other comprehensive income		
Fair value changes on available-for-sale financial assets — gross	320,809	(113,677)
Transfer of fair value changes on available-for-sale financial assets — gross	(152,911)	(2,973)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	(41,929)	29,160
Currency translation differences	22	(3,632)
Total other comprehensive income	125,991	(91,122)
Total comprehensive income for the period	507,041	289,296
Attributable to:		
— Shareholders of the Company	231,952	118,734
— Non-controlling interests	275,089	170,562
	507,041	289,296

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2012

		As at 30 June 2012	As at 31 December 2011
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,108,980	8,246,272
Investment properties		188,716	191,240
Land use rights		2,005,293	2,035,563
Intangible assets		960,742	981,374
Investments in associates		582,430	692,622
Available-for-sale financial assets		1,984,182	1,832,479
Deferred income tax assets		259,485	244,581
Trade and other receivables	9	38,943	71,722
		14,128,771	14,295,853
Current assets			
Financial assets at fair value through profit or loss		886	911
Inventories		178,417	153,353
Trade and other receivables	9	1,402,327	995,308
Restricted cash		302,699	326,483
Cash and cash equivalents		3,873,665	2,494,175
		5,757,994	3,970,230
Total assets		19,886,765	18,266,083

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2012

		As at 30 June 2012 <i>RMB'000</i>	As at 31 December 2011 <i>RMB'000</i>
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	1	5,566,000	5,566,000
Reserves			
— Proposed dividend	8	—	222,640
— Others		1,607,480	1,386,615
		7,173,480	7,175,255
Non-controlling interests		4,668,288	4,678,616
Total equity		11,841,768	11,853,871
LIABILITIES			
Non-current liabilities			
Borrowings		1,658,934	1,858,710
Deferred income tax liabilities		680,780	640,371
Trade and other payables	10	162,067	165,232
		2,501,781	2,664,313
Current liabilities			
Trade and other payables	10	3,886,270	3,106,532
Dividend payable		222,640	—
Income tax payable		91,280	120,944
Borrowings		1,343,026	520,423
		5,543,216	3,747,899
Total liabilities		8,044,997	6,412,212
Total equity and liabilities		19,886,765	18,266,083
Net current assets		214,778	222,331
Total assets less current liabilities		14,343,549	14,518,184

NOTES TO THE SELECTED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

On 11 January 2006, the Company’s name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the PRC by converting its paid-in capital and reserves of Renminbi (“RMB”) 3,300,000,000 at 30 September 2005 into 3,300,000,000 ordinary shares of RMB1 per share.

On 15 December 2006 and 20 December 2006, a total of 1,265,000,000 ordinary shares of RMB1 per share newly issued by the Company through a public offer in Hong Kong and an international placing were listed on the Stock Exchange (the “Listing”). Accordingly, the share capital of the Company was increased to RMB4,565,000,000.

On 16 February 2011, 1,001,000,000 ordinary shares of RMB1 per share were issued and allotted to Jin Jiang International as part of the consideration to acquire Jin Jiang Investment and Jin Jiang Travel (the “Acquisition”). 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.

The Group is principally engaged in investment and operation of hotels and related businesses (the “Hotel Related Businesses”) in Mainland China and the United States of America (“US”), 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 unaudited condensed consolidated interim financial statements were approved for issue by the Board on 31 August 2012.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2011, as described in the annual financial statements.

- (a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- (b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:
- HKFRS 9 ‘Financial instruments’ addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group has not yet decided when to adopt HKFRS 9.
 - HKFRS 10 ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10’s full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.
 - HKFRS 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 19 (Amendment) ‘Employee benefits’ eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19’s impact.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 TURNOVER AND SEGMENT INFORMATION

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

The Board assesses the performance according to 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: operation of wholly-owned hotels, hotel management services and related services under IHR and its subsidiaries (“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 period.

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2012 is as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	<i>RMB'000</i>
Star-rated hotels	1,316,566	1,172,078
— Accommodation revenue	604,111	541,604
— Food and beverage sales	484,689	432,600
— Rendering of ancillary services	68,960	60,176
— Rental revenue	87,018	78,661
— Sales of hotel supplies	29,029	23,287
— Star-rated hotel management	42,759	35,750
Budget hotels	1,010,913	882,289
Food and restaurants	136,761	109,586
IHR Group	1,619,101	1,382,101
— Accommodation revenue	83,621	83,804
— Food and beverage sales	44,037	44,722
— Rendering of ancillary services	3,614	3,647
— Rental revenue	804	759
— Hotel management	122,419	84,791
— Other revenue from managed properties (i)	1,364,606	1,164,378
Vehicle and logistics	1,604,636	1,570,559
— Vehicle operating	623,684	667,478
— Trading of automobile	354,979	250,608
— Refrigerated logistics	60,244	48,987
— Freight forwarding	554,560	594,069
— Others	11,169	9,417
Travel agency	826,544	797,720
— Travel agency	808,988	775,300
— Others	17,556	22,420
Other operation	22,663	16,856
	6,537,184	5,931,189

- (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 six months ended 30 June 2012 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 <i>(note 4(a))</i>	1,316,566	1,010,913	136,761	1,619,101	1,604,636	826,544	22,663	6,537,184
Including: other revenue from managed properties	—	—	—	1,364,606	—	—	—	1,364,606
Inter-segment sales	1,911	689	1,034	—	1,262	162	40,083	45,141
Total gross segment sales	<u>1,318,477</u>	<u>1,011,602</u>	<u>137,795</u>	<u>1,619,101</u>	<u>1,605,898</u>	<u>826,706</u>	<u>62,746</u>	<u>6,582,325</u>
Profit for the period	<u>24,025</u>	<u>112,242</u>	<u>48,730</u>	<u>(2,401)</u>	<u>115,890</u>	<u>22,509</u>	<u>60,055</u>	<u>381,050</u>
Other income	80,922	8,126	47,093	402	28,224	24,053	90,858	279,678
Including: interest income	2,531	774	183	349	3,816	3,871	606	12,130
Depreciation of property, plant and equipment	(182,547)	(143,488)	(7,038)	(20,253)	(139,803)	(2,915)	(730)	(496,774)
Depreciation and amortization of investment properties	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights	(26,190)	(2,894)	(51)	—	(988)	—	(147)	(30,270)
Amortization of intangible assets	(3,600)	(3,691)	(486)	(17,604)	(263)	(257)	(443)	(26,344)
(Provision for)/reversed of impairment of trade and other receivables <i>(note 5)</i>	(224)	—	—	(225)	(523)	115	—	(857)
Finance costs	(43,567)	(803)	(4)	(16,117)	(1,976)	—	(303)	(62,770)
Share of results of associates	1,828	—	24,190	532	38,060	(5,226)	1,504	60,888
Income tax expense <i>(note 6)</i>	(4,474)	(36,396)	(339)	(1,155)	(23,987)	(3,864)	(24,247)	(94,462)
Capital expenditure	<u>85,089</u>	<u>153,831</u>	<u>12,280</u>	<u>22,339</u>	<u>143,482</u>	<u>3,005</u>	<u>3,125</u>	<u>423,151</u>

The segment results for the six months ended 30 June 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 4(a))	1,172,078	882,289	109,586	1,382,101	1,570,559	797,720	16,856	5,931,189
Including: other revenue from managed properties	—	—	—	1,164,378	—	—	—	1,164,378
Inter-segment sales	1,529	298	—	—	1,209	167	45,870	49,073
Total gross segment sales	<u>1,173,607</u>	<u>882,587</u>	<u>109,586</u>	<u>1,382,101</u>	<u>1,571,768</u>	<u>797,887</u>	<u>62,726</u>	<u>5,980,262</u>
Profit for the period	<u>7,268</u>	<u>87,594</u>	<u>66,678</u>	<u>(7,463)</u>	<u>168,490</u>	<u>10,256</u>	<u>47,595</u>	<u>380,418</u>
Other income	13,572	8,744	44,427	1,012	29,284	3,279	63,432	163,750
Including: interest income	821	2,140	467	1,012	5,117	2,021	745	12,323
Depreciation of property, plant and equipment	(182,312)	(139,870)	(5,520)	(19,603)	(136,619)	(3,237)	(679)	(487,840)
Depreciation and amortization of investment properties	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights	(14,121)	(2,815)	(51)	—	(988)	(14)	(147)	(18,136)
Amortization of intangible assets	(1,342)	(3,568)	(249)	(10,763)	(8)	(259)	(3,398)	(19,587)
Provision for inventories (note 5)	(98)	—	—	—	—	—	—	(98)
(Provision for)/reversed of impairment of trade and other receivables (note 5)	(440)	—	—	281	(2,341)	14	—	(2,486)
Finance costs	(22,532)	—	59	(22,565)	(4,390)	268	—	(49,160)
Share of results of associates	2,303	—	28,189	12,542	45,760	(1,247)	4	87,551
Income tax expense (note 6)	(547)	(27,837)	123	(376)	(36,040)	(3,479)	(8,182)	(76,338)
Capital expenditure	<u>95,492</u>	<u>189,228</u>	<u>8,509</u>	<u>86,022</u>	<u>247,134</u>	<u>2,885</u>	<u>207</u>	<u>629,477</u>

The segment assets as at 30 June 2012 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	6,728,962	3,449,675	129,047	1,335,261	3,050,247	1,328,084	3,283,059	19,304,335
Investments in associates	49,682	—	165,825	50,718	286,830	25,651	3,724	582,430
Total assets	<u>6,778,644</u>	<u>3,449,675</u>	<u>294,872</u>	<u>1,385,979</u>	<u>3,337,077</u>	<u>1,353,735</u>	<u>3,286,783</u>	<u>19,886,765</u>

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	<u>5,861,496</u>	<u>3,455,190</u>	<u>387,798</u>	<u>1,468,632</u>	<u>3,222,645</u>	<u>1,265,724</u>	<u>2,604,598</u>	<u>18,266,083</u>

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

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other operation". Other income in the segment of "Star-rated hotel operation" and "Other operation" for the six months ended 30 June 2012 mainly includes gain on disposal of available-for-sale financial assets of RMB66,939,000 and RMB77,849,000 respectively (for the six months ended 30 June 2011: nil and RMB310,000).

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, inventories, financial assets at fair value through profit or loss, trade and other receivables, restricted cash and cash and cash equivalent. They also include goodwill recognized arising from acquisition of subsidiaries relating to respective segments.

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets.

5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>
Other expenses from managed properties (<i>note 4(a)</i>)	1,364,606	1,164,378
Employee benefit expense	1,296,501	1,067,069
Cost of inventories sold	765,197	640,585
Cost of travel agency	733,867	696,522
Transportation expenses	512,049	552,169
Depreciation of property, plant and equipment	496,774	487,840
Utility cost and consumables	352,007	344,721
Business tax, property tax and other tax surcharges	187,031	188,108
Operating leases — land and buildings	180,382	166,597
Repairs and maintenance	63,452	61,686
Amortisation of land use rights	30,270	18,136
Laundry costs	27,631	27,247
Amortisation of intangible assets	26,344	19,587
Telecommunication expenses	20,554	19,980
Commission to travel agency	14,594	13,659
Advertising fee	13,583	12,421
Entertainment expenses	12,619	11,210
Pre-operation expenses	5,467	12,370
Auditors' remuneration	4,428	3,958
Depreciation of investment properties	2,524	2,524
Provision for impairment of trade and other receivables	857	2,486
Provision for inventories write-down	—	98
Others	189,854	124,377
	6,300,591	5,637,728

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Mainland China current corporate income tax ("CIT")	109,528	110,057
Mainland China deferred income tax	(16,221)	(34,095)
US current income tax	1,155	376
	<u>94,462</u>	<u>76,338</u>

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 six months ended 30 June 2012 (the six months ended 30 June 2011: 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 Transaction 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 six months ended 30 June 2011, while there were no such preferential income tax rates for the six months ended 30 June 2012.

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of the Group's subsidiary incorporated in Hong Kong for the six months ended 30 June 2012 (the six months ended 30 June 2011: 16.5%). For the six months ended 30 June 2012, the Group's subsidiary incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax (the six months ended 30 June 2011: nil).

US income tax is provided at a rate of 35% on the estimated assessable profits of the Group's subsidiary and jointly controlled entities incorporated in US for the six months ended 30 June 2012 (the six months ended 30 June 2011: 35%).

7 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
Profit attributable to the shareholders of the Company (RMB'000)	167,827	165,221
Weighted average number of ordinary shares in issue (thousands)	<u>5,566,000</u>	<u>5,566,000</u>
Basic earnings per share (RMB cents)	<u>3.02</u>	<u>2.97</u>

Basic earnings per share for the six months ended 30 June 2011 have been computed by dividing the profit attributable to the shareholders of the Company for the six months ended 30 June 2011 by 5,566,000,000 ordinary shares outstanding upon completion of the Acquisition, as if such shares had been outstanding for all the six months ended 30 June 2011 presented.

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

8 DIVIDENDS

The final dividend for the year ended 31 December 2011 of RMB4.0 cents (2010 final dividend: RMB2.2 cents) per share, totalling RMB222,640,000 (2010 final dividend: RMB122,452,000) was paid subsequently in July 2012. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (the six months ended 30 June 2011: nil).

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Current portion of trade and other receivables		
Trade receivables	547,586	427,326
Less: provision for impairment of trade receivables	(13,188)	(11,961)
Trade receivables — net	<u>534,398</u>	<u>415,365</u>
Amounts due from related parties	299,005	153,204
Prepayments and deposits	385,498	309,610
Dividends receivable	42,763	—
Notes receivable	8,949	22,797
Others	184,529	180,313
Less: provision for impairment of other receivables	(13,872)	(14,259)
Other receivables — net	<u>906,872</u>	<u>651,665</u>
	<u>1,441,270</u>	<u>1,067,030</u>
Less: non-current portion of trade and other receivables	(38,943)	(71,722)
	<u>1,402,327</u>	<u>995,308</u>
Non-current portion of trade and other receivables	<u>38,943</u>	<u>71,722</u>

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

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Current to 3 months	496,940	397,437
3 months to 1 year	35,242	18,549
Over 1 year	15,404	11,340
	<u>547,586</u>	<u>427,326</u>

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

10 TRADE AND OTHER PAYABLES

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Current portion of trade and other payables		
Trade payables	510,295	483,504
Amounts due to related parties	972,352	310,702
Advances from customers	743,523	647,767
Salary and welfare payables	458,696	483,017
Payables for purchases of property, plant and equipment, and intangible assets	324,177	332,068
Dividend payable to non-controlling interests	117,918	20,131
Deposits from lessees	192,557	188,848
Accrued expenses	111,313	104,271
Other tax payables	136,875	163,098
Payable for relocation compensation and settlement allowance	49,615	49,654
Payable for insurance expense on behalf of the managed hotels of IHR Group (i)	41,338	48,288
Payable for acquisition of a jointly controlled entity	31,625	47,470
Notes payable	17,319	29,277
Others	340,734	363,669
	<u>4,048,337</u>	<u>3,271,764</u>
Less: non-current portion of trade and other payables	<u>(162,067)</u>	<u>(165,232)</u>
	<u><u>3,886,270</u></u>	<u><u>3,106,532</u></u>
Non-current portion of trade and other payables	<u><u>162,067</u></u>	<u><u>165,232</u></u>

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

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

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Current to 3 months	460,577	411,531
3 months to 1 year	41,652	60,607
Over 1 year	8,066	11,366
	<u>510,295</u>	<u>483,504</u>

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

11 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2012 but not yet incurred is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Acquisition of property, plant and equipment	<u>169,517</u>	<u>153,897</u>

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognized and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2012 is disclosed in note 4(a) and note 5, respectively.

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

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Not later than 1 year	231,038	168,217
Later than 1 year and not later than 5 years	403,217	411,489
Later than 5 years	<u>628,134</u>	<u>771,127</u>
	<u>1,262,389</u>	<u>1,350,833</u>

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Not later than 1 year	340,452	456,733
Later than 1 year and not later than 5 years	1,252,342	1,158,882
Later than 5 years	<u>2,558,504</u>	<u>2,340,595</u>
	<u>4,151,298</u>	<u>3,956,210</u>

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

As at 30 June 2012, the Company held a 30% equity interest in Chengdu Jinhe with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party (the “Purchaser”) and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the Purchaser, at a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and is not determinable as at 31 August 2012. The transaction is not completed as at 31 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group realized sales revenue of approximately RMB6,537,184,000, representing an increase of 10.2% as compared to the same period of last year. The operating profit of the Group amounted to approximately RMB477,394,000, representing an increase of 14.1% as compared to the same period of last year. Profit attributable to equity owners of the Company amounted to approximately RMB167,827,000, representing an increase of 1.6% as compared to the same period of last year.

As at 30 June 2012, the Group held or managed 958 hotels with over 136,000 rooms. These hotels were either in operation or under construction, spreading across over 200 cities in 31 provinces, autonomous regions and municipalities in the PRC. The Group remains the leading hotel group in the PRC in terms of the number of hotel rooms operated.

The Group held 50% interests in IHR Group, which managed 385 hotel properties in aggregate in 9 countries around the world.

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 RMB1,316,566,000 to the Group's revenue, representing an increase of 12.3% as compared to the same period of last year.

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

	January–June 2012		January–June 2011	
	Average Occupancy Rate (%)	ADR (RMB)	Average Occupancy Rate (%)	ADR (RMB)
5-star hotels	60	821	49	950
4-star hotels	62	583	56	604
Commercial Hotels	58	339	44	385

Notes: The statistics in the table above cover the following Star-rated hotels of the Group in Shanghai:

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel, Renaissance Yangtze Hotel and Peace Hotel;
2. 4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel and Sofitel Hyland; and
3. Commercial Hotels: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Magnolia Hotel and Marvel Y.M.C.A..

As at 30 June 2012, the Group owned and managed 124 Star-rated hotels, offering approximately 38,000 guest rooms and among those, the Group was engaged by third parties other than Jin Jiang International to manage 94 hotels.

Hardware establishment of the Group's Jin Jiang Hotel management center has been basically completed during the Reporting Period, and Jin Jiang Hotel management company and IHR China have already moved in. By introducing international operation concepts and mechanisms, Jin Jiang Hotel management center integrates different hotel brands and management resources and formulate a professional and highly-efficient hotel management center with synergy effect to further facilitate the market-oriented and international development of the Group in the hotel industry.

During the Reporting Period, the number of contracted Marvel chain Commercial 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.

During the Reporting Period, the Company continued to optimize its sales system and strengthen its management on customer relations, and the total number of members under J-Club scheme, a scheme integrated and launched by Jin Jiang's V.I.P. scheme and Jin Jiang's e-commerce platform (www.jinjiang.com), has exceeded 230,000. The Group has further optimized its marketing structure, and placed focus on enhancing its marketing efforts in Asia Pacific region by establishing sales agency in Japan, Singapore office and Hong Kong office, etc..

In terms of online sales, the Group has dedicated much efforts to strengthen its centralized 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 centralized reservation system ("JREZ") has been completed, achieving direct connection in reservation. The Group continued to advance the construction of JREZ, and realized a reservation of approximately 360,000 room nights during the Reporting Period, representing a significant increase in terms of reservation as compared to the same period of last year.

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 the development of Budget Hotels on the Group's own properties.

Operation of Jin Jiang Inn Budget Hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB1,010,913,000 to the Group's revenue, representing a 14.6% increase as compared to the same period of last year and accounting for 15.5% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB82,537,000, representing a 30.4% growth as compared to the same period of last year.

During the Reporting Period, there were 92 newly contracted chain Budget Hotels, such as Jin Jiang Inn, of which 16 were self-managed hotels and 76 were franchised hotels. As at 30 June 2012, there were a total of 834 contracted chain Budget Hotels (of which, there were 716 Jin Jiang Inn Budget Hotels, 82 Bestay Hotels Express, 9 Yulan and 27 Jinguang Inn), offering 98,643 guest rooms in aggregate. Among these contracted chain Budget Hotels, 612 were franchised hotels, accounting for 73% of all contracted chain Budget Hotels. During the Reporting Period, 52 chain Budget Hotels such as Jin Jiang Inn were newly operated, of which 9 were self-managed hotels and 43 were franchised hotels. As at 30 June 2012, a total of 606 chain Budget Hotels were operated (of which, there were 535 Jin Jiang Inn Budget Hotels, 53 Bestay Hotels Express, 5 Yulan and 13 Jinguang Inn), offering 74,457 guest rooms in aggregate.

As at 30 June 2012, Budget Hotels that are similar to Jin Jiang Inn Budget Hotels operated by the Company covered over 190 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels have presence in 48 cities within 24 provinces, autonomous regions and municipalities in the PRC.

As at 30 June 2012, out of all 606 Budget Hotels that are similar to Jin Jiang Inn Budget Hotels and have commenced operation, 181 were self-managed hotels, accounting for 30%, while 425 were franchised hotels, accounting for 70%.

During the Reporting Period, there were 540,000 new members of Jin Jiang Inn, making the total number of members reaching 2.96 million. A total of 650,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 17,000 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 has signed the “Franchise Operation Contract on Jin Jiang Inn Chain Hotel” with Sang Won Housing Co. Ltd from Korea in Shanghai. Such co-operation adopts unit based franchise operation, and the first franchise hotel will be invested and constructed in Seoul, Korea by Sang Won Housing Co. Ltd in accordance with the overseas standards set by Jin Jiang Inn.

During the Reporting Period, the “Corporate Social Responsibility Report of Jin Jiang Inn 2011” was duly announced to the public, making Jin Jiang Inn the first enterprise to publish such report in the industry. The report has made a comprehensive review on the opportunities and challenges faced by Jin Jiang Inn from its establishment to the end of 2011, and disclosed the practice of social responsibility in the course of operation, performance as well as future prospects.

During the Reporting Period, Jin Jiang Inn was accredited the “Best Chain Budget Hotel in China” in the 2012 Asian Hotel Forum and the 7th Starlight Award for PRC Hotel, as well as “2011–2012 Outstanding Franchise Brand in China Catering and Hotel Industry” and “2011–2012 China Franchise Social Responsibility Award” 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 30 June 2012, Shanghai KFC had a total of 296 outlets, representing a net increase of 7 outlets as compared to the end of 2011, maintaining its leading position in Shanghai’s fast food industry. “New Asia Snacks”, “Shanghai Yoshinoya” and Jing An Bakery had 58, 23 and 46 outlets respectively. “Chinoise Story” currently operates 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 associates managed and/or had ownership interests in a total of 385 hotel properties with more than 70,000 guest rooms in 40 states of the US, the District of Columbia, PRC, Russia, India, Mexico, Belgium, Canada, Ireland and Holland. IHR China has already developed 10 projects, and 4 of which are in operation.

IHR Group's operating revenue for the Reporting Period amounted to approximately RMB1,619,101,000. The ADR of its managed and self-owned hotel properties is USD129 with an average Occupancy Rate of 71.0%, while RevPAR is USD91, representing an increase of 7.8% as compared to the same period of last year. The accommodation market in the US maintained an active growth trend with continuous increase in RevPAR, while the Russian market also maintained a satisfactory upward trend.

Vehicle and Logistics

During the Reporting Period, the turnover of the vehicle and logistics business was approximately RMB1,604,636,000. During the Reporting Period, the first phase engineering work of the "Jin Jiang Automobile Service Centre" of Jin Jiang Automobile Company has been completed and its operation has commenced. With preliminary results from the centralization of the industry, the vehicle repair business has recorded a growth. The Group has captured business opportunities derived from peak passenger flow during the Spring Festival, Ching Ming Festival, and the May 1st Golden Week as well as the petroleum and tyre market, and put great efforts on marketing and market expansion. With enhanced forecast on the effectiveness of business vehicle leasing and charter service, the price of business vehicle leasing and charter was increased while the business vehicle leasing and charter market was consolidated and expanded. In view of the continuous surge in labour costs, the Group continuously explored and optimized its vehicle leasing operation and management model, and enhanced the training for its driver team. The Group leveraged on the advantages brought by e-commerce network to commence 24-hour online vehicle ordering business with a view to explore the one-stop online vehicle service and enhance management efficiency and level with information network and GPS ("Global Position System"). Jinjiang Cold Logistics Company enhanced the utilization rate of chambers by scientific management, and actively fostered the progress of cold chamber — multi-purpose cold chamber (變溫庫) technology modification project to increase the co-ordination with externally leased chambers, and thus further expanded the market share of its cold chambers, while took the initiatives to strive for the establishment of the harbor logistics and distribution center for liners. JHJ International Transaction reinforced the establishment of its logistics team and actively explored logistics business to enhance its competitiveness. With continuous development of direct transportation business, characterized business and value-added service, JHJ International Transaction has increased its market share and was recognized by Shanghai government as the first key enterprises on providing convenience to trading in Shanghai.

During the Reporting Period, Jin Jiang Investment has made progress on the strategic co-operation with Shuichan Group (水產集團), and jointly established Shanghai Shuijinyang Food Limited (上海水錦洋食品有限公司) with registered capital of RMB25 million, of which, RMB10 million was contributed by Jin Jiang Investment, representing 40% of equity interests in the joint venture.

Travel Agency

During the Reporting Period, Jin Jiang Travel realized inbound tour of 48,300 people, representing an increase of 2.33% as compared to the same period of last year; realized inbound reception of 76,600 people, representing an increase of 6.98% as compared to the same period of last year; realized outbound travel of 75,800 people, representing an increase of 30.46% as compared to the same period of last year; realized domestic travel of 68,900 people, representing a decrease of 2.55% as compared to the same period of last year. During the Reporting Period, turnover from the travel agency business was approximately RMB826,544,000.

During the Reporting Period, Jin Jiang Travel underwent transformation and upgrading, product research and development, scientific management, cost cut and risk aversion, and has commenced its operation and management in an active, innovative, realistic and effective manner, thereby achieving a considerable result. Four major divisions of travel business have formulated a development trend with stable growth, while outbound travel has maintained a double digit growth pace with the first introduction of liner travel and charter business. With adjustment on the business structure of inbound travel, increasing efforts were put on cutting loss and the downward trend of results was effectively reversed. For domestic travel, gradual adjustments will be made in accordance with the breakdown of market characteristics. The Group aims to make its travel business to rank among top 500 enterprises in the world by exploring the market and establishing a professional team. In addition, dividend gain on available-for-sale financial assets and disposal gain on available-for-sale financial assets also increased from the same period of last year, and the net profit of Jin Jiang Travel in the first half of the year has recorded a significant growth as compared to that in the same period of last year.

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2011 is set out as follows:

	Six months ended		Six months ended	
	30 June 2012		30 June 2011	
	<i>RMB</i>	<i>Percentage of</i>	<i>RMB</i>	<i>Percentage of</i>
	<i>million</i>	<i>Turnover</i>	<i>million</i>	<i>Turnover</i>
Star-rated hotels	1,316.6	20.1%	1,172.1	19.8%
Budget Hotels	1,010.9	15.5%	882.3	14.9%
Food and restaurants	136.8	2.1%	109.6	1.8%
IHR Group	1,619.1	24.8%	1,382.1	23.3%
Vehicle and logistics	1,604.6	24.5%	1,570.6	26.5%
Travel agency	826.5	12.6%	797.7	13.4%
Other domestic operations	22.7	0.4%	16.8	0.3%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,537.2	100.0%	5,931.2	100.0%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 hotel segment's turnover for the Reporting Period and the same period in 2011:

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	<i>RMB million</i>	<i>Percentage of Turnover</i>	<i>RMB million</i>	<i>Percentage of Turnover</i>
— Accommodation revenue	604.1	45.9%	541.6	46.2%
— Food and beverage sales	484.7	36.8%	432.6	36.9%
— Rendering of ancillary services	69.0	5.2%	60.2	5.1%
— Rental revenue	87.0	6.6%	78.6	6.7%
— Sales of hotel supplies	29.0	2.2%	23.3	2.0%
— Star-rated hotel management	42.8	3.3%	35.8	3.1%
Total	<u>1,316.6</u>	<u>100.0%</u>	<u>1,172.1</u>	<u>100.0%</u>

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels for the Reporting Period was approximately RMB604,111,000, representing an increase of approximately 11.5% or RMB62,507,000 as compared to the same period in 2011. Since the beginning of the year, domestic travel has shown a trend of decline under the influence of the European debt crisis and downturn in domestic macro-economy. With the continuous oversupply of domestic Star-rated hotel, pressure on competition continued to intensify. Star-rated hotels under the Group has increased its accommodation revenue by approximately RMB41,088,000 from the same period of last year via measures such as adjusting average room rates and providing value-added services. Besides, the Group has obtained the control over Huating Hotel & Towers in the end of 2011, which has changed from a joint venture to a controlled subsidiary and boosted up the accommodation revenue by approximately RMB21,419,000 from the same period of last year.

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. Revenue from food and beverage sales in Star-rated hotels was approximately RMB484,689,000, representing an increase of 12.0% or RMB52,089,000 from the same period of last year. During the Reporting Period, Star-rated hotels under the Group actively adjusted the unit price of food and beverages as well as the pricing of banquets to cover the continuous surge in raw material price, labour costs and energy price. While the wedding market still witnessed excellent performance, hotels such as Park Hotel and Jin Jiang Tower have adjusted their own food and beverages structure and adopted in-house production and processing to seek for new revenue growth points for food and beverages, which enabled food and beverages revenue to grow by 29.1% and 27.1% from the same period of last year respectively. The above factors have in aggregate pulled up revenue from food and beverages sales by approximately RMB33,971,000 from the same period of last year. In addition, the Group has

obtained the control over Huating Hotel & Towers in the end of 2011, which has changed from a joint venture to a controlled subsidiary and boosted up food and beverages revenue by approximately RMB18,118,000 from the same period of 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 RMB68,960,000, representing an increase of approximately 14.6% or RMB8,784,000 from the same period of last year. The main reason was the increase in average Occupancy Rate of Star-rated hotels, which has driven up revenue from the provision of ancillary services by approximately RMB7,317,000 from the same period of last year with increased number of guests. In addition, the Group has obtained the control over Huating Hotel & Towers in the end of 2011, which has changed from a joint venture to a controlled subsidiary and boosted up revenue from rendering of ancillary services by approximately RMB1,467,000 from the same period of 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. During the Reporting Period, rental revenue amounted to approximately RMB87,018,000, representing an increase of approximately 10.6% or RMB8,357,000 from the same period of last year. The main reason was that all star-rated hotels under the Group actively negotiated for increased rents with those tenants intended to renew their leases upon maturity, and with the promotion of those premises not fully utilized, rental revenue increased by approximately RMB6,229,000 from the same period of last year. In addition, the Group has obtained the control over Huating Hotel & Towers in the end of 2011, which has changed from a joint venture to a controlled subsidiary and boosted up rental revenue by approximately RMB2,128,000 from the same period of last year.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB5,742,000 as compared to the same period in 2011, representing an increase of approximately 24.7% from the same period of last year, which was due to the results further driven by the Group's centralized procurement platform as well as the increase in consumption of low value consumables along with the increase in average Occupancy Rate, which have in turn increased the amount of procurement.

Star-rated hotel management

In the first half of 2012, the external sales revenue of the Star-rated hotel management division amounted to approximately RMB42,759,000, representing an increase of approximately 19.6% as compared to the same period of last year, which was primarily generated from management fees received for the provision of management services to Star-rated hotels not owned by the Group. With the increase in the number of hotel management projects outside Shanghai, especially in the northern region, while the operating results of managed hotels grew steadily, the operating results of managed hotels has therefore recorded a steady growth, which in turn resulted in an increase in the management fees income.

Budget Hotels

Turnover of Budget Hotels during the Reporting Period amounted to approximately RMB1,010,913,000, representing an increase of approximately RMB128,624,000 or approximately 14.6% as compared to the same period of last year. It was mainly due to the opening of 9 and 26 self-operated Budget Hotels in 2012 and 2011 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 RMB82,537,000, representing an increase of approximately 30.4% as compared to the same period of last year. During the Reporting Period, revenue from newly added room reservation channels amounted to approximately RMB10,230,000.

Food and Restaurants

Revenue from 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 RMB136,761,000, representing an increase of approximately RMB27,175,000 or approximately 24.8% as compared to the same period of last year. Revenue from food and beverage in the past mainly originated from the fast food chain operations and moon cake production business, namely, New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. The increase during the Reporting Period was mainly due to the change of Jing An Bakery from joint venture to the controlled subsidiary of the Company since 1 July 2011, which has increased the turnover by approximately RMB22,992,000 in 2012.

IHR Group

During the Reporting Period, the operating revenue of IHR Group was approximately RMB1,619,101,000, representing an increase of 17.1% from the same period of last year, while revenue for other managed properties amounted to approximately RMB1,364,606,000. The increase of revenue from the same period of last year was mainly due to the increase in the number of hotels managed by IHR Group by 70 as compared to the same period of last year. The RevPAR of self-operated hotels of IHR Group increased by approximately 3.0% from the same period of last year, and the RevPAR of hotels managed by IHR Group also recorded a growth of approximately 8.0% as compared to the same period of last year.

Vehicle and Logistics

During the Reporting Period, the revenue for vehicle and logistics was approximately RMB1,604,636,000, representing an increase of approximately 2.2% from approximately RMB1,570,559,000 in the same period of last year, which was mainly due to the increase in vehicle sales and operating revenue from cold logistics.

Travel Agency

During the Reporting Period, the revenue for travel agency was approximately RMB826,544,000, representing an increase of approximately 3.6% from approximately RMB797,720,000 in the same period of last year. The increase was mainly due to the growth in travel agency business and outbound travel business, and the growth rate of high-end routes such as the North America and Europe was particularly greater.

In addition, the Group also engages in other domestic business, including the provision of financial services via Jin Jiang International Finance and the service of the provision of training via training institutes. During the Reporting Period, revenue of approximately RMB22,663,000 was realized, representing an increase of approximately 34.5% as compared to the same period of last year, which was mainly due to the increase of turnover of Shanghai Jinjiang Thayer Interactive Limited by approximately RMB4,119,000.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB5,487,787,000, representing an increase of approximately 11.0% as compared to the same period of last year. The increase was mainly due to the corresponding increase in the cost of commodities, energy and material consumption resulted from the expansion of the Budget Hotel segment. The aforementioned conversion of Huating Hotel & Towers and Jing An Bakery from joint ventures to controlled subsidiaries of the Company also pulled up the cost of sales. Given the opening of two new 4S stores of Jin Jiang Investment during the Reporting Period, the cost of sales also recorded a growth. The portion of cost of sales from IHR Group included other expense for managed properties equivalent to approximately RMB1,364,606,000, while such expenses were approximately RMB1,164,378,000 for the same period of 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 RMB1,049,397,000 for the Reporting Period, representing an increase of approximately RMB62,285,000 or approximately 6.3% as compared to the same period in 2011.

Other Income

Other income for the Reporting Period amounted to approximately RMB279,678,000 (same period in 2011: approximately RMB163,750,000), representing an increase of 70.8% as compared to the same period of last year. The increase was primarily due to the gain from disposal of shares in AVIC Real Estate Holding Company Limited, Changjiang Securities Company Limited, Shanghai YuYuan Tourist Mart Company Limited and Shanghai AJ Corporation by the Group of approximately RMB152,911,000 (same period in 2011: approximately RMB3,138,000), as well as the receipt of dividend income from Suzhou, Wuxi and Hangzhou KFC of approximately RMB44,151,000 (same period in 2011: approximately RMB40,986,000). Meanwhile, dividend from Changjiang Securities of approximately RMB12,123,000 (same period in 2011: approximately RMB39,239,000) was also received during the Reporting Period.

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 RMB277,746,000 (same period in 2011: approximately RMB254,242,000), representing an increase of approximately 9.2%. The increase was mainly due to the increase in efforts on marketing and promotion by Star-rated hotels as well as the increase in commission fees arising from the increase in rental revenue. In addition, the conversion of Huating Hotel & Towers and Jing An Bakery from joint ventures to controlled subsidiaries of the Company also increased sales and marketing expenses by approximately RMB33,561,000.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB535,058,000 (same period in 2011: approximately RMB439,409,000), representing an increase of approximately 21.8% as compared to the same period of last year. Apart from the surge in labour costs, business expansion of Budget Hotel segment and the conversion of Huating Hotel & Towers and Jing An Bakery from joint ventures into controlled subsidiaries of the Company also drove up administrative expenses.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, were approximately RMB38,793,000 (same period in 2011: approximately RMB38,783,000), representing an increase of approximately 0.03% as compared to the same period of 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 RMB62,770,000 (same period in 2011: approximately RMB49,160,000), representing an increase of approximately 27.7% as compared to the same period of last year. The increase was primarily due to the increase in bank borrowings of the Group and the increase in interest rate during the Reporting Period.

Share of Results of Associates

Results of associates mainly include results of the Group's associates, namely Shanghai Kentucky Fried Chicken Company Limited, Shanghai Yangtze Hotel Limited, Shanghai Yoshinoya Company Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd. and associates held by IHR Group, etc. Share of results of associates for the Reporting Period was approximately RMB60,888,000 (same period in 2011: approximately RMB87,551,000). The main reason was the decrease in the share of results for the period from Shanghai Pudong International Airport Transport Terminal Co. Ltd. and Shanghai Yoshinoya Company Limited by approximately RMB6,717,000 and RMB4,264,000 respectively from the same period of last year under the influence of factors such as external trading environment and surge in labour costs. In addition, the results of associates held by IHR Group also decreased by approximately RMB12,010,000 from the same period of last year.

Taxation

The effective tax rate for the Reporting Period was approximately 19.9% (same period in 2011: approximately 16.7%).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB167,827,000 (same period in 2011: approximately RMB165,221,000), representing an increase of approximately RMB2,606,000 or approximately 1.6%.

Borrowings and Pledge of Assets

As at 30 June 2012, the borrowings included:

	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Borrowings included in non-current liabilities		
Bank borrowings-secured	407,700	418,373
Bank borrowings-unsecured	1,387,321	643,565
Borrowings from a related party	89,063	901,563
Finance lease liabilities	24,393	25,021
	<u>1,908,477</u>	<u>1,988,522</u>
Less: current portion of long-term secured bank borrowings	(129,028)	(128,538)
current portion of long-term unsecured bank borrowings	(30,000)	—
current portion of borrowings from a related party	(89,063)	—
current portion of long-term finance lease liabilities	(1,452)	(1,274)
	<u>1,658,934</u>	<u>1,858,710</u>
Borrowings included in current liabilities		
Bank borrowings-secured	68,026	48,139
Bank borrowings-unsecured	73,957	76,554
Borrowings from a related party	47,500	27,500
Other borrowings-unsecured	204,000	238,418
Borrowings from a non-bank financial institute	700,000	—
Current portion of long-term secured bank borrowings	129,028	128,538
Current portion of long-term unsecured bank borrowings	30,000	—
Current portion of borrowings from a related party	89,063	—
Current portion of long-term finance lease liabilities	1,452	1,274
	<u>1,343,026</u>	<u>520,423</u>

As at 30 June 2012, the secured bank borrowings include:

- (1) Bank borrowings of USD31,099,000, equivalent to RMB196,701,000 (31 December 2011: USD31,039,000, equivalent to RMB195,573,000), which were secured by assets with carrying amount of USD57,870,000, equivalent to RMB366,022,000 (31 December 2011: USD57,951,000, equivalent to RMB365,143,000);
- (2) Bank borrowings of USD18,400,000, equivalent to RMB116,378,000 (31 December 2011: USD18,400,000, equivalent to RMB115,937,000), which were secured by a deposit of RMB12,000,000 (31 December 2011: RMB12,000,000); and bank borrowings of USD3,441,000, equivalent to RMB21,765,000 (31 December 2011: USD6,445,000, equivalent to RMB40,610,000), which were secured by RMB deposit with equivalent amount;
- (3) Bank borrowings of USD14,960,000, equivalent to RMB94,621,000 (31 December 2011: USD16,960,000, equivalent to RMB106,863,000), which were guaranteed by Jin Jiang International;

- (4) Bank borrowings of USD1,991,000, equivalent to RMB12,593,000 (31 December 2011: USD1,195,000, equivalent to RMB7,529,000), which were pledged by trade receivables of approximately USD2,214,000, equivalent to RMB14,006,000 (31 December 2011: USD1,328,000, equivalent to RMB8,368,000);
- (5) Bank borrowings of RMB33,668,000 (31 December 2011: nil), which were guaranteed by a non-controlling interest; and
- (6) Finance lease liabilities of RMB24,393,000 (31 December 2011: RMB25,021,000), which were collateralized by leasehold equipment with carrying amount of RMB24,312,000 (31 December 2011: RMB25,164,000).

The maturity of the outstanding borrowings as at 30 June 2012 is as follows:

<i>(RMB'000)</i>	Within one year	Second year	Third to fifth year	Over five years	Total
Corporate bank borrowings <i>(RMB)</i>	118,668	210,000	436,000	—	764,668
Corporate bank borrowings <i>(USD)</i>	182,344	410,255	579,737	—	1,172,336
Borrowings from related parties	136,563	—	—	—	136,563
Other borrowings-unsecured	904,000	—	—	—	904,000
Financial lease liabilities	1,452	1,689	5,749	15,503	24,393
	<u>1,343,027</u>	<u>621,944</u>	<u>1,021,486</u>	<u>15,503</u>	<u>3,001,960</u>

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 13.0% as at 31 December 2011 to approximately 15.1% as at 30 June 2012.

Treasury Management

The Group had cash and cash equivalents as at 30 June 2012 and 31 December 2011 amounting to approximately RMB3,873,665,000 and approximately RMB2,494,175,000 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 centralize cash resources and improve the efficiency of fund applications, the subsidiaries and associates of the Company deposit as much of their cash as possible in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority for short-term financing requirements, and hence, reducing the Group's interest expenses on external bank borrowings.

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

Available-for-sale Financial Assets

Available-for-sale financial assets held by the Group included 26,046,548 shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), as well as 121,230,000 shares in Changjiang Securities Company Limited (Stock code: 000783.SZ), 52,173,976 shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH), 18,327,950 shares in YuYuan Trade Mart (600655.SH) and 19,952,662 shares in Pudong Development Bank Co., Ltd (600000.SH) held by the Group's subsidiaries, etc..

HUMAN RESOURCES

As at 30 June 2012, the Group had approximately 32,000 employees. Employee benefit expense for the Reporting Period increased by approximately RMB229,432,000 or 21.5% as compared to the same period of 2011. The remuneration for employees comprises of basic salary, discretionary bonus and social security contributions. Currently, the Group has not set up share option schemes.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

Weak global economic recovery and slowdown in domestic economic growth will continue to hinder the development of hotel and travel industries. The Group will actively accommodate the challenges, and speed up the development of our core businesses, bring into full play the synergies arising from our international acquisitions and promote industrial upgrades, utilize 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 optimize 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 optimize the business structure and staff cost.

The Group will continue to optimize the construction of functions for hotel management center, Budget Hotel management center, vehicle service center, travel center, food and beverages management center and hotel asset management center, while strengthen its six major platforms, namely information, finance, purchasing, marketing, human resources and management systems. Innovations will be explored in six aspects, namely business models, hotel networks, asset allocation, institutions and systems, management and corporate culture. Core competitive advantages of the Company will be enhanced in terms of brand building, network, human resources and management systems, so that it will develop into a leader in hotel and tourism industry in China with international competitiveness.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company has established an audit committee (“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 Audit Committee held meetings on 22 March 2012 and 21 August 2012 respectively. The consolidated financial statements for the year ended 31 December 2011 and the unaudited condensed consolidated interim financial statements as at 30 June 2012 of the Group were respectively reviewed at such meetings. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2012 and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules as the Company’s code regarding Directors’ and Supervisors’ securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the Reporting Period, its Directors and Supervisors have complied with the requirements relating to Directors’ and Supervisors’ dealing in securities as set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Board is pleased to confirm that the Group has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period from 1 January to 31 March 2012; and has complied with the applicable code provisions of the renamed Corporate Governance Code effective from 1 April 2012 during the period from 1 April to 30 June 2012.

INTERIM REPORT

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use

“Board”	the board of directors of the Company
“Budget Hotel(s)”	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 
“Commercial Hotel(s)”	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings 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
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities or businesses which were contributed to and operated by the Company upon its establishment
“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”	Interstate Hotels & Resorts, Inc. and its subsidiaries
“JHJ International Transaction”	JHJ International Transaction Co., Ltd.
“Jinjiang Cold Logistics Company”	Shanghai Jinjiang International Cold Logistics Development Co., Ltd.
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited
“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang International”	Jin Jiang International Holding Company Limited
“Jin Jiang International Finance”	Jin Jiang International Finance Company Limited

“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited
“Jin Jiang Travel”	Shanghai Jinjiang International Travel Company Limited
“Jinjiang Automobile Company”	Shanghai Jinjiang Automobile Service Co., Ltd.
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“PRC”	the People’s Republic of China
“Reporting Period”	the period from 1 January 2012 to 30 June 2012
“RevPAR”	room revenue per Available Room
“RMB”	Renminbi, the lawful currency of the PRC
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“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
“Supervisor(s)”	the supervisor(s) of the Company
“Total Number of Rooms”	number of available rooms per hotel
“USD”	United States dollars, the lawful currency of the United States

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

Shanghai, the PRC, 31 August 2012

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

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