



Shanghai Jin Jiang International Hotels (Group) Company Limited

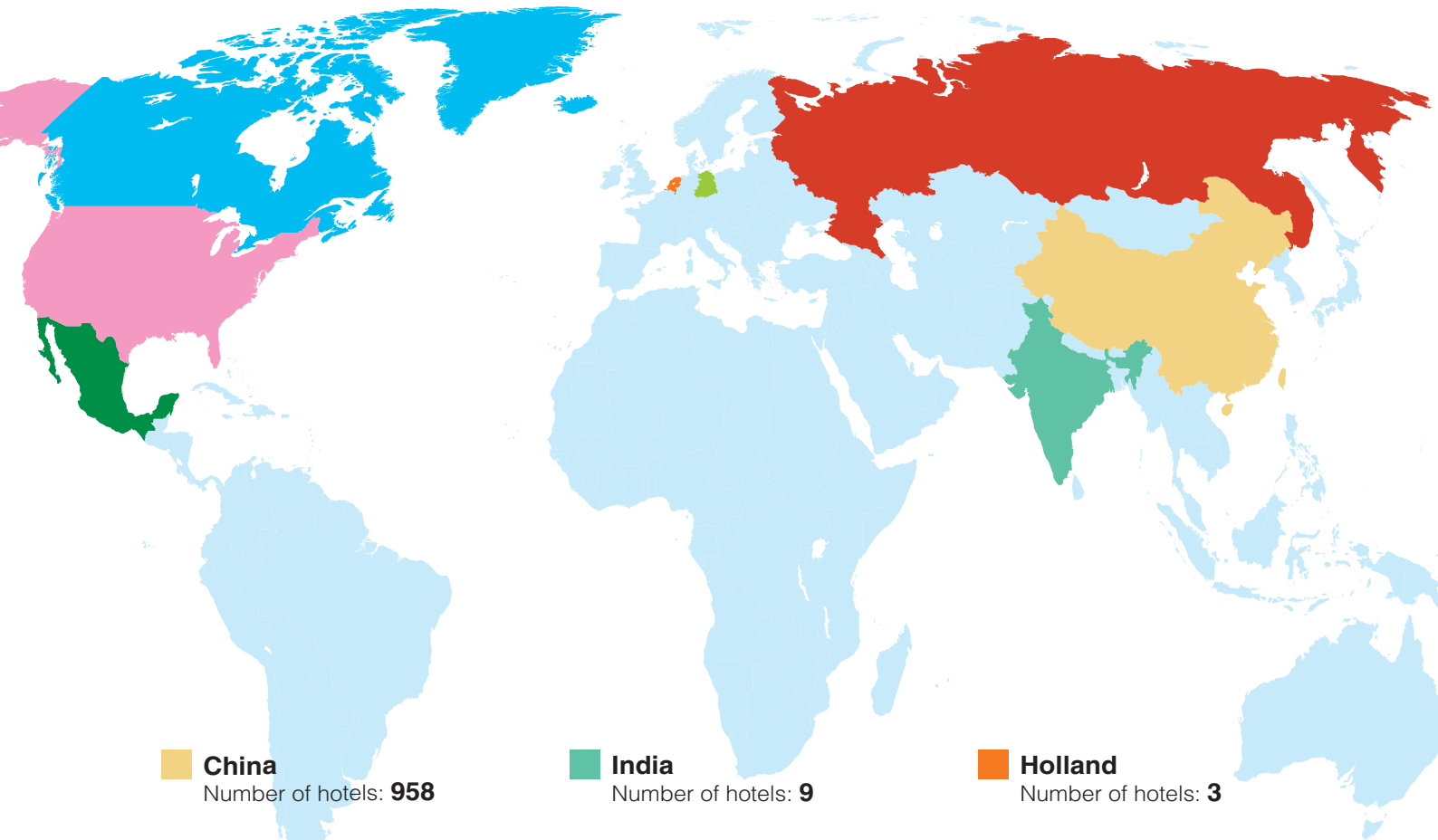
(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 02006



Interim Report 2012

Global Hotel Deployment



China
Number of hotels: **958**

India
Number of hotels: **9**

Holland
Number of hotels: **3**

US
Number of hotels: **356**

Mexico
Number of hotels: **3**

Belgium
Number of hotels: **1**

Russia
Number of hotels: **7**

Canada
Number of hotels: **2**

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

CONTENTS

2	Corporate Information
3	Information on Hotels of the Group
8	Operational Statistics
9	Definitions and Glossary of Technical Terms
11	Management Discussion and Analysis
22	Other Information
25	Unaudited Condensed Consolidated Interim Balance Sheet
27	Unaudited Condensed Consolidated Interim Income Statement
28	Unaudited Condensed Consolidated Interim Statement of Comprehensive Income
29	Unaudited Condensed Consolidated Interim Statement of Changes in Equity
31	Unaudited Condensed Consolidated Interim Statement of Cash Flows
32	Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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 Communications, 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

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

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF ALL HOTELS (WITHIN THE PRC)

All hotels (As at 30 June 2012)	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 granted franchises by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Luxury Hotels										
–5-star hotels	6	3,120	2	938	56	17,821			64	21,879
–4-star hotels	11	4,124	2	932	37	8,692			50	13,748
Sub-total	17	7,244	4	1,870	93	26,513			114	35,627
Commercial Hotels	9	1,947			1	175			10	2,122
Total number of Star-rated Hotels	26	9,191	4	1,870	94	26,688			124	37,749
Budget Hotels	222	30,172					612	68,471	834	98,643
Total	248	39,363	4	1,870	94	26,688	612	68,471	958	136,392

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS IN OPERATION (WITHIN THE PRC)

In operation (As at 30 June 2012)	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 granted franchises by the Group		Total number of hotels in operation	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Luxury Hotels										
–5-star hotels	6	3,120	2	938	29	9,854			37	13,912
–4-star hotels	11	4,124	2	932	31	7,205			44	12,261
Sub-total	17	7,244	4	1,870	60	17,059			81	26,173
Commercial Hotels	9	1,947			1	175			10	2,122
Total number of Star-rated Hotels	26	9,191	4	1,870	61	17,234			91	28,295
Budget Hotels	181	25,610					425	48,847	606	74,457
Total	207	34,801	4	1,870	61	17,234	425	48,847	697	102,752

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS UNDER DEVELOPMENT (WITHIN THE PRC)

Under development (As at 30 June 2012)	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 granted franchises by the Group		Total number of hotels under development	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Luxury Hotels										
—5-star hotels										
					27	7,967			27	7,967
—4-star hotels										
					6	1,487			6	1,487
Sub-total										
					33	9,454			33	9,454
Commercial Hotels										
Total number of Star-rated Hotels										
					33	9,454			33	9,454
Budget Hotels										
	41	4,562					187	19,624	228	24,186
Total										
	41	4,562			33	9,454	187	19,624	261	33,640

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF REGIONAL DISTRIBUTION (WITHIN THE PRC)

Province, autonomous region, municipality (As at 30 June 2012)		In operation				Under development			
		Star-rated hotels		Budget Hotels		Star-rated hotels		Budget Hotels	
		Total		Total		Total		Total	
		Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Eastern Region	Shanghai	29	10,127	82	10,456	2	468	27	2,965
	Zhejiang	3	853	41	4,766	5	1,659	19	2,008
	Jiangsu	8	2,300	115	13,232	6	1,573	27	2,796
	Anhui	2	396	16	1,791	1	200	5	486
	Shandong	4	1,172	63	6,790	3	1,328	20	1,995
Northern Region	Beijing	14	4,257	40	5,124	2	488	9	1,120
	Tianjin	—	—	12	1,630	—	—	7	791
	Hebei	3	591	17	1,956	—	—	13	1,375
	Liaoning	3	925	18	2,596	—	—	17	1,708
	Jilin	—	—	9	1,178	—	—	8	845
	Heilongjiang	2	696	7	855	1	300	2	209
Central Region	Henan	3	909	26	3,414	2	590	7	678
	Hubei	2	777	19	2,705	1	300	4	358
	Hunan	1	300	8	1,152	1	280	—	—
	Jiangxi	3	735	11	1,346	—	—	5	530
	Guangxi	—	—	2	387	—	—	2	150
Southern Region	Fujian	1	320	17	1,990	1	300	6	708
	Guangdong	1	350	22	2,782	—	—	8	1,035
	Hainan	2	543	1	281	—	—	2	226
Northwestern Region	Shanxi	—	—	27	3,470	1	115	6	577
	Shaanxi	2	483	15	1,927	1	395	10	1,247
	Gansu	1	236	5	505	—	—	—	—
	Qinghai	—	—	3	269	—	—	2	171
	Xinjiang	—	—	2	213	1	280	2	245
	Inner Mongolia	2	1,120	8	1,146	3	837	6	757
Southwestern Region	Ningxia	—	—	2	260	—	—	2	170
	Chongqing	1	315	2	257	—	—	—	—
	Sichuan	2	320	8	1,163	1	120	8	706
	Guizhou	1	250	4	413	—	—	2	180
	Yunnan	1	320	3	334	1	221	2	150
Tibet	—	—	1	69	—	—	—	—	
Total		91	28,295	606	74,457	33	9,454	228	24,186

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS OWNED AND MANAGED BY IHR GROUP AS AT 30 JUNE 2012

	Number of hotels	Total Number of Rooms
USA, Canada and Mexico	361	64,220
Russia	7	2,031
Europe	4	596
India	9	939
China	4	2,144
Total	385	69,930

OPERATIONAL STATISTICS

	January to June 2012	January to June 2011
Average Occupancy Rate		
– 5-star hotels	57%	54%
– 4-star hotels	61%	59%
– Commercial Hotels	58%	49%
– Budget Hotels	85%	86%
Average room rate (RMB)		
– 5-star hotels	868	961
– 4-star hotels	532	538
– Commercial Hotels	339	322
– Budget Hotels	184	179
RevPAR (RMB)		
– 5-star hotels	497	519
– 4-star hotels	326	319
– Commercial Hotels	195	157
– Budget Hotels	157	154

Notes:

1. 5-star 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 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;
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.; and
4. The RevPAR of 5-star hotels dropped as compared to the same period of last year, which was primarily due to the large-scale renovation and modification of Beijing Kunlun Hotel in 2012.

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 7天
“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.
“Jin Jiang Cold Logistics Company”	Shanghai Jin Jiang 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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited
“Jin Jiang Travel”	Shanghai Jin Jiang International Travel Company Limited
“Jin Jiang Automobile Company”	Shanghai Jin Jiang 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

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 Average		January–June 2011 Average	
	Occupancy Rate (%)	ADR (RMB)	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 a total of 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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”). Jin Jiang 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION OVERVIEW

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 30 June 2012		Six months ended 30 June 2011	
	RMB million	Percentage of Turnover	RMB million	Percentage of Turnover
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%
Total	6,537.2	100.0%	5,931.2	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 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	
	RMB million	Percentage of Turnover	RMB million	Percentage of Turnover
– 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	1,316.6	100.0%	1,172.1	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Star-rated hotels for the Reporting Period was approximately 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 beverage 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 beverage 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 beverage 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 beverages 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 Thayer Jin Jiang Interactive Company Limited by approximately RMB4,119,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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 expenses 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% as compared to the same period of last year. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%.

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.

BORROWINGS AND PLEDGE OF ASSETS

As at 30 June 2012, the borrowings included:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
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
	1,908,477	1,988,522
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)
	1,658,934	1,858,710
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
	1,343,026	520,423

MANAGEMENT DISCUSSION AND ANALYSIS

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:

(RMB'000)	Within one year	Second year	Third to fifth year	Over five years	Total
Corporate bank borrowings (RMB)	118,668	210,000	436,000	—	764,668
Corporate bank borrowings (USD)	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
	1,343,027	621,944	1,021,486	15,503	3,001,960

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 operation funds and surplus 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.

OTHER INFORMATION

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.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

As at 30 June 2012, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were 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 were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules (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 30 June 2012, 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 held in Jin Jiang Hotels Development	Nature of interests	Capacity	Percentage in total share 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 30 June 2012, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 or Supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were 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).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Substantial shareholders' interest in shares or underlying shares of the Company

As at 30 June 2012, so far as was known to the Directors, the following persons (other than a Director, chief executive 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 (全國社會保障基金理事會)	H shares	108,282,000 (long position)	Beneficial owner	7.78%	1.95%
Kwok Hoi Hing	H shares	83,496,000 (long position)	Beneficial owner	6.00%	1.50%

Save as disclosed above and so far as the Directors are aware, as at 30 June 2012, 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, or who 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 the Company.

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 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.

OTHER INFORMATION

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.

By order of the Board

Yu Minliang

Chairman of the Board

31 August 2012

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2012

	Note	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,108,980	8,246,272
Investment properties	7	188,716	191,240
Land use rights	7	2,005,293	2,035,563
Intangible assets	7	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	8	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	8	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
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	9	5,566,000	5,566,000
Reserves	10		
— Proposed dividend	17	—	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

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2012

	Note	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,658,934	1,858,710
Deferred income tax liabilities		680,780	640,371
Trade and other payables	11	162,067	165,232
		2,501,781	2,664,313
Current liabilities			
Trade and other payables	11	3,886,270	3,106,532
Dividend payable		222,640	—
Income tax payable		91,280	120,944
Borrowings	12	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

The notes on pages 32 to 56 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Revenue	6(a)	6,537,184	5,931,189
Cost of sales	14	(5,487,787)	(4,944,077)
Gross profit		1,049,397	987,112
Other income	13	279,678	163,750
Selling and marketing expenses	14	(277,746)	(254,242)
Administrative expenses	14	(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	15	(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 (expressed in RMB cents per share)			
— basic and diluted	16	3.02	2.97

The notes on pages 32 to 56 are an integral part of these unaudited condensed consolidated interim financial statements.

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Dividends	17	—	—

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
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

The notes on pages 32 to 56 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to the shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 31 December 2011	5,566,000	153,224	1,456,031	7,175,255	4,678,616	11,853,871
Comprehensive income:						
Profit for the period	—	—	167,827	167,827	213,223	381,050
Other comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	195,439	—	195,439	125,370	320,809
Transfer of fair value changes on available-for-sale financial assets — gross	—	(110,029)	—	(110,029)	(42,882)	(152,911)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	(21,307)	—	(21,307)	(20,622)	(41,929)
Currency translation differences	—	22	—	22	—	22
Total other comprehensive income	—	64,125	—	64,125	61,866	125,991
Total comprehensive income	—	64,125	167,827	231,952	275,089	507,041
Transaction with owners:						
Dividends to non-controlling interests	—	—	—	—	(231,585)	(231,585)
Dividends declared (note 17)	—	—	(222,640)	(222,640)	—	(222,640)
Acquisition of equity interests in a subsidiary from a non-controlling interest (note 19)	—	(11,087)	—	(11,087)	(53,832)	(64,919)
Total transactions with owners	—	(11,087)	(222,640)	(233,727)	(285,417)	(519,144)
Balance at 30 June 2012	5,566,000	206,262	1,401,218	7,173,480	4,668,288	11,841,768

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2012

	Attributable to the shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 31 December 2010	4,565,000	2,219,125	1,054,805	7,838,930	4,153,312	11,992,242
Comprehensive income:						
Profit for the period	—	—	165,221	165,221	215,197	380,418
Other comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	(55,787)	—	(55,787)	(57,890)	(113,677)
Transfer of fair value changes on available-for-sale financial assets — gross	—	(1,354)	—	(1,354)	(1,619)	(2,973)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	14,286	—	14,286	14,874	29,160
Currency translation differences	—	(3,632)	—	(3,632)	—	(3,632)
Total other comprehensive income	—	(46,487)	—	(46,487)	(44,635)	(91,122)
Total comprehensive income	—	(46,487)	165,221	118,734	170,562	289,296
Transaction with owners:						
Issue of shares, net of expenses (note 9)	1,001,000	912,480	—	1,913,480	—	1,913,480
Settlement for common control combination (note 20)	—	(2,694,020)	—	(2,694,020)	—	(2,694,020)
Dividends to non-controlling interests	—	—	—	—	(260,855)	(260,855)
Dividends declared (note 17)	—	—	(122,452)	(122,452)	—	(122,452)
Capital contribution from a non-controlling interest	—	—	—	—	1,200	1,200
Partial disposal of equity interest in a subsidiary	—	—	—	—	57,917	57,917
Total transactions with owners	1,001,000	(1,781,540)	(122,452)	(902,992)	(201,738)	(1,104,730)
Balance at 30 June 2011	5,566,000	391,098	1,097,574	7,054,672	4,122,136	11,176,808

The notes on pages 32 to 56 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Cash flows from operating activities:			
Cash generated from operations		1,244,579	1,192,177
Interest paid		(59,884)	(47,869)
Income tax paid		(140,550)	(137,052)
Net cash generated from operating activities		1,044,145	1,007,256
Cash flows from investing activities:			
Consideration and transaction cost paid for the common control combination		—	(547,610)
Acquisition of subsidiaries, net of cash acquired		(11,000)	(1,837)
Acquisition of equity shares from a non-controlling interest	19	(46,919)	—
Consideration paid for the acquisition of a jointly controlled entity		(15,845)	—
Proceeds from disposal of property, plant and equipment		72,561	40,873
Purchase of property, plant and equipment		(420,119)	(540,835)
Purchase of intangible assets		(9,761)	(142,831)
Proceeds from disposal of intangible assets		—	19
Purchase of land use rights		—	(19,623)
Purchase of available-for-sale financial assets		(977)	(81,842)
Purchase of financial assets at fair value through profit or loss		—	(117)
Proceeds from disposal of available-for-sale financial assets		185,311	114,498
Interest received		10,836	12,506
Dividends received		78,884	79,469
Increase in investments in associates		(5,613)	(9,000)
Net cash used in investing activities		(162,642)	(1,096,330)
Cash flows from financing activities:			
Proceeds from borrowings		1,542,541	644,927
Repayments of borrowings		(925,488)	(482,675)
Payments of finance leases		(637)	(740)
Dividends paid to non-controlling interests		(133,798)	(7,350)
Deposit pledged for borrowings		14,444	(30,434)
Capital contributions from a non-controlling interest		—	1,200
Net cash generated from financing activities		497,062	124,928
Increase in cash and cash equivalents		1,378,565	35,854
Cash and cash equivalents at beginning of the period		2,494,175	2,747,102
Exchange gain/(losses) on cash and cash equivalents		925	(3,596)
Cash and cash equivalents at end of the period		3,873,665	2,779,360

The notes on pages 32 to 56 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 Holdings Company Limited ("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 20). 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 (the "Board") of directors (the "Director") of the Company 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT

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 unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011.

There have been no material changes in the risk management department or in any material risk management policies since 31 December 2011.

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 measurement by level of the fair measurement hierarchy as at 30 June 2012 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	1,789,896	—	—	1,789,896
Financial assets at fair value through profit or loss				
— Equity securities	886	—	—	886
	1,790,782	—	—	1,790,782

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value measurement by level of the fair measurement hierarchy as at 31 December 2011 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	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

For the six months ended 30 June 2012, there were no material changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2012, there were no reclassifications of financial assets.

6 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.

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 Interstate Hotels & Resorts, Inc. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(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 RMB'000	2011 RMB'000
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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)**(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 (note 6(a))	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	1,318,477	1,011,602	137,795	1,619,101	1,605,898	826,706	62,746	6,582,325
Profit for the period	24,025	112,242	48,730	(2,401)	115,890	22,509	60,055	381,050
Other income (note 13)	80,922	8,126	47,093	402	28,224	24,053	90,858	279,678
Including: interest income (note 13)	2,531	774	183	349	3,816	3,871	606	12,130
Depreciation of property, plant and equipment (note 7)	(182,547)	(143,488)	(7,038)	(20,253)	(139,803)	(2,915)	(730)	(496,774)
Depreciation and amortization of investment properties (note 7)	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights (note 7)	(26,190)	(2,894)	(51)	—	(988)	—	(147)	(30,270)
Amortization of intangible assets (note 7)	(3,600)	(3,691)	(486)	(17,604)	(263)	(257)	(443)	(26,344)
(Provision for)/reversed of impairment of trade and other receivables (note 14)	(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 (note 15)	(4,474)	(36,396)	(339)	(1,155)	(23,987)	(3,864)	(24,247)	(94,462)
Capital expenditure	85,089	153,831	12,280	22,339	143,482	3,005	3,125	423,151

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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 6(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	1,173,607	882,587	109,586	1,382,101	1,571,768	797,887	62,726	5,980,262
Profit for the period	7,268	87,594	66,678	(7,463)	168,490	10,256	47,595	380,418
Other income (note 13)	13,572	8,744	44,427	1,012	29,284	3,279	63,432	163,750
Including: interest income (note 13)	821	2,140	467	1,012	5,117	2,021	745	12,323
Depreciation of property, plant and equipment (note 7)	(182,312)	(139,870)	(5,520)	(19,603)	(136,619)	(3,237)	(679)	(487,840)
Depreciation and amortization of investment properties (note 7)	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights (note 7)	(14,121)	(2,815)	(51)	—	(988)	(14)	(147)	(18,136)
Amortization of intangible assets (note 7)	(1,342)	(3,568)	(249)	(10,763)	(8)	(259)	(3,398)	(19,587)
Provision for inventories (note 14)	(98)	—	—	—	—	—	—	(98)
(Provision for)/reversed of impairment of trade and other receivables (note 14)	(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 15)	(547)	(27,837)	123	(376)	(36,040)	(3,479)	(8,182)	(76,338)
Capital expenditure	95,492	189,228	8,509	86,022	247,134	2,885	207	629,477

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)**(b) Segment information (continued)**

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	6,778,644	3,449,675	294,872	1,385,979	3,337,077	1,353,735	3,286,783	19,886,765

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

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 (note 7), investment properties (note 7), land use rights (note 7) and intangible assets (note 7).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Cost				
At 1 January 2012	14,424,470	258,949	2,295,235	1,072,997
Additions	413,390	—	—	9,761
Disposals	(219,027)	—	—	(8,654)
Currency translation differences	2,308	—	—	2,026
At 30 June 2012	14,621,141	258,949	2,295,235	1,076,130
At 1 January 2011	13,476,239	258,949	1,428,876	877,292
Additions	467,023	—	19,623	142,831
Disposals	(218,948)	—	—	(14,497)
Currency translation differences	(13,669)	—	—	(10,009)
At 30 June 2011	13,710,645	258,949	1,448,499	995,617
Accumulated depreciation, amortization and impairment				
At 1 January 2012	(6,178,198)	(67,709)	(259,672)	(91,623)
Depreciation and amortization charge for the period (note 14)	(496,774)	(2,524)	(30,270)	(26,344)
Disposals	163,069	—	—	2,738
Currency translation differences	(258)	—	—	(159)
At 30 June 2012	(6,512,161)	(70,233)	(289,942)	(115,388)
At 1 January 2011	(5,543,121)	(62,661)	(223,399)	(70,712)
Depreciation and amortization charge for the period (note 14)	(487,840)	(2,524)	(18,136)	(19,587)
Disposals	195,006	—	—	1,490
Currency translation differences	861	—	—	421
At 30 June 2011	(5,835,094)	(65,185)	(241,535)	(88,388)
Net book amount				
At 30 June 2012	8,108,980	188,716	2,005,293	960,742
At 30 June 2011	7,875,551	193,764	1,206,964	907,229

The fair value of the investment properties is approximately RMB807,692,000 (31 December 2011: approximately RMB807,692,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
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	534,398	415,365
Amounts due from related parties (note 21(b))	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	906,872	651,665
Less: non-current portion of trade and other receivables	1,441,270 (38,943)	1,067,030 (71,722)
	1,402,327	995,308
Non-current portion of trade and other receivables	38,943	71,722

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

9 SHARE CAPITAL

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2011	4,565,000	4,565,000
Issue of ordinary shares	1,001,000	1,001,000
At 30 June 2011 and 2012, and 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 on 16 February 2011 for the partial consideration for the Acquisition (note 20) of RMB1,913,480,000.

The share premium of RMB912,480,000 was recorded as capital surplus in reserves (note 10).

10 RESERVES

	Other reserves					Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available- for- sales financial assets (iv) RMB'000	Currency translation differences RMB'000			
At 31 December 2011	1,992,159	444,508	(2,886,243)	616,660	(13,860)	153,224	1,456,031	1,609,255
Profit for the period	—	—	—	—	—	—	167,827	167,827
Fair value changes on available-for-sale financial assets — gross	—	—	—	195,439	—	195,439	—	195,439
Transfer of fair value changes on available-for-sale financial assets — gross	—	—	—	(110,029)	—	(110,029)	—	(110,029)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	—	—	(21,307)	—	(21,307)	—	(21,307)
Dividends declared (note 17)	—	—	—	—	—	—	(222,640)	(222,640)
Acquisition of equity interests in a subsidiary from non-controlling interests (note 19)	(11,087)	—	—	—	—	(11,087)	—	(11,087)
Currency translation differences	—	—	—	—	22	22	—	22
At 30 June 2012	1,981,072	444,508	(2,886,243)	680,763	(13,838)	206,262	1,401,218	1,607,480

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

10 RESERVES (CONTINUED)

	Other reserves					Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available- for- sales financial assets (iv) RMB'000	Currency translation differences RMB'000			
At 31 December 2010	1,069,752	432,008	(192,223)	914,842	(5,254)	2,219,125	1,054,805	3,273,930
Profit for the period	—	—	—	—	—	—	165,221	165,221
Issue of shares, net of expenses (note 9)	912,480	—	—	—	—	912,480	—	912,480
Settlement for common control combination (note 20)	—	—	(2,694,020)	—	—	(2,694,020)	—	(2,694,020)
Fair value changes on available-for-sale financial assets — gross	—	—	—	(55,787)	—	(55,787)	—	(55,787)
Transfer of fair value changes on available-for-sale financial assets — gross	—	—	—	(1,354)	—	(1,354)	—	(1,354)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	—	—	14,286	—	14,286	—	14,286
Dividends declared (note 17)	—	—	—	—	—	—	(122,452)	(122,452)
Currency translation differences	—	—	—	—	(3,632)	(3,632)	—	(3,632)
At 30 June 2011	1,982,232	432,008	(2,886,243)	871,987	(8,886)	391,098	1,097,574	1,488,672

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

(ii) Pursuant to the Company Law of Mainland China and the articles of association of certain group the companies, the Company is required to transfer 10% of its net profit, as determined under 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 the shareholders. These reserves shall only be used to make good previous years' losses, to expand production operations, or to increase the capital of the Company. The Company may transfer the statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation and 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 changes in fair value, net of tax, on available-for-sale financial assets through equity.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

11 TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current portion of trade and other payables		
Trade payables	510,295	483,504
Amounts due to related parties (note 21(b))	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
	4,048,337	3,271,764
Less: non-current portion of trade and other payables	(162,067)	(165,232)
	3,886,270	3,106,532
Non-current portion of trade and other payables	162,067	165,232

- (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 RMB'000	At 31 December 2011 RMB'000
Current to 3 months	460,577	411,531
3 months to 1 year	41,652	60,607
Over 1 year	8,066	11,366
	510,295	483,504

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12 BORROWINGS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
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 (note 21(b))	89,063	901,563
Finance lease liabilities	24,393	25,021
	1,908,477	1,988,522
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)
	1,658,934	1,858,710
Borrowings included in current liabilities:		
Bank borrowings — secured	68,026	48,139
Bank borrowings — unsecured	73,957	76,554
Borrowings from related parties (note 21(b))	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
	1,343,026	520,423

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

- (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 deposits 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

12 BORROWINGS (CONTINUED)

As at 30 June 2012, other unsecured borrowings mainly includes the borrowing of RMB200,000,000 (31 December 2011: RMB200,000,000) from a third party entrusted through the Bank of Communications. Borrowings from a non-bank financial institute represent the borrowing of RMB700,000,000 (31 December 2011: nil) from Shanghai International Trust Company Limited.

Finance lease liabilities with carrying amount of RMB24,393,000 (2011: RMB25,021,000) are effectively secured as the rights to the leased assets with carrying amount of RMB24,312,000 (2011: RMB25,164,000) revert to the lessor in the event of default.

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
At beginning of the period	2,379,133	2,179,457
Proceeds from borrowings	1,542,541	644,927
Repayments of borrowings	(925,488)	(482,675)
Payments of finance leases	(637)	(740)
Foreign exchange loss/(gain)	6,411	(17,850)
At end of the period	3,001,960	2,323,119

13 OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Gain on disposal of property, plant and equipment	16,659	19,220
Gain on disposal of available-for-sale financial assets	152,911	3,138
Dividend income		
— Unlisted	48,235	46,757
— Listed	28,666	53,624
Interest income	76,901	100,381
Subsidy income	12,130	12,323
	21,077	28,688
	279,678	163,750

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

14 EXPENSES BY NATURE

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

	Six months ended 30 Jun	
	2012 RMB'000	2011 RMB'000
Other expenses from managed properties (note 6(a))	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 (note 7)	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 (note 7)	30,270	18,136
Laundry costs	27,631	27,247
Amortisation of intangible assets (note 7)	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 (note 7)	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000	2011 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
	94,462	76,338

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 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 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%).

16 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)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	3.02	2.97

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 (note 20), 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

17 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 (2011 interim dividend: nil).

18 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	169,517	153,897

(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 6(a) and note 14, 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	628,134	771,127
	1,262,389	1,350,833

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	2,558,504	2,340,595
	4,151,298	3,956,210

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

18 COMMITMENTS (CONTINUED)

(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.

19 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIES WITHOUT CHANGE OF CONTROL

Acquisition of equity interests in a subsidiary from a non-controlling interest

Pursuant to the agreement of equity transfer of ShanXi Jinguang Inn Company Limited ("Jinguang Inn") signed between Shanghai Jin Jiang International Hotel Investment and Shanxi Jinguang Investment Company Limited ("Jinguang Investment") on 16 March 2012, Jinguang Investment transferred its 30% equity interest in Jinguang Inn to Jin Jiang International Hotel Investment, at a cash consideration of approximately RMB64,919,000. The equity transfer was completed on 31 March 2012 and Jin Jiang International Hotel Investment hold 100% equity interest in Jinguang Inn thereafter.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid in 2011	18,000
— Cash paid in 2012	46,919
Total purchase consideration	64,919

The effect of changes on the equity attributable to the shareholders of the Company and non-controlling interests is summarised as follows:

	RMB'000
Purchase consideration	64,919
Carrying amount of non-controlling interests disposed	(42,886)
Excess of purchase consideration	22,033
Multiply: percentage of equity interests in Jin Jiang Hotel Development	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	11,087
Carrying amount of non-controlling interests disposed	42,886
Excess of purchase consideration recognised in non-controlling interests	10,946
Effect of changes on non-controlling interests	53,832

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

20 COMMON CONTROL COMBINATION

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

The aggregate consideration for the Acquisition in the amount of RMB2,694,020,000 was satisfied by the Company by (i) transferring to Jin Jiang International cash consideration of RMB772,909,000; and (ii) issuing and allotting to Jin Jiang International 1,001,000,000 new domestic shares at a price of Hong Kong Dollar ("HK\$") 2.2 per consideration share. This total settlement of the Acquisition was debited to merger reserve for the six months ended 30 June 2011. 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 Company, Jin Jiang Investment and Jin Jiang Travel are under common control of Jin Jiang International both before and after the Acquisition. The Acquisition is therefore regarded as common control 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. Upon completion of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel were included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International.

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, 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 also paid the transaction cost of RMB6,575,000, which was included in administrative expenses in the unaudited condensed consolidated interim income statement for the six months ended 30 June 2011. The total settlement of the Acquisition of RMB2,694,020,000 were debited to merger reserve for the six months ended 30 June 2011.

The Acquisition was completed on 16 February 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group had the following significant related party transactions during six months ended 30 June 2012:

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Transactions with Jin Jiang International		
— Provision of hotel services	1,024	798
— Provision of training services	—	14
— Sales of hotel supplies	97	52
— Interest income received	89	620
— Provision of vehicle operating services	52	—
	1,262	1,484
— Rental expenses paid	5,674	4,837
— Interest expense paid	23,104	27,027
	28,778	31,864
Transactions with subsidiaries, jointly controlled entities and associates of Jin Jiang International		
— Provision of hotel services	8,264	5,744
— Rental income received	2,658	2,987
— Provision of other services	6,424	5,243
	17,346	13,974
— Rental expenses paid	8,137	6,727
— Receipt of other services	1,775	1,535
— Purchase of food and beverage	1,238	584
— Interest income paid	720	264
— Receipt of laundry services	167	214
	12,037	9,324

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Related party transactions (continued)**

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Transactions with jointly controlled entities of the Group		
— Interest income received	2,145	521
— Management fees received	1,121	1,923
— Sales of hotel supplies	305	1,344
— Rental income received	86	198
	3,657	3,986
— Interest expenses paid	628	1,187
— Purchase of food and beverage	—	69
— Receipt of hotel services	—	102
— Receipt of passenger transportation services	—	19
	628	1,377
Transaction with associates of the Group		
— Rental income received	2,294	2,036
— Interest income received	1,178	1,647
— Management fees received	1,141	1,205
— Provision of hotel services	57	179
— Sales of hotel supplies	—	4,044
	4,670	9,111
— Purchase of property, plant and equipment	14,402	93,572
— Rental expense paid	270	240
— Receipt of travelling services	122	—
— Interest expenses paid	67	30
— Purchase of goods	—	124
	14,861	93,966

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amount due from/to related parties

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Amounts due from related parties (note 8)		
— Jin Jiang International	216	394
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International	5,724	4,754
— Jointly controlled entities of the Group (i)	122,934	91,306
— Associates of the Group (ii)	170,131	56,750
	299,005	153,204
Amounts due to related parties (note 11)		
— Jin Jiang International (iii)	(826,931)	(183,350)
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International (iv)	(69,312)	(24,315)
— Jointly controlled entities of the Group (v)	(66,393)	(76,476)
— Associates of the Group (vi)	(9,716)	(26,561)
	(972,352)	(310,702)
Borrowings from related parties (note 12)		
— Jin Jiang International (vii)	(89,063)	(901,563)
— A subsidiary of Jin Jiang International (viii)	(20,000)	(20,000)
— A jointly controlled entity of the Group (ix)	(27,500)	(7,500)
	(136,563)	(929,063)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Amount due from/to related parties (continued)**

- (i) The balance includes secured loans to a jointly controlled entity of RMB16,340,000 as at 30 June 2012 (31 December 2011: RMB16,340,000) with effective interest rate of 5.39% (2011: 5.39%) per annum which were guaranteed by a third party, a secured loan to a jointly controlled entity of RMB63,000,000 as at 30 June 2012 (31 December 2011: 42,000,000) with effective interest rate of 6.56% (2011: 6.56%) per annum which was guaranteed by its properties, an unsecured loan to a jointly controlled entity of RMB7,500,000 as at 30 June 2012 (31 December 2011: 4,000,000) with effective interest rate of 5.80% (2011: 5.45%) per annum which was guaranteed by a subsidiary of the Group, an unsecured loan to a jointly controlled entity of RMB7,899,000 as at 30 June 2012 (31 December 2011:nil) with effective interest rate of 4.98% (2011: nil) 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 30 June 2012 (31 December 2011: 21,000,000) with effective interest rate of 6.56% (2011: 6.56%) per annum.
- (ii) The balance includes secured loans to an associate of the Group of RMB18,000,000 as at 30 June 2012 (31 December 2011: RMB18,000,000) with effective interest rate of 6.20% (2011: 6.20%) per annum which were guaranteed by their properties, and dividends due from associates of the Group of RMB126,342,000 (31 December 2011:nil). An unsecured loan of RMB 20,000,000 as at 31 December 2011 with effective interest rate of 6.65% per annum was repaid by the associate of the Group.
- (iii) The balance includes deposits from Jin Jiang International of RMB805,051,000 as at 30 June 2012 (31 December 2011: RMB168,559,000) with effective interest rate of 1.52% (2011: 1.30%) per annum.
- (iv) The balance includes deposits from subsidiaries of Jin Jiang International of RMB57,347,000 as at 30 June 2012 (31 December 2011: RMB11,500,000) with effective interest rate of 2.98% (2011: 3.24%) per annum.
- (v) The balance includes deposits from jointly controlled entities of RMB53,117,000 as at 30 June 2012 (31 December 2011: RMB65,436,000) with effective interest rate of 0.44% (2011: 1.99%) per annum.
- (vi) The balance includes deposits from associates of RMB8,682,000 as at 30 June 2012 (31 December 2011: RMB4,225,000) with effective interest rate of 0.44% (2011: 0.50%) per annum.
- (vii) The balance includes unsecured borrowings from Jin Jiang International of RMB89,063,000 as at 30 June 2012 (31 December 2011: RMB901,563,000) with effective interest rate of 4.62% (2011: 4.36%) per annum.
- (viii) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB20,000,000 (31 December 2011: RMB20,000,000) as at 30 June 2012 with effective interest rate of 5.68% (2011: 5.68%) per annum.
- (ix) The balance includes an unsecured borrowing from a jointly controlled entity of the Group of RMB27,500,000 as at 30 June 2012 (2011: RMB7,500,000) with effective interest rate of 5.90% (2011: 5.90%) per annum.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Salary and other allowances	3,266	554
Discretionary bonus	187	166
Retirement scheme contributions	180	136
	3,633	856

