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

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

**(Stock Code: 02006)**

**2012 FINAL RESULTS ANNOUNCEMENT**

The board (the “Board”) of directors (the “Directors”) of Shanghai Jin Jiang International Hotels (Group) Company Limited (the “Company” or “Jin Jiang Hotels”) is pleased to announce the final results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2012 (the “Reporting Period”). These results have been reviewed by the audit committee of the Board.

In 2012, the hotel and tourism industry in the People’s Republic of China (the “PRC”) faced numerous challenges, including the sustained European debt crisis, slowdown in global economic recovery and decelerating domestic economic growth. Leveraging on its comprehensive and diversified asset portfolio as well as the superior operation and management services, the Group responded actively by undergoing multi-brand strategy, international merger, acquisition and integration, adoption of market-oriented talent mechanism, construction of management and operation centre as well as the integration of industry chains, etc.

During the Reporting Period, the Group realized sales revenue of approximately RMB13,884,461,000, representing an increase of approximately 9.7% as compared to the same period of last year. The operating profit of the Group amounted to approximately RMB889,434,000, representing a decrease of approximately 1.6% as compared to the same period of last year. Excluding other income, operating profit amounted to approximately RMB365,826,000, representing an increase of approximately RMB97,642,000 as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB317,006,000, representing a decrease of approximately 40.9% as compared to the same period of last year.

As of 31 December 2012, the Group held or managed a total of 1,401 hotels in the world with over 200,000 rooms. In terms of number of rooms, the Group ranked the ninth in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in July 2012. In particular, a total of 1,031 self-owned or managed hotels were either in operation or under construction within the PRC with over 147,000 rooms, spreading across approximately 220 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 Interstate Hotels & Resorts (“IHR”) which, with its subsidiaries (collectively referred to as “IHR Group”) as well as associates of IHR Group, managed 374 hotel properties in aggregate in 7 countries around the world.

During the Reporting Period, the Group relied on Jin Jiang’s e-commerce platform and its membership system to achieve an excellent result in resource and system integration through implementing measures such as cross-sales on hotel, car rental and tourism, connection plan of customer base of tourism and integration plan concerning the vehicle resources, etc, and the total number of members has exceeded 7,800,000.

## OPERATIONAL STATISTICS

	2012	2011
Average occupancy rate		
— 5-star Luxury Hotels	<b>62%</b>	56%
— 4-star Luxury Hotels	<b>65%</b>	63%
— Commercial Hotels	<b>61%</b>	56%
— Budget Hotels	<b>86%</b>	88%
Average room rate ( <i>RMB</i> )		
— 5-star Luxury Hotels	<b>776</b>	827
— 4-star Luxury Hotels	<b>530</b>	547
— Commercial Hotels	<b>336</b>	338
— Budget Hotels	<b>186</b>	182
Revenue per available room (“RevPAR”) ( <i>RMB</i> )		
— 5-star Luxury Hotels	<b>480</b>	463
— 4-star Luxury Hotels	<b>344</b>	342
— Commercial Hotels	<b>206</b>	191
— Budget Hotels	<b>160</b>	161

### Notes:

1. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.
2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, 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.
4. Beijing Kunlun Hotel underwent extensive renovation and modification in 2012. As the data for the same period is not comparable, it is excluded from the scope of operational statistics for 5-star Luxury Hotels.
5. Wuxi Jin Jiang Grand Hotel underwent extensive renovation and modification in 2011. As the data for the same period is not comparable, it is excluded from the scope of operational statistics for 4-star Luxury Hotels.

## FINANCIAL HIGHLIGHTS

	2012	2011	2010 (Restated)*	2009	2008
<b>Hong Kong Financial Reporting Standard (“HKFRS”) Financial Information</b>					
<b>Items of Consolidated Income Statement</b> <i>(RMB million)</i>					
Revenue	<b>13,884</b>	12,653	11,824	3,321	3,403
Profit attributable to shareholders of the Company	<b>317</b>	536	387	82	270
Dividends	<b>167</b>	223	122	91	96
Proposed dividend per share (RMB cents)	<b>3.00</b>	4.00	2.20	2.00	2.10
<b>Items of Consolidated Balance Sheet</b> <i>(RMB million)</i>					
Total assets	<b>19,259</b>	18,266	18,445	12,762	10,380
Total liabilities	<b>7,109</b>	6,412	6,453	3,117	2,001
Net assets (total equity)	<b>12,150</b>	11,854	11,992	9,645	8,379
Net assets attributable to the shareholders of the Company	<b>7,312</b>	7,175	7,839	7,628	6,960
<b>Item of Consolidated Statement of Cash Flows</b> <i>(RMB million)</i>					
Net cash generated from operating activities	<b>1,260</b>	1,307	1,503	561	533
<b>Non-HKFRS Financial Information**</b>					
Earnings before interests, taxes, depreciation and amortisation (“EBITDA”)**	<b>2,141</b>	2,177	2,046	952	1,071
Net assets per share (RMB)****	<b>2.18</b>	2.13	2.15	2.11	1.84
Net assets per share attributable to the shareholders of the Company (RMB)*****	<b>1.31</b>	1.29	1.72	1.67	1.52
Gearing ratio*****	<b>13.8%</b>	13.0%	11.8%	8.4%	5.2%
Capital expenditure*****	<b>1,154</b>	2,543	2,484	1,245	1,001

- \* Upon the completion of the acquisition, items in the financial statements of Shanghai Jin Jiang International Industrial Investment Company Limited (“Jin Jiang Investment”) and Shanghai Jin Jiang International Travel Co., Ltd. (“Jin Jiang Travel”) were included in the consolidated financial statements of the Group for the year ended 31 December 2011 as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International Holdings Company Limited (“Jin Jiang International”). Comparative figures as at 31 December 2010 and for the year ended 31 December 2010 were restated on the same basis.
- \*\* The calculation method of Non-HKFRS financial information is consistently applied in the previous years.
- \*\*\* EBITDA is the profit for the year excluding finance costs, income tax expense, depreciation of property, plant and equipment, depreciation of investment properties, amortization of land use rights and amortization of intangible assets.
- \*\*\*\* Net assets per share is net assets divided by share capital.
- \*\*\*\*\* Net assets per share attributable to the shareholders of the Company is net assets attributable to the shareholders of the Company divided by share capital.
- \*\*\*\*\* Gearing ratio is the total borrowings divided by total assets as expressed in the consolidated balance sheet. Total borrowings include non-current and current borrowings.
- \*\*\*\*\* Capital expenditure comprises acquisition of property, plant and equipment, investment properties, land use rights and intangible assets, including additions resulting from business combinations other than common control combination and acquisition of jointly controlled entities.

**SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS**

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2012*

		<b>Year ended 31 December</b>	
		<b>2012</b>	<b>2011</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	<b>13,884,461</b>	12,653,434
Cost of sales	4	<b>(11,784,426)</b>	(10,707,534)
Gross profit		<b>2,100,035</b>	1,945,900
Other income		<b>523,608</b>	635,753
Selling and marketing expenses	4	<b>(612,730)</b>	(602,776)
Administrative expenses	4	<b>(1,032,530)</b>	(991,719)
Other expenses		<b>(88,949)</b>	(83,221)
Operating profit		<b>889,434</b>	903,937
Finance costs		<b>(137,612)</b>	(89,753)
Share of results of associates		<b>144,017</b>	177,324
Profit before income tax		<b>895,839</b>	991,508
Income tax expense	5	<b>(186,701)</b>	(84,363)
Profit for the year		<b><u>709,138</u></b>	<u>907,145</u>
Attributable to:			
Shareholders of the Company		<b>317,006</b>	536,178
Non-controlling interests		<b>392,132</b>	370,967
		<b><u>709,138</u></b>	<u>907,145</u>
Earnings per share for profit attributable to shareholders of the Company during the year ( <i>expressed in RMB cents per share</i> )	6		
— basic and diluted		<b><u>5.70</u></b>	<u>9.63</u>
Dividends	7	<b><u>166,980</u></b>	<u>222,640</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
<b>Profit for the year</b>	<b>709,138</b>	907,145
<b>Other comprehensive income</b>		
Fair value changes on available-for-sale financial assets — gross	<b>432,995</b>	(743,309)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	<b>(250,383)</b>	(13,509)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	<b>(45,024)</b>	189,035
Currency translation differences	<b>(801)</b>	(8,606)
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>845,925</b>	330,756
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<b>Attributable to:</b>		
Shareholders of the Company	<b>370,861</b>	229,390
Non-controlling interests	<b>475,064</b>	101,366
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	<b>845,925</b>	330,756
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**CONSOLIDATED BALANCE SHEET***As at 31 December 2012*

		<b>As at 31 December</b>	
		<b>2012</b>	<b>2011</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		<b>8,179,535</b>	8,246,272
Investment properties		<b>224,679</b>	191,240
Land use rights		<b>1,974,971</b>	2,035,563
Intangible assets		<b>954,155</b>	981,374
Investments in associates		<b>686,093</b>	692,622
Available-for-sale financial assets		<b>1,996,337</b>	1,832,479
Deferred income tax assets		<b>284,338</b>	244,581
Prepayments and other receivables	8	<b>42,038</b>	71,722
		<b>14,342,146</b>	14,295,853
Current assets			
Financial assets at fair value through profit or loss		<b>730</b>	911
Available-for-sale financial assets		<b>64,174</b>	—
Inventories		<b>160,236</b>	153,353
Trade receivables, prepayments and other receivables	8	<b>1,222,969</b>	995,308
Restricted cash		<b>547,877</b>	326,483
Cash and cash equivalents		<b>2,921,139</b>	2,494,175
		<b>4,917,125</b>	3,970,230
Total assets		<b>19,259,271</b>	18,266,083

**CONSOLIDATED BALANCE SHEET (CONTINUED)***As at 31 December 2012*

		<b>As at 31 December</b>	
		<b>2012</b>	<b>2011</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY</b>			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	<b>5,566,000</b>	5,566,000
Reserves			
— Proposed final dividend	7	<b>166,980</b>	222,640
— Others		<b>1,579,409</b>	1,386,615
		<b>7,312,389</b>	7,175,255
Non-controlling interests		<b>4,837,997</b>	4,678,616
Total equity		<b>12,150,386</b>	11,853,871
<b>LIABILITIES</b>			
Non-current liabilities			
Borrowings		<b>2,053,322</b>	1,858,710
Deferred income tax liabilities		<b>672,618</b>	640,371
Trade and other payables	9	<b>137,097</b>	165,232
		<b>2,863,037</b>	2,664,313
Current liabilities			
Borrowings		<b>612,428</b>	520,423
Income tax payable		<b>120,567</b>	120,944
Trade and other payables	9	<b>3,512,853</b>	3,106,532
		<b>4,245,848</b>	3,747,899
Total liabilities		<b>7,108,885</b>	6,412,212
Total equity and liabilities		<b>19,259,271</b>	18,266,083
Net current assets		<b>671,277</b>	222,331
Total assets less current liabilities		<b>15,013,423</b>	14,518,184



# NOTES TO THE SELECTED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

On 11 January 2006, the Company’s name was changed to its current name and the Company was converted into a joint stock limited company under the Company Law of the 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 Jin Jiang Investment and Jin Jiang Travel (the “Acquisition”). Accordingly, the share capital of the Company was increased to RMB5,566,000,000.

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

The Group is principally engaged in investment and operation of hotels and related businesses (the “Hotel Related Businesses”) in Mainland China and the United States of America (“US”), investment and operation of vehicle, logistics and related businesses (the “Vehicle and Logistics Business”) and investment and operation of travel agency and related businesses (the “Travel Agency Business”) in Mainland China.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

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

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on 1 January 2012 that would be expected to have a material impact on the Group.

**(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- 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, which are largely aligned between HKFRSs and US GAAP, 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 or US GAAP.
- HKAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.
- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKFRS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.
- 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 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 intends to adopt HKFRS 10 no later than the accounting periods beginning after 1 January 2013 and the Group expected that adoption of HKFRS 10 did not result in any change in the consolidation status of its subsidiaries, and would not have material impact to the Group's consolidated financial statements.

- HKFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Group made preliminary assessment that the adoption of HKFRS 11 in the accounting period beginning on or after 1 January 2013 would be no significant impact on the Group's profit for the year attributable to the Company and equity attributable to the Company, but be significant impact on the Group's total assets, liabilities, revenue and other consolidated income statement line items other than profit for the year. The Group is yet to assess the full impact of HKFRS 11 and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

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.

### **3 TURNOVER AND SEGMENT INFORMATION**

The executive committee of the Group has been identified as the chief operating decision-maker. The executive committee 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 executive committee assesses the performance according to seven main business segments as follows:

- (1) Star-rated hotels: ownership, operation and management of star-rated hotels;
- (2) Budget hotels: operation of self-owned budget hotels and franchising to budget hotels owned by other parties;
- (3) Food and restaurants: operation of fast food or upscale restaurants, moon cake production and related investments;
- (4) IHR Group: operation of wholly-owned hotels, hotel management services and related services under IHR 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, and corporate function.

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

(a) Turnover

The Group's revenue which represents turnover is as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Star-rated hotels	2,722,179	2,582,773
— Accommodation revenue	1,258,305	1,191,131
— Food and beverage sales	1,020,796	951,600
— Rendering of ancillary services	125,805	122,322
— Rental revenue	201,142	183,340
— Sales of hotel supplies	39,587	66,792
— Hotel management	76,544	67,588
Budget hotels	2,101,778	1,888,091
— Accommodation revenue	1,501,706	1,383,778
— Food and beverage sales	203,702	205,216
— Rendering of ancillary services	51,619	37,545
— Rental revenue	23,379	21,572
— Sales of hotel supplies	23,117	18,705
— Hotel management and franchise	229,524	170,235
— Revenue under customer royalty programme	68,731	51,040
Food and restaurants	313,150	270,513
IHR Group	3,236,253	2,752,993
— Accommodation revenue	174,130	159,262
— Food and beverage sales	91,643	85,657
— Rendering of ancillary services	8,995	6,787
— Rental revenue	1,561	1,458
— Hotel management	246,211	216,167
— Other revenue from managed properties (i)	2,713,713	2,283,662
Vehicle and logistics	3,369,777	3,187,741
— Vehicle operating	1,314,497	1,339,294
— Trading of automobile	708,421	595,356
— Refrigerated logistics	121,284	107,959
— Freight forwarding	1,202,761	1,125,491
— Others	22,814	19,641
Travel agency	2,077,871	1,930,426
— Travel agency	2,054,509	1,887,288
— Others	23,362	43,138
Other operation	63,453	40,897
	<b>13,884,461</b>	<b>12,653,434</b>

- (i) The other revenue and other expenses from managed properties present 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 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 for the year ended 31 December 2012 and 2011.

**(b) Segment information**

*Year ended 31 December 2012*

	Star-rated hotels <i>RMB'000</i>	Budget hotels <i>RMB'000</i>	Food and restaurants <i>RMB'000</i>	IHR Group <i>RMB'000</i>	Vehicle and logistics <i>RMB'000</i>	Travel agency <i>RMB'000</i>	Other operation <i>RMB'000</i>	The Group <i>RMB'000</i>
External sales	2,722,179	2,101,778	313,150	3,236,253	3,369,777	2,077,871	63,453	13,884,461
Including: other revenue from managed properties	—	—	—	2,713,713	—	—	—	2,713,713
Inter-segment sales	10,046	1,917	10,526	—	5,089	1,165	64,914	93,657
Total gross segment sales	<u>2,732,225</u>	<u>2,103,695</u>	<u>323,676</u>	<u>3,236,253</u>	<u>3,374,866</u>	<u>2,079,036</u>	<u>128,367</u>	<u>13,978,118</u>
Profit for the year	<u>57,074</u>	<u>251,083</u>	<u>48,887</u>	<u>19,173</u>	<u>224,809</u>	<u>49,304</u>	<u>58,808</u>	<u>709,138</u>
Other income	212,180	18,724	49,196	13,878	62,783	57,933	108,914	523,608
Including: interest income	5,501	625	958	1,026	9,190	9,251	1,090	27,641
Depreciation of property, plant and equipment	(353,085)	(292,463)	(14,612)	(39,139)	(283,303)	(4,205)	(1,542)	(988,349)
Depreciation of investment properties	(1,195)	—	—	—	(605)	(4,285)	—	(6,085)
Amortization of land use rights	(47,416)	(10,843)	(101)	—	(1,876)	—	(356)	(60,592)
Amortization of intangible assets	(5,953)	(7,550)	(1,007)	(36,802)	(257)	(514)	(606)	(52,689)
Inventories write-down	(280)	—	—	—	—	—	—	(280)
Provision for impairment of trade receivables, prepayments and other receivables	(323)	(3,332)	—	—	(1,034)	449	(15)	(4,255)
Finance costs	(99,976)	(1,012)	—	(33,072)	(3,524)	—	(28)	(137,612)
Share of results of associates	6,177	—	45,917	5,143	92,097	(7,435)	2,118	144,017
Income tax expense	(11,265)	(81,395)	193	(1,585)	(47,559)	(12,555)	(32,535)	(186,701)
Capital expenditure	<u>245,493</u>	<u>416,173</u>	<u>4,395</u>	<u>252,839</u>	<u>220,750</u>	<u>7,054</u>	<u>6,882</u>	<u>1,153,586</u>

Year ended 31 December 2011

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

The segment assets as at 31 December 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	5,742,709	3,540,493	161,603	1,507,788	2,850,594	1,314,247	3,455,744	18,573,178
Investments in associates	46,815	—	187,225	56,101	367,774	23,339	4,839	686,093
Total assets	<u>5,789,524</u>	<u>3,540,493</u>	<u>348,828</u>	<u>1,563,889</u>	<u>3,218,368</u>	<u>1,337,586</u>	<u>3,460,583</u>	<u>19,259,271</u>

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

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

Sales between segments are carried out at arm's length transactions. The external revenue reported to the executive committee is measured in a manner consistent with that in the consolidated income statement.

Other income in the segment of "Star-rated hotel operation" for the year ended 31 December 2012 mainly includes gain on disposal of available-for-sale financial assets of RMB159,781,000 (for the year ended 31 December 2011: revaluation gain of RMB403,801,000 for measuring 50% equity interests in Hua Ting Hotel and Towers Company Limited ("Hua Ting Hotels and Towers"). Other income in the segment of "Other operation" for the year ended 31 December 2012 mainly includes gain on disposal of available-for-sale financial assets of RMB77,849,000 (for the year ended 31 December 2011: RMB721,000).

Segment assets consist of all assets except for investments in associates. They also include goodwill recognised arising from acquisition of subsidiaries relating to the respective segments.

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

Other than IHR Group who mainly operates in the US, other segments are operated in Mainland China.

#### 4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of inventories sold	3,459,747	3,172,014
Other expenses from managed properties	2,713,713	2,283,662
Employee benefit expense	2,706,813	2,492,732
Transportation expenses	1,122,144	1,039,028
Depreciation of property, plant and equipment	988,349	1,010,477
Utility cost and consumables	642,239	630,061
Business tax, property tax, value added tax ("VAT") through a simplified method and other tax surcharges	403,588	409,848
Operating leases — land and buildings	376,251	365,600
Repairs and maintenance	189,071	184,670
Laundry costs	74,341	63,044
Amortisation of land use rights	60,592	36,716
Amortisation of intangible assets	52,689	43,281
Advertising costs	45,543	43,850
Commissions paid to travel agencies	40,569	31,041
Telecommunication expenses	24,496	22,365
Entertainment expenses	21,771	20,735
Auditors' remuneration	20,412	19,812
Legal and consulting costs	19,027	20,927
Pre-operation expenses	13,729	8,429
Depreciation of investment properties	6,085	5,048
Provision for impairment of trade receivables, prepayments and other receivables	4,255	1,547
Transaction cost related to the acquisition of a jointly controlled entity	952	1,899
Provision for/(reversal of) inventories write-down	280	(319)
Others	443,030	395,562
	<b>13,429,686</b>	<b>12,302,029</b>



## 5 INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	237,781	199,765
US current income tax	1,585	867
	<u>239,366</u>	<u>200,632</u>
Deferred tax:		
Mainland China deferred income tax	(52,665)	(62,164)
US deferred income tax	—	(54,105)
	<u>(52,665)</u>	<u>(116,269)</u>
	<u><b>186,701</b></u>	<u><b>84,363</b></u>

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the year ended 31 December 2012 (2011: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary and jointly controlled entities incorporated in Hong Kong for the year ended 31 December 2012 (2011: 16.5%). For the year ended 31 December 2012, the Group's subsidiary and jointly controlled entities incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax.

US income tax is provided at a rate of 35% on the estimated assessable profits of Group's subsidiary and jointly controlled entities incorporated in US for the year ended 31 December 2012 (2011: 35%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2011: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Profit before income tax	895,839	991,508
Tax calculated at a tax rate of 25% (2011: 25%)	223,960	247,877
Effect of different taxation rates	1,489	(529)
Income not subject to tax	(41,236)	(133,932)
Expenses not deductible for tax purposes	12,184	9,647
Tax losses for which no deferred income tax assets were recognised	54,323	70,088
Utilization of previous unrecognised tax losses	(13,703)	(10,352)
Recognition of previously unrecognised tax losses (a)	(14,312)	(54,105)
Effect of exclusion of share of profit tax of associates	(36,004)	(44,331)
Income tax expense	<u><b>186,701</b></u>	<u><b>84,363</b></u>

- (a) The amount for the year ended 31 December 2012 mainly represents the tax effect of RMB11,467,000 from recognition of previously unrecognised tax losses of Shanghai Peace Hotel Company Limited (2011: tax effect of RMB54,105,000 from recognition of previously unrecognised tax losses of IHR Group).



## 6 EARNINGS PER SHARE

	Year ended 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to shareholders of the Company	<b>317,006</b>	536,178
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>5,566,000</b>	5,566,000
Basic earnings per share ( <i>RMB cents</i> )	<b>5.70</b>	9.63

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

## 7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2011 of RMB4.0 cents per share, totalling RMB222,640,000 (final dividend in respect of the year ended 31 December 2010: RMB2.2 cents per share, totalling RMB122,452,000) was paid in July and August 2012.

On 28 March 2013, the Directors recommended the payment of a final dividend of RMB3.0 cents per share, totalling RMB166,980,000 in respect of the year ended 31 December 2012. Such dividend is to be approved by the shareholders at the Annual General Meeting. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB3.0 cents (2011: RMB4.0 cents) per share	<b>166,980</b>	222,640

The aggregate amounts of the dividends paid and proposed during 2012 and 2013 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

## 8 TRADE RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

	<b>At 31 December</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Trade receivables	<b>549,976</b>	427,326
Less: provision for impairment of trade receivables	<b>(12,910)</b>	(11,961)
Trade receivables — net	<b>537,066</b>	415,365
Amounts due from related parties	<b>272,958</b>	153,204
Prepayments and deposits	<b>386,864</b>	386,610
Accrual rental revenue	<b>26,530</b>	20,015
Prepayment of acquisition of a subsidiary and available-for-sale financial assets	<b>—</b>	40,500
Notes receivable	<b>12,878</b>	22,797
Others receivables	<b>40,658</b>	42,798
Less: provision for impairment of other receivables	<b>(11,947)</b>	(14,259)
Prepayments and other receivables — net	<b>727,941</b>	651,665
	<b>1,265,007</b>	1,067,030
Less: non-current portion of trade receivables, prepayments and other receivables	<b>(42,038)</b>	(71,722)
	<b>1,222,969</b>	995,308
Non-current portion of trade receivables, prepayments and other receivables	<b>42,038</b>	71,722

The majority of the Group's sales in Hotel Related Business, Vehicle and Logistics Business and Travel Agency Business are retail sales due to immediate cash settlement and no credit terms are granted. For certain corporate or travel agency customers, the sales are made generally with credit terms from 30 to 90 days. Ageing analysis of trade receivables at respective balance sheet dates are as follows:

	<b>At 31 December</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
0 to 3 months	<b>507,234</b>	397,437
3 months to 1 year	<b>26,214</b>	18,549
Over 1 year	<b>16,528</b>	11,340
	<b>549,976</b>	427,326

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

## 9 TRADE AND OTHER PAYABLES

	At 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	596,158	573,504
Advances from customers	658,647	647,767
Employee benefit payables	719,306	689,514
Payables for purchases of property, plant and equipment, and intangible assets	315,719	332,068
Amounts due to related parties	657,827	310,702
Deposits from lessees and constructors	236,558	188,848
Other tax payable	169,362	163,098
Accrued expenses	120,201	104,271
Payable for insurance expense on behalf of the managed hotels of IHR Group (i)	36,300	48,288
Deferred payment of acquisition of subsidiaries and jointly controlled entities	19,652	60,859
Deferred revenue for customer royalty programme	2,758	4,523
Notes payable	19,364	29,277
Dividend payable to non-controlling interests	20,258	20,131
Other payables	77,840	98,914
	<u>3,649,950</u>	<u>3,271,764</u>
Less: non-current portion of trade and other payables	<u>(137,097)</u>	<u>(165,232)</u>
	<u><u>3,512,853</u></u>	<u><u>3,106,532</u></u>
Non-current portion of trade and other payables	<u><u>137,097</u></u>	<u><u>165,232</u></u>

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

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

	At 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 3 months	536,900	501,531
3 months to 1 year	57,370	60,607
Over 1 year	1,888	11,366
	<u>596,158</u>	<u>573,504</u>

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

## 10 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at 31 December 2012 but not yet incurred is as follows:

	At 31 December	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of property, plant and equipment	<u>151,388</u>	<u>153,897</u>

**(b) Operating lease commitments**

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

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:

	<b>At 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Not later than 1 year	<b>174,750</b>	168,217
Later than 1 year and not later than 5 years	<b>488,462</b>	411,489
Later than 5 years	<b>635,634</b>	771,127
	<b><u>1,298,846</u></b>	<b><u>1,350,833</u></b>

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

	<b>At 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Not later than 1 year	<b>363,024</b>	456,733
Later than 1 year and not later than 5 years	<b>1,461,267</b>	1,158,882
Later than 5 years	<b>2,455,714</b>	2,340,595
	<b><u>4,280,005</u></b>	<b><u>3,956,210</u></b>

**(c) Loan commitments**

Loan commitments of RMB588,250,000 (31 December 2011: RMB86,200,000) represent undrawn loan facilities offered by Jin Jiang International Finance Company Limited and granted to related parties.

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

As at 31 December 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 and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the third party, at a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and is not determinable as at 28 March 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Star-rated Hotels

Star-rated hotel operation and management is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business, where over 80% of our self-managed Star-rated hotels are located. During the Reporting Period, operation of Star-rated hotels contributed approximately RMB2,722,179,000 to the Group's revenue, growing by approximately 5.4% as compared to the same period of last year.

RevPAR of the Group's Star-rated hotels in Shanghai recorded growth as compared to the same period of last year, and the performance is set out below:

	2012			2011		
	Group's Star-rated hotels in Shanghai			Group's Star-rated hotels in Shanghai		
	<i>Average</i>	<i>Average</i>		<i>Average</i>	<i>Average</i>	
	<i>Occupancy</i>	<i>Room Rate</i>	<i>RevPAR</i>	<i>Occupancy</i>	<i>Room Rate</i>	<i>RevPAR</i>
	<i>Rate (%)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>Rate (%)</i>	<i>(RMB)</i>	<i>(RMB)</i>
5-star hotels	62%	789	489	55%	859	472
4-star hotels	63%	572	360	59%	606	357
Commercial hotels	61%	336	205	56%	338	189

Note: The statistics in the above table 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, 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;
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 of 31 December 2012, the Group owned and managed 131 Star-rated hotels in the PRC, offering 41,000 guest rooms and among those, the Group was engaged by third parties other than Jin Jiang International to manage 101 hotels.

Construction of the Group's Jin Jiang hotel management centre has been completed according to pre-determined standards during the Reporting Period, and Jin Jiang Hotel Management Company and Interstate (China) Hotels & Resorts Co., Ltd. ("IHR China") have already moved in. By introducing international operation concepts and mechanisms, Jin Jiang hotel management centre integrates different hotel brands and management resources and formulates a professional and highly-efficient hotel management centre with synergy effect to further facilitate the market-oriented and international development of the Group in the hotel industry.

During the Reporting Period, the Group adhered to hotel asset management and asset efficiency enhancement, and commenced the operation of its asset management centre with an aim to enhance corporate value via adjustments on various channels, including asset utilization, business transformation and brand rationalisation.

During the Reporting Period, the Group strengthened its hotel quality and services quality by adopting measures such as operation audit and business guidance in respect of the promotion of brand standards and construction of system standards. With continuous efforts placed on optimising marketing structure and by enhancing marketing efforts in Asia Pacific region, the Group established one sales agency in Japan and two offices in Singapore and Hong Kong, etc. As to online sales, the Group continued to strive for fostering the centralised management of third party distribution channel, with self-managed Star-rated hotels and most of the third party-managed hotels realizing unified management with third party distribution channels. In addition, the development of connections between major domestic third party distributors and the Company's centralised reservation system ("JREZ") has been completed, achieving direct connection in reservation. During the Reporting Period, JREZ realized reservation of approximately 810,000 room nights, representing a growth of approximately 25% 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 mainly includes 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 Budget hotels maintained a steady and solid development trend during the Reporting Period, contributing approximately RMB2,101,778,000 to the Group's revenue, representing an increase of approximately 11.3% as compared to the same period of last year and accounting for approximately 15.1% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB170,464,000, representing a growth of approximately 22.4% as compared to the same period of last year. Revenue from room reservation channels amounted to approximately RMB25,653,000.

During the Reporting Period, there were 157 newly contracted chain Budget hotels such as Jin Jiang Inn, of which 23 were self-managed hotels and 134 were franchised hotels. As of 31 December 2012, there were a total of 900 contracted chain Budget hotels (of which, there were 773 Jin Jiang Inn Budget Hotels, 80 Bestay Hotels Express, 10 Yulan and 37 Jinguang Inn), offering 106,241 guest rooms in aggregate. Among these contracted chain Budget hotels, 670 were franchised hotels, accounting for approximately 74% of all contracted chain Budget hotels. During the Reporting Period, 136 chain Budget hotels such as Jin Jiang Inn were newly operated, of which 21 were self-managed hotels and 115 were franchised hotels. As of 31 December 2012, a total of 690 chain Budget hotels were operated (of which, there were 601 Jin Jiang Inn Budget Hotels, 63 Bestay Hotels Express, 6 Yulan and 20 Jinguang Inn), offering 83,860 guest rooms in aggregate.

As of 31 December 2012, Budget hotels such as Jin Jiang Inn Budget Hotels operated by the Company covered over 200 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels had presence in 49 cities within 20 provinces, autonomous regions and municipalities in the PRC.

As of 31 December 2012, out of all 690 Budget hotels such as Jin Jiang Inn Budget Hotels that have commenced operation, 193 were self-managed hotels, accounting for approximately 28%, while 497 were franchised hotels, accounting for approximately 72%.

During the Reporting Period, there were 860,000 new members of Jin Jiang Inn, making the total number of members reaching 3.29 million. A total of 730,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 20,000 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, thereby providing additional marketing support for chain outlets throughout the PRC and increasingly boosting its capacity for guest reception.

During the Reporting Period, Jin Jiang Inn, via brand licensing and co-operation, further expanded its international brand influence. The brand alliance between Jin Jiang Inn and Louvre Hotels Group S.A.S. made smooth progress, and 15 Companil hotels were in operation under the brand of Jin Jiang Inn in six cities, including Paris, Nice, Lyon, Marseille, Provence and Bordeaux. Jin Jiang Inn has also signed the “Franchise Operation Contract on Jin Jiang Inn Chain Hotel” with SANG WON HOUSING CO., LTD. from Korea. 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, Jin Jiang Inn Company Limited was accredited the “Best Chain Budget Hotel in China” in the 2012 Asian Hotel Forum and the 7th Starlight Award for PRC Hotel, “2011–2012 Outstanding Franchise Brand in China Catering and Hotel Industry”, “2011–2012 China Franchise Social Responsibility Award” and “CCFA2012 Most Favourable Company among Staff” by China Chain Store & Franchise Association, as well as “2012 Best China Hotel Chain Brand Award” by The China Hotel Association. Besides, according to the 2011 industry research statistics of China Chain Store & Franchise Association, Jin Jiang Inn Company Limited was named in “Top 120 China Chain & Franchise Shops in 2011”. In the 2012 Chinese customer satisfaction assessment jointly initiated by the Customer Satisfaction Assessment Centre under China National Institution of Standardisation and China Business Research Centre of Tsinghua University, “Jin Jiang Inn” ranked the first for the “Convenience Hotel” brand.

## **Food and Restaurants**

The Group’s various brands of food and restaurant chains held through Jin Jiang Hotels Development carried out and developed food and restaurant operations in a stable manner during the Reporting Period. As of 31 December 2012, Shanghai KFC had a total of 310 outlets, representing a net increase of 21 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 57, 24 and 39 outlets respectively, while “Chinoise Story” currently operates 2 characterised 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 interests in a total of 374 hotel properties with around 70,000 guest rooms in aggregate in 40 states of the United States, the District of Columbia, the PRC, Russia, India, Belgium, Canada and Holland.

During the Reporting Period, IHR Group has achieved steady business development, continuously ranking the first among all third party hotel management companies in North America in terms of the number of managed hotels. IHR Group also took an active role in developing its three major operation platforms in the PRC, the United States and Europe, and its operating revenue for 2012 amounted to approximately RMB3,236,253,000. The average room revenue divided by rooms in use (“ADR”) of IHR Group’s self-owned hotel properties was USD116.26 with an average occupancy rate of 65.94%, while RevPAR was USD76.67, representing an increase of 4.3% as compared to the same period of last year.



## Vehicle Operation and Logistics

During the Reporting Period, the operating revenue of the vehicle and logistics business was approximately RMB3,369,777,000, representing an increase of approximately 5.7% as compared to the same period of last year. The number of vehicles owned has exceeded 10,000.

The first phase engineering work of the “Jin Jiang Automobile Service Centre” under Shanghai Jin Jiang Automobile Service Co., Ltd. (上海錦江汽車服務有限公司) (“Jin Jiang Automobile Company”) has been completed and its operation has commenced. The five 4S stores invested by Jin Jiang Automobile Company has opened, and the external automobile sales reached over 5,200 during the Reporting Period, representing an increase of 33% as compared to the same period of last year; repaired automobile amounted to 72,500, representing an increase of 20% as compared to the same period of last year, hence preliminarily formulated the industry bases. During the Reporting Period, more efforts were put on lowering costs and boosting revenue, while profit-generating channels were also expanded. During the year, 35 international cruises such as Queen Princess and Star Cruises were served, while important conferences and exhibitions such as the Shanghai Film Festival and the Shanghai Television Festival as well as 38 festive activities were also catered, ranking the Group the industry leader for reception of large passenger logistics such as international cruises. With enhanced contact and communication with business leasing and chartering customers, different levels of price surge for over 1,100 chartered business vehicles were made, accounting for 72.6% of the total number of chartered vehicles. At the same time, Jin Jiang Automobile Company also put its competitive edges on long-term chartering into play to expand into the high-end customer market. The number of single and double shift leased vehicles was reasonably determined, so as to explore outsourced operation for leasing business and in turn enhance the operational risk resilience. Under the connection with Jin Jiang’s e-commerce platform, 24-hour online automobile leasing business was commenced, recording a growth of 15.2% in terms of online automobile reservation rate as compared to the same period of last year; “mobile phone automobile calling” system for automobile leasing has commenced operation at the end of 2012, and over 5,200 leased automobiles were provided through the self-service automobile calling, thereby raising the efficiency on allocation.

Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. (上海錦江國際低溫物流公司) (“Cold Logistics Company”) further put the advantages of strategic joint venture into play, and expanded the development scale of its core business. As of 31 December 2012, the scale of cold chamber reached 130,000 tons, of which the size of leased-out chamber was 20,000 tons. Acting in line with the construction and planning of Yangshan Free Trade Port Area in Shanghai, Cold Logistics Company co-operated with Shanghai Comprehensive Free Trade Area Joint Development Limited (上海綜合保稅區聯合發展有限公司) to establish Shanghai Jinheng Supply Chain Management Limited (上海錦恒供應鏈管理有限公司) to conduct warehouse modification projects in phases, and the first phase of modification project has already commenced.

JHJ International Transportation Co., Ltd. (錦海捷亞國際貨運有限公司) (“JHJ”) was recognized by Shanghai government as the first key enterprises on providing convenience to trading in Shanghai, and is set to be benefited from various concessionary policies launched by the government in respect of fostering the reform of customs clearance by categories, risk management for import and export enterprises, pilot point for Waigaoqiao International Trading Settlement Centre, which would in turn lower its trading cost and enhance its trading efficiency.

The strategic co-operation project with Shuichan Group (水產集團) will be continued. Both parties have jointly established Shanghai Shuijinyang Food Limited (上海水錦洋食品有限公司) (“Shuijinyang”), which has duly commenced operation prior to October 2012. Shuijinyang has, based on the characteristics of domestic market, edged up its marketing efforts by utilizing measures



including online marketing, key customer recommendations, promotions during the National Day and Lunar New Year. In particular, middle-end and high-end seafood products such as tuna were well-received by the market and were popular among the public.

### **Travel Agency**

In 2012, operating revenue from the travel agency was approximately RMB2,077,871,000, representing an increase of approximately 7.6% as compared to the same period of last year. Outbound travel amounted to 172,800 people, representing an increase of 23.96% as compared to the same period of last year; domestic travel amounted to 176,900 people, representing an increase of 2.61% as compared to the same period of last year; inbound travel tour of 98,400 people was realized, representing a decrease of 16.82% as compared to the same period of last year; inbound reception amounted to 149,400 people, representing a decrease of 13.54% as compared to the same period of last year.

During the Reporting Period, with emergence of various favorable factors such as appreciation of Renminbi and loosening of visas application criteria in numerous foreign destinations, outbound travel by Chinese citizens was boosted and the sector saw rapid development. On the other hand, under global economic recession and deteriorating economy of major origination countries, inbound travel market sustained the downturn. Amidst the ever-changing and complex domestic and foreign environment, the Company would, through innovation and development as well as making breakthroughs in terms of transformation and upgrading, product research and development, scientific management and costs and risks reduction, enhance its operation and management capabilities and realize a continuous rapid growth in outbound travel business. With greater efforts put on business expansion, three large cruise chartering projects serving over 7,200 tourists were successfully completed. The Company has put greater efforts on business structure adjustment and brand building, while ensuring its products' and services' quality. The construction of Jin Jiang international tourist centre was proactively fostered, and fully leveraging on the Group's e-commerce platform, a series of initiatives was taken in respect of research and development, building of operation model and marketing channels for online travel industry to accelerate the transformation and upgrading for travel industry.

### **Information Technology**

In 2012, the Group continued to enhance its investment in the information platform at its headquarters in a bid to edge up its control on information centralisation and service capabilities. Equipped with the domestic and international state-of-the-art data processing centre, the Group's hotel management centre has introduced its own cloud technology. The Group's capabilities on centralised processing of the management and operation data of its hotel members were greatly enhanced, hence fully fostered the establishment of a solid technological basis for the Group's information centralisation.

During the Reporting Period, the Group has upgraded the version of Jin Jiang Hotel Management Company's website ([www.jinjianghotels.com](http://www.jinjianghotels.com)) to introduce international design for communicating the direct sales concept as an advanced hotel official website, while launching direct sales of hotel rooms and catering services as well as commercial sales to the market as its major business. Upon the version upgrading, international hotel customers would be more familiar with the official website of Jin Jiang Hotel Management Company in respect of overall image, functions and various business reservation flows. As such, the online reservation grew by 186% from the last year.

During the Reporting Period, the foundation and support works for the Group's ICT (Information Communication Technology) were further reinforced. The Group tagged along with the ICT development trend among international hotels, while orderly launched out its new ICT standards that combined the characteristics of hotel markets in the PRC and owners. Therefore, assistances

were provided to hotel members for upgrading and optimising information facilities and products, mainly targeting to attain full coverage of smart wireless network and provide electronic hotel products and relevant systems. The Group also strengthened its ICT supports for newly opened hotels to effectively enhance their standardisation and regulation of ICT construction. Such supports were also extended to the managed hotels of the Group, which in turn maintained the uniformity among hotels under the Group.

## FINANCIAL REVIEW

### Turnover

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

	12 months ended 31 December 2012		12 months ended 31 December 2011	
	<i>RMB in Million</i>	<i>% of Turnover</i>	<i>RMB in Million</i>	<i>% of Turnover</i>
Star-rated hotels	2,722.2	19.6%	2,582.8	20.4%
Budget hotels	2,101.8	15.1%	1,888.1	14.9%
Food and restaurants	313.1	2.3%	270.5	2.1%
IHR Group	3,236.3	23.3%	2,753.0	21.8%
Vehicle and logistics	3,369.8	24.3%	3,187.7	25.2%
Travel agency	2,077.9	15.0%	1,930.4	15.3%
Other domestic operations	63.4	0.4%	40.9	0.3%
Total	<u>13,884.5</u>	<u>100.0%</u>	<u>12,653.4</u>	<u>100.0%</u>

### Star-rated Hotels

The following table sets out the percentage of contribution from the Group's Star-rated hotel operation and different types of business to the Star-rated hotels segment's turnover for the Reporting Period and the same period in 2011:

	12 months ended 31 December 2012		12 months ended 31 December 2011	
	<i>RMB in Million</i>	<i>% of Turnover</i>	<i>RMB in Million</i>	<i>% of Turnover</i>
— Accommodation revenue	1,258.3	46.2%	1,191.1	46.1%
— Food and beverage sales	1,020.8	37.5%	951.6	36.8%
— Rendering of ancillary services	125.8	4.6%	122.3	4.8%
— Rental revenue	201.1	7.4%	183.3	7.1%
— Sales of hotel supplies	39.6	1.5%	66.8	2.6%
— Star-rated hotel management	76.6	2.8%	67.6	2.6%
Total	<u>2,722.2</u>	<u>100.0%</u>	<u>2,582.8</u>	<u>100.0%</u>

### *Accommodation revenue*

Accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the rooms of the Group's hotels. Accommodation revenue of the Star-rated hotel operation for the Reporting Period was approximately RMB1,258,305,000, representing an increase of approximately 5.6% as compared to the same period in 2011. The increase was primarily due to the fact that the Company leveraged on its own resource advantages, enhanced its occupancy rate by adopting flexible pricing strategy and ramped up its efforts on various marketing measures such as online sales with an aim to actively capture all divided markets, hence realizing the growth in RevPAR for Star-rated hotel operation in 2012.

### *Food and beverage sales*

Food and beverage sales in the Group's hotels comprised of catering for wedding banquet and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. During the Reporting Period, the sales revenue for food and beverage in Star-rated hotels amounted to approximately RMB1,020,796,000, representing an increase of approximately 7.3% from the same period of 2011. The increase was primarily due to the increase of occupancy rate of Star-rated hotels, which stimulated the corresponding increase in the sales revenue for food and beverage. Meanwhile, the Company grasped the business opportunities in Lunar New Year of the Dragon in 2012, and reasonably raised the price for wedding banquet, thus leading to a continuous strong performance in wedding banquet market. In addition, Star-rated hotels under the Group proactively explored new growth points for catering revenue and at the same time fostered its steady growth by adopting in-house production and processing.

### *Rendering of ancillary services*

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the provision of ancillary services amounted to approximately RMB125,805,000, representing an increase of approximately 2.9% from the same period of last year. The increase was primarily due to the increase in average occupancy rate of Star-rated hotels, which drove up the growth of revenue from the provision of ancillary services.

### *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 RMB201,142,000, representing an increase of approximately 9.7% from the same period of 2011. The increase was primarily due to the enhancements on uniform management of leasing projects, proactive pursuit for competitive tenants, full exploration of the potential of unutilized premises, and increase in rentable areas by the Group during the Reporting Period.

### *Sales of hotel supplies*

Turnover from guest supplies and hotel products decreased by approximately RMB27,205,000 from the same period in 2011.

## *Star-rated hotel management*

The revenue of Star-rated hotel management was mainly generated from the management fees received for the provision of management services to Star-rated hotels not owned by the Group. With the strategic expansion of the Company, the number of hotel management projects increased continuously and the operating results of managed hotels recorded steady increase. The revenue of Star-rated hotel management amounted to approximately RMB76,544,000 during the Reporting Period, representing an increase of approximately 13.3% as compared to the same period in 2011.

## **Budget Hotels**

Turnover of Budget hotels during the Reporting Period amounted to approximately RMB2,101,778,000, representing an increase of approximately RMB213,687,000 or approximately 11.3% as compared to the same period of last year. The increase was mainly due to the opening of 136 and 147 Jin Jiang Inn 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 RMB170,464,000, representing an increase of approximately 22.4% as compared to the same period of last year. During the Reporting Period, revenue from room reservation channels amounted to approximately RMB25,658,000.

## **Food and Restaurants**

Revenue for food and restaurant segment was mainly derived from New Asia Café de Coral, Jing An Bakery, Chinoise Story, Shanghai Jin Jiang International Catering Investment Co., Ltd. (“Jin Jiang International Catering”) and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurant segment amounted to approximately RMB313,150,000, representing an increase of approximately RMB42,637,000 or approximately 15.8% as compared to the same period of last year. During the Reporting Period, the increase in food and restaurant revenue was primarily due to the strengthening of group purchase promotion by Jing An Bakery and the addition of group catering business by Jin Jiang International Catering during the year.

## **IHR Group**

During the Reporting Period, the revenue of IHR Group was approximately RMB3,236,253,000, representing an increase of approximately 17.6% from the same period of last year. Excluding other revenue from managed properties, the increase was approximately 11.3% as compared to the same period of last year, which was primarily due to the growth of RevPAR generated by hotels owned by IHR Group and the increase in hotel management revenue in 2012.

## **Vehicle Operation and Logistics**

During the Reporting Period, the revenue for vehicle operation and logistics was approximately RMB3,369,777,000, representing an increase of approximately 5.7% from approximately RMB3,187,741,000 in the same period of last year. The increase was primarily due to the two newly opened 4S shops during the Reporting Period, which brought along an increase in vehicle sales revenue of approximately RMB113,065,000 as compared to the same period of last year, the expansion of cold chamber by Cold Logistics Company, which also boosted revenue by approximately RMB13,325,000 as compared to the same period of last year, as well as the new establishment of JHJ’s Chongqing branch, which drove revenue growth.

## **Travel agency**

During the Reporting Period, the revenue for travel agency was approximately RMB2,077,871,000, representing an increase of approximately 7.6% from approximately RMB1,930,426,000 in the same period of last year. The increase was primarily due to the fact that the Company proactively adapted to market changes, grasped the opportunities arising from the rapidly growing outbound travel sector, while developed new tourism products and increased the added-value for its products with focus on high-end markets to foster the growth of sales revenue.

In addition, the Group also engages in other domestic business, including the provision of financial services via Jin Jiang International Finance Company Limited (“Jin Jiang International Finance”) and the operation of training institutes for the provision of training services. During the Reporting Period, revenue of approximately RMB63,453,000 was realized, representing an increase of approximately 55.2% as compared to the same period of last year, which was mainly due to the increase in interest income on loans from related parties and inter-peer deposit income.

## **Cost of Sales**

Cost of sales for the Reporting Period amounted to approximately RMB11,784,426,000, representing an increase of approximately 10.1% as compared to the same period of last year. The increase was primarily due to the growth of sales revenue, which drove the organic growth of cost of sales. Furthermore, surge of labour costs under government policies and climbing material costs also fuelled the increase in cost of sales.

## **Gross Profit**

For the above reasons, the Group recorded a gross profit of approximately RMB2,100,035,000 for the Reporting Period, representing an increase of approximately RMB154,135,000 or approximately 7.9% as compared to the same period in 2011.

## **Other Income**

Other income for the Reporting Period amounted to approximately RMB523,608,000 (same period in 2011: approximately RMB635,753,000), representing a decrease of approximately 17.6% as compared to the same period of last year. The decrease was primarily due to the acquisition of the control of Huating Hotel & Towers in 2011, with revaluation gain of approximately RMB403,801,000 which was not incurred in the current period. Dividend income of approximately RMB44,134,000 (same period in 2011: approximately RMB41,036,000) was received from Suzhou KFC, Wuxi KFC and Hangzhou KFC during the Reporting Period, and the gain from disposal of available-for-sale financial assets such as AVIC Real Estate Holding Company Limited was approximately RMB274,483,000 during the Reporting Period (same period in 2011: approximately RMB10,753,000).

## **Sales and Marketing Expenses**

Sales and marketing expenses comprised primarily of labour costs, travel agents commission and advertising fees, which amounted to approximately RMB612,730,000 during the Reporting Period (same period in 2011: approximately RMB602,776,000), representing an increase of approximately 1.7% as compared to the same period of last year. The increase was mainly due to the increase in efforts on marketing and promotion by all Star-rated hotels under the Group as well as the increase in commission fees resulted from the surge in accommodation revenue.



## **Administrative Expenses**

Administrative expenses for the Reporting Period was approximately RMB1,032,530,000 (same period in 2011: approximately RMB991,719,000), representing an increase of approximately 4.1% as compared to the same period of last year. The increase was primarily due to the expansion of the Budget hotels and the increase in labour costs under government policies.

## **Other Expenses**

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, amounted to approximately RMB88,949,000 (same period in 2011: approximately RMB83,221,000), representing an increase of approximately 6.9% 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 and net foreign exchange gains. During the Reporting Period, finance cost was approximately RMB137,612,000 (same period in 2011: approximately RMB89,753,000), representing an increase of approximately 53.3% as compared to the same period of last year. The increase was primarily due to the growth of external bank borrowings and the increase in interest expenses brought by the upward adjustment of interest rate during the Reporting Period.

## **Share of Operating Results of Associates**

Operating results of associates mainly include results of the Group's associates, namely Shanghai Kentucky Fried Chicken Company Limited, Shanghai Yangtze Hotel Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd, etc. Share of operating results of associates for the Reporting Period was approximately RMB144,017,000 (same period in 2011: approximately RMB177,324,000), representing a decrease of approximately 18.8% as compared to the same period of last year. The decrease was primarily due to the decline in the share of operating results for Shanghai Kentucky Fried Chicken Company Limited and Shanghai Yoshinoya Company Limited for the Reporting Period by approximately RMB19,976,000 and approximately RMB5,849,000 respectively as compared to the same period of last year; furthermore, influenced by the adverse international trading environment, share of operating results of Shanghai Pudong International Airport Transport Terminal Co. Ltd decreased by approximately RMB8,968,000 as compared to the same period of last year.

## **Taxation**

The effective tax rate for the Reporting Period was approximately 20.8% (same period in 2011: approximately 8.5%). It was primarily due to the combined effects of the non-taxable revaluation gain of approximately RMB403,801,000 arising from the revaluation of the 50% equity interest in Huating Hotel & Towers in the same period of last year and IHR Group's re-recognition of tax losses unrecognized in the prior years of approximately RMB54,105,000 in the same period of last year.

## Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB317,006,000 (same period in 2011: approximately RMB536,178,000), representing a decrease of approximately RMB219,172,000 or approximately 40.9%.

## GROUP DEBTS AND FINANCIAL CONDITIONS

### Borrowings and Pledge of Assets

As at 31 December 2012, the borrowings included:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured	357,272	418,373
Bank borrowings — unsecured	1,721,438	643,565
Borrowings from related parties	—	901,563
Finance lease liabilities	23,745	25,021
	<u>2,102,455</u>	<u>1,988,522</u>
Less: current portion of long-term secured bank borrowings	(15,642)	(128,538)
current portion of long-term unsecured bank borrowings	(32,000)	—
current portion of long-term finance lease liabilities	(1,491)	(1,274)
	<u>(49,133)</u>	<u>(130,812)</u>
	<u><u>2,053,322</u></u>	<u><u>1,858,710</u></u>
Borrowings included in current liabilities		
Bank borrowings — secured	48,575	48,139
Bank borrowings — unsecured	30,220	76,554
Borrowings from related parties	82,500	27,500
Other borrowings — unsecured	402,000	238,418
Current portion of long-term secured bank borrowings	15,642	128,538
Current portion of long-term unsecured bank borrowings	32,000	—
Current portion of long-term finance lease liabilities	1,491	1,274
	<u>612,428</u>	<u>520,423</u>

As at 31 December 2012, the pledge of assets are analysed as follows:

- (1) Bank borrowings of USD14,960,000, equivalent to RMB94,031,000 (31 December 2011: USD16,960,000, equivalent to RMB106,863,000), which were guaranteed by Jin Jiang International;
- (2) Bank borrowings of USD41,880,000, equivalent to RMB263,241,000 (31 December 2011: USD31,039,000, equivalent to RMB195,573,000), which were secured by assets with carrying amount of USD69,546,000, equivalent to RMB437,131,000 (31 December 2011: USD57,951,000, equivalent to RMB365,143,000);

- (3) Bank borrowings of USD5,356,000, equivalent to RMB33,668,000 (31 December 2011: nil), which were guaranteed by the non-controlling interest of a subsidiary of the Group; and
- (4) Bank borrowings of USD2,371,000, equivalent to RMB14,907,000 (31 December 2011: USD1,195,000, equivalent to RMB7,529,000), which were pledged by trade receivables of approximately USD2,964,000, equivalent to RMB18,684,000 (31 December 2011: USD1,328,000, equivalent to RMB8,368,000).

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

- (1) Bank borrowings of USD18,400,000, equivalent to approximately RMB115,653,000, which were pledged by the restricted cash with carrying amount of RMB12,000,000; and
- (2) Bank borrowings of USD6,445,000, equivalent to RMB40,610,000, which were secured by RMB deposits with equivalent amount.

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

	<b>As at 31 December</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>612,428</b>	520,423
Between 1 and 2 years	<b>1,101,896</b>	915,801
Between 2 and 5 years	<b>936,792</b>	926,371
Over 5 years	<b>14,634</b>	16,538
	<b><u>2,665,750</u></b>	<u>2,379,133</u>

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

	<b>As at 31 December</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
— RMB	<b>1,433,133</b>	1,254,531
— USD	<b>1,232,617</b>	1,124,602
	<b><u>2,665,750</u></b>	<u>2,379,133</u>

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

	<b>As at 31 December</b>	
	<b>2012</b>	2011
Borrowings denominated in RMB	<b>5.39%</b>	4.74%
Borrowings denominated in USD	<b>3.91%</b>	3.53%



## **Treasury Management**

The Group had cash and cash equivalents as at 31 December 2012 and 31 December 2011 amounting to approximately RMB2,921,139,000 and approximately RMB2,494,175,000 respectively. The cash flow is relatively sufficient.

## **Interest Rate Risk Management**

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to centralise available 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 funds 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 Company will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with the Group's business development.

## **Available-for-sale Financial Assets**

Available-for-sale financial assets held by the Group included 7,216,548 shares in AVIC Real Estate Holding Company Limited (000043.SZ) directly held by the Company, as well as 121,230,000 shares in Changjiang Securities Company Limited (000783.SZ), 42,973,976 shares in Bank of Communications Co., Ltd. (601328.SH), 18,291,542 shares in Yu Yuan Trade Mart (600655.SH) and 25,152,662 shares in Pudong Development Bank Co., Ltd (600000.SH) held by the Group's controlling subsidiaries, etc.

## **HUMAN RESOURCES AND TRAINING**

The Group's training base provides professional training on various management skills and technical skills. The base provides the Group with management talents of all fields and nurtures industry elites, where education and training are closely conducted based on the actual context of hotel development. The Group has set up the Les Roches Jin Jiang International Hotel Management College in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management. Les Roches Jin Jiang International Hotel Management College provides the Group with international leading hotel training courses and trainers to develop middle and senior hotel management as well as young and middle aged reserved management with high development and nurturing potential for the Group. In 2012, Les Roches Jin Jiang Institute expanded its enrollment for students and further reinforced its international teaching environment and atmosphere with the admission of 365 students, of which 104 were international students.

During the Reporting Period, 20 training sessions for various positions and skills were provided by Jin Jiang International Management College, with almost 1,500 staff attended such training courses. The overall quality of hotel management staff has been raised continuously via various kinds of training, which in turn enhances the management and service quality of our hotels.

During the Reporting Period, the Group had the needs of nurturing more talents for its international hotel development. The first two groups of personnel have completed the trainings in the United States and returned to gradually assume key positions.

As of 31 December 2012, the Group had approximately 30,093 employees, down by approximately 3.23% as compared to the same period of last year. Employee benefit expenses in 2012 increased by approximately RMB214,081,000 or 8.6% as compared to that of 2011. The remuneration package for existing employees comprises of basic salary, discretionary bonus and social security contributions. No share options scheme has been established.

## **SOCIAL RESPONSIBILITY**

During the Reporting Period, the Group fully implemented the principle obligations on safe corporate production and arranged the trial for standardization of its production process. The Group has also adjusted and replenished its safety assurance forces and hardware, and commenced specific safety measures on food hygiene, fire and electricity, construction and renovation as well as leased premises, etc. Under thorough implementation of the “Regulations on Catering Services, Food Arrangement and Operation”, the training for food safety professionals was enhanced to ensure that no food hygiene and safety incident would incur.

The Group has always focused on the improvement of staff remuneration and welfare. During the Reporting Period, the Group continued to work on improving staff remuneration and raising the salary for all frontline staff of our wholly-owned subsidiaries by approximately 7% in average for the year. The Group has also continued to adjust and refine the supplementary commercial medical insurance program for our staff and the supplementary commercial medical insurance coverage for retired personnel to allow them to share the results of our development. The Group has further optimised the system for its staff representative meeting to make improvements on the democratic management model at the basic level. Besides, with the enhancements on subsidy standards for helping employees in need made, around 2,000 employees received such assistance during the year, and an aggregate of over RMB1.3 million has been utilized. In particular, funds were provided for the treatment of serious diseases for 26 employees.

## **ENERGY CONSERVATION**

During the Reporting Period, the Group continued to promote modification projects in relation to its new energy conservation technology system. The natural gas boiler modification projects for Metropole Hotel and Shanghai Hotel have been completed by the way of Energy Management Contract (EMC). In particular, the modification on replacing steam boiler heating system with air source equipment for New Asia Hotel has achieved significant effectiveness.

## **CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT**

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

The Group remains very optimistic about its future development. We intend to speed up the development of our core businesses, bring into full play the synergies arising from our international acquisitions and promote industrial upgrades, while utilize the benefit of restructuring and integrate the hotel, vehicle and logistics and travel industry chain to enhance the value of the Company. At the same time, we will facilitate the transformation of the Company’s operation model, mechanisms and systems as well as optimise the market-oriented remuneration system and risk incentive restraint mechanisms. Furthermore, we will facilitate the utilization 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 exploring the marketing network via various channels, while striving to control and optimise its business structure and staff cost.

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

The Group is committed to bring into full play the synergies of its international acquisitions and to make long-term plans with reference to the expertise and experience of its foreign partners, improve its management level and core competitiveness, and further foster its international deployment under the strategy of “going out” and “introducing in”. We will endeavour to speed up the business development of IHR China, and thereby realizing a new breakthrough for the third party hotel management business.

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

## **DIVIDENDS**

On 28 March 2013, the Board proposed to declare a final dividend of RMB3.0 cents (inclusive of tax) per share for the year ended 31 December 2012.

Pursuant to the “Corporate Income Tax Law of the PRC” and its implementing regulations (hereinafter collectively referred to as the “CIT Law”) which took effect on 1 January 2008 and the “Notice on Issues relating to the Recognition of Overseas Registered PRC – invested Enterprises as Resident Enterprises based on Actual Management Organisation Standards” issued by the State Administration of Taxation on 22 April 2009, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual shareholder, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the CIT Law). The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

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

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

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2012 annual general meeting to be issued by the Company in due course.

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

## **CORPORATE GOVERNANCE**

The Board has reviewed its “Company Operation and Corporate Governance Guidelines” and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the “Corporate Governance Code” as set out in Appendix 14 to the Listing Rules. The Board confirms 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 2012 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 2012 to 31 December 2012.

## **AUDIT COMMITTEE**

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

The annual results have been reviewed by the audit committee. The committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, internal controls and financial reporting, including the review of the audited annual results for 2012, together with the management.

## **REMUNERATION COMMITTEE**

The Company has established a remuneration committee, the principal duty of which is to make recommendations to the Board in respect of the remuneration policy and structure formulated by the Company for the Directors and the senior management. The remuneration committee comprises Mr. Ji Gang (chairman), an independent non-executive Director, Mr. Yang Weimin, an executive Director and Mr. Shen Chengxiang, an independent non-executive Director.

## **NOMINATION COMMITTEE**

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2012, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

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

Shanghai, the PRC, 28 March 2013

*As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Yang Yuanping, Mr. Shao Xiaoming, Mr. Han Min and Mr. Kang Ming, and the independent non-executive Directors are Mr. Ji Gang, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu and Mr. Shen Chengxiang.*

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