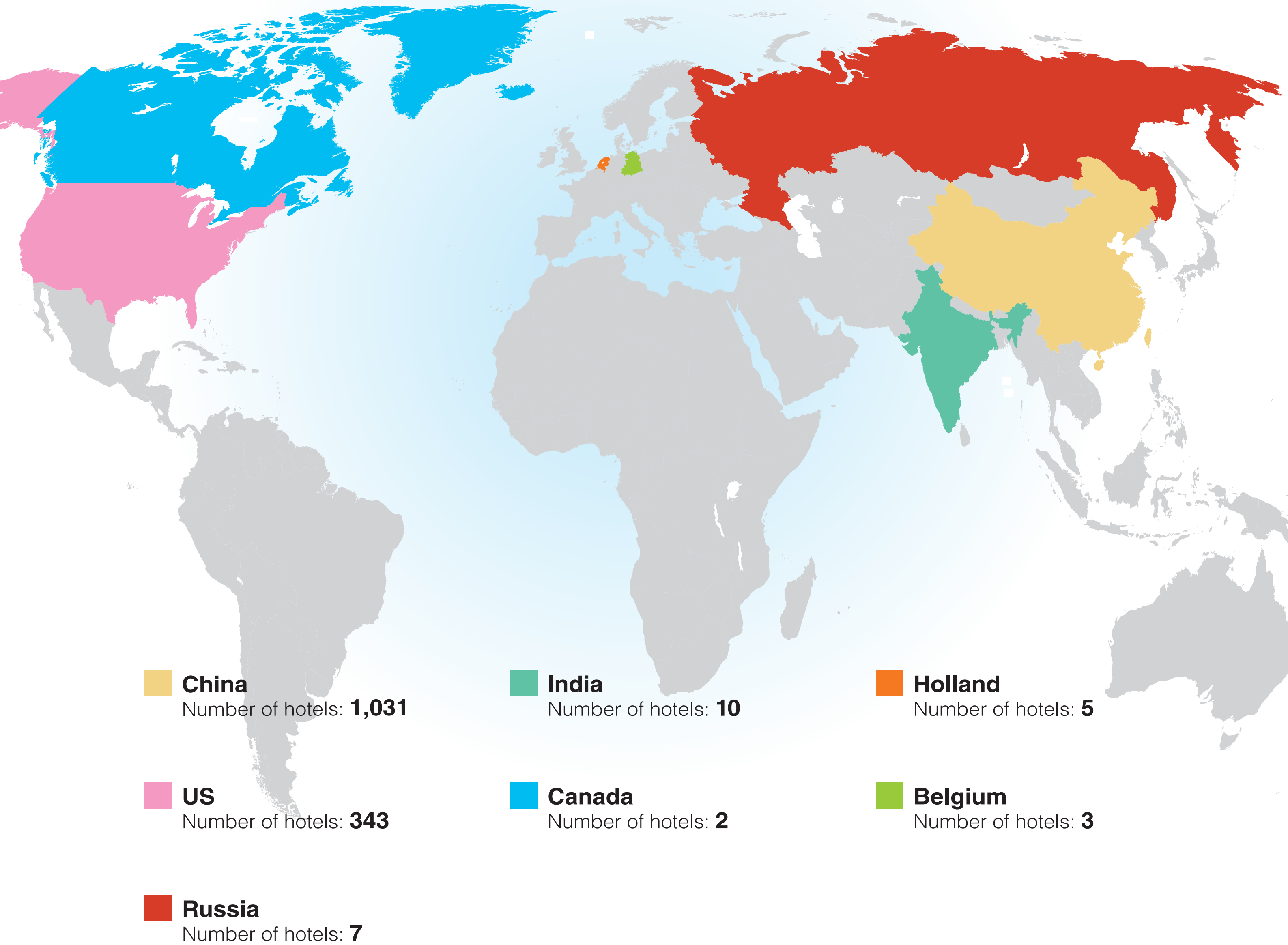
Shanghai Jin Jiang International Hotels (Group) Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code : 02006

ANNUAL REPORT 2012

Global Hotel Deployment



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

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Yu Minliang *(Chairman)*
Mr. Yang Weimin *(Vice Chairman, CEO)*
Ms. Chen Wenjun
Mr. Yang Yuanping
Mr. Shao Xiaoming
Mr. Han Min
Mr. Kang Ming

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

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

AUTHORIZED REPRESENTATIVES
Mr. Yang Weimin
Mr. Kang Ming

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

QUALIFIED ACCOUNTANT
Dr. Ai Gengyun

NOMINATION COMMITTEE
Mr. Yu Minliang *(Chairman)*
Dr. Rui Mingjie
Dr. Tu Qiyu

AUDIT COMMITTEE
Mr. Yang Menghua *(Chairman)*
Mr. Sun Dajian
Mr. Ji Gang

REMUNERATION COMMITTEE
Mr. Ji Gang *(Chairman)*
Mr. Yang Weimin
Mr. Shen Chengxiang

STRATEGIC INVESTMENT COMMITTEE
Mr. Yang Weimin *(Chairman)*
Mr. Han Min
Dr. Rui Mingjie

INTERNATIONAL AUDITOR
PricewaterhouseCoopers

PRC AUDITOR
PricewaterhouseCoopers Zhong Tian CPAs Limited Company

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

As to PRC law:
King and Wood

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

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

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

INVESTOR AND MEDIA RELATIONS CONSULTANT
iPR Ogilvy Limited

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

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

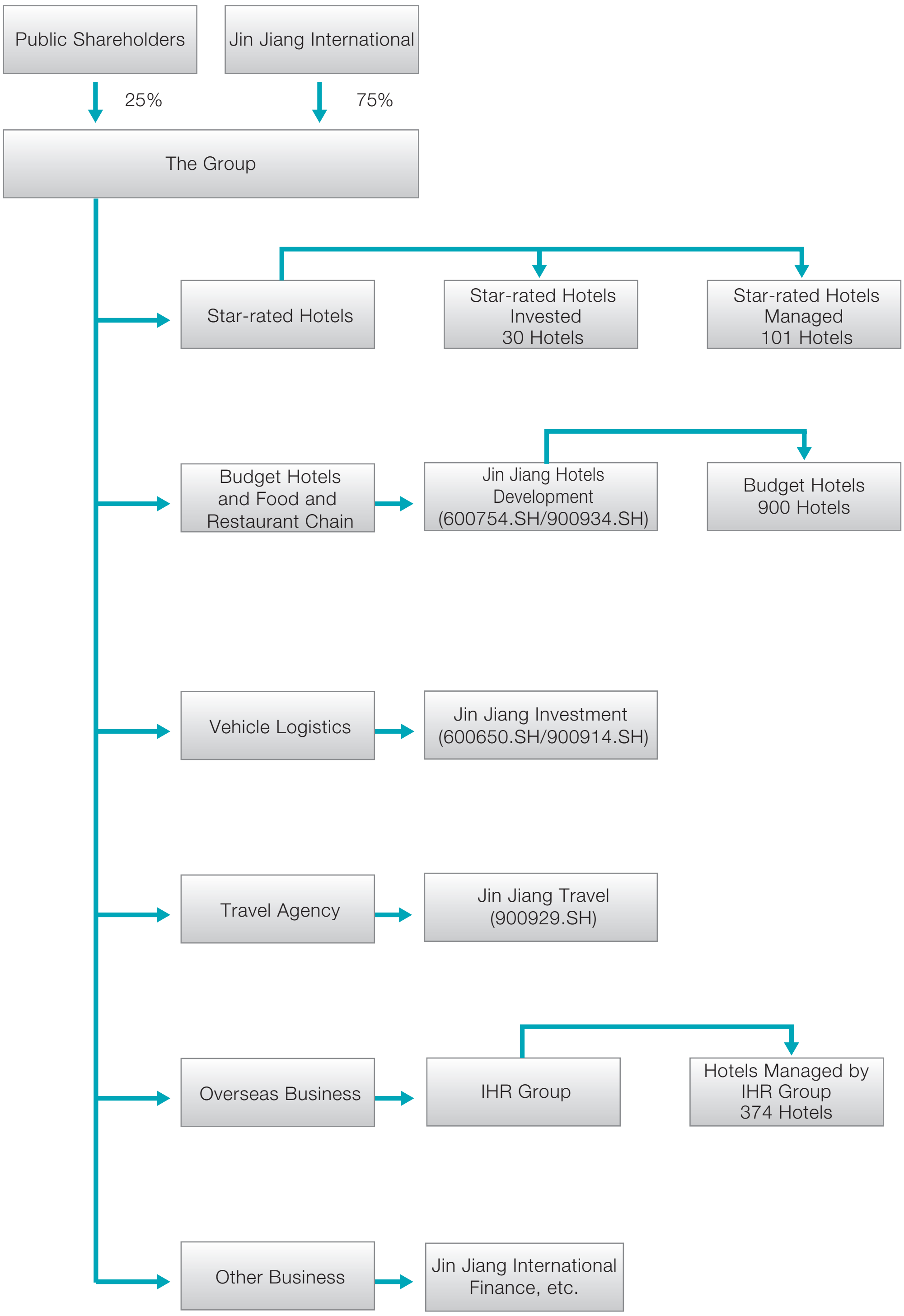
PRINCIPAL PLACES OF BUSINESS IN THE PRC
26/F., Union Building
No. 100 Yan'an East Road
Shanghai, the PRC

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

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

CORPORATE STRUCTURE

The following graph sets out the major subsidiaries, jointly controlled entities and associated companies of the Company as at 31 December 2012:



INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 1 — STATISTICS OF ALL HOTELS

All hotels (As of 31 December 2012)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms
Hotel Category										
Luxury Hotels										
— 5-star hotels	6	3,120	2	938	64	21,243	—	—	72	25,301
— 4-star hotels	11	4,124	2	932	36	8,333	—	—	49	13,389
Sub-total	17	7,244	4	1,870	100	29,576	—	—	121	38,690
Commercial Hotels	9	2,040	—	—	1	82	—	—	10	2,122
Total number of Star-rated Hotels	26	9,284	4	1,870	101	29,658	—	—	131	40,812
Budget Hotels	230	31,332	—	—	—	—	670	74,909	900	106,241
Total	256	40,616	4	1,870	101	29,658	670	74,909	1,031	147,053

* Excluding hotels managed by IHR Group outside the PRC.

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 2 — STATISTICS OF HOTELS IN OPERATION

In operation (As of 31 December 2012)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels in operation	
	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms
Hotel Category										
Luxury Hotels										
— 5-star hotels	6	3,120	2	938	34	12,063	—	—	42	16,121
— 4-star hotels	11	4,124	2	932	31	7,013	—	—	44	12,069
Sub-total	17	7,244	4	1,870	65	19,076	—	—	86	28,190
Commercial Hotels	9	2,040	—	—	1	82	—	—	10	2,122
Total number of Star-rated Hotels	26	9,284	4	1,870	66	19,158	—	—	96	30,312
Budget Hotels	193	26,819	—	—	—	—	497	57,041	690	83,860
Total	219	36,103	4	1,870	66	19,158	497	57,041	786	114,172

* Excluding hotels managed by IHR Group outside the PRC.

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 3 — STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As of 31 December 2012)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels under development	
	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms
Hotel Category										
Luxury Hotels										
— 5-star hotels	—	—	—	—	30	9,180	—	—	30	9,180
— 4-star hotels	—	—	—	—	5	1,320	—	—	5	1,320
Sub-total	—	—	—	—	35	10,500	—	—	35	10,500
Commercial Hotels	—	—	—	—	—	—	—	—	—	—
Total number of Star-rated Hotels	—	—	—	—	35	10,500	—	—	35	10,500
Budget Hotels	37	4,513	—	—	—	—	173	17,868	210	22,381
Total	37	4,513	—	—	35	10,500	173	17,868	245	32,881

* Excluding hotels managed by IHR Group outside the PRC.

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 4 — STATISTICS OF REGIONAL DISTRIBUTION

Province/autonomous region/ municipality		In operation				Under development			
		Star-rated hotels		Budget hotels		Star-rated hotels		Budget hotels	
		Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms	Number of hotels	Total Number of Rooms
Eastern region	Shanghai	31	11,307	90	11,226	3	868	16	1,728
	Zhejiang	3	853	47	5,378	5	1,659	20	2,001
	Jiangsu	8	2,300	126	14,473	8	2,262	29	2,871
	Anhui	2	396	16	1,791	1	200	5	508
	Shandong	5	1,612	71	7,659	2	888	18	1,896
Northern region	Beijing	15	4,547	44	5,697	1	198	6	621
	Tianjin	—	—	13	1,749	1	200	7	793
	Hebei	3	591	18	2,109	—	—	16	1,837
	Liaoning	3	925	26	3,410	1	300	15	1,570
	Jilin	—	—	10	1,277	—	—	7	748
	Heilongjiang	2	696	8	965	1	300	2	171
Central region	Henan	3	901	28	3,667	1	340	7	788
	Hubei	2	777	21	2,915	1	300	3	290
	Hunan	1	300	8	1,152	1	280	1	91
	Jiangxi	3	735	12	1,453	—	—	4	430
	Guangxi	—	—	2	387	—	—	3	280
Southern region	Fujian	1	320	20	2,384	1	300	7	846
	Guangdong	1	350	27	3,437	—	—	6	704
	Hainan	2	543	3	517	—	—	2	282
Northwestern region	Shanxi	1	115	30	3,748	—	—	4	426
	Shaanxi	2	483	22	2,867	1	395	6	847
	Gansu	1	236	5	505	—	—	—	—
	Qinghai	—	—	5	435	—	—	—	—
	Xinjiang	—	—	3	311	2	629	1	66
	Inner Mongolia	2	1,120	9	1,266	2	720	11	1,284
	Ningxia	—	—	3	368	—	—	2	165
Southwestern region	Chongqing	1	315	2	257	—	—	—	—
	Sichuan	2	320	10	1,355	1	120	8	761
	Guizhou	1	250	6	595	1	320	2	237
	Yunnan	1	320	4	438	1	221	2	140
	Tibet	—	—	1	69	—	—	—	—
Total		96	30,312	690	83,860	35	10,500	210	22,381

* Excluding hotels managed by IHR Group outside the PRC.

INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTELS OF THE GROUP 5 — STATISTICS OF HOTELS OWNED AND MANAGED BY IHR AS OF 31 DECEMBER 2012

	Number of hotels	Total Number of Rooms
USA, Canada	345	63,757
Russia	7	2,031
Europe	8	1,016
India	10	939
China	4	2,144
Total	374	69,887

INFORMATION ON HOTELS OF THE GROUP

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

Name of hotel	Effective interests held by the Company	Number of rooms	Address
5-star hotels			
Shanghai Jin Jiang Hotel	100.00%	442	No. 59, Maoming South Road, Shanghai, the PRC
Shanghai Peace Hotel	100.00%	270	No. 20, Nanjing East Road, Shanghai, the PRC
Shanghai Jin Jiang Tower	100.00%	582	No. 161, Changle Road, Shanghai, the PRC
Shanghai Huating Hotel & Towers	50.00%	773	No. 1200, Caoxi North Road, Shanghai, the PRC
Shanghai Jin Jiang Tomson Hotel	50.00%	398	No. 777, Zhangyang Road, Shanghai, the PRC
Shanghai Yangtze Hotel	40.00%	540	No. 2099, Yan'an West Road, Shanghai, the PRC
Beijing Kunlun Hotel	47.50%	646	No. 2, Xinyuan South Road, Beijing, the PRC
Wuhan Jin Jiang International Hotel	100.00%	407	No. 707, Jianshi Avenue, Wuhan, Hubei Province, the PRC
4-star hotels			
Shanghai Park Hotel	100.00%	261	No. 170, Nanjing West Road, Shanghai, the PRC
Shanghai Jian Guo Hotel	65.00%	455	No. 439, Caoxi North Road, Shanghai, the PRC
Shanghai Galaxy Hotel	100.00%	666	No. 888, Zhongshan West Road, Shanghai, the PRC
Shanghai Rainbow Hotel	100.00%	640	No. 2000, Yan'an West Road, Shanghai, the PRC
Shanghai Cypress Hotel	100.00%	149	No. 2419, Hongqiao Road, Shanghai, the PRC
Shanghai Hotel	100.00%	527	No. 505, Wulumuqi North Road, Shanghai, the PRC
Shanghai Jing An Hotel	100.00%	228	No. 370, Huashan Road, Jingan District, Shanghai, the PRC
Shanghai Sofitel Hotel	66.67%	401	No. 505, Nanjing East Road, Shanghai, the PRC
Holiday Inn Downtown Shanghai	100.00%	531	No. 585, Hengfeng Road, Shanghai, the PRC
Wuxi Jin Jiang Grand Hotel	25.00%	353	No. 218, Zhongshan Road, Chongan District, Wuxi, Jiangsu Province, the PRC
Kunming Jin Jiang Hotel	100.00%	320	No. 98, Beijing Road, Kunming, Yunnan Province, the PRC
West Capital International Hotel	100.00%	216	No. 135, West Street, Lianhu District, Xi'an, Shaanxi Province, the PRC
Jiangsu Nanjing Hotel	40.00%	309	No. 259, Zhongshan North Road, Nanjing, Jiangsu Province, the PRC
Commercial Hotels			
Shanghai Pacific Hotel	100.00%	189	No. 108, Nanjing West Road, Shanghai, the PRC
Shanghai New Asia Hotel	100.00%	327	No. 422, Tiantong Road, Shanghai, the PRC
Shanghai Metropole Hotel	100.00%	140	No. 180, Jiangxi Middle Road, Shanghai, the PRC
Shanghai New Garden Hotel	57.00%	310	No. 1900, Hongqiao Road, Shanghai, the PRC
Shanghai Jinsha Hotel	100.00%	294	No. 801, Jinshajiang Road, Shanghai, the PRC
Shanghai Magnolia Hotel	100.00%	258	No. 1251, Siping Road, Shanghai, the PRC
Shanghai Hua Ting Guest House	100.00%	189	No. 2525, Zhongshan West Road, Shanghai, the PRC
Shanghai Marvel Y.M.C.A. Hotel	100.00%	142	No. 123, Xizang South Road, Shanghai, the PRC
Beijing Jin Jiang Club	100.00%	97	No. 13, Yuetanbeixiao Street, Beijing, the PRC

Note: Substantial interests refer to 20% (including 20%) or more equity interests held by the Group

MAJOR AWARDS

MAJOR AWARDS RECEIVED BY THE GROUP IN 2012

• **2012 Best China Business Leader Award**	**"China Business Network"**
• **Best Local Chain Hotel Group in Greater China Market**	**"4th TTG China Travel Awards"**
• **2012 Outstanding China Hotel Management Company**	**"China Hotel Industry Development Summit"**
• **2012 Best China Hotel Chain Brand Award — Jin Jiang Inn**	**"The China Hotel Association"**
• **Social Responsibility Award for China Franchise — Jin Jiang Inn**	**"China Chain Store & Franchise Association"**
• **Outstanding China Hotel and Catering Franchise Brand — Jin Jiang Inn**	**"China Chain Store & Franchise Association"**
• **Gold Medal Enterprise for Warehousing Services in China — Jin Jiang Investment**	**"China Warehousing Association"**
• **Top Ten National Travel Agency Groups for Year 2012 — Jin Jiang Travel**	**"National Tourism Administration of the PRC"**

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of Directors of the Company
"Commercial Hotels"	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings, according to the criteria set by the Group
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"Franchisee(s)"	third party(ies) who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
"Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, jointly controlled entities or subsidiaries of the Company
"IHR"	Interstate Hotels & Resorts, Inc.
"IHR China"	Interstate (China) Hotels & Resorts Co., Ltd.
"IHR Group"	IHR and its subsidiaries
"Jin Jiang Hotels Development"	Shanghai Jin Jiang International Hotels Development Company Limited
"Jin Jiang Hotel Investment"	Shanghai Jin Jiang International Hotel Investment Company Limited
"Jin Jiang Inn"	Jin Jiang Inn Company Limited
"Jin Jiang Inn Budget Hotels"	budget hotels in which the Group holds Substantial Hotel Interests and managed by Jin Jiang Inn, or which are owned by third parties to which Jin Jiang Inn has granted a franchise, most of which are operating under the trademarks of 锦江之星 and Ji INN
"Jin Jiang International"	Jin Jiang International Holdings Company Limited
"Jin Jiang International Finance"	Jin Jiang International Finance Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Travel"	Shanghai Jin Jiang International Travel Co., Ltd.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Luxury Hotels"	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group which have obtained or are expected to obtain 5-star or 4-star ratings, according to the criteria set by the Group
"Occupancy Rate"	rooms in use divided by Available Rooms for a given period
"Permanent House Use"	guest rooms which have been removed from the rentable inventory for a period longer than six months
"Prospectus"	the prospectus issued by the Company on 30 November 2006
"Reporting Period"	the period from 1 January 2012 to 31 December 2012
"RevPAR"	room revenue per Available Room
"Star-Rating Standard Manual"	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
"Star-rating" or "Star-rated"	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Hotel Interests"	the equity interests held by the Group in companies engaged in hotel operations which are jointly controlled entities or subsidiaries of the Company
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Total Number of Rooms"	number of available rooms per hotel

FINANCIAL HIGHLIGHTS

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

(a) Upon the completion of the acquisition, items in the financial statements of Jin Jiang Investment and Jin Jiang Travel were included in the consolidated financial statements of the Group for the year ended 31 December 2011 as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International. Comparative figures as at 31 December 2010 and for the year ended 31 December 2010 were restated on the same basis.

(b) The calculation method of Non-HKFRS financial information is consistently applied in the previous years.

(c) 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.

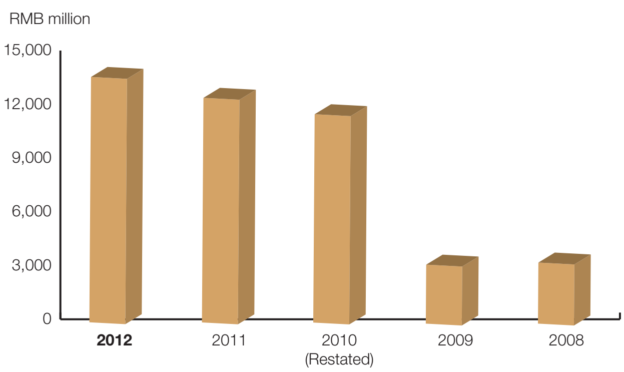
(d) Net assets per share is net assets divided by share capital.

(e) 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.

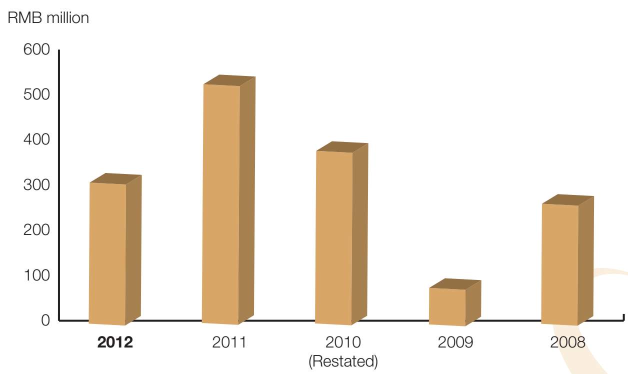
(f) Gearing ratio is the total borrowings divided by total assets as expressed in the consolidated balance sheet. Total borrowings include non-current and current borrowings.

(g) 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.

Revenue



Profit attributable to shareholders of the Company



OPERATIONAL STATISTICS

	2012	2011
Average Occupancy Rate		
— 5-star Luxury Hotels	**62%**	56%
— 4-star Luxury Hotels	**65%**	63%
— Commercial Hotels	**61%**	56%
— Budget Hotels	**86%**	88%
Average room rate (RMB)		
— 5-star Luxury Hotels	**776**	827
— 4-star Luxury Hotels	**530**	547
— Commercial Hotels	**336**	338
— Budget Hotels	**186**	182
RevPAR (RMB)		
— 5-star Luxury Hotels	**480**	463
— 4-star Luxury Hotels	**344**	342
— Commercial Hotels	**206**	191
— Budget Hotels	**160**	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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present on behalf of the Board of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company" or "Jin Jiang Hotels") the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

In 2012, China's hotel and tourism industry faced challenges like sustained European debt crisis, slowdown in global economic recovery and decelerating international tourist growth, while unfavourable conditions such as slowdown in macro-economic growth, oversupply of guest rooms and climbing operating costs, including labour cost, also emerged in the PRC. Nonetheless, the Group managed to overcome such difficulties via adopting a series of measures on enhancing revenue and lowering costs, such as continuous optimization of its nationwide hotel network deployment, promotion of resources integration and transformation of its operation model, which in turn enhanced its hotels' operating efficiency. In addition, the Group took an active role in refining its brand structure during the year and orderly underwent key works such as internationalization and functional centres construction, thereby realizing a stable growth of its operating revenue. To thank our shareholders for their long-term support, the Board has recommended a final dividend of RMB3.0 cents per share (2011: RMB4.0 cents).

CONTINUOUS EXPANSION OF HOTEL NETWORK

During the year under review, as the leading hotel operator and manager in the PRC, the Group continued the expansion of its hotel business. The Group invested and managed a total of 1,031 hotels within the PRC, offering over 140,000 rooms and spreading across approximately 220 cities in 31 provinces, autonomous regions and municipalities nationwide. Among which, there were a total of 131 Star-rated hotels and 900 budget hotels; while there were around 400 hotels overseas, offering nearly 70,000 rooms in aggregate in 7 countries around the world, including the United States and Canada. In terms of Total Number of Rooms, all hotels under the Group together ranked the ninth in the global hotel group ranking as published by HOTELS Magazine.

PROMOTION OF INTERNATIONALIZATION

As to overseas business, the business of Interstate Hotels & Resorts Inc. ("IHR") recorded stable development and continued to rank the first among all third party hotel management companies in North America, while established its three major operating platforms in the United States, the PRC and Europe. IHR China has made breakthroughs in terms of system construction, project exploration and enhancement on core operating capabilities. As of the end of the year, IHR China had a total of 13 projects, achieving initial success in its exploration into the market in China.

FURTHER OPTIMIZATION OF HOTEL OPERATION AND MANAGEMENT

During the year, the Group proactively fostered the internationalization of its hotel operation and management. The hotel management centre has duly commenced operation and served as the central hub, display platform and exchange centre for hotel operation and management. We introduced international operation concept and structure, refined our operation model and overall management efficiency, promoted professional division of labour, while at the same time enhanced resources integration and ramped up synergy effects.

During the year, the Group was conferred numerous awards, including the Best Local Chain Hotel Group in Greater China Market in the "4th TTG China Travel Awards", 2012 Outstanding China Hotel Management Company in the "China Hotel Industry Development Summit" and "2012 Best China Business Leader Award" by China Business Network, which represented a significant recognition on the performance of our management team.

EFFECTIVE INTEGRATION OF HOTEL AND TOURISM INDUSTRY CHAINS

With enhanced e-commerce platform development and exploration of contracted business units on electronic platform during the year, the Group managed to drive consumption of its members. The Group has basically completed the construction of its information technology support centre, data centralization centre and customer service centre, while actively developed customized tourism products and strengthened its marketing campaigns. Great progress was found in connection among core sectors and uniform marketing. At the same time, the Group also fostered the resources integration and system

CHAIRMAN'S STATEMENT

centralization for hotel, tourism, automobile leasing, air tickets reservation and automobile sales with an aim to fuel up the synergy effects among all industry chains.

STRENGTHENED TALENT TRAINING

The Group actively enhanced its talent training with significant success made in its training in the United States. Such training has widened the international vision of staff, who would apply new concepts to their respective positions. The Group has further promoted the competition mechanism on staff at all levels, hence enabling the internationalization of its management. Les Roches Jin Jiang Institute has been well received by the public since its inception, and the number of students has maintained a sustained growth. With further optimization of its operation mechanism and refinement on its organizational structure, the Group has reasonably determined all positions and shifts, and strictly controlled its labour costs.

CO-EXISTENCE OF OPPORTUNITIES AND CHALLENGES IN THE FUTURE

Looking forward, global economy will still face various uncertainties, and we expect that year 2013 will still be a challenging year. However, the hotel and tourism industries are currently encountering key opportunities for strategic development. The accelerating urbanization in China would actively drive the growth of both National Domestic Products and disposable income per capita, coupled with the duly announcement of the "Outline on National Tourism and Leisure" (《國民旅遊休閒綱要》), the demand for domestic travel is set to experience a steady growth. Also, with the increasing maturity of China's hotel and tourism management as well as the rising international position of Renminbi, the overseas influence of Chinese brands would be enhanced, therefore bringing along business opportunities for the Group's overseas expansion.

Leveraging on its leading positions and edges in China's hotel industry, the Group will uphold the core value of quality and efficiency, and place focus on sustainable development and steady expansion of its hotel business scales. For the continuous fostering of international development, the Group will further put IHR's three major operating platforms in the United States, the PRC and Europe into play, promote the internationalization, professionalization and market-oriented development for the operation and management of brands under Jin Jiang Hotels, while proactively seek for appropriate merger and acquisition and investment opportunities. Besides, we will refine our brand structure and enhance our service quality and management level in order to enhance customers' satisfaction. We will also undergo active adjustment and transformation of operation structure to enhance our asset value and corporate effectiveness; and put the edges of our industry chains into play and continue resources integration; optimizing the connection among different industries by e-commerce platform. The Group will refine the construction of its hotel and tourism functional centres, and accelerate system construction and application to raise its hotels' operation effectiveness, while continue to deepen the reform on its mechanisms and human resources with a view to strengthen the equipment for its team.

We believe that such measures will help the Group to develop into a comprehensive tourism group of domestic leading position and international competitiveness with focus on hotel industry. Through adopting the approach of innovation-driven transformation and development and overcoming challenges with a practical and proactive attitude, the Group will seize opportunities and plan for its long-term business development to attain the strategic goals of global deployment and multi-national operation.

Lastly, I would like to take this opportunity to express my sincere gratitude to all of our employees, who continued to make invaluable contributions to the Group. I would also like to take this opportunity to thank all shareholders, investors and the public for their enduring and vigorous support to the Group. We are prepared to work together with the shareholders and all parties to enhance our effectiveness and our value so as to jointly create a bright future for Jin Jiang Hotels.

Yu Minliang
Chairman

Shanghai, the PRC
28 March 2013

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Minliang (俞敏亮), aged 55, chairman of the Board and executive Director. Mr. Yu is an economist with a master's degree in economics from Fudan University. With rich experience in hotel management, he has been the general manager of Shanghai Yangtze Hotel Company Limited, Jin Jiang Hotels Development and Shanghai New Asia (Group) Company Limited, chairman of Jin Jiang (Group) Company Limited and chairman, chief executive officer and chairman of the executive committee of the board of Jin Jiang International since joining the Group in 1984. Apart from serving as the chairman of Jin Jiang International, Mr. Yu is currently the chairman of Jin Jiang Hotels Development and Shanghai Yangtze Hotel Company Limited.

Mr. Yang Weimin (楊衛民), aged 58, vice chairman and executive Director, authorized representative and chief executive officer ("CEO") of the Company. Mr. Yang is a senior economist with a master's degree in law from the East China University of Science & Technology. He has extensive experience in hotel management, and has worked as the deputy manager and principal of the Training Division of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Tower, vice president of Jin Jiang (Group) Company Limited, general manager of Jin Jiang Hotel Management Company Limited, vice president of Jin Jiang International, vice chairman and CEO of Jin Jiang Hotels Development and chairman of Shanghai Jin Jiang International Catering Investment Co., Ltd. since joining the Group in 1989. Mr. Yang is also currently the vice chairman of Jin Jiang Hotels Development, chairman of Shanghai Jin Jiang Tomson Hotel Company Limited, Shanghai Jian Guo Hotel Company Limited and Yunnan Jin Jiang International Management Company Limited, executive director of Jin Jiang International Hotel Management Company Limited, joint chairman of IHR Group and IHR China as well as the vice chairman of Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd.

Ms. Chen Wenjun (陳文君), aged 57, executive Director. Ms. Chen is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. She has been the deputy general manager of Jin Jiang Hotel, vice president, director and assistant to the president of Jin Jiang (Group) Company Limited, director and financial director of Jin Jiang International and director of Jin Jiang Hotels Development since joining the Group in 1981. Apart from being the senior vice president of Jin Jiang International, Ms. Chen is now the chairperson of Shanghai Jin Jiang Hotel Company Limited, Jin Jiang International Finance, Shanghai Hotel Company Limited and Shanghai Jing An Hotel Company Limited as well as the director of Jin Jiang Investment.

Mr. Yang Yuanping (楊原平), aged 57, executive Director. Mr. Yang graduated from Shanghai Institute of Tourism. He has been the general manager of Shanghai Cypress Hotel, Beijing Kunlun Hotel and Shanghai Jin Jiang Tower and vice president of Jin Jiang (Group) Company Limited. He is currently the chairman and CEO of Jin Jiang Investment as well as the chairman of Shanghai Jin Jiang Automobile Service Co., Ltd. and JHJ International Transportation Co., Ltd..

Mr. Shao Xiaoming (邵曉明), aged 54, executive Director. Mr. Shao has been the general manager of Wanguo Automobile Driver Training Centre, deputy general manager of Shanghai Youyi Automobile Services Co., Ltd. (上海友誼汽車服務公司), standing deputy general manager of Shanghai Jin Jiang Automobile Service Co., Ltd., general manager of JHJ International Transportation Co., Ltd. and vice president of Jin Jiang Investment. He is currently the chairman and CEO of Jin Jiang Travel, chairman of Shanghai China International Travel Service Co., Ltd., Shanghai Travel Service Co., Ltd. and Shanghai Jin Jiang Tours Co., Ltd., vice chairman of Jin Jiang International E-Commerce Co., Ltd., and director of JHJ International Transportation Co., Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Han Min (韓敏), aged 55, executive Director and chief investment officer. He holds a master's degree in international law from Fudan University. He has been a manager of the Investment Development Division of Jin Jiang (Group) Company Limited, manager of the Merger Division of Jin Jiang International and director of Jin Jiang Travel since joining the Group in 2005. Mr. Han is also currently the director of IHR Group and chairman of Kunming Jin Jiang Hotel Company Limited.

Mr. Kang Ming (康鳴), aged 41, executive Director, authorized representative, joint company secretary, Board secretary of the Company and chief secretary (vice president) of the executive committee of the Board. Mr. Kang is a senior accountant with a master's degree in economics from the Shanghai University of Finance and Economics. Mr. Kang has gained experience in listed companies concerning information disclosure, corporate governance, capital operation and investor relationship in the past 18 years since joining the Group in 1994. He was previously the board secretary of Jin Jiang Hotels Development. Mr. Kang is also currently the director of Jin Jiang Investment and Jin Jiang Travel as well as the supervisor of Jin Jiang Hotels Development.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang (季崗), aged 55, independent non-executive Director, is a senior economist with a master's degree in economics from Fudan University. Mr. Ji was previously an independent director of Jin Jiang Hotels Development from 2003 to 2006, and served as the general manager of Shanghai Zhongya Hotel, general manager and chairman of Shanghai Everbright City Company Limited, director of Zhabei District Commercial Committee, director of Zhabei District Economic Committee, president of SIIC Investment Company Limited in Hong Kong as well as the vice-chairman and president of Shanghai Industrial Development Company Limited. Mr. Ji is currently the vice chairman of the board, president and executive director of Shanghai Industrial Urban Development Group Limited.

Dr. Rui Mingjie (芮明杰), aged 58, independent non-executive Director, is a professor and an instructor for doctoral candidates with a doctoral degree in economics. Dr. Rui is currently the member of the academic standards committee, member of the degree committee, chairman of the degree committee of the School of Management, discipline leader in the national key discipline of Industrial Economics, deputy director of the Yangtze Delta Research Institute, person-in-charge of the post-doctoral mobile station in business administration and head of the Department of Industrial Economics at Fudan University. He is also the chief expert of the Innovation Base for the Social Science in Adjustment of Shanghai Industrial Structure (上海市產業結構調整社會科學創新基地), the leader of Shanghai Development Strategy Institute (上海市發展戰略研究所) and standing vice chairman of the China Industrial Economic Association (中國工業經濟學會). He was formerly the officer of the Department of Business Administration of the School of Management, deputy dean of the School of Management and discipline leader in Business Administration at Fudan University, training professor for the senior management of China Enterprises Affairs Commission (中央企業工委) and State Assets Administrative Committee (國家國資委), vice president of Shanghai Institute of Management Science and independent director of a number of listed companies.

Mr. Yang Menghua (楊孟華), aged 69, independent non-executive Director, was the deputy director of Shanghai Branch of Bank of Communications, director of Shanghai New Asia (Group) Company Limited (now known as "Jin Jiang Hotels Development") as well as the chairman of the supervisory committee of Shanghai Smart Service Co., Ltd., Sand Bankcard — Link Information & Service Co., Ltd. and Shanghai Sandpay Enterprise Service Co., Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun Dajian (孫大建), aged 58, independent non-executive Director, is a senior accountant and PRC certified public accountant with a bachelor's degree in accounting from Shanghai University of Finance and Economics. He has worked as an auditor in a Hong Kong local accountants firm for one year. Mr. Sun has also gained extensive accounting experience as the manager of Dahua Accountants Firm and manager of Pricewaterhouse Da Hua. He is now the financial director of Shanghai Yaohua Pilkington Glass Company Limited, a listed company in the PRC, with primary responsibilities to oversee the internal control and accounting policies of the company as well as its annual audit. The Directors have evaluated Mr. Sun's education, qualification and experience, and are satisfied that he has the necessary training and experience to satisfy the requirements of Rule 3.10(2) of the Listing Rules. In addition, Mr. Sun also currently acts as the independent director of Zhejang Wanfeng Auto Wheel Co., Ltd.

Dr. Tu Qiyu (屠啓宇), aged 43, independent non-executive Director, is the deputy head of Urbanization and Population Development Institute (城市與人口發展研究所) of Shanghai Academy of Social Sciences, and a professor at Shanghai Academy of Social Sciences and East China Normal University, specializing in international economics and urban studies. Dr. Tu was formerly Fulbright Professor of Bard College, New York, the United States from 2001 to 2002 and a visiting scholar at Harvard University, Cambridge University, Fondation Nationale des Sciences Politiques and Hamburg Institute for Economic Research. Dr. Tu has received 4 awards for policy-making advisory and researches from the Shanghai Municipal Government since 2003. He was named among the "Top Ten Young Economists of Shanghai" in 2003 by Shanghai Youths Federation and was conferred the title of "Outstanding Returning Talents from Overseas of Shanghai" in 2004. Since 2011, Dr. Tu has been the chief editor of "The Blue Paper of International Cities".

Mr. Shen Chengxiang (沈成相), aged 65, independent non-executive Director, is a senior economist with a master's degree and is awarded a special subsidy by the government as a specialist. He served as the vice president of China Tourism and Hospitality Association, chairman of Hotels Association under Hainan Tourism Industry Association and vice chairman of the China Famous Hotel Organization. He was named among the "Top Ten Personnel in the PRC Hotel Industry 2005". Mr. Shen is now the chairman and general manager of Huandao Nanfang Industrial Development Company Limited and the chairman of several travel companies, including Hainan Huandao Taide Hotel Property Management Company Limited, Beijing Huandao Boya Hotel Company Limited, Hainan Yalongwan Undersea World Travel Company Limited, Hainan Huandao Undersea World Hotel Company Limited and Hainan Huandao International Travel Agency Company Limited.

SUPERVISORS

Mr. Wang Xingze (王行澤), aged 57, chairman of the Supervisory Committee. Mr. Wang is a senior political scientist with a diploma from Shanghai Education Institute (上海教育學院). Mr. Wang joined the Group in 2003, and has been a deputy director of the administration office of Shanghai New Asia (Group) Company and the chairman of the supervisory committee of Jin Jiang Hotels Development.

Mr. Wang Guoxing (王國興), aged 49, Supervisor, is a senior accountant with a master's degree in economics from Shanghai University of Finance and Economics. Mr. Wang joined the Group in 1992 and was previously a lecturer of the School of Finance of Shanghai University of Finance and Economics, board secretary of Jin Jiang Hotels Development, board secretary and deputy financial director of Shanghai New Asia (Group) Company Limited and deputy financial director of Jin Jiang International. He is currently the chief secretary (vice president) of the executive committee of the board of Jin Jiang International and the supervisor of Jin Jiang Investment.

Mr. Ma Mingju (馬名駒), aged 52, Supervisor, holds a master's degree in business administration from the Asia International Open University (Macau) and is a senior accountant. Mr. Ma joined the Group in 2005 and was a director of Jin Jiang Inn Company Limited. Mr. Ma is currently the vice president, manager of Planning and Finance Division and general manager of the Finance Business Division of Jin Jiang International, chairman of Shanghai Jin Jiang International Investment and Management Company Limited as well as the director of Jin Jiang Investment, Beijing Kunlun Hotel Company Limited and Jin Jiang International Finance.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Chen Junjin (陳君瑾), aged 52, Supervisor, is an accountant with a post-secondary diploma in accounting and finance from Shanghai Tourism College. Ms. Chen joined the Group in 1981 and was previously an accountant of Finance Department of Cypress Hotel, head of Finance Department at the headquarters of Jin Jiang (Group) Company Limited, deputy financial director of Jin Jiang International Hotel Management Company Limited, head of Finance Department and general manager of Shanghai Jin Jiang International Hotels Group (HK) Company Limited. Ms. Chen is now the head of Auditing Department and the supervisor of Jin Jiang Hotels Development.

Mr. Zhou Qiquan (周啓全), aged 62, Supervisor, graduated from Shanghai College of Finance & Economics (now known as Shanghai University of Finance and Economics) with a post-secondary diploma in banking and credit and is an accountant. Mr. Zhou joined the Group in 2003. He was previously the person-in-charge of the Finance Department of Shanghai Luwan Residential Corporation, section head of Planning and Finance Department, deputy manager and manager of the Finance Department of Shanghai Minhang United Development Company Limited.

Ms. Zhou Yi (周怡), aged 53, Supervisor. She graduated from East China University of Political Science and Law with a diploma and has been the person-in-charge of the Credit Card Division, associate director of the Saving Division and Finance and Accounting Division, general manager of the Marketing Department and Corporate Department, and senior manager of the Retail Credit Department of Shanghai Branch of Bank of Communications. She is currently the class III superintendent of the Shanghai Branch of Bank of Communications.

JOINT COMPANY SECRETARIES

Mr. Kang Ming (康鳴), joint company secretary. Please refer to his biography under the section headed "Executive Directors" in this section.

Ms. Ma Sau Kuen Gloria (馬秀絹), aged 54, joint company secretary. Ms. Ma joined the Company in February 2011. Ms. Ma has over 30 years of working experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange, and setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands for customers. She also has extensive knowledge and experience in corporate restructuring projects and legal compliance services. Ms. Ma is currently a director and the head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma holds a master's degree in business administration from the University of Strathclyde, Scotland, and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

SENIOR MANAGEMENT

Mr. Yang Weimin (楊衛民), executive Director, vice chairman, CEO and authorized representative of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Xu Ming (許銘), aged 41, executive president of the Company. Mr. Xu joined the Group in 1992. He has a wealth of experience in hotel management. He was the vice general manager of Nanjing Hotel of Jin Jiang Hotels Development as well as the general manager of Metropole Hotel of Jin Jiang Hotels Development, Shanghai Jian Guo Hotel, Shanghai Rainbow Hotel and Jin Jiang Hotel. He is also currently the director of IHR China.

Mr. Han Min (韓敏), executive Director and chief investment officer of the Company. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Dr. Ai Gengyun (艾耕雲), aged 42, qualified accountant. Dr. Ai joined Jin Jiang Hotels Development, a subsidiary of the Company, in 1995 and has been the director of the Planning and Finance Department of the Company since April 2006. Dr. Ai is a member of the Chinese Institute of Certified Public Accountants and a qualified senior accountant in the PRC with over 17 years of professional experience in financial reporting, management and internal control.

Mr. Zhang Shangde (張尚德), aged 58, vice president of the Company. Mr. Zhang has completed the postgraduate program, and has extensive experience in hotel management. He was previously the deputy manager of the Food and Beverage Division, deputy manager and assistant to general manager of the restaurant of Jin Jiang Hotel, the Chinese representative of Garden Hotel, vice general manager of Beijing Kunlun Hotel as well as the vice general manager and general manager of Jin Jiang Tower. He is also currently the general manager of Shanghai Yangtze Hotel Company Limited.

Mr. Zheng Qian (張謙), aged 45, vice president of the Company. Mr. Zhang holds a master's degree and has extensive experience in hotel management. He was previously the supervisor, deputy manager, manager and director of the Marketing Department of Shanghai Jian Guo Hotel, vice general manager of Shanghai Renaissance Yangtze Hotel and general manager of Shanghai Jin Jiang Tomson Hotel Company Limited. He is also currently the general manager of Jin Jiang Hotel.

Mr. Qian Jin (錢進), aged 51, chief engineer of the Company. Mr. Qian joined the Group in 2011. He holds the bachelor's degree in engineering, and has extensive experience in design and construction sectors. He was previously the deputy head of the Quality and Safety Department of Shanghai Jiangong Group, director of Shanghai Jiangong Design Institute and vice president of the Company.

Mr. Kang Ming (康鳴), executive Director, authorized representative, the Board secretary and joint company secretary and the chief secretary (vice president) of the executive committee of the Board. Please refer to his biography under the paragraph headed "Executive Directors" in this section.

Mr. Xu Lei (徐磊), aged 41, vice president of the Company. Mr. Xu joined the Group in 2006, and holds a doctor's degree from Shanghai Jiaotong University. He has accumulated experience in investment over years. He was the manager of Investment Department of Shanghai Super Ocean Group and the general manager of Shanghai Kexun Investment Management Co., Ltd., vice director of Business Development Department of Jin Jiang Hotels Development and vice director and director of Investment and Development Department of the Company.

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 Group's Star-rated hotels in Shanghai			2011 Group's Star-rated hotels in Shanghai		
	Average Occupancy Rate (%)	Average Room Rate (RMB)	RevPAR (RMB)	Average Occupancy Rate (%)	Average Room Rate (RMB)	RevPAR (RMB)
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 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 rationalization.

MANAGEMENT DISCUSSION AND ANALYSIS

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 optimizing 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 centralized 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 centralized 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Standardization 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 characterized 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 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 operation 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (上海綜合保税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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, with emergence of various favourable 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 centralization 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 centralized 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 centralization.

During the Reporting Period, the Group has upgraded the version of Jin Jiang Hotel Management Company's website (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 optimizing 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 standardization 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	RMB million	% of Turnover	RMB million	% of Turnover
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 operation 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	13,884.5	100.0%	12,653.4	100.0%

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	
	RMB million	% of Turnover	RMB million	% of Turnover
— 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	2,722.2	100.0%	2,582.8	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group also engages in other domestic business, including the provision of financial services via 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 advertizing 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Company 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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
	2,102,455	1,988,522
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)
	2,053,322	1,858,710
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
	612,428	520,423

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).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2012, other secured bank borrowings included:

(1) Bank borrowings of USD18,400,000, equivalent to 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:

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

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

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
— RMB	**1,433,133**	1,254,531
— USD	**1,232,617**	1,124,602
	2,665,750	2,379,133

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

	As at 31 December	
	2012	2011
Borrowings denominated in RMB	**5.39%**	4.74%
Borrowings denominated in USD	**3.91%**	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.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Risk Management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to centralize 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 optimized 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 optimize 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 optimization of measures on lowering cost and increasing revenue, as well as exploring the marketing network via various channels, while striving to control and optimize its business structure and staff cost.

With further optimization of our brand system, the Group will move forward to implement brand division and innovation, which will further optimize the construction of our standardization 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 expertize 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 optimize 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.

REPORT OF THE DIRECTORS

The Board has pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

OPERATIONAL REVIEW

Management discussion and analysis on the Group's operations are set out on pages 22 to 35 in this report.

FINANCIAL REVIEW

The annual results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 75 in this report. Management discussion and analysis on financial review are set out on pages 22 to 35 in this report. A financial summary of the Group for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 is set out on page 13 in this report.

SHARE CAPITAL

The number of shares in each class of shares of the Company as at 31 December 2012 is set out as follows:

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

REPORT OF THE DIRECTORS

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

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

As of 31 December 2012, a total of RMB1,091,600,000 of the issue proceeds was utilized by Jin Jiang Hotel Investment on an accumulative basis as external investment in the development of Jin Jiang Inn hotels project.

Issue proceeds of approximately RMB725,000,000 were applied as additional capital and investments in relevant affiliated hotels for the refurbishment of certain Landmark Hotels and Luxury Hotels, including Peace Hotel, Jin Jiang Tower, Jin Jiang Hotel, Cypress Hotel, Galaxy Hotel, Rainbow Hotel and Marvel Y.M.C.A. As of 31 December 2012, issue proceeds applied for the refurbishment of Landmark Hotels and Luxury Hotels have already been paid.

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

DIVIDENDS

On 28 March 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 Organization 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 organizations 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.

REPORT OF THE DIRECTORS

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 to 31 March 2012; and has complied with the applicable code provisions of the renamed Corporate Governance Code effective from 1 April 2012 during the period from 1 April to 31 December 2012.

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.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out on pages 191 to 195.

RESERVES

The Group had a reserve of approximately RMB1,746,389,000 as at 31 December 2012, of which RMB1,524,034,000 was retained earnings. Details of which are set out in the retained earnings in Note 21 to the consolidated financial statements on pages 156 to 158.

DISTRIBUTABLE RESERVES

According to the articles of association of the Company (the “Articles of Association”), distributable reserves are determined based on the profit of the Company calculated according to the PRC Accounting Standards or the profit calculated according to the Hong Kong Financial Reporting Standards (“HKFRS”), whichever is the lower.

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

As of 31 December 2012, based on the calculation made in accordance with the PRC Accounting Standards, relevant PRC laws and the Articles of Association, the distributable reserves of the Company amounted to RMB1,144,737,416, of which about RMB166,980,000 is proposed to be the final dividend for the year.

FIXED ASSETS

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

BORROWINGS

The details of short- and long-term borrowings are set out in Note 23 to the consolidated financial statements on pages 161 to 167.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The Group's customers mainly comprised Franchisees, travel agencies, corporate customers and guests at its hotels. For the year ended 31 December 2012, the Group's five largest customers in aggregate accounted for less than 30% of the Group's total sales. Pursuant to the Group's franchise agreements with its Franchisees, no credit term is granted to the Franchisees and the Group's Franchisees are required to pay the continuing franchise fee on or before the tenth day of every month. A Franchisee would be obliged to pay a certain percentage of the amount payable as penalties in case of a default in payment.

The Group's suppliers mainly comprise vendors who supply the Group's hotel operations with hotel supplies such as food and beverages, as well as bath products. For the year ended 31 December 2012, the Group's five largest suppliers in aggregate accounted for less than 30% of the Group's total purchases. Generally, the credit term provided by the Group's suppliers is about two to six months.

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

CONNECTED TRANSACTIONS

According to the announcements issued by the Company on 16 April 2010 and 23 December 2011 (the "Connected Transaction Announcements"), the Company and Jin Jiang International, the controlling shareholder of the Company, and/or its associates had carried out the following continuing connected transactions. Since the applicable percentage ratios for the proposed maximum annual caps of the continuing connected transactions conducted under (1) the Master Agreements; (2) the Leases, Long Term Leases and Master Property Leasing Agreement; and (3) Master Electronic Commerce Service Agreement for each of the three years ending 31 December 2014 are more than 0.1% but less than 5%, the continuing connected transactions under these agreements are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement in accordance with Rule 14A.34 of the Listing Rules, which are included in the disclosure of related party transactions in accordance with HKFRS 24 (revised) presented in the audited consolidated financial statements for the year ended 31 December 2012 on pages 185 to 190. All terms used below shall have the same meanings as defined in the Connected Transaction Announcements, unless the context requires otherwise.

(i) Master Agreements

Date: 20 November 2006

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

Terms: Each of the Master Agreements has a current term due to expire on 31 December 2014. Upon the expiry of such initial term, each of the Master Agreements shall automatically extend for further terms of 3 years, subject to the fulfillment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party. As at or prior to 30 September 2014 (being 3 months prior to the expiry of each of the Master Agreements), no party has given written notice to terminate any of the Master Agreements, and each of the Master Agreements shall automatically extend for 3 years and expire on 31 December 2017.

REPORT OF THE DIRECTORS

Nature of transactions:

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

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

(b) Master Hotel Supporting Services Agreement:

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

(c) Master Provision of Hotel Rooms Agreement:

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

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

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

Prices:

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

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

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

REPORT OF THE DIRECTORS

The historical figures of the continuing connected transactions under the Master Agreements for the three years ended 31 December 2012 and the relevant annual caps for each of the three years ended 31 December 2012 are as follows:

Items	Historical Figures (RMB million) For the year ended 2010	For the year ended 2011	**For the year ended 2012**	Annual Caps (RMB million) For the year ended 2010	For the year ended 2011	**For the year ended 2012**
Expenditure Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	6.7	4.0	**4.1**	43	47	**23**
2) Master Hotel Supporting Services Agreement	4.7	3.2	**2.4**	12	13.1	**7**
Revenue Items:						
1) Master Food and Beverage Services and Provision of Food Agreement	3.2	2.6	**3.0**	5.1	5.6	**4**
2) Master Provision of Hotel Rooms Agreement	24.8	13.5	**17.2**	49	54	**27**

The annual caps for the continuing connected transactions under the Master Agreements for the two years ending 31 December 2014 are set out in the table below:

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

REPORT OF THE DIRECTORS

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

Leases

Dates: 30 November 2004, 20 February 2006, 16 June 2006, 25 August 2006, 21 September 2006, 22 September 2006 and 10 November 2006

Parties:
(i) certain associates of Jin Jiang International as landlords; and
(ii) certain members of the Group as tenants

Properties: 11 commercial properties located in Shanghai

Terms: Each of the Leases has automatically extended for further terms of 3 years and has a term due to expire on 31 December 2014. Upon the expiry of such term, each of the Leases shall automatically extend for 3 years with the rent to be agreed by the parties based on the then prevailing market price, subject to the fulfillment of the relevant requirements of the Listing Rules, unless at least 3 months prior to the expiry of each such term any relevant party gives written notice of termination to the other party.

Aggregate Rental: Approximately RMB12,690,000, RMB13,710,000 and RMB18,621,000 for the years ended 31 December 2010, 2011 and 2012, respectively, which shall be paid monthly in advance (except for two leases, which shall be paid quarterly in advance), and which is inclusive of the expected future figures of utility charges and administrative fees as disclosed in the Prospectus.

Long Term Leases

Dates: 10 June 1996 and 6 February 2006

Parties:
(i) certain associates of Jin Jiang International as landlords; and
(ii) certain members of the Group as tenants

Terms: Each of the Long Term Leases has a current term of 20 years and will expire on 30 June 2016 and 31 December 2026, as the case may be, unless the relevant member of the Group gives to the lessor at least 1 year prior written notice of termination.

Properties: 2 commercial properties located in Shanghai

Aggregate Rental: Approximately RMB10,070,000, RMB10,560,000 and RMB11,379,000 for the years ended 31 December 2010, 2011 and 2012, respectively, which shall be paid quarterly or semiannually in advance, as the case may be, and which is inclusive of the expected future figures of utility charges and administrative fees.

The historical figures of the continuing connected transactions under the Leases and the Long Term Leases for the three years ended 31 December 2012 and the relevant annual caps for each of the three years ended 31 December 2012 are as follows:

	Historical Figures (RMB million)			Annual Caps (RMB million)		
Item	For the year ended 2010	For the year ended 2011	**For the year ended 2012**	For the year ended 2010	For the year ended 2011	**For the year ended 2012**
Expenditure Item:						
Leases and Long Term Leases	20.1	20.5	**29.4**	23	25	**30**

REPORT OF THE DIRECTORS

Master Property Leasing Agreement

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

Date: 23 December 2011

Parties: (i) Jin Jiang International; and

(ii) the Company

Terms: The Master Property Leasing Agreement will be effective for an initial term of 3 years until 31 December 2014, unless either party terminates the Master Property Leasing Agreement by giving 3 months' prior written notice to the other party. The terms of the Master Property Leasing Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The historical figure of the continuing connected transactions under the Master Property Leasing Agreement for the one year ended 31 December 2012 and the relevant annual caps for each of the three years ending 31 December 2014 are as follows:

Item	Historical Figure (RMB million)	Annual Caps for the Item (RMB million)		
	For the year ended 2012	**For the year ended 2012**	For the year ending 2013	For the year ending 2014
Expenditure Item:				
Maximum property leasing service fees payable by the Group under the Master Property Leasing Agreement for the relevant period	**29.4**	**30**	32	34

(iii) Master Electronic Commerce Service Agreement

Date: 23 December 2011

Parties: (i) Jin Jiang International; and

(ii) the Company

Terms: The Master Electronic Commerce Service Agreement will be effective for an initial term of 3 years until 31 December 2014, unless either party terminates the Master Electronic Commerce Service Agreement by giving 3 months' prior written notice to the other party. The terms of the Master Electronic Commerce Service Agreement can be extended, provided that Jin Jiang International and the Company agree to such extension and the Listing Rules are complied with.

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

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

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

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

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

REPORT OF THE DIRECTORS

The historical figure of the continuing connected transactions under the Master Electronic Commerce Service Agreement for the one year ended 31 December 2012 and the relevant annual caps for each of the three years ending 31 December 2014 are as follows:

Item	Historical Figure (RMB million) For the year ended 2012	Annual Caps for the Item (RMB million) For the year ended 2012	For the year ending 2013	For the year ending 2014
Expenditure Item:				
Maximum service fees payable by the Group under the Master Electronic Commerce Service Agreement for the relevant period	**2.6**	**19**	38	50

(iv) Loan Service Framework Agreement

Date: 16 April 2010

Parties: (i) Jin Jiang International; and

(ii) Jin Jiang International Finance

Terms: The Loan Service Framework Agreement will be effective for an initial term of 3 years until 15 April 2013, unless prior to the expiry either party terminates the Loan Service Framework Agreement by giving 3 months' prior written notice to the other party. The terms of the Loan Service Framework Agreement can be extended, provided that the Parent Company and the Finance Company agree to such extension and the requirements under the relevant laws, regulations and/or the Listing Rules are complied with. As at or prior to 15 January 2013 (being 3 months prior to the expiry of the Loan Service Framework Agreement), no party has given written notice of termination of the Loan Service Framework Agreement. The Loan Service Framework Agreement will automatically extend for 3 years and expire on 15 April 2016.

Nature of transactions: Provision of loan services by Jin Jiang International Finance to Jin Jiang International.

Prices: Jin Jiang International Finance shall provide loans to Jin Jiang International and/or its associates (excluding the Group) at interest rates not lower than the relevant rates stipulated or allowed by the People's Bank of China for the same type of loan.

REPORT OF THE DIRECTORS

The historical figures of the continuing connected transactions under the Loan Service Framework Agreement for the three years ended 31 December 2012 and the relevant annual caps for each of the three years ended 31 December 2012 are as follows:

Item	Historical Figures (RMB million) For the year ended 2010	For the year ended 2011	**For the year ended 2012**	Annual Caps (RMB million) For the year ended 2010	For the year ended 2011	**For the year ended 2012**
Loan Service Framework Agreement	5.4	0.9	**0.3**	47.8	57.3	**71.7**

The annual caps for the Loan Service Framework Agreement for the eight and a half months ending 31 December 2013, the two years ending 31 December 2014 and 2015 and the three and a half months ending 15 April 2016 are as follows:

	Annual Caps for the Relevant Period (RMB million) For the eight and a half months ending 31 December 2013	For the year ending 2014	For the year ending 2015	For the three and a half months ending 15 April 2016
Total interest caps receivable by the Finance Company under the Loan Service Framework Agreement for the relevant period	50	60	70	23.33

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

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

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

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

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

(1) received the approval of the Board;

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

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

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

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management as at 31 December 2012 are set out on pages 17 to 21 in this report.

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS

As at 31 December 2012, none of the Directors, chief executives or Supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 31 December 2012, two Directors, namely Mr. Yu Minliang and Mr. Yang Weimin, held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares in Jin Jiang Hotels Development held	Nature of interests	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0024%
Yang Weimin	497,339	Long position	Beneficial owner	0.0824%

Save as disclosed above, as at 31 December 2012, none of the Directors, chief executives or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executives or Supervisors of the Company is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

REPORT OF THE DIRECTORS

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 31 December 2012, so far as the Directors are aware, the following persons (other than a Director, chief executive or Supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (Long position)	Beneficial owner	100%	75%
Kwok Hoi Hing	H shares	111,368,000 (Long position)	Beneficial owner	8.00%	2.001%
National Council for Social Security Fund	H shares	97,332,000 (Long position)	Beneficial owner	6.99%	1.749%

Save as disclosed above and so far as the Directors are aware, as at 31 December 2012, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the Company's register pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

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

As at 31 December 2012, so far as the Directors are aware, each of the following parties, not being (1) a Director, chief executive or Supervisor of the Company or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

REPORT OF THE DIRECTORS

	Name of subsidiary	Name of shareholder	Percentage of shareholding
15	上海中油錦友油品經營有限公司 (Shanghai Zhong You Jin You Oil Products Co., Ltd.)	中油上海銷售有限公司 (Shanghai ZhongYou Trading Co., Ltd.)	19%
16	上海嘉定錦江汽車服務有限公司 (Shanghai Jiading Jin Jiang Automobile Services Co., Ltd.)	上海振申汽車服務公司 (Shanghai Zhenshen Taxi Services Co., Ltd.)	30%
17	上海錦江豐田汽車銷售服務有限公司 (Shanghai Toyota Automobile Sales Co., Ltd.)	上海永達(集團)股份有限公司 (Shanghai Yong Da (Group) Co., Ltd.)	20%
18	上海花樣年華廣告有限公司 (Shanghai Colorful Day Advertising Co., Ltd.)	Liping Zhou	20%
19	上海錦茂汽車銷售服務有限公司 (Shanghai Jinmao Automobile Distribution and Services Co., Ltd.)	上海榮茂工貿有限公司 (Shanghai Rongmao Industry & Trade Co.,Ltd.)	49.02%
20	上海錦江低溫物流發展有限公司 (Shanghai Jinjiang Cold Logistics Development Co., Ltd.)	Mitsui & Co. (Asia Pacific) Pte. Ltd.	49%
21	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	錦江國際集團(香港)有限公司 (Jin Jiang International Group (HK) Co., Ltd.)	21.75%
22	上海錦海捷亞物流管理有限公司 (Shanghai JHJ Logistic Management Co., Ltd.)	香港旋光有限公司 (Hongkong Xuanguang Co., Ltd.)	13.25%
23	上海錦江國際綠色假期旅遊有限公司 (Shanghai Jin Jiang International Green Holiday Travel Co., Ltd.)	上海郎下集體資產有限公司 (Shanghai Langxia assets management Co., Ltd.)	30%
24	上海華亭賓館有限公司 (Shanghai Hua Ting Hotel and Towers Company Limited)	Shanghai Jin Jiang International Investment and Management Company Limited	50%
25	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國麵包投資有限公司 (China Bread Investment Limited)	30%
26	靜安麵包房控股有限公司 (Jing An Bakery Holding Company Limited)	中國烘焙集團有限公司 (China Baking Group Co., Ltd.)	10%

Save as disclosed above and so far as the Directors of the Company are aware, as at 31 December 2012, no other party, not being (1) a Director, chief executive or Supervisor of the Company or (2) a member of the Group, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As of 31 December 2012 and at any time during the Reporting Period, there is or was no contract of significance (as defined in Appendix 16 of the Listing Rules) subsisting in which any of the Directors or the Supervisors of the Company is or was, whether directly or indirectly, materially interested in.

As of 31 December 2012 and at any time during the Reporting Period, there is or was no contract of significance in relation to the Company's business subsisting to which the Company, its subsidiaries, its holding company or a subsidiary of its holding company is or was a party and in which any of the Directors or the Supervisors of the Company has or had, or at any time during that period, in any way, whether directly or indirectly, a material interest.

As of 31 December 2012 and at any time during the Reporting Period, none of the Directors or the Supervisors of the Company is or was in any way, directly or indirectly, materially interested in any contract of significance in relation to the Company's business entered into or proposed to be entered into with the Company.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term expiring upon the conclusion of the annual general meeting of the Company to be held in 2015.

Commencement dates of the terms of each independent non-executive Director are as follows:

Name	Title	Commencement Date
Mr. Ji Gang	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)
Mr. Sun Dajian	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)
Dr. Rui Mingjie	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)
Mr. Yang Menghua	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)
Dr. Tu Qiyu	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)
Mr. Shen Chengxiang	Independent Non-executive Director	20 November 2006 (last re-appointed on 16 October 2012)

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

EMOLUMENT POLICY OF THE GROUP

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

The compensation of the Directors, Supervisors, the five highest paid individuals and senior management and information regarding pension scheme have been stated in Note 27 to the consolidated financial statements on pages 170 to 174. The Group has adopted the PRC government's social security system that comprises retirement fund, housing fund and medical insurance. For the retirement funds, the employer contribution ratio and employee contribution ratio in Shanghai are currently 22% and 8% respectively.

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

REPORT OF THE DIRECTORS

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

As of 31 December 2012, the executive Directors are Mr. Yu Minliang (chairman), Mr. Yang Weimin (vice chairman and chief executive officer), Ms. Chen Wenjun, 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. Mr. Shen Maoxing, our non-executive Director and vice chairman, Mr. Chen Hao, our executive Director, Mr. Xia Dawei and Mr. Lee Chung Bo, our independent non-executive Directors, have resigned as Directors of the Company on 16 October 2012.

As of 31 December 2012, the Supervisors are Mr. Wang Xingze (chairman of the Supervisory Committee), Mr. Wang Guoxing, Mr. Ma Mingju, Ms. Chen Junjin, Mr. Zhou Qiquan and Ms. Zhou Yi.

Biographical details of the Directors and the Supervisors are set out on pages 17 to 20 in this report.

PENSION SCHEMES

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

NOMINATION COMMITTEE

The Board has established a nomination committee, which comprises the executive Director Mr. Yu Minliang (chairman) and two independent non-executive Directors, Dr. Rui Mingjie and Dr. Tu Qiyu. The major duties of the nomination committee include: (1) review the structure, number of members and composition (including the skills, knowledge and experience) of the Board at least annually, and make suggestions on any proposed changes of the Board in accordance with the corporate strategies of the Company; (2) identify candidates with appropriate qualifications to act as Directors, and select and nominate such candidates to act as Directors or make recommendations to the Board in this regard; (3) evaluate the independence of independent non-executive Directors; and (4) make suggestions to the Board on the appointment or re-appointment of Directors and the succession plan of Directors (in particular, the chairman and chief executive officer).

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 the independent non-executive Director Mr. Ji Gang (chairman), the executive Director Mr. Yang Weimin and the independent non-executive Director Mr. Shen Chengxiang.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

NON-EXECUTIVE DIRECTOR

As of 31 December 2012, the Company did not have any non-executive Director.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

INTERNATIONAL AUDITOR

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

By order of the Board
Yu Minliang
Chairman

28 March 2013

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

The Supervisory Committee convened three meetings during the Reporting Period. On 28 March 2012, the Supervisory Committee received relevant reports on the financial conditions of the Group in 2011, and considered and passed the 2011 Supervisory Committee report. On 31 August 2012, the Supervisory Committee received relevant reports on the financial conditions of the Group during the first half of 2012. On 16 October 2012, the Supervisory Committee elected the chairman of the third session of the Supervisory Committee.

Having conducted reviews on the financial system, financial reporting and internal audit of the Group, the current session of the Supervisory Committee is of the view that information contained in the annual report and interim report of the Group are true and reliable, and that the audit opinions issued by the accounting firm are fair and objective.

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

The current session of the Supervisory Committee has supervised the performance by the Directors and managers of the Group of their duties and the implementation of the resolutions of the general meeting(s). The Supervisory Committee is of the view that the Directors and operation staff of the Group have performed their duties in accordance with the resolutions of the general meeting(s) in a serious manner. There were no significant violations of laws and regulations or the Articles of Association or acts conducted jeopardizing the interests of the shareholders of the Group by the Directors and other members of the management of the Group in the performance of their duties.

By order of the Supervisory Committee
Wang Xingze
Chairman of the Supervisory Committee

CORPORATE GOVERNANCE REPORT

The Board has reviewed the "Company Operation and Corporate Governance Guidelines" of the Company 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 Company was in compliance with the relevant code provisions set out in Appendix 14 to the Listing Rules for the financial year ended 31 December 2012.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for formulating the corporate governance policies of the Company and performing the following corporate governance duties:

(1) To develop and review the corporate governance policies and practices of the Group, and make suggestions;

(2) To review and monitor the training and continuous professional development of the Directors and senior management;

(3) To review and monitor the compliance with all requirements under laws and regulations by the Group's policies and practices (if applicable);

(4) To develop, review and monitor the codes of conduct and compliance guidelines applicable to all employees and Directors of the Group (if any); and

(5) To review the compliance with the disclosure requirements under the Corporate Governance Code and Corporate Governance Report by the Group.

During the Reporting Period, the Board has approved the terms of reference of the Board, shareholders communication policies, shareholders enquiry procedures and special request procedures.

THE BOARD

The second session of the Board of the Company consists of five executive Directors, one non-executive Director and eight independent non-executive Directors. The Board of the Company has conducted transition on 16 October 2012. As of 31 December 2012, the third session of the Board of the Company consists of seven executive Directors and six independent non-executive Directors (at least one independent non-executive Director possesses appropriate professional qualifications or possesses accounting or related financial management expertize). Biographical details of the Directors are set out on pages 17 to 19 in this report.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the second and third session of the Board of the Company held four and two meetings respectively. The attendance record of each respective Director at the Board meetings held in 2012 is set out in the following table:

Directors	Attendance/Number of meetings held
Mr. Yu Minliang *(chairman)*	6/6
Mr. Shen Maoxing#Note 1	4/6
Ms. Chen Wenjun	6/6
Mr. Yang Weimin	6/6
Mr. Yang YuanpingNote 2	2/6
Mr. Shao XiaomingNote 2	2/6
Mr. Chen HaoNote 1	4/6
Mr. Han Min	6/6
Mr. Kang Ming	6/6
Mr. Ji Gang*	6/6
Mr. Xia Dawei*Note 1	4/6
Mr. Sun Dajian*	6/6
Dr. Rui Mingjie*	6/6
Mr. Yang Menghua*	6/6
Dr. Tu Qiyu*	6/6
Mr. Shen Chengxiang*	6/6
Mr. Lee Chung Bo*Note 1	4/6

Non-executive Director

* Independent non-executive Director

Note 1: Mr. Shen Maoxing, Mr. Chen Hao, Mr. Xia Dawei and Mr. Lee Chung Bo resigned as the Directors of the Group on 16 October 2012.

Note 2: Mr. Yang Yuanping and Mr. Shao Xiaoming acted as the Directors of the Group with effect on 16 October 2012.

CONTINUOUS TRAINING AND DEVELOPMENT FOR DIRECTORS

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the responsibilities and legal obligations of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The company secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, and the legal advisers of the Company prepare and provide the Directors with detailed interpretations and analysis on the revised contents for them to understand the latest developments in a timely and accurate manner and to perform their duties in accordance with relevant laws and regulatory requirements. All Directors of the Company (namely Mr. Yu Minliang, Mr. Yang Weimin, Ms. Chen Wenjun, Mr. Yang Yuanping, Mr. Shao Xiaoming, Mr. Han Min, Mr. Kang Ming, Mr. Ji Gang, Dr. Rui Mingie, Mr. Yang Menghua, Mr. Sun Dajian, Dr. Tu Qiyu and Mr. Shen Chengxiang) have participated in relevant trainings, and were provided with the above information for further development and update on their knowledge and skills, which in turn ensures that they could make adequate and suitable contributions to the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS AND TERM OF OFFICE

A nomination committee has been set up under the Board of the Company on 28 March 2012. A shareholder holding 5% or more (including 5%) of the total number of shares of the Company with voting rights may nominate Director candidate(s) to the general meeting by the way of written proposal. A written notice stating their intention to nominate a candidate for directorship and the nominee's consent to be nominated shall be delivered to the Company after the dispatch of the notice of general meeting at which the election of Directors will be held and not less than 7 days before the general meeting, and the notice period shall not be less than 7 days. The criteria for nomination shall be based mainly on the academic qualifications, relevant experience and other biographical details of the candidates. The independence of the candidates and their potential contributions to the Board as a whole will also be considered.

Our Directors (including the non-executive Directors) shall be appointed for a term of three years from the effective date of their appointment.

RESPONSIBILITIES OF THE BOARD

Apart from the corporate governance functions as disclosed on page 55 in this report, the Board is accountable to the general meetings of the Company and exercises the following duties:

(1) To be responsible to convene general meetings and report their work therein;

(2) To execute the resolutions passed in general meetings;

(3) To determine the Company's business plans and investment plans;

(4) To prepare the Company's annual financial budget and final accounts;

(5) To formulate the Company's profit appropriation plan (including annual dividend payout plan) and loss recovery plan;

(6) To formulate plans to increase or reduce the registered capital of the Company and to issue the Company's debenture;

(7) To formulate the Company's merger, spin-off and dissolution plans;

(8) To determine the establishment of the Company's internal management structure;

(9) To engage or terminate the chief executive officer, and based on nominations of the chief executive officer, engage or terminate the Company's executive president, vice presidents, finance officers, and determine their remunerations;

(10) To formulate the Company's basic management system;

(11) To draw up proposals to amend the Articles of Association;

(12) To determine the Company's wage level, fringe benefits and incentive schemes according to the relevant PRC regulations;

(13) To determine major business and administrative matters not specified in the Articles of Association to be resolved in the Company's general meetings;

(14) To formulate major acquisition or disposal plans of the Company; and

(15) To perform other functions as authorized by the Articles of Association and general meetings of the Company.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

SUPERVISORY COMMITTEE

By the end of 2012, the Supervisory Committee comprised six members. The background and biographical details of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management".

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

(1) Audit Committee

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

The members of the audit committee are elected and appointed by the Board. The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Yang Menghua, Mr. Sun Dajian and Mr. Ji Gang, and one of them is an independent non-executive Director who possesses appropriate accounting or related financial management expertize as required under Rule 3.10(2) of the Listing Rules. Mr. Yang Menghua has replaced Mr. Xia Dawei to act as the chairman of the audit committee of the Company with effect on 16 October 2012. The secretary to the audit committee is Dr. Ai Gengyun.

In 2012, the audit committee held 3 meetings in total. The attendance record of each respective member at the meetings of the audit committee held in 2012 is set out in the following table:

	Attendance/Number of meetings held
Mr. Yang Menghua	3/3
Mr. Sun Dajian	3/3
Mr. Ji Gang[Note 2]	1/1
Mr. Xia Dawei[Note 1]	2/2

Note 1: Mr. Xia Dawei resigned as a member of the audit committee on 16 October 2012.

Note 2: Mr. Ji Gang acted as a member of the audit committee with effect on 16 October 2012.

The first meeting of the audit committee for 2012 was held on 24 March 2012, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2011 were tabled for review and discussion. The second meeting of the audit committee for 2012 was held on 26 August 2012, at which the condensed unaudited financial statements and the internal audit work of the Group for the first half of 2012 were reviewed and discussed. The third meeting of the audit committee for 2012 was held on 23 December 2012, at which the audit plans and internal control tests conducted during 2012 were reviewed and discussed. The first meeting of the audit committee for 2013 was held on 27 March 2013, at which the consolidated financial statements for 2012, internal control report and corporate governance report of the Group for 2012 were tabled for review and discussion.

(2) Remuneration Committee

The remuneration committee is a committee established under the Board. Its main duties are to make recommendations to the Board on the remuneration policies and structure for all Directors and members of senior management and to draw up procedures for formulating a remuneration policy that is incentive-based and disciplined. The remuneration committee of the Company comprises one executive Director, Mr. Yang Weimin (in replacement of Mr. Chen Hao), and two independent non-executive Directors, Mr. Ji Gang and Mr. Shen Chengxiang (in replacement of Mr. Yang Menghua). Mr. Ji Gang has replaced Mr. Chen Hao to act as the chairman of the remuneration committee with effect on 28 March 2012.

CORPORATE GOVERNANCE REPORT

In 2012, the remuneration committee held one meeting in total. The attendance record of each respective member at the meeting of the remuneration committee held in 2012 is set out in the following table:

	Attendance/Number of meetings held
Mr. Ji Gang	1/1
Mr. Chen Hao Note 1	1/1
Mr. Yang Menghua Note 1	1/1
Mr. Yang Weimin Note 2	0/0
Mr. Shen Chengxiang Note 2	0/0

Note 1: Mr. Chen Hao and Mr. Yang Menghua resigned as the members of the remuneration committee on 16 October 2012.

Note 2: Mr. Yang Weimin and Mr. Shen Chengxiang acted as the members of the remuneration committee with effect on 16 October 2012.

The meeting of the remuneration committee for 2012 was held on 28 March 2012, and the matters discussed included the implementation measures on the 2012 annual performance evaluation of executive Directors and members of senior management of the Company.

(3) Nomination Committee

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

In 2012, the nomination committee held two meetings in total. The attendance record of each respective member at the meetings of the nomination committee held in 2012 is set out in the following table:

	Attendance/Number of meetings held
Mr. Yu Minliang	2/2
Mr. Xia Dawei Note 1	1/1
Dr. Rui Mingjue	2/2
Dr. Tu Qiyu Note 2	1/1

Note 1: Mr. Xia Dawei resigned as a member of the nomination committee on 16 October 2012.

Note 2: Dr. Tu Qiyu acted as a member of the nomination committee with effect on 16 October 2012.

The meetings of the nomination committee for 2012 were held on 28 August 2012 and 16 October 2012 respectively, and the matters discussed included the qualifications for the Director candidates of the third session of the Board of the Company and the senior management of the Company.

CORPORATE GOVERNANCE REPORT

(4) Strategic Investment Committee

The Board's strategic investment committee is a committee established under the Board. Its main duties are to provide advices and hypotheses with regard to strategic investments proposed to be made by the Company, and to oversee the execution and performance of other supervisory duties. The strategic investment committee of the Company comprises three members, including two executive Directors, Mr. Yang Weimin and Mr. Han Min (in replacement of Mr. Chen Hao), and one independent non-executive Director, Dr. Rui Mingjie. The chairman of the strategic investment committee is Mr. Yang Weimin.

In 2012, the strategic investment committee held a meeting on 28 March 2012. The attendance record of each respective member at the meeting of the strategic investment committee held in 2012 is set out in the following table:

	Attendance/Number of meetings held
Mr. Yang Weimin	1/1
Mr. Chen Hao[Note 1]	1/1
Dr. Rui Mingjie	1/1
Mr. Han Min[Note 2]	0/0

Note 1: Mr. Chen Hao resigned as a member of the strategic investment committee on 16 October 2012.

Note 2: Mr. Han Min acted as a member of the strategic investment committee with effect on 16 October 2012.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2012, each of its Directors and Supervisors has complied with the requirements relating to Directors' and Supervisors' securities transactions as set out in the Model Code.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITORS

The independence of the Company's external auditors is confirmed. The external auditors will retire on the date of convening the following annual general meeting and offer themselves for re-election at such meeting. During the Reporting Period, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements of the Group prepared in accordance with HKFRS and PricewaterhouseCoopers Zhong Tian CPAs Limited Company in the PRC for financial statements of the Company prepared in accordance with PRC Accounting Standards. An aggregate remuneration of RMB5,212,800 was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for their provision of audit services on consolidated financial statements and financial statements for the Company during the Reporting Period. An aggregate remuneration of RMB20,000 was paid to PricewaterhouseCoopers Consultants (Shenzhen) Limited for its provision of non-audit services for the Company during the Reporting Period. No remuneration was paid to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for the provision of non-audit related services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2012, and confirm that such statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the profit and cash flows for the Reporting Period. In preparing these consolidated financial statements, the Directors have selected and adopted suitable accounting policies and made accounting estimates that are reasonable under the circumstances; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group at any time.

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

INVESTOR RELATIONS

The Company places strong emphasis on communications with shareholders and investors as well as the improvement in the transparency of the Company: designated departments and staff were put in place to provide reception for investors and analysts. During the Reporting Period, the Company received over 100 groups of funds managers and analysts in total and patiently answered their questions on the Company. Arrangements were made for visits to various types of hotels under the Company, allowing them to have a prompt understanding of the operations and latest business developments of the Company. The Company conducted true, accurate, complete and timely information disclosure in strict compliance with relevant laws and regulations, the Articles of Association and the Listing Rules. Investors can access information such as the basic conditions and statutory announcements of the Company at any time by visiting our website www.jinjianghotels.com.cn. Annual reports, interim reports, circulars and announcements published since the Company's listing are available under the section "Investor Relations" on the Company's website. Promotional presentations, press conferences and one-to-one meetings with institutional investors are held after the announcement of interim and annual results.

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

CORPORATE GOVERNANCE REPORT

GENERAL MEETINGS

The Company convened the annual general meeting on 15 June 2012, at which eight ordinary resolutions and one special resolution on granting a general mandate to the Board of the Company were considered and approved. The Company convened the 2012 first extraordinary general meeting on 16 October 2012, at which five ordinary resolutions, including the transition of the Board of the Company, the transition of the Supervisory Committee, the allowance for independent non-executive Directors, the allowance for independent Supervisors and the amendments to the Articles of Association, were considered and approved.

Details of the attendance of the Directors of the Company in the general meetings in 2012 are as follows:

Directors	Attendance/Number of meetings held
Mr. Yu Minliang *(chairman)*	2/2
Mr. Shen Maoxing[Note 1]	2/2
Mr. Yang Weimin	2/2
Ms. Chen Wenjun	2/2
Mr. Yang Yuanping[Note 2]	1/2
Mr. Shao Xiaoming[Note 2]	1/2
Mr. Chen Hao[Note 1]	2/2
Mr. Han Min	2/2
Mr. Kang Ming	2/2
Mr. Ji Gang	2/2
Mr. Xia Dawei[Note 1]	1/2
Mr. Sun Dajian	2/2
Dr. Rui Mingjie	2/2
Mr. Yang Menghua	2/2
Dr. Tu Qiyu	2/2
Mr. Shen Chengxiang	2/2
Mr. Lee Chung Bo[Note 1]	1/2

Note 1: Mr. Shen Maoxing, Mr. Chen Hao, Mr. Xia Dawei and Mr. Lee Chung Bo resigned as the Directors of the Group on 16 October 2012.

Note 2: Mr. Yang Yuanping and Mr. Shao Xiaoming acted as the Directors of the Group with effect on 16 October 2012.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Rights

The Board is committed to maintain communication with its shareholders and discloses significant development of the Company to its shareholders and investors when appropriate. The annual general meeting of the Company provides a good communication opportunity between shareholders and the Board. In the event of convening a general meeting, a written notice, which specifies on the matters to be considered in the meeting and the date and venue of the meeting, should be sent to all shareholders whose names appear on the share register 45 days prior to convening the meeting. Shareholders who intend to attend the general meeting should send the written reply to the Company 20 days prior to convening the meeting.

Shareholder(s) individually or collectively holding more than ten percent (including ten percent) of the outstanding shares of the Company carrying voting rights may, by written requisition(s) stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class shareholders' meeting. The Board shall as soon as possible within two months after the receipt of such written requisition(s) proceed to convene the extraordinary general meeting or class shareholders' meeting. The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s) by shareholders.

CORPORATE GOVERNANCE REPORT

Where the Board fails to issue notice of convening a meeting within thirty days upon receipt of the above written requisition(s), shareholder(s) individually or collectively holding more than ten percent (including ten percent) of the outstanding shares of the Company carrying voting rights is/are entitled to request by written requisition(s) the Supervisory Committee to convene the extraordinary general meeting or class shareholders' meeting. The Supervisory Committee may convene the meeting on its own accord within four months upon the Board having received such request. In case the Supervisory Committee does not convene and hold the meeting(s), shareholder(s) individually or collectively holding more than ten percent of the shares of the Company for 90 consecutive days may convene the meeting(s) on his/her/their own accord. The convening procedures shall as much as possible be equivalent to those of general meetings convened by the Board.

At any annual general meeting convened by the Company, shareholder(s) holding shares conferring more than five percent (including five percent) of the total voting rights are entitled to propose new proposal(s) in writing to the Company and the matters within the scope of general meeting in such proposal shall be included in the agenda of that meeting.

Enquires of and Communication with Shareholders

The Company publishes its announcements, financial data and other relevant data on its website at www.jinjianghotels.com.cn, as a channel to promote effective communication. Shareholders are welcomed to make enquiries directly to the Company at its principal place of business in Shanghai by post. The Company will respond to all enquiries on a timely and proper basis.

The Board welcomes shareholders' views and encourages them to attend general meetings in order to propose any concerns they might have with the Board or the management directly. The chairman of the Board and the chairmen of all committees usually attend the annual general meeting and other general meetings. At the general meeting, all shareholders attending the meeting may make enquires to the Directors and other management in respect of matters relevant to the resolutions. At any other time other than at the general meeting, shareholders may make their enquiries or express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed contact methods through its website, notices of the general meeting, circulars to the shareholders and annual reports for shareholders to express their views or make enquiries.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the 2012 first extraordinary general meeting of the Company convened on 16 October 2012, a resolution on the amendments to the Articles of Association was considered and approved. Details of the amendments to the Articles of Association are as follows:

Original Articles	Amended Articles
Article 1.11 Other senior management officers as referred in the Articles of Association shall include executive president, vice presidents, chief financial officer, secretary to the board of directors and other officers specified by the Articles of Association.	**Article 1.11 Other senior management officers as referred in the Articles of Association shall include executive president, vice presidents, chief financial officer, secretary to the board of directors and other management officers as determined by the board of directors of the Company.**

CORPORATE GOVERNANCE REPORT

Original Articles	Amended Articles
Article 2.2 The scope of operations of the Company shall include: hotel operation (limited to branches), hotel management, hotel investment, corporate investment and management, domestic trade, leasing of self-owned offices and apartments, parking, training and consultancy of related projects (any of the aforesaid scope of operations which is subject to permission is operating under permit). The scope of operations of the Company shall be limited to the scope of operations as approved by the industry and commerce administration and supervisory authorities. The Company may vary the scope and mode of operations and establish domestic and overseas branch organizations in response to changes in market conditions and its business needs, subject to approval of approving authorities.	**Article 2.2 The scope of operations of the Company shall include: hotel management, hotel investment, corporate investment and management, domestic trade, leasing of self-owned offices and apartments, parking, training and consultancy of related projects, (the following operations are limited to branches) hotel operation, catering, sales department (with retail of tobacco and alcohol), bakeries, cafes, bars, cigar bars, music tea houses, spa, beauty salons, game rooms, gymnasiums, swimming pools, operation of parking lots, and property management (any operation which is subject to administrative permission is operating under permit).** **The scope of operations of the Company shall be limited to the scope of operations as approved by the industry and commerce administration and supervisory authorities. The Company may vary the scope and mode of operations and establish domestic and overseas branch organizations in response to changes in market conditions and its business needs, subject to approval of approving authorities.**
Article 10.1 The Company shall have a board of directors, which shall be accountable to the general meeting and reporting thereat. The board of directors shall consist of 17 directors, of which 8 are executive directors and the rest are non-executive directors. The number of independent non-executive directors among the members of the board of directors shall not be less than 3. The board of directors shall have one chairman and several deputy chairmen.	**Article 10.1 The Company shall have a board of directors, which shall be accountable to the general meeting and reporting thereat. The board of directors shall consist of 11 to 15 directors. The number of independent non-executive directors among the members of the board of directors shall not be less than 3. The board of directors shall have one chairman and several deputy chairmen.**

INTERNAL CONTROLS, AUDIT AND RISK MANAGEMENT

The Company has established a comprehensive set of compliance manual, which comprises the corporate governance regulations and operational regulations. It covers the structures of corporate governance, internal control for financial aspects, budgetary management system, fund raising and financing management system, management of external investment, engineering and projects management, and human resources management policies and procedures. The above systems, policies and procedures effectively cover all the decision-making and operational activities of the Company. Managerial employees in respective levels can effectively manage the risk level of their respective business activities. The compliance manual is reviewed and updated on a regular basis.

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

To further strengthen and meet the needs of corporate internal control and management, an internal control project force was established by the Company, which is headed by Mr. Yang Weimin, the vice chairman and chief executive officer.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

The Company engages Ms. Ma Sau Kuen Gloria, a director of KCS Hong Kong Limited, as one of its joint company secretaries. Her primary corporate contact person at the Company is Mr. Kang Ming, another joint company secretary and executive Director of the Company.

In compliance with Rule 3.29 of the Listing Rules, the joint company secretaries have undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

MAJOR DUTIES OF INTERNAL AUDIT

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

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

— to conduct audit on income, expenses and related business activities;

— to conduct audit on construction projects as well as upgrade and renovation projects for fixed assets of over RMB300,000;

— to conduct audit on the implementation of investment management, fund management, properties management and internal control;

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

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

— to accomplish other audit assignments from senior management team, the Board and the Supervisory Committee.

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

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held five meetings in 2012 to consider whether or not to exercise the relevant Rights granted to the Company by Jin Jiang International over the relevant Excluded Hotel Businesses and New Union business under the Deed of Non-Competition and whether to take up any business opportunity which was referred to the Company by Jin Jiang International or any of its subsidiaries (other than the Group).

CORPORATE GOVERNANCE REPORT

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

Shanghai Eastern Jin Jiang Hotel Company Limited ("Eastern Jin Jiang"): Pursuant to the written notice of Jin Jiang International, Eastern Jin Jiang has been converted into a limited liability company and has obtained the business license of a limited liability company. The proportion of capital injected by each of the shareholders of Eastern Jin Jiang after it became a limited liability company was confirmed. As at the date of this report, Jin Jiang International has transferred its 90% equity interests in Eastern Jin Jiang to its wholly-owned subsidiary, Shanghai Jin Jiang International Investment and Management Company Limited ("Jin Jiang International Investment"). Jin Jiang International Investment currently holds 90% equity interests in Eastern Jin Jiang. Jin Jiang International Investment is in a position to transfer its interests in Eastern Jin Jiang to the Company. It is up to the Company's decision whether to exercise its Right to purchase Jin Jiang International Investment's 90% direct and indirect equity interests in Eastern Jin Jiang.

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

Eastern Jin Jiang has in total 852 rooms. The revenue and net assets of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB141.53 million and RMB795.57 million, respectively.

Shanghai Jin Cang Mandarin Hotel Company Limited ("JC Mandarin"): As notified by Jin Jiang International in writing, JC Mandarin has completed the relevant legal procedures. As at the date of this report, Jin Jiang International has transferred its 100% equity interests in JC Mandarin to its wholly-owned subsidiary, Jin Jiang International Investment. Jin Jiang International Investment currently holds 100% equity interests in JC Mandarin. Jin Jiang International Investment is in a position to transfer its interests in JC Mandarin to the Company. It is up to the Company's decision whether to exercise its Right to purchase Jin Jiang International Investment's 100% equity interests in JC Mandarin.

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

JC Mandarin has in total 510 rooms. The revenue and net assets of JC Mandarin as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB150.90 million and RMB162.10 million respectively.

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

Pacific Shanghai has in total 496 rooms. The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB251.85 million and RMB297.82 million respectively.

CORPORATE GOVERNANCE REPORT

Garden Hotel Shanghai: As at the date of this report, Jin Jiang International has transferred its right to acquire all the buildings and facilities of Garden Hotel Shanghai to Jin Jiang International Investment after the expiry of the joint venture term of operation of Garden Hotel Shanghai. Jin Jiang International Investment currently has the above-mentioned right to acquire all the buildings and facilities of Garden Hotel Shanghai.

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

Garden Hotel Shanghai has in total 492 rooms. The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB286.96 million and RMB10.78 million respectively.

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

Jinyuan Inn and Jiaozhou Road Inn each has in total 103 rooms and 82 rooms respectively. The revenue and net assets of Jinyuan Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB2.76 million and RMB nil respectively. The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB7.43 million and RMB nil respectively.

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

The revenue and net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2012 amounted to approximately RMB211.78 million and RMB388.11 million respectively.

During the Reporting Period, the sole business opportunity reviewed by independent non-executive Directors was in relation to the acquisition of 50% equity interests in Shanghai Hua Ting Hotel and Towers Company Limited from Shanghai Jinwin Investment Co., Ltd. (上海精文投資有限公司), Wenhui Xinmin United Press Group (文匯新民聯合報業集團) and Shanghai Media & Entertainment Holding (Group) Co., Ltd. (上海廣播電影電視發展有限公司) as referred by Jin Jiang International.

Upon thorough studies and consideration by independent non-executive Directors on the documents presented by the Company, the independent non-executive Directors expected that the business opportunity on the acquisition of 50% equity interests in Shanghai Hua Ting Hotel and Towers Company Limited would not provide sustainable profitability to the Group, would be inconsistent with the Group's prevailing development strategies and would otherwise be not in the best interests of the shareholders of the Company as a whole. Accordingly, the independent non-executive Directors have decided not to take up such business opportunity.

Apart from the above business opportunity, Jin Jiang International and its subsidiaries (other than the Group) have not referred any other business opportunity to the Company for owning, investing, participating, developing, operating or engaging business opportunities, whether directly or indirectly, competing with the Restricted Businesses. Accordingly, the independent non-executive Directors have not made any other decision on whether to take up relevant business opportunities.

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

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 196, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2013

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

		As at 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**8,179,535**	8,246,272
Investment properties	7	**224,679**	191,240
Land use rights	8	**1,974,971**	2,035,563
Intangible assets	9	**954,155**	981,374
Investments in associates	12	**686,093**	692,622
Available-for-sale financial assets	14	**1,996,337**	1,832,479
Deferred income tax assets	15	**284,338**	244,581
Trade receivables, prepayments and other receivables	18	**42,038**	71,722
		14,342,146	14,295,853
Current assets			
Financial assets at fair value through profit or loss		**730**	911
Available-for-sale financial assets	14	**64,174**	—
Inventories	17	**160,236**	153,353
Trade receivables, prepayments and other receivables	18	**1,222,969**	995,308
Restricted cash	19	**547,877**	326,483
Cash and cash equivalents	20	**2,921,139**	2,494,175
		4,917,125	3,970,230
Total assets		**19,259,271**	18,266,083
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21(a)	**5,566,000**	5,566,000
Reserves	21(b)		
— Proposed final dividend	32	**166,980**	222,640
— Others		**1,579,409**	1,386,615
		7,312,389	7,175,255
Non-controlling interests		**4,837,997**	4,678,616
Total equity		**12,150,386**	11,853,871

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2012

		As at 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**2,053,322**	1,858,710
Deferred income tax liabilities	15	**672,618**	640,371
Trade and other payables	22	**137,097**	165,232
		2,863,037	2,664,313
Current liabilities			
Borrowings	23	**612,428**	520,423
Income tax payable		**120,567**	120,944
Trade and other payables	22	**3,512,853**	3,106,532
		4,245,848	3,747,899
Total liabilities		**7,108,885**	6,412,212
Total equity and liabilities		**19,259,271**	18,266,083
Net current assets		**671,277**	222,331
Total assets less current liabilities		**15,013,423**	14,518,184

The notes on pages 81 to 196 are an integral part of these consolidated financial statements.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**801,195**	703,381
Investment properties	7	**4,416**	4,573
Land use rights	8	**328,547**	341,191
Intangible assets	9	**4,510**	5,377
Investments in subsidiaries	10	**7,897,901**	7,897,901
Investments in jointly controlled entities	11	**838,245**	823,245
Investments in associates	12	**209,987**	209,987
Available-for-sale financial assets	14	**84,714**	155,857
Trade receivables, prepayments and other receivables	18	**15,582**	6,622
		10,185,097	10,148,134
Current assets			
Inventories	17	**3,280**	4,277
Trade receivables, prepayments and other receivables	18	**775,795**	182,013
Restricted cash	19	**—**	12,000
Cash and cash equivalents	20	**172,571**	214,011
		951,646	412,301
Non-current assets held for sale	16	**—**	138,804
		951,646	551,105
Total assets		**11,136,743**	10,699,239

BALANCE SHEET (CONTINUED)

As at 31 December 2012

	Note	As at 31 December 2012 RMB'000	As at 31 December 2011 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	21(a)	**5,566,000**	5,566,000
Reserves	21(c)		
— Proposed final dividend	32	**166,980**	222,640
— Others		**3,231,936**	3,102,816
Total equity		**8,964,916**	8,891,456
LIABILITIES			
Non-current liabilities			
Borrowings	23	**910,460**	803,761
Deferred income tax liabilities	15	**560,532**	559,130
		1,470,992	1,362,891
Current liabilities			
Borrowings	23	**564,571**	262,602
Trade and other payables	22	**136,264**	182,290
		700,835	444,892
Total liabilities		**2,171,827**	1,807,783
Total equity and liabilities		**11,136,743**	10,699,239
Net current assets		**250,811**	106,213
Total assets less current liabilities		**10,435,908**	10,254,347

The notes on pages 81 to 196 are an integral part of this financial statement.

Yu Minliang
Chairman and Executive Director

Yang Weimin
Executive Director and CEO

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Revenue	5(a)	**13,884,461**	12,653,434
Cost of sales	26	**(11,784,426)**	(10,707,534)
Gross profit		**2,100,035**	1,945,900
Other income	24	**523,608**	635,753
Selling and marketing expenses	26	**(612,730)**	(602,776)
Administrative expenses	26	**(1,032,530)**	(991,719)
Other expenses	25	**(88,949)**	(83,221)
Operating profit		**889,434**	903,937
Finance costs	28	**(137,612)**	(89,753)
Share of results of associates	12	**144,017**	177,324
Profit before income tax		**895,839**	991,508
Income tax expense	29	**(186,701)**	(84,363)
Profit for the year		**709,138**	907,145
Attributable to:			
Shareholders of the Company	31	**317,006**	536,178
Non-controlling interests		**392,132**	370,967
		709,138	907,145
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB cents per share)			
— basic and diluted	31	**5.70**	9.63

The notes on pages 81 to 196 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Dividends	32	**166,980**	222,640

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Note	RMB'000	RMB'000
Profit for the year		709,138	907,145
Other comprehensive income:			
Fair value changes on available-for-sale financial assets — gross	14(a)	432,995	(743,309)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross		(250,383)	(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	15(a)	(45,024)	189,035
Currency translation differences		(801)	(8,606)
Total comprehensive income for the year		845,925	330,756
Attributable to:			
Shareholders of the Company		370,861	229,390
Non-controlling interests		475,064	101,366
		845,925	330,756

The notes on pages 81 to 196 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2010	4,565,000	2,219,125	1,054,805	7,838,930	4,153,312	11,992,242
Comprehensive income:						
Profit for the year	—	—	536,178	536,178	370,967	907,145
Other Comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	(391,132)	—	(391,132)	(352,177)	(743,309)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(6,445)	—	(6,445)	(7,064)	(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	—	99,395	—	99,395	89,640	189,035
Currency translation differences	—	(8,606)	—	(8,606)	—	(8,606)
Total other comprehensive income	**—**	**(306,788)**	**—**	**(306,788)**	**(269,601)**	**(576,389)**
Total comprehensive income	**—**	**(306,788)**	**536,178**	**229,390**	**101,366**	**330,756**
Transactions with owners:						
Total contributions by and distributions to owners of the Company recognized directly in equity						
Profit appropriation	—	12,500	(12,500)	—	—	—
Issue of shares, net of expenses (note 21(a))	1,001,000	912,480	—	1,913,480	—	1,913,480
Consideration for common control combination	—	(2,694,020)	—	(2,694,020)	—	(2,694,020)
Dividends (note 32)	—	—	(122,452)	(122,452)	—	(122,452)
Total contributions by and distributions to owners of the Company recognized directly in equity	**1,001,000**	**(1,769,040)**	**(134,952)**	**(902,992)**	**—**	**(902,992)**
Acquisition of equity interests in a subsidiary from non-controlling interests	—	—	—	—	(1,261)	(1,261)
Dividends to non-controlling interests	—	—	—	—	(288,855)	(288,855)
Capital contribution from a non-controlling interest	—	—	—	—	1,200	1,200
Non-controlling interests arising on business combination	—	—	—	—	640,347	640,347
Disposal of equity interests in a subsidiary to a non-controlling interest	—	9,927	—	9,927	72,507	82,434
Total transactions with owners	**1,001,000**	**(1,759,113)**	**(134,952)**	**(893,065)**	**423,938**	**(469,127)**
Balance at 31 December 2011	**5,566,000**	**153,224**	**1,456,031**	**7,175,255**	**4,678,616**	**11,853,871**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2012

	Attributable to shareholders of the Company					
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2011	5,566,000	153,224	1,456,031	7,175,255	4,678,616	11,853,871
Comprehensive income:						
Profit for the year	—	—	317,006	317,006	392,132	709,138
Other Comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	268,247	—	268,247	164,748	432,995
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(195,715)	—	(195,715)	(54,668)	(250,383)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	(17,876)	—	(17,876)	(27,148)	(45,024)
Currency translation differences	—	(801)	—	(801)	—	(801)
Total other comprehensive income	**—**	**53,855**	**—**	**53,855**	**82,932**	**136,787**
Total comprehensive income	**—**	**53,855**	**317,006**	**370,861**	**475,064**	**845,925**
Transactions with owners:						
Total contributions by and distributions to owners of the Company recognized directly in equity						
Profit appropriation	—	26,363	(26,363)	—	—	—
Dividends (note 32)	—	—	(222,640)	(222,640)	—	(222,640)
Total contributions by and distributions to owners of the Company recognized directly in equity	**—**	**26,363**	**(249,003)**	**(222,640)**	**—**	**(222,640)**
Dividends to non-controlling interests	—	—	—	—	(261,351)	(261,351)
Capital contribution from a non-controlling interest	—	—	—	—	1,500	1,500
Disposal of equity interests in a subsidiary	—	—	—	—	(2,000)	(2,000)
Acquisition of equity interests in a subsidiary from non-controlling interests (note 37(a))	—	(11,087)	—	(11,087)	(53,832)	(64,919)
Total transactions with owners	**—**	**15,276**	**(249,003)**	**(233,727)**	**(315,683)**	**(549,410)**
Balance at 31 December 2012	**5,566,000**	**222,355**	**1,524,034**	**7,312,389**	**4,837,997**	**12,150,386**

The notes on pages 81 to 196 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	Year ended 31 December 2012 RMB'000	2011 RMB'000
Cash flows from operating activities:			
Cash generated from operations	33	**1,635,127**	1,617,068
Interest paid		**(134,574)**	(94,931)
Income tax paid		**(239,871)**	(210,166)
Transactions cost in relation to acquisition of jointly controlled entities	36	**(952)**	(4,777)
Net cash generated from operating activities		**1,259,730**	1,307,194
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment	33	**186,411**	106,359
Proceeds from disposal of interests in associates		**—**	1,535
Proceeds from disposal of available-for-sale financial assets		**462,964**	207,825
Proceeds from disposal of financial assets at fair value through profit or loss		**4,587**	1,804
Purchase of property, plant and equipment		**(906,358)**	(1,110,102)
Purchase of land use rights		**—**	(20,065)
Purchase of intangible assets		**(42,434)**	(124,597)
Purchase of interests in associates		**(30,057)**	(31,189)
Purchase of available-for-sale financial assets		**(238,794)**	(81,672)
Purchase of financial assets at fair value through profit or loss		**(4,623)**	(3,948)
Bank deposits within maturity of 12 months		**(135,000)**	—
Interest received		**25,283**	27,623
Dividends received		**260,386**	298,865
Advance received for disposal of a jointly controlled entity		**—**	20,000
Prepayment to a third party for acquisition of shares in an associate		**—**	(8,543)
Deferred consideration for acquisition of Shan Xi Jinguang Inn Company Limited ("Jinguang Inn")		**(11,000)**	(18,000)
Acquisition of jointly controlled entities, net of cash acquired	36	**(91,502)**	(47,715)
Net of cash acquired for business combination other than common control combination		**—**	60,147
Cash consideration for common control combination		**—**	(547,710)
Net cash used in investing activities		**(520,137)**	(1,269,383)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

		Year ended 31 December	
		2012	2011
	Note	RMB'000	RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		1,500	1,200
Payment to a non-controlling interest for acquisition of shares in a subsidiary	37(a)	(46,919)	—
Proceeds from borrowings		1,839,851	1,296,157
Repayments of borrowings		(1,680,101)	(1,139,285)
Dividends paid to non-controlling interests		(256,332)	(288,787)
Dividends paid to shareholders of the Company	32	(222,640)	(122,452)
Release of deposit/(deposit) pledged for borrowings		52,610	(25,956)
Net cash used in financing activities		(312,031)	(279,123)
Increase/(decrease) in cash and cash equivalents		427,562	(241,312)
Cash and cash equivalents at beginning of the year		2,494,175	2,747,102
Exchange losses on cash and cash equivalents		(598)	(11,615)
Cash and cash equivalents at end of the year	20(a)	2,921,139	2,494,175

The notes on pages 81 to 196 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 GENERAL INFORMATION

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

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

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

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

On 16 February 2011, 1,001,000,000 ordinary shares of RMB1 per share were issued and allotted to Jin Jiang International as part of the consideration to acquire Shanghai Jin Jiang International Industrial Investment Co., Ltd. ("Jin Jiang Investment") and Shanghai Jin Jiang International Travel Co., Ltd. ("Jin Jiang Travel") (the "Acquisition"). Accordingly, the share capital of the Company was increased to RMB5,566,000,000.

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

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

These consolidated financial statements were approved for issue by the board (the "Board") of directors (the "Director") of the Company on 28 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.1.1 Changes in accounting policies and disclosures

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

- HKAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognize 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 amortized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

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

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

2.2 Significant accounting policies

(a) Subsidiaries

(i) Consolidation

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

De-facto control may arise from circumstance where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

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

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

Business combinations

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

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Business combinations (continued)

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date from the acquisition date.

The carrying amount of an identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted. Comparative information presented in the separated and consolidated financial statements for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date. This includes any additional depreciation, amortization or other profit or loss effect recognized as a result of completing the initial accounting.

Common control combinations

For common control combinations, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Common control combinations (continued)

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the year in which it is incurred.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(ii) Separate financial statements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(b) Associates

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(c) Jointly controlled entities

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

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

(iii) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(f) Property, plant and equipment

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

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

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

Freehold land	Infinited (not depreciated)
Buildings	20 to 50 years
Plant and machinery	3 to 20 years
Operating vehicles	4 to 10 years
Motor vehicles	3 to 10 years
Furniture, fittings and equipment	3 to 17 years
Renovations and leasehold improvements	5 to 8 years but not exceeding the lease period

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(g) Investment properties

Investment properties comprise buildings, held for long-term rental yields or for capital appreciation or both and not occupied by the Group, and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives from 20 to 50 years.

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

(h) Land use rights

Land use rights represent the prepaid operating lease payments, which are charged to the consolidated income statement on a straight-line basis over the period of the lease. The accounting policy is described in note 2.2(y)(i).

(i) Intangible assets

(i) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(ii) Computer software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years).

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

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

(iv) Cost incurred to obtain management contracts

Interstate Hotels & Resorts, Inc. ("IHR Group")'s intangible assets consist of costs incurred to obtain hotel management contract which is amortized over the life of the related hotel management contract ranging from 1 year to 15 years on a straight-line basis.

(v) Favourable lease contracts

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

(vi) Licenses of operating vehicles

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

(vii) Others

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

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

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

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

(k) Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(l) Financial assets

Classification

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

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

This category includes: financial assets designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year ended 31 December 2012 and 2011, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(l) Financial assets (continued)

Recognition and measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(l) Financial assets (continued)

Impairment of financial assets

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

(m) Inventories

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

(n) Trade receivables, prepayments and other receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(o) Cash and cash equivalents

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

(p) Share capital

Ordinary shares are classified as equity.

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

(q) Trade and other payables

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

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

(r) Borrowings

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

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

(s) Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(t) Current and deferred income tax

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

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(iii) Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(u) Employee benefits

(i) Pension obligations

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

The Group's subsidiary in Hong Kong participates in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. Both the subsidiary and the employees are required to contribute 5% of the salaries of the employee's, up to a maximum of Hong Kong Dollar ("HK$") 1,250 per employee per month. The assets of MPF scheme are held separately from those of the subsidiary in an independent administered fund.

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

(ii) Housing benefits

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

(iii) Employee healthcare

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Defined contribution plans

IHR Group maintains the defined contribution savings plans for the employees. Eligibility for participation in the plans is based on an employee meeting certain minimum age and service requirements. Participants may make voluntary, pre tax contributions through salary deferrals to the plan in which they participate. Employer matching contributions are based on a percentage of employee contributions and are discretionary. IHR US pays contributions into the plan and has no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to the plan are expensed as incurred.

(v) Termination benefits

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

(v) Provisions and contingent liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(v) Provisions and contingent liabilities (continued)

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

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

(w) Government grants

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

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

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

(x) Revenue recognition

Revenue from hotel accommodation, hotel management and refrigerated logistics is recognized on a straight-line basis over the periods of the respective services.

Revenue from food and beverage sales, vehicle operating, freight forwarding, travel agency and other ancillary services is recognized when the services are rendered.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

Amounts received or receivable from hotel accommodation and food and beverage sales with awards points granted to customers, should be allocated between revenue from the service and fair value of awards points. Cash received or amounts receivable less the fair value of awards points is recognized as revenue, the fair value of awards points is recognized as deferred income. When customers exchange awards points, the Group recognized amounts previously recorded as deferred income as revenue calculated upon the basis of percentage of amounts exchanged to amounts expected to be exchanged.

The Group operates a loyalty programme where customers accumulate points for hotel service purchases made which entitle them to discounts on future hotel service purchases. The reward points are recognized as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognized as deferred income at their fair value. Revenue from the reward points is recognized when the points are redeemed. Breakage is recognized as reward points are redeemed based upon expected redemption rates. Reward points expire 24 months after the initial sale.

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

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

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

(y) Lease

(i) Operating leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Significant accounting policies (continued)

(y) Lease (continued)

(ii) Finance leases

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

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

(z) Financial guarantee contracts

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

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

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

(aa) Dividend distribution

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Market risk

(1) Foreign exchange risk

The Group mainly operates in Mainland China and US and most of the Group's transactions, assets and liabilities are denominated in RMB and United States Dollars ("US$"). Other foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses, and for foreign investments. Other foreign currencies are also received from overseas customers. The Group's trade receivables, prepayments and other receivables, cash and cash equivalents, trade and other payables, and borrowings as at 31 December 2012 and 2011 included foreign currencies, denominated in either US$ or other foreign currencies other than US$ ("Other foreign currencies") are disclosed in notes 18, 20, 22 and 23.

As at 31 December 2012, if RMB strengthens/weakens by 10% (2011: 10%) (i.e. RMB/US$ 6.2855 from 6.9141 to 5.6570) against US$ with all other variables held constant, post-tax profit for the year would have changed mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables, prepayments and other receivables, cash and cash equivalent, trade and other payables and borrowings. Details of the changes are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
The Group		
Increase/(decrease) in profit for the year		
— Strengthened	**2,388**	5,982
— Weakened	**(2,388)**	(5,892)
The Company		
Increase/(decrease) in profit for the year		
— Strengthened	**6,661**	8,142
— Weakened	**(6,661)**	(8,142)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(2) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in notes 20 and 23.

As at 31 December 2012, if interest rates on bank deposits and borrowings are 10% (2011: 10%) (i.e. 5% from 4.5% to 5.5%) higher/lower with all other variables held constant, the post-tax profit for the year would have changed mainly as a result of higher/lower interest expenses. Details of the changes are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
The Group		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(8,026)**	(5,189)
— Decrease in interest rates	**8,026**	5,189
The Company		
(Decrease)/increase in profit for the year		
— Increase in interest rates	**(5,514)**	(2,275)
— Decrease in interest rates	**5,514**	2,275

(3) Price risk

The Group is exposed to major equity securities price risk because of its holding of listed equity investments which are classified on the consolidated balance sheet as available-for-sale financial assets (note 14). The Group has not hedged its price risk arising from investments in equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(3) Price risk (continued)

As at 31 December 2012, if the quoted market price of the listed equity investments increases/decreases 30% with all other variables held constant, the equity would have changed mainly as a result of fair value gain/losses on available-for-sales financial assets. Details of the changes are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
The Group		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**406,396**	373,188
— Decrease in quoted market price	**(406,396)**	(373,188)
The Company		
Increase/(decrease) in other comprehensive income		
— Increase in quoted market price	**11,951**	27,958
— Decrease in quoted market price	**(11,951)**	(27,958)

(ii) Credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

As at 31 December 2012, these bank deposits and cash at bank were deposited in reputable financial institutions which are considered with low credit risk. The table below shows bank deposits and cash at bank balances by counterparties:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
The Group		
Counterparties		
— Big 4 domestic banks*	**1,728,503**	1,537,034
— Other domestic commercial banks	**976,976**	813,669
— Foreign owned banks	**202,465**	132,062
	2,907,944	2,482,765
The Company		
Counterparties		
— Big 4 domestic banks*	**19,139**	18,293
— Other domestic commercial banks	**18,325**	4,666
— Jin Jiang International Finance Company Limited	**134,673**	190,524
	172,137	213,483

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Credit risk exposure relating to off- balance sheet items		
— Financial guarantees	**51,940**	38,100

(iii) Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000
The Group				
As at 31 December 2012				
Borrowings (excluding finance lease liabilities)	610,937	1,100,167	930,901	—
Finance lease payables	2,810	3,051	9,153	17,470
Contractual interest payable	108,079	75,379	25,602	—
Trade and other payables (excluding non-financial liabilities)	2,871,102	137,097	—	—
Financial guarantees (off-balance sheet items)	25,600	10,000	—	—
As at 31 December 2011				
Borrowings (excluding finance lease liabilities)	519,149	914,164	920,799	—
Finance lease payables	2,568	3,051	9,153	20,279
Contractual interest payable	87,424	38,996	28,939	—
Trade and other payables (excluding non-financial liabilities)	2,519,726	165,232	—	—
Financial guarantees (off-balance sheet items)	34,100	4,000	—	—
The Company				
As at 31 December 2012				
Borrowings (excluding finance lease liabilities)	564,571	219,571	690,889	—
Contractual interest payable	66,381	45,612	17,339	—
Trade and other payables (excluding non-financial liabilities)	109,996	—	—	—
As at 31 December 2011				
Borrowings (excluding finance lease liabilities)	262,602	622,102	181,660	—
Contractual interest payable	42,493	13,764	8,866	—
Trade and other payables (excluding non-financial liabilities)	155,958	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management

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

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

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

The gearing ratios at 31 December 2012 and 2011 were as follows:

	As at 31 December	
	2012	2011
	RMB'000	RMB'000
The Group		
Total borrowings (note 23(a))	**2,665,750**	2,379,133
Total assets	**19,259,271**	18,266,083
Gearing ratio	**13.84%**	13.02%
The Company		
Total borrowings (note 23(b))	**1,475,031**	1,066,363
Total assets	**9,188,430**	8,750,926
Gearing ratio	**16.05%**	12.19%

The increase in the gearing ratio during 2012 results from the increase of total borrowings.

(c) Fair value estimation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
The Group				
As at 31 December 2012				
Available-for-sale financial assets				
— Equity securities (note 14(a))	1,808,326	—	47,529	1,855,855
— Debenture securities (note 14(a))	—	64,174	—	64,174
Financial assets at fair value through profit or loss				
— Equity securities	730	—	—	730
	1,809,056	64,174	47,529	1,920,759
As at 31 December 2011				
Available-for-sale financial assets				
— Equity securities (note 14(a))	1,658,857	—	47,503	1,706,360
Financial assets at fair value through profit or loss				
— Equity securities	911	—	—	911
	1,659,768	—	47,503	1,707,271
The Company				
As at 31 December 2012				
Available-for-sale financial assets				
— Equity securities (note 14(b))	53,114	—	25,844	78,958
As at 31 December 2011				
Available-for-sale financial assets				
— Equity securities (note 14(b))	124,257	—	25,844	150,101

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Mainland China and US equity investments classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications. There are no significant changes in level 3 instruments for the year ended 31 December 2012 and 2011.

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

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

The fair values estimation of non-current borrowings are disclosed in note 23.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. If the useful lives for property, plant and equipment had been 10% longer/shorter with all other variables held constant, profit for the year would have been RMB67,032,000 higher or RMB81,928,000 lower.

(ii) Deferred income tax assets and liabilities

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

The Group's management determines the deferred income tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be utilized. Management revises the assumptions and profit projections by the balance sheet date. If the profit projections of the Group had been 10% greater/less with all other variables held constant, profit for the year would have been RMB11,572,000 higher/lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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

Under HKAS 36, it is required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by the entity. These conditions include whether a significant decrease in the market value of the asset has occurred, whether changes in the entity's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen. In the last quarter of 2012, the Group's shares were trading at a level well below the carrying value of net assets. In addition, there has been a substantial downward shift in prices and economic activity over the recent months and a negative economic outlook for the coming years. This is considered an impairment indicator for the Group in total, and has resulted in a review of assets and cash generating units that might be impaired.

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

(iv) Impairment of trade receivables, prepayments and other receivables

The Group's management estimates the provision of impairment of trade receivables, prepayments and other receivables by assessing their recoverability. Provisions are applied to trade receivables, prepayments and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade receivables, prepayments and other receivables and impairment charge in the period in which such estimate has been changed. If the provision for impairment of trade receivables, prepayments and other receivables rate had been 10% higher/lower with all other variables held constant, profit for the year would have been RMB319,000 lower/higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

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

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

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

For the purposes of impairment testing, license of operating vehicles has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits. As at 31 December 2012, management determined that the CGU containing license of operating vehicles had not suffered any impairment. The basis of recoverable amount of the above CGU and the major underlying assumptions are summarized below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(vi) Estimated impairment of goodwill

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

For the purposes of impairment testing, goodwill has been allocated to the CGU of vehicle operating business that is expected to generate future economic benefits. As at 31 December 2012, management determined that the CGU containing goodwill had not suffered any impairment. The basis of recoverable amount of the above CGU and the major underlying assumptions are summarized below:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(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
	13,884,461	12,653,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover (continued)

(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

The segment results for the year ended 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
External sales (note 5(a))	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	2,732,225	2,103,695	323,676	3,236,253	3,374,866	2,079,036	128,367	13,978,118
Profit for the year	57,074	251,083	48,887	19,173	224,809	49,304	58,808	709,138
Other income (note 24)	212,180	18,724	49,196	13,878	62,783	57,933	108,914	523,608
Including: interest income (note 24)	5,501	625	958	1,026	9,190	9,251	1,090	27,641
Depreciation of property, plant and equipment (note 6)	(353,085)	(292,463)	(14,612)	(39,139)	(283,303)	(4,205)	(1,542)	(988,349)
Depreciation of investment properties (note 7)	(1,195)	–	–	–	(605)	(4,285)	–	(6,085)
Amortization of land use rights (note 8)	(47,416)	(10,843)	(101)	–	(1,876)	–	(356)	(60,592)
Amortization of intangible assets (note 9)	(5,953)	(7,550)	(1,007)	(36,802)	(257)	(514)	(606)	(52,689)
Inventories write-down (note 17)	(280)	–	–	–	–	–	–	(280)
Provision for impairment of trade receivables, prepayments and other receivables (note 18)	(323)	(3,332)	–	–	(1,034)	449	(15)	(4,255)
Finance costs (note 28)	(99,976)	(1,012)	–	(33,072)	(3,524)	–	(28)	(137,612)
Share of results of associates (note 12)	6,177	–	45,917	5,143	92,097	(7,435)	2,118	144,017
Income tax expense (note 29)	(11,265)	(81,395)	193	(1,585)	(47,559)	(12,555)	(32,535)	(186,701)
Capital expenditure	245,493	416,173	4,395	252,839	220,750	7,054	6,882	1,153,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment results for the year ended 31 December 2011 are as follows:

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	IHR Group RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
External sales (note 5(a))	2,582,773	1,888,091	270,513	2,752,993	3,187,741	1,930,426	40,897	12,653,434
Including: other revenue from managed properties	–	–	–	2,283,662	–	–	–	2,283,662
Inter-segment sales	4,995	1,338	10,651	–	3,940	1,973	87,297	110,194
Total gross segment sales	2,587,768	1,889,429	281,164	2,752,993	3,191,681	1,932,399	128,194	12,763,628
Profit for the year	231,873	179,004	82,753	9,523	295,025	28,866	80,101	907,145
Other income (note 24)	431,113	9,524	46,706	1,157	66,814	23,358	57,081	635,753
Including: interest income (note 24)	9,302	625	976	1,157	8,559	5,612	1,105	27,336
Depreciation of property, plant and equipment (note 6)	(386,187)	(295,927)	(13,289)	(39,117)	(269,422)	(5,847)	(688)	(1,010,477)
Depreciation of investment properties (note 7)	(158)	–	–	–	(605)	(4,285)	–	(5,048)
Amortization of land use rights (note 8)	(23,286)	(11,282)	(101)	–	(1,977)	(25)	(45)	(36,716)
Amortization of intangible assets (note 9)	(4,562)	(7,213)	(2,093)	(25,445)	(16)	(493)	(3,459)	(43,281)
Reversal of inventories write-down (note 17)	85	–	–	–	–	234	–	319
Provision for impairment of trade receivables, prepayments and other receivables (note 18)	(316)	(509)	–	(303)	(25)	(397)	3	(1,547)
Finance costs (note 28)	(41,582)	(1,012)	(8)	(40,960)	(3,932)	–	(2,259)	(89,753)
Share of results of associates (note 12)	5,380	–	70,216	2,161	102,607	(4,106)	1,066	177,324
Income tax expense (note 29)	(729)	(61,944)	341	53,238	(54,459)	(6,920)	(13,890)	(84,363)
Capital expenditure	1,514,237	327,002	48,012	215,383	435,657	2,238	291	2,542,820

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	5,789,524	3,540,493	348,828	1,563,889	3,218,368	1,337,586	3,460,583	19,259,271

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

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

Sales between segments are carried out 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

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 recognized arising from acquisition of subsidiaries relating to the respective segments.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), land use rights (note 8) and intangible assets (note 9), including additions resulting from acquisition of jointly controlled entities (note 36).

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

6 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost									
At 1 January 2011	61,558	5,624,048	2,856,477	1,565,818	1,606,513	290,136	828,747	642,942	13,476,239
Additions	—	33,040	33,463	25,135	42,780	14,127	29,160	850,783	1,028,488
Additions resulting from acquisition through business combination other than common control combination	—	344,049	16,199	24,522	—	467	4,036	—	389,273
Transfers from construction-in-progress	—	368,556	439,345	114,564	255,943	25,625	37,327	(1,241,360)	—
Disposals	—	(6,278)	(43,797)	(44,080)	(282,460)	(42,333)	(20,196)	—	(439,144)
Exchange differences	(2,991)	(21,643)	(870)	(106)	—	(12)	(4,044)	(720)	(30,386)
At 31 December 2011	58,567	6,341,772	3,300,817	1,685,853	1,622,776	288,010	875,030	251,645	14,424,470
Additions	—	1,312	19,758	16,875	57	22,356	41,506	787,060	888,924
Additions resulting from acquisition of a jointly controlled entity (note 36(a))	13,639	157,170	—	—	—	—	10,785	—	181,594
Transfers from construction-in-progress	—	46,780	315,091	54,344	146,269	21,707	60,660	(644,851)	—
Disposals	(11,768)	(68,629)	(65,476)	(48,359)	(174,349)	(50,868)	(64,673)	—	(484,122)
Exchange differences	(216)	(2,440)	(64)	(11)	—	(1)	(320)	(46)	(3,098)
At 31 December 2012	**60,222**	**6,475,965**	**3,570,126**	**1,708,702**	**1,594,753**	**281,204**	**922,988**	**393,808**	**15,007,768**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

	Freehold land RMB'000	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Operating vehicles RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment									
At 1 January 2011	—	(1,875,716)	(1,195,861)	(902,763)	(875,993)	(167,598)	(525,190)	—	(5,543,121)
Depreciation charge for the year (note 26)	—	(176,730)	(353,345)	(102,178)	(227,086)	(30,208)	(120,930)	—	(1,010,477)
Disposals	—	2,680	39,856	39,437	243,374	28,490	19,081	—	372,918
Exchange Difference	—	915	239	4	—	2	1,322	—	2,482
At 31 December 2011	—	(2,048,851)	(1,509,111)	(965,500)	(859,705)	(169,314)	(625,717)	—	(6,178,198)
Depreciation charge for the year (note 26)	—	(186,174)	(318,344)	(92,889)	(231,863)	(35,612)	(123,467)	—	(988,349)
Disposals	—	6,512	42,537	42,772	150,123	45,497	50,711	—	338,152
Exchange differences	—	72	21	1	—	—	68	—	162
At 31 December 2012	**—**	**(2,228,441)**	**(1,784,897)**	**(1,015,616)**	**(941,445)**	**(159,429)**	**(698,405)**	**—**	**(6,828,233)**
Net book amount									
At 31 December 2012	**60,222**	**4,247,524**	**1,785,229**	**693,086**	**653,308**	**121,775**	**224,583**	**393,808**	**8,179,535**
At 31 December 2011	58,567	4,292,921	1,791,706	720,353	763,071	118,696	249,313	251,645	8,246,272

Operating vehicles represent the vehicles operated for the business segment of vehicle and logistics, and motor vehicles represents the vehicles used for other business segments.

Depreciation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
Cost of sales	**922,709**	943,367
Selling and marketing expenses	**36,045**	36,852
Administrative expenses	**29,595**	30,258
	988,349	1,010,477

The net book amount (note 33) of property, plant and equipment is:

	2012 RMB'000	2011 RMB'000
Cost	**484,122**	439,144
Less: accumulated depreciation and impairment	**(338,152)**	(372,918)
	145,970	66,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

Construction-in-progress mainly includes renovations, leasehold improvements and operating vehicles, which are under construction for their intended use.

No borrowing costs (2011: nil) arising on financing entered into for the construction of certain property, plant and equipment have been capitalized and are included in "Additions" in property, plant and equipment.

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

	2012 RMB'000	2011 RMB'000
Cost — capitalized finance leases	**30,486**	30,486
Accumulated depreciation	**(6,709)**	(5,322)
Net book amount	**23,777**	25,164

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

All freehold land is located in US.

(b) The Company

	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-In-progress RMB'000	Total RMB'000
Cost							
At 1 January 2011	716,027	112,041	56,191	1,760	4,235	77,800	968,054
Additions	—	329	277	—	514	84,679	85,799
Disposals	—	(45)	(797)	(91)	(947)	—	(1,880)
Transfers from construction-in-progress	—	141,536	6,199	—	3,999	(151,734)	—
Transfer to non-current assets held for sale (note 16)	—	(134,063)	(4,807)	—	(3,105)	—	(141,975)
At 31 December 2011	716,027	119,798	57,063	1,669	4,696	10,745	909,998
Additions	—	6,211	1,238	696	9,224	7,432	24,801
Disposals	—	—	(2,940)	(695)	(2,836)	—	(6,471)
Transfers from construction-in-progress	—	4,935	3,037	—	1,210	(9,182)	—
Transfer from non-current assets held for sale (note 16)	—	134,063	4,807	—	3,105	—	141,975
At 31 December 2012	**716,027**	**265,007**	**63,205**	**1,670**	**15,399**	**8,995**	**1,070,303**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company (continued)

	Buildings RMB'000	Renovations and leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction-In-progress RMB'000	Total RMB'000
Accumulated depreciation and impairment							
At 1 January 2011	(79,058)	(38,680)	(37,150)	(523)	(695)	—	(156,106)
Depreciation charge for the year	(20,463)	(26,152)	(4,720)	(222)	(3,824)	—	(55,381)
Disposals	—	—	729	87	883	—	1,699
Transfer to non-current assets held for sale (note 16)	—	2,937	146	—	88	—	3,171
At 31 December 2011	(99,521)	(61,895)	(40,995)	(658)	(3,548)	—	(206,617)
Depreciation charge for the year	(21,342)	(34,676)	(4,653)	(254)	(4,363)	—	(65,288)
Disposals	—	—	2,732	643	2,593	—	5,968
Transfer from non-current assets held for sale (note 16)	—	(2,937)	(146)	—	(88)	—	(3,171)
At 31 December 2012	(120,863)	(99,508)	(43,062)	(269)	(5,406)	—	(269,108)
Net book amount							
At 31 December 2012	**595,164**	**165,499**	**20,143**	**1,401**	**9,993**	**8,995**	**801,195**
At 31 December 2011	616,506	57,903	16,068	1,011	1,148	10,745	703,381

Construction-in-progress for the Company mainly includes renovations and leasehold improvements, which are under construction for their intended use.

7 INVESTMENT PROPERTIES

(a) The Group

	Buildings RMB'000
Cost	
At 1 January 2011 and at 31 December 2011	258,949
Addition	39,524
At 31 December 2012	298,473
Accumulated depreciation	
At 1 January 2011	(62,661)
Charge for the year (note 26)	(5,048)
At 31 December 2011	(67,709)
Charge for the year (note 26)	(6,085)
At 31 December 2012	(73,794)
Net book amount	
At 31 December 2012	**224,679**
At 31 December 2011	191,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7 INVESTMENT PROPERTIES (CONTINUED)

(a) The Group (continued)

Depreciation has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of sales	**6,085**	5,048

Amounts recognized in profit and loss for investment properties

	2012	2011
	RMB'000	RMB'000
Rental revenue	**79,762**	65,703
Direct operating expenses from properties that generated rental revenue	**(16,125)**	(14,953)
	63,637	50,750

Valuation basis

The land use right and buildings located on, which are held to earn rentals, could not be separated for valuation purpose under income approach. The fair value of the properties as at 31 December 2012, which includes the building with the carrying amount of RMB224,679,000 (31 December 2011: RMB191,240,000) and the related land use right with the carrying amount of RMB21,577,000 (31 December 2011: RMB22,149,000), is approximately RMB869,677,000 (31 December 2011: RMB807,692,000).

At the end of each reporting period, the directors update their assessment of the fair value of each property. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows;

(iii) capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

The Group adopted the income approach to arrive at the fair value. The income approach determines the fair value by discounting its annual expected cash flows using an appropriate rate of return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7 INVESTMENT PROPERTIES (CONTINUED)

(a) The Group (continued)

Valuation basis (continued)

At the end of the reporting year, the key assumptions used by the directors in determining fair value were in the following ranges for the Group's portfolio of properties:

	2012	2011
Discount rate	**8.8%~11.0%**	8.8%~9.0%
Rental growth rate	**1.7%~5.0%**	1.7%~5.0%

All of the above key assumptions have been taken from the latest valuation assessment in the portfolio.

Leasing arrangements

Some of the investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease rentals under non-cancellable operating leases of investment properties not recognized in the consolidated financial statements are as follows:

	2012 RMB'000	2011 RMB'000
Not later than 1 year	**58,325**	42,739
Later than 1 year but not later than 5 years	**189,119**	182,310
Later than 5 years	**525,300**	570,780
	772,744	795,829

(b) The Company

	Buildings RMB'000
Cost	
At 1 January 2011, at 31 December 2011 and at 31 December 2012	6,616
Accumulated depreciation	
At 1 January 2011	(1,886)
Charge for the year (note 26)	(157)
At 31 December 2011	(2,043)
Charge for the year (note 26)	(157)
At 31 December 2012	(2,200)
Net book amount	
At 31 December 2012	**4,416**
At 31 December 2011	4,573

All the land included in investment properties is located in Mainland China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7 INVESTMENT PROPERTIES (CONTINUED)

(b) The Company (continued)

Valuation basis

The fair value of the property as at 31 December 2012, which includes the building with the carrying amount of RMB4,416,000 (31 December 2011: RMB4,573,000) and the related land use right with the carrying amount of RMB10,192,000 (31 December 2011: RMB10,504,000), is approximately RMB344,015,000 (31 December 2011: RMB343,259,000). The Company adopted the income approach to arrive at the fair value. The income approach determines the fair value by discounting its annual expected cash flows using an appropriate rate of return.

At the end of each reporting period, the directors update their assessment of the fair value of each property. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows;

(iii) capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

The Company adopted the income approach to arrive at the fair value. The income approach determines the fair value by discounting its annual expected cash flows using an appropriate rate of return.

At the end of the reporting year the key assumptions used by the directors in determining fair value were as follows:

	2012	2011
Discount rate	**11.0%**	8.8%
Rental growth rate	**1.7%**	1.7%

All of the above key assumptions have been taken from the latest valuation assessment in the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

8 LAND USE RIGHTS

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

(a) The Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost		
At beginning of the year	**2,295,235**	1,428,876
Additions	**–**	20,065
Additions resulting from acquisition through business combination other than common control combination	**–**	846,834
Disposal	**–**	(540)
At end of the year	**2,295,235**	2,295,235
Accumulated amortization		
At beginning of the year	**(259,672)**	(223,399)
Charge for the year (note 26)	**(60,592)**	(36,716)
Disposal	**–**	443
At end of the year	**(320,264)**	(259,672)
Net book amount		
At end of the year	**1,974,971**	2,035,563

Amortization has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of sales	**60,592**	36,716

Operating lease expenses amounting to RMB376,251,000 (2011: RMB365,600,000) relating to the lease of land and buildings are included in cost of sales (note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

8 LAND USE RIGHTS (CONTINUED)

(b) The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost		
At the beginning and end of the year	**373,685**	373,685
Accumulated amortization		
At beginning of the year	**(32,494)**	(19,850)
Charge for the year	**(12,644)**	(12,644)
At end of the year	**(45,138)**	(32,494)
Net book amount		
At end of the year	**328,547**	341,191

9 INTANGIBLE ASSETS

(a) The Group

	Goodwill	Software	World Expo Rights (i)	Cost incurred to obtain management contract	Favourable lease contract	Licences of operation vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January 2011	291,647	71,935	18,500	187,966	50,956	255,084	1,201	877,289
Addition	968	10,714	—	77,235	814	68,164	1,069	158,964
Additions resulting from acquisition through business combination other than common control combination	—	—	—	—	3,867	—	13	3,880
Additions resulting from acquisition of a jointly controlled entity	46,204	—	—	49,112	—	—	—	95,316
Disposal and written-off	—	(3)	(18,500)	(20,095)	—	—	—	(38,598)
Exchange difference	(11,702)	(289)	—	(11,863)	—	—	—	(23,854)
At 31 December 2011	327,117	82,357	—	282,355	55,637	323,248	2,283	1,072,997
Additions	—	11,606	—	28,969	—	1,797	62	42,434
Additions resulting from acquisition of a jointly controlled entity (note 36(a))	—	—	—	1,110	—	—	—	1,110
Disposal	—	(142)	—	(23,829)	—	—	—	(23,971)
Exchange differences	—	(14)	—	(1,295)	—	—	—	(1,309)
At 31 December 2012	**327,117**	**93,807**	**—**	**287,310**	**55,637**	**325,045**	**2,345**	**1,091,261**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

	Goodwill RMB'000	Software RMB'000	World Expo Rights (i) RMB'000	Cost incurred to obtain management contract RMB'000	Favourable lease contract RMB'000	Licences of operation vehicles RMB'000	Others RMB'000	Total RMB'000
Accumulated amortization								
At 1 January 2011	—	(38,712)	(15,922)	(12,337)	(2,537)	—	(1,201)	(70,709)
Charge for the year (note 26)	—	(11,248)	(2,578)	(23,467)	(5,817)	—	(171)	(43,281)
Disposal and written-off	—	—	18,500	2,620	—	—	—	21,120
Exchange difference	—	121	—	1,126	—	—	—	1,247
At 31 December 2011	—	(49,839)	—	(32,058)	(8,354)	—	(1,372)	(91,623)
Charge for the year (note 26)	—	(11,883)	—	(35,657)	(4,670)	—	(479)	(52,689)
Disposal	—	30	—	7,057	—	—	—	7,087
Exchange differences	—	9	—	110	—	—	—	119
At 31 December 2012	—	(61,683)	—	(60,548)	(13,024)	—	(1,851)	(137,106)
Net book amount								
At 31 December 2012	**327,117**	**32,124**	**—**	**226,762**	**42,613**	**325,045**	**494**	**954,155**
At 31 December 2011	327,117	32,518	—	250,297	47,283	323,248	911	981,374

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

The right was expired on 30 April 2011 and the related cost and accumulated amortization was offset for the year ended 31 December 2011.

Amortization has been charged to the consolidated income statement as follows (note 26):

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Cost of sales	**52,689**	43,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

Impairment tests for goodwill

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Star-rated hotels	**28,377**	28,377
Budget hotels	**46,619**	46,619
IHR Group	**252,121**	252,121
	327,117	327,117

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

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

The key assumption used for value-in-use calculations in 2012 are as follows:

	Star-rated Hotels	**Budget Hotels**	**IHR Group**
Gross margin	**32.0%**	**21.0%**	**46.0%**
Growth rate	**3.8%**	**3.8%**	**3.0%**
Discount rate (pre-tax)	**15.0%**	**15.0%**	**13.4%**

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

	Star-rated Hotels	Budget Hotels	IHR Group
Gross margin	32.0%	20.0%	46.0%
Growth rate	3.8%	4.1%	3.1%
Discount rate (pre-tax)	15.0%	15.0%	15.0%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

9 INTANGIBLE ASSETS (CONTINUED)

(a) The Group (continued)

Impairment tests for licenses of operation vehicles

The licenses of operation vehicles impairment assessment is based on recoverable amounts which are determined by their value in use.

The recoverable amounts of licenses of operation vehicles are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a fifty-year period. Cash flows beyond the fifty-year period are extrapolated using the estimated growth rates stated below.

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

	2012	2011
Gross margin	32.8%	35.5%
Growth rate	4.8%	4.5%
Discount rate (pre-tax)	15.0%	15.0%

(b) The Company

	Software RMB'000
Cost	
At 1 January 2011	9,353
Additions	2,558
At 31 December 2011	11,911
Additions	1,399
Disposal	—
At 31 December 2012	13,310
Accumulated amortization	
At 1 January 2011	(3,418)
Charge for the year	(3,116)
At 31 December 2011	(6,534)
Charge for the year	(2,266)
At 31 December 2012	(8,800)
Net book amount	
At 31 December 2012	**4,510**
At 31 December 2011	5,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Investments at cost		
— Shares of listed companies (i)	**2,909,793**	2,909,793
— Unlisted equity investments	**4,988,108**	4,988,108
	7,897,901	7,897,901
Market value of listed shares	**6,383,591**	7,567,203

	At 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**7,897,901**	5,454,576
Additions	**—**	2,443,325
Investment at cost	**7,897,901**	7,897,901

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

Particulars of the Company's principal subsidiaries are set out in note 39.

Investment in subsidiaries are measured at the fair value of the consideration paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

(a) The Group

The Group's share of assets and liabilities, revenue and results of jointly controlled entities included in consolidated balance sheet and consolidated income statement during the year ended 31 December 2012 and 2011 are set out as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Assets		
Non-current assets	1,981,918	1,818,387
Current assets	857,180	862,682
	2,839,098	2,681,069
Liabilities		
Non-current liabilities	724,370	740,205
Current liabilities	709,517	632,366
	1,433,887	1,372,571
Net assets	1,405,211	1,308,498
Proportionate interests in jointly controlled entities' capital and lease commitments	135,406	139,568

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Revenue	4,899,420	4,372,492
Expenses	(4,798,776)	(4,309,433)
Profit before income tax	100,644	63,059
Income tax expense (i)	(25,016)	28,219
Profit for the year	75,628	91,278

(i) The amount for the year ended 31 December 2011 mainly includes the tax effect of IHR Group's recognition of previously unrecognized tax losses of RMB54,105,000 (note 29).

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

Particulars of the Group's principal jointly controlled entities are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted equity investments, at cost	**838,245**	823,245

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**823,245**	1,027,212
Additions	**15,000**	15,000
Step-up acquisition to subsidiary	**—**	(218,967)
Unlisted equity investments, at cost	**838,245**	823,245

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

12 INVESTMENTS IN ASSOCIATES

(a) The Group

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**692,622**	681,537
Additions	**38,600**	31,189
Share of results of associates	**144,017**	177,324
— Profit before income tax	**198,451**	232,888
— Income tax expense	**(54,434)**	(55,564)
Declaration of dividends	**(184,419)**	(193,122)
Disposals	**—**	(1,535)
Exchange differences	**(4,727)**	(2,771)
At end of the year	**686,093**	692,622

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For the year ended 31 December 2012

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Total assets	**1,606,034**	1,669,006
Total liabilities	**919,941**	976,384
Revenue	**2,454,518**	2,671,049
Profit for the year	**144,017**	177,324

Particulars of the Group's principal associates are set out in note 39.

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Unlisted equity investments, at cost	**215,387**	215,387
Less: provision for impairment	**(5,400)**	(5,400)
	209,987	209,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

(a) The Group

	Loans and receivables RMB'000	Financial assets at fair value through the profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2012				
Available-for-sale financial assets (note 14)	—	—	2,060,511	2,060,511
Trade receivables, prepayments and other receivables excluding non-financial assets (note 18)	878,143	—	—	878,143
Financial assets at fair value through profit or loss	—	730	—	730
Restricted cash (note 19)	547,877	—	—	547,877
Cash and cash equivalents (note 20)	2,921,139	—	—	2,921,139
	4,347,159	730	2,060,511	6,408,400

	Financial liabilities at amortized cost RMB'000
31 December 2012	
Borrowings (excluding finance lease liabilities) (note 23)	2,642,005
Finance lease liabilities (note 23)	23,745
Trade and other payables excluding non-financial liabilities	2,871,102
	5,536,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

(a) The Group (continued)

	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2011				
Available-for-sale financial assets (note 14)	—	—	1,832,479	1,832,479
Trade receivables, prepayments and other receivables excluding non-financial assets (note 18)	680,420	—	—	680,420
Financial assets at fair value through profit or loss	—	911	—	911
Restricted cash (note 19)	326,483	—	—	326,483
Cash and cash equivalents (note 20)	2,494,175	—	—	2,494,175
	3,501,078	911	1,832,479	5,334,468

	Financial liabilities at amortized cost RMB'000
31 December 2011	
Borrowings (excluding finance lease liabilities) (note 23)	2,354,112
Finance lease liabilities (note 23)	25,021
Trade and other payables excluding non-financial liabilities	2,519,726
	4,898,859

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

(b) The Company

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2012			
Available-for-sale financial assets (note 14)	—	84,714	84,714
Trade and other receivables excluding non-financial assets (note 18)	776,816	—	776,816
Cash and cash equivalents (note 20)	172,571	—	172,571
	949,387	84,714	1,034,101

	Financial liabilities at amortized cost 2012 RMB'000
31 December 2012	
Borrowings (note 23)	1,475,031
Trade and other payables excluding non-financial liabilities	109,996
	1,585,027

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
31 December 2011			
Available-for-sale financial assets (note 14)	—	155,857	155,857
Trade and other receivables excluding non-financial assets (note 18)	170,862	—	170,862
Restricted cash (note 19)	12,000	—	12,000
Cash and cash equivalents (note 20)	214,011	—	214,011
	396,873	155,857	552,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

(b) The Company (continued)

	Financial liabilities at amortized cost 2011 RMB'000
31 December 2011	
Borrowings (note 23)	1,066,363
Trade and other payables excluding non-financial liabilities	155,958
	1,222,321

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) The Group

	Year ended 31 December	
	2012 RMB'000	2011 RMB'000
At beginning of the year	**1,832,479**	2,711,452
Additions	**254,057**	81,882
Fair value changes (recorded under other comprehensive income)	**432,995**	(743,309)
Disposals	**(458,702)**	(210,582)
Exchange differences	**(318)**	(6,964)
At end of the year	**2,060,511**	1,832,479
Less: current portion of available-for-sale financial assets (i)	**(64,174)**	—
	1,996,337	1,832,479

(i) Current portion of available-for-sale financial assets represents the unlisted debenture securities within maturity with 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) The Group (continued)

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities — Mainland China	**1,800,624**	1,652,190
— Equity securities — US	**7,702**	6,667
Unlisted securities, at fair value		
— Equity securities — Mainland China	**25,844**	25,844
— Equity securities — US	**21,685**	21,659
— Debenture securities with expected interest rate ranging from 2.1% to 9.5% and maturity of 12 months	**64,174**	—
Unlisted securities, at cost		
— Equity securities — Mainland China (ii)	**159,125**	144,762
Less: provision for impairment of unlisted equity investments, at cost	**(18,643)**	(18,643)
	2,060,511	1,832,479
Market value of listed equity investments	**1,808,326**	1,658,857

(ii) The balance represents the Group's investments in various companies which do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

(b) The Company

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**155,857**	193,855
Fair value changes (recorded under other comprehensive income)	**101,553**	(37,998)
Disposals	**(172,696)**	—
At end of the year	**84,714**	155,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(b) The Company (continued)

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Listed securities, at fair value		
— Equity securities — Mainland China	**53,114**	124,257
Unlisted securities, at fair value		
— Equity securities — Mainland China	**25,844**	25,844
Unlisted securities, at cost		
— Equity securities — Mainland China (i)	**7,756**	7,756
Less: provision for impairment	**(2,000)**	(2,000)
	84,714	155,857
Market value of listed equity investments	**53,114**	124,257

(i) The balance represents the Group's investments in various companies which do not have a quoted market price in an active market and whose fair value cannot be reliably measured because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

15 DEFERRED INCOME TAX

(a) The Group

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Deferred income tax assets		
— Deferred income tax assets to be recovered after more than 12 months	**269,008**	224,884
— Deferred income tax assets to be recovered within 12 months	**15,330**	19,697
	284,338	244,581
Deferred income tax liabilities		
— Deferred income tax liabilities to be settled after more than 12 months	**(663,160)**	(630,491)
— Deferred income tax liabilities to be settled within 12 months	**(9,458)**	(9,880)
	(672,618)	(640,371)
	(388,280)	(395,790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**(395,790)**	(448,631)
Additions resulting from acquisition through business combination other than common control combination	**—**	(255,980)
Credited to consolidated income statement (note 29)	**52,665**	116,269
Credited to equity in connection with the tax effect of employment termination benefit for disposal of equity interests in a subsidiary to a non-controlling interest	**—**	4,902
Credited to other comprehensive income	**(45,024)**	189,035
Exchange differences	**(131)**	(1,385)
At end of the year	**(388,280)**	(395,790)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Asset basis differences (i) RMB'000	Other temporary differences (ii) RMB'000	Total RMB'000
At 1 January 2011	11,469	37,403	47,057	14,609	80,688	20,526	211,752
Additions resulting from acquisition through business combination other than common control combination	4	—	—	—	—	—	4
Credited to equity in connection with the tax effect of employment termination benefit for disposal of equity interests in a subsidiary to a non-controlling interest	—	—	—	4,902	—	—	4,902
(Charged)/credited to consolidated income statement	(2,572)	(2,301)	93,648	8,184	—	12,106	109,065
Exchange differences	—	(1,697)	(1,385)	—	—	—	(3,082)
At 31 December 2011	8,901	33,405	139,320	27,695	80,688	32,632	322,641
(Charged)/credited to consolidated income statement	970	(10,443)	24,765	7,515	—	8,250	31,057
Exchange differences	—	(66)	(132)	—	—	—	(198)
At 31 December 2012	**9,871**	**22,896**	**163,953**	**35,210**	**80,688**	**40,882**	**353,500**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

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

(ii) The amount mainly includes the deferred income tax effect for deferred revenue under customer royalty program and accrued rental expenses.

Deferred income tax liabilities:

	Impairment of assets (i) RMB'000	Accelerated tax depreciation RMB'000	Fair value changes RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2011	(3,920)	(165,038)	(488,283)	(3,142)	(660,383)
Additions resulting from acquisition through business combination other than common control combination	—	(255,984)	—	—	(255,984)
(Charged)/credited to consolidated income statement	(416)	6,358	—	1,262	7,204
Credited to other comprehensive income	—	—	189,035	—	189,035
Exchange differences	—	1,602	—	95	1,697
At 31 December 2011	(4,336)	(413,062)	(299,248)	(1,785)	(718,431)
(Charged)/credited to consolidated income statement	(1,000)	22,960	—	(352)	21,608
Credited to other comprehensive income	—	—	(45,024)	—	(45,024)
Exchange differences	—	64	—	3	67
At 31 December 2012	**(5,336)**	**(390,038)**	**(344,272)**	**(2,134)**	**(741,780)**

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

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For the year ended 31 December 2012

15 DEFERRED INCOME TAX (CONTINUED)

(a) The Group (continued)

Deferred income tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB230,191,000 (2011: RMB219,943,000) in respect of tax losses, as the Directors believe it is more likely than not that such tax losses would not be realized before their expiry between 2013 to 2032. The expiry of related unrecognized deferred income tax assets are analysed as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Within 1 year	21,066	17,596
Between 1 and 2 years	35,888	23,053
Between 2 and 3 years	21,112	41,364
Between 3 and 4 years	49,018	21,370
Between 4 and 5 years	46,182	54,484
Over 5 years (i)	56,925	62,076
	230,191	219,943

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

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Deferred income tax assets to be settled after more than 12 months	–	–
Deferred income tax liabilities to be settled after more than 12 months	(560,532)	(559,130)
	(560,532)	(559,130)

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	(559,130)	(602,468)
Credited to income statement	5,118	33,839
Credited to other comprehensive income	(6,520)	9,499
At end of the year	(560,532)	(559,130)

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15 DEFERRED INCOME TAX (CONTINUED)

(b) The Company (continued)

The movement in deferred income tax assets and liabilities during the year ended 31 December 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Tax loss RMB'000	Provision RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	5,484	4,810	4,646	3,541	18,481
Credited to income statement	8	28,744	—	2,697	31,449
At 31 December 2011	5,492	33,554	4,646	6,238	49,930
Credited to income statement	(10)	17,014	—	(6,111)	10,893
At 31 December 2012	**5,482**	**50,568**	**4,646**	**127**	**60,823**

Deferred income tax liabilities:

	Fair value changes RMB'000	Asset basis differences (i) RMB'000	Total RMB'000
At 1 January 2011	(10,823)	(610,126)	(620,949)
Charged to income statement	—	2,390	2,390
Credited to other comprehensive income	9,499	—	9,499
At 31 December 2011	(1,324)	(607,736)	(609,060)
Credited to income statement	—	(5,775)	(5,775)
Credited to other comprehensive income	(6,520)	—	(6,520)
At 31 December 2012	**(7,844)**	**(613,511)**	**(621,355)**

(i) The special tax treatment rules are applied in the reorganization with Jin Jiang Hotels Development according to Caishui [2009] No.59 "Notice Regarding Several Questions about Corporate Income Tax Treatment for Corporate Restructuring", and accordingly it is not taxable for the difference between the fair value of the assets transferred to the Company and their historical costs recorded by Jin Jiang Hotels Development. Such difference leads to a future income tax effect which is recognized as a deferred income tax liability.

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16 NON-CURRENT ASSETS HELD FOR SALE

The Company

In 2011, the Company entered an agreement with a subsidiary in Beijing to transfer the leasehold improvements, machinery and equipment of a leased property in Beijing currently managed by the Company to the subsidiary within 1 year. The net book amount of RMB138,804,000 leasehold improvements, machinery and equipment (note 6) were reclassified as non-current assets held for sale as at 31 December 2011. The transaction was not completed in 2012 due to the delay in change of lease agreement.

In the second half of 2012, the Company intended to change the subject of the agreement to include related liabilities other than the leasehold improvements, machinery and equipment of the leased property. The related assets and liabilities were probably not available for immediate sale in this condition and the criteria classifying the assets as held for sale was no longer met. Accordingly, the Company ceased to classify the non-current assets as held for sale and measured the non-current assets at their carrying amount before the assets was classified as held for sale, adjusted for any depreciation and amortization that would have been recognized had the asset not been classified as held for sale.

17 INVENTORIES

(a) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Raw materials	**58,228**	51,752
Finished goods/goods held for resale	**74,996**	67,296
Consumables and supplies	**27,012**	34,305
	160,236	153,353

The cost of inventories recognized as expense and included in cost of sales amounted to RMB3,459,747,000 (2011: RMB3,172,014,000) (note 26).

The Group provided the write-down of inventories by RMB280,000 for the year ended 31 December 2012 (2011: reversal of inventory write-down by RMB319,000) (note 26).

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Raw materials	**2,561**	3,664
Finished goods/goods held for resale	**431**	302
Consumables and supplies	**288**	311
	3,280	4,277

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18 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

(a) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	549,976	427,326
Less: provision for impairment of trade receivables	(12,910)	(11,961)
Trade receivables — net	537,066	415,365
Amounts due from related parties (note 38(b))	272,958	153,204
Prepayments and deposits	386,864	386,610
Accrual rental revenue	26,530	20,015
Prepayment of acquisition of a subsidiary and available-for-sale financial assets	—	40,500
Notes receivable	12,878	22,797
Others receivables	40,658	42,798
Less: provision for impairment of other receivables	(11,947)	(14,259)
Trade receivables, prepayments and other receivables — net	727,941	651,665
	1,265,007	1,067,030
Less: non-current portion of trade receivables, prepayments and other receivables	(42,038)	(71,722)
	1,222,969	995,308
Non-current portion of trade receivables, prepayments and other receivables	42,038	71,722

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

Provision for impairment of other receivables mainly represents the provision for impairment of amounts due from related parties.

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18 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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:

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

As of 31 December 2012, trade receivables of RMB27,445,000 (31 December 2011: RMB21,067,000) were impaired and the corresponding amount of the provision was RMB12,910,000 (31 December 2011: RMB11,961,000). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. Ageing analysis of these impaired receivables at respective balance sheet dates are as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
3 months to 1 year	**13,875**	9,727
Over 1 year	**13,570**	11,340
	27,445	21,067

As of 31 December 2012, trade receivables of RMB15,297,000 (31 December 2011: RMB8,822,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
3 months to 1 year	**12,339**	8,822
Over 1 year	**2,958**	—
	15,297	8,822

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18 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) The Group (continued)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
— RMB	**1,028,623**	877,956
— US$	**232,903**	183,167
— Other foreign currencies	**3,481**	5,907
	1,256,007	1,067,030

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
At beginning of the year	**(26,220)**	(26,944)
Receivables written off as uncollectible	**5,618**	2,271
Provision for impairment of trade receivables, prepayments and other receivables (note 26)	**(4,255)**	(1,547)
At end of the year	**(24,857)**	(26,220)

The creation and usage of provision for impaired receivables have been included in "Administrative expenses" in the consolidated income statement (note 26).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

18 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Trade receivables	**5,895**	6,916
Less: provision for impairment of trade receivables	**(165)**	(205)
Trade receivables — net	**5,730**	6,711
Amounts due from related parties (note 38(c))	**762,962**	164,411
Prepayments and deposits	**14,561**	17,773
Others receivables	**18,897**	10,513
Less: provision for impairment of other receivables	**(10,773)**	(10,773)
Trade receivables, prepayments and other receivables — net	**785,647**	181,924
	791,377	188,635
Less: non-current portion of trade receivables, prepayments and other receivables	**(15,582)**	(6,622)
	775,795	182,013
Non-current portion of trade receivables, prepayments and other receivables	**15,582**	6,622

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

Provision for impairment of other receivables mainly represents the provision for impairment of amounts due from related parties.

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
0 to 3 months	**5,403**	6,500
3 months to 1 year	**286**	251
Over 1 year	**206**	165
	5,895	6,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

18 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(b) The Company (continued)

As of 31 December 2012, trade receivables of RMB236,000 (31 December 2011: RMB324,000) were impaired. The Amount of the provision was RMB165,000 (31 December 2011: RMB205,000). The impairment is firstly assessed individually for individual significant or long ageing balances, and the remaining balances are grouped for collective assessment according to their ageing and historical default rates as these customers are of similar credit risk characteristics. Ageing analysis of these receivables at respective balance sheet dates are as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
3 months to 1 year	**78**	159
Over 1 year	**158**	165
	236	324

As of 31 December 2012, trade receivables of RMB256,000 (31 December 2011: RMB92,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
3 months to 1 year	**208**	92
Over 1 year	**48**	—
	256	92

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
— RMB	**791,199**	187,645
— US$	**178**	990
	791,377	188,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19 RESTRICTED CASH

(a) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Mandatory reserve deposit (i)	**399,348**	259,718
Deposit pledged for borrowings (ii)	**–**	52,610
Other restricted cash (iii)	**148,529**	14,155
	547,877	326,483

The restricted cash is all denominated in RMB.

(i) Mandatory reserve deposit of Jin Jiang International Finance Company Limited, a subsidiary and non-bank finance company, was placed with the People's Bank of China, the central bank of the Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.62% (2011: 1.62%) per annum.

(ii) At 31 December 2011, the deposit was placed with commercial banks as pledge for borrowings amounted to US$18,400,000, equivalent to RMB115,937,000 and US$6,445,000, equivalent to RMB40,610,000 respectively (note 23(a)). The weighted average effective interest rate on the deposit was 3.41% per annum.

(iii) Other restricted cash included (1) guarantee fund for providing travel agency services of RMB8,982,000 (31 December 2011: RMB8,982,000) as is required by National Tourism Administration of the People's Republic of China with effective interest rate of 3.25% (2011: 3.50%), (2) deposit pledged for issuance of letters of credit of RMB4,547,000 (31 December 2011: RMB5,173,000) with effective interest rate of 0.35% (2011: 0.50%), (3) bank deposits of RMB135,000,000 (31 December 2011: nil) with effective interest rate of 4.05% (2011: nil) per annum, which cannot be withdrawn before maturity of 12 months.

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Deposit pledged for borrowings	**–**	12,000

The restricted cash is all denominated in RMB.

At 31 December 2011, the deposit was placed with commercial banks as pledge for borrowings amounted to US$18,400,000, equivalent to RMB115,937,000 and US$6,445,000, equivalent to RMB40,610,000 respectively. The weighted average effective interest rate on the deposit was 3.41% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

20 CASH AND CASH EQUIVALENTS

(a) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Cash at bank and in hand	**2,329,125**	1,786,458
Bank deposits	**592,014**	707,717
	2,921,139	2,494,175
Cash and cash equivalents denominated in		
— RMB	**2,650,571**	2,265,729
— US$	**265,469**	224,710
— Other foreign currencies	**5,099**	3,736
	2,921,139	2,494,175

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 7 days to 90 days, was 3.41% (2011: 3.49%) per annum.

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Cash at bank and in hand	**115,571**	130,011
Bank deposits	**57,000**	84,000
	172,571	214,011
Cash and cash equivalents denominated in		
— RMB	**168,470**	211,537
— US$	**4,071**	2,453
— Other foreign currencies	**30**	21
	172,571	214,011

The weighted average effective interest rate on short-term bank deposits, with maturities mostly ranging from 30 days to 90 days, was 2.89% (2011: 2.13%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21 SHARE CAPITAL AND RESERVES

(a) Share capital — the Group and the Company

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2011	4,565,000	4,565,000
Issue of ordinary shares	1,001,000	1,001,000
At 31 December 2011 and 2012	5,566,000	5,566,000

The Group issued 1,001,000,000 ordinary shares of RMB1 per share at a price of HK$2.2 on 16 February 2011.

The share premium of RMB912,480,000 was recorded as capital surplus in reserves (note 21(b)).

(b) Reserves — the Group

	Other reserves							
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011	1,069,752	432,008	(192,223)	914,842	(5,254)	2,219,125	1,054,805	3,273,930
Profit for the year	—	—	—	—	—	—	536,178	536,178
Fair value changes on available-for-sale financial assets — gross	—	—	—	(391,132)	—	(391,132)	—	(391,132)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	—	—	(6,445)	—	(6,445)	—	(6,445)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	—	99,395	—	99,395	—	99,395
Profit appropriation	—	12,500	—	—	—	12,500	(12,500)	—
Currency translation differences	—	—	—	—	(8,606)	(8,606)	—	(8,606)
Issue of shares, net of expenses (note 21(a))	912,480	—	—	—	—	912,480	—	912,480
Consideration for common control combination	—	—	(2,694,020)	—	—	(2,694,020)	—	(2,694,020)
Dividends declared (note 32)	—	—	—	—	—	—	(122,452)	(122,452)
Disposal of equity interests in a subsidiary to a non-controlling interest	9,927	—	—	—	—	9,927	—	9,927
At 31 December 2011	1,992,159	444,508	(2,886,243)	616,660	(13,860)	153,224	1,456,031	1,609,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group (continued)

	Other reserves							
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sale financial assets (iv) RMB'000	Currency translation differences RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
At 31 December 2011	1,992,159	444,508	(2,886,243)	616,660	(13,860)	153,224	1,456,031	1,609,255
Profit for the year	—	—	—	—	—	—	317,006	317,006
Fair value changes on available-for-sale financial assets — gross	—	—	—	268,247	—	268,247	—	268,247
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	—	—	(195,715)	—	(195,715)	—	(195,715)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	—	(17,876)	—	(17,876)	—	(17,876)
Profit appropriation	26,363	—	—	—	26,363	(26,363)	—	
Currency translation differences	—	—	—	—	(801)	(801)	—	(801)
Dividends declared (note 32)	—	—	—	—	—	—	(222,640)	(222,640)
Acquisition of equity interests in a subsidiary from a non-controlling interest (note 37(a))	(11,087)	—	—	—	—	(11,087)	—	(11,087)
At 31 December 2012	1,981,072	470,871	(2,886,243)	671,316	(14,661)	222,355	1,524,034	1,746,389

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21 SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves — the Group (continued)

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

(c) Reserves — the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Available-for sale financial assets RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	1,096,678	185,799	32,471	1,314,948	1,387,271	2,702,219
Profit for the year	—	—	—	—	331,369	331,369
Fair value changes on available-for-sale financial assets — gross	—	—	(37,998)	(37,998)	—	(37,998)
Fair value changes on available-for-sale financial assets — tax	—	—	9,499	9,499	—	9,499
Issue of shares for common control combination	442,819	—	—	442,819	—	442,819
Dividends declared (note 32)	—	—	—	—	(122,452)	(122,452)
Profit appropriation	—	12,500	—	12,500	(12,500)	—
At 31 December 2011	1,539,497	198,299	3,972	1,741,768	1,583,688	3,325,456
Profit for the year	—	—	—	—	276,542	276,542
Fair value changes on available-for-sale financial assets — gross	—	—	101,553	101,553	—	101,553
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	—	(75,475)	(75,475)	—	(75,475)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	(6,520)	(6,520)	—	(6,520)
Dividends declared (note 32)	—	—	—	—	(222,640)	(222,640)
Profit appropriation	—	26,363	—	26,363	(26,363)	—
At 31 December 2012	1,539,497	224,662	23,530	1,787,689	1,611,227	3,398,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

22 TRADE AND OTHER PAYABLES

(a) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
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 (note 38(b))	**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
	3,649,950	3,271,764
Less: non-current portion of trade and other payables	**(137,097)**	(165,232)
	3,512,853	3,106,532
Non-current portion of trade and other payables	**137,097**	165,232

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

22 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The Group (continued)

The carrying amount of trade and other payables approximates their fair value. The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
— RMB	3,296,747	2,987,161
— US$	337,622	270,815
— Other foreign currencies	15,581	13,788
	3,649,950	3,271,764

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Trade payables	7,409	15,783
Payables for purchases of property, plant and equipment, and intangible assets	25,063	35,801
Amounts due to related parties (note 38(c))	3,262	4,328
Employee benefit payables	49,057	79,258
Other taxes payable	13,330	13,330
Accrued expenses	8,597	8,030
Advances from customers	17,671	18,302
Other payables	11,875	7,458
	136,264	182,290

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
0 to 3 months	6,414	15,142
3 months to 1 year	786	622
Over 1 year	209	19
	7,409	15,783

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

All of the Company's trade and other payables are dominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23 BORROWINGS

(a) The Group

	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 (note 38(b))	—	901,563
Finance lease liabilities	23,745	25,021
	2,102,455	1,988,522
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	(1,491)	(1,274)
	2,053,322	1,858,710
Borrowings included in current liabilities:		
Bank borrowings — secured	48,575	48,139
Bank borrowings — unsecured	30,220	76,554
Borrowings from related parties (note 38(b))	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 financial lease	1,491	1,274
	612,428	520,423

As at 31 December 2012, the secured bank borrowings included:

(1) Bank borrowings of US$14,960,000 equivalent to RMB94,031,000 (31 December 2011: US$16,960,000, equivalent to RMB106,863,000), which were guaranteed by Jin Jiang International;

(2) Bank borrowings of US$41,880,000, equivalent to RMB263,241,000 (31 December 2011:US$31,039,000, equivalent to RMB195,573,000), which were secured by assets with carrying amount of US$69,546,000, equivalent to RMB437,131,000 (31 December 2011: US$57,951,000, equivalent to RMB365,143,000);

(3) Bank borrowings of US$5,356,000, equivalent to RMB33,668,000 (31 December 2011: nil), which were guaranteed by a non-controlling interest of a subsidiary;

(4) Bank borrowings of US$2,371,000, equivalent to RMB14,907,000 (31 December 2011: US$1,195,000, equivalent to RMB7,529,000), which were pledged by trade receivables of approximately US$2,964,000, equivalent to RMB18,684,000 (31 December 2011: US$1,328,000, equivalent to RMB8,368,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23 BORROWINGS (CONTINUED)

(a) The Group (continued)

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

(1) Bank borrowings of US$18,400,000, equivalent to RMB115,653,000, which were pledged by the restricted cash with carrying amount of RMB12,000,000; and

(2) Bank borrowings of US$6,445,000, equivalent to RMB40,610,000, which were secured by RMB deposits with equivalent amount.

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000
Borrowings included in non-current liabilities:			
At 31 December 2012	1,202,068	11,440	839,814
At 31 December 2011	933,401	48,139	877,170
Borrowings included in current liabilities:			
At 31 December 2012	27,081	585,347	—
At 31 December 2011	176,677	343,746	—

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

	At 31 December	
	2012 RMB'000	2011 RMB'000
Between 1 and 2 years	**1,101,896**	915,801
Between 2 and 5 years	**936,792**	926,371
Over 5 years	**14,634**	16,538
	2,053,322	1,858,710

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

	At 31 December	
	2012	2011
Borrowings denominated in RMB	**5.39%**	4.74%
Borrowings denominated in US$	**3.91%**	3.53%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23 BORROWINGS (CONTINUED)

(a) The Group (continued)

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2012		
— Bank borrowings	2,031,068	1,874,807
— Finance lease liabilities	22,254	22,254
	2,053,322	1,897,061
At 31 December 2011		
— Bank borrowings	933,400	860,812
— Borrowings from related parties	901,563	878,942
— Finance lease liabilities	23,747	23,747
	1,858,710	1,763,501

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

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2012 RMB'000	2011 RMB'000
— RMB	**1,433,133**	1,254,531
— US$	**1,232,617**	1,124,602
	2,665,750	2,379,133

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For the year ended 31 December 2012

23 BORROWINGS (CONTINUED)

(a) The Group (continued)

(vi) Finance lease liabilities

Finance lease liabilities with carrying amount of RMB23,745,000 (2011: RMB25,021,000) are effectively secured as the rights to the leased asset with carrying amount of RMB23,777,000 (2011: RMB25,164,000) (note 6(a)) revert to the lessor in the event of default.

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**2,810**	2,568
Between 1 year and 2 years	**3,051**	3,051
Between 2 years and 5 years	**9,153**	9,153
Over 5 years	**17,470**	20,279
	32,484	35,051
Future finance charges on finance leases	**(8,739)**	(10,030)
Present value of finance lease liabilities	**23,745**	25,021
The present value of finance lease liabilities is as follows:		
Within 1 year	**1,491**	1,274
Between 1 year and 2 years	**1,729**	1,637
Between 2 years and 5 years	**5,891**	5,572
Over 5 years	**14,634**	16,538
	23,745	25,021

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For the year ended 31 December 2012

23 BORROWINGS (CONTINUED)

(b) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowing — secured	**94,031**	106,863
Bank borrowing — unsecured	**861,000**	—
Borrowings from related parties (note 38(c))	**—**	589,500
Borrowings from a subsidiary of the Company (note 38(c))	**20,000**	120,000
	975,031	816,363
Less: current portion of long-term bank borrowing — secured	**(12,571)**	(12,602)
current portion of long-term bank borrowing — unsecured	**(32,000)**	—
current portion of long-term bank borrowing from a subsidiary of the Company	**(20,000)**	—
	910,460	803,761
Borrowings included in current liabilities:		
Borrowings from a subsidiary of the Company (note 38(c))	**100,000**	—
Bank borrowing — unsecured	**—**	50,000
Other borrowing — unsecured	**400,000**	200,000
Current portion of long-term bank borrowings — secured	**12,571**	12,602
Current portion of long-term bank borrowing — unsecured	**32,000**	—
Current portion of long-term bank borrowing from a subsidiary of the Company	**20,000**	—
	564,571	262,602

The secured bank borrowings of approximately US$14,960,000, equivalent to RMB94,031,000 (2011: US$16,960,000, equivalent to RMB106,863,000) were guaranteed by Jin Jiang International.

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23 BORROWINGS (CONTINUED)

(b) The Company (continued)

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000
Borrowings included in non-current liabilities:			
At 31 December 2012	81,460	—	829,000
At 31 December 2011	94,261	—	709,500
Borrowings included in current liabilities:			
At 31 December 2012	12,571	552,000	—
At 31 December 2011	12,602	250,000	—

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

	At 31 December	
	2012 RMB'000	2011 RMB'000
Between 1 and 2 years	**219,571**	622,101
Between 2 and 5 years	**690,889**	181,660
	910,460	803,761

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

	At 31 December	
	2012	2011
Borrowings denominated in RMB	**5.81%**	4.92%
Borrowings denominated in US$	**2.71%**	3.01%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23 BORROWINGS (CONTINUED)

(b) The Company (continued)

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2012		
— Bank borrowings	910,460	848,039
	910,460	848,039
At 31 December 2011		
— Bank borrowings	94,261	83,515
— Borrowings from Jin Jiang International	589,500	573,482
— Borrowings from a related party	120,000	118,166
	803,761	775,163

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2012 RMB'000	2011 RMB'000
— RMB	**1,381,000**	959,500
— US$	**94,031**	106,863
	1,475,031	1,066,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

24 OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Revaluation gain from remeasuring 50% equity interests in Hua Ting Hotel and Towers	**—**	403,801
Government grants income (a)	**45,356**	38,035
Interest income	**27,641**	27,336
Dividend income	**80,640**	101,905
— Unlisted equity investments	**51,626**	56,404
— Listed equity investments	**29,014**	45,501
Gain on disposal of property, plant and equipment	**43,475**	43,315
Gain on disposal of available-for-sale financial assets	**274,483**	10,753
Gain on compensation for relocation	**8,689**	—
Others	**43,324**	10,608
	523,608	635,753

(a) Government grant income mainly represents fiscal subsidies granted by local governments to the Group without unfulfilled conditions.

25 OTHER EXPENSES

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Bank charges	**62,173**	53,471
Loss on disposal of intangible assets	**16,884**	17,477
Loss on business combination other than common control combination	**—**	3,576
Loss on disposal of property, plant and equipment	**3,034**	3,182
Others	**6,858**	5,515
	88,949	83,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26 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 (note 17)	**3,459,747**	3,172,014
Other expenses from managed properties (note 5(a))	**2,713,713**	2,283,662
Employee benefit expense (note 27)	**2,706,813**	2,492,732
Transportation expenses	**1,122,144**	1,039,028
Depreciation of property, plant and equipment (note 6)	**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 (a)	**403,588**	409,848
Operating leases — land and buildings (note 8)	**376,251**	365,600
Repairs and maintenance	**189,071**	184,670
Laundry costs	**74,341**	63,044
Amortization of land use rights (note 8)	**60,592**	36,716
Amortization of intangible assets (note 9)	**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		
— Audit service	**20,412**	19,812
— Non-audit service	**220**	400
Legal and consulting costs	**19,027**	20,927
Pre-operation expenses	**13,729**	8,429
Depreciation of investment properties (note 7)	**6,085**	5,048
Provision for impairment of trade receivables, prepayments and other receivables (note 18)	**4,255**	1,547
Transaction cost related to the acquisition of a jointly controlled entity (note 36(a))	**952**	1,899
Provision for/(reversal of) inventories write-down (note 17)	**280**	(319)
Others	**442,810**	395,162
	13,429,686	12,302,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26 EXPENSES BY NATURE (CONTINUED)

(a) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Caishui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries in Shanghai (Caishui No.111, 2011) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue from vehicle operation business of the Group is subject to VAT since 1 January 2012. The applicable tax rate of commercial bus and car services is 11% with input VAT deduction (2011: business tax rate 3%), and VAT through a simplified method is applied for taxi services and the applicable tax rate is 3% without input VAT deduction (2011: business tax rate 3%). Such new VAT regulation has not material impact to the Group's consolidated financial statements.

27 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Wages and salaries	**1,950,201**	1,797,794
Retirement and housing benefits (a)	**463,324**	418,185
Welfare and other expenses	**293,288**	276,753
	2,706,813	2,492,732
Number of employee	**30,093**	31,097

(a) Retirement benefit and housing benefits schemes

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Directors' and supervisors' emoluments

The emoluments of every director and supervisor for the year ended 31 December 2012, on a named basis, are set out as below:

Name	Director's/ supervisor's fee RMB'000	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors					
Mr. Yu Minliang	—	—	—	—	—
Mr. Shen Maoxing (iii)	—	—	—	—	—
Ms. Chen Wenjun	—	—	—	—	—
Mr. Yang Weimin (i)	—	302	208	62	572
Mr. Chen Hao (iii)	—	224	205	—	429
Mr. Yang Yuanping (ii)	—	500	—	—	500
Mr. Shao Xiaoming (ii)	—	502	—	—	502
Mr. Han Min	—	238	153	57	448
Mr. Kang Ming	—	265	92	57	414
Mr. Ji Gang	105	—	—	—	105
Dr. Rui Mingjie	105	—	—	—	105
Mr. Yang Menghua	105	—	—	—	105
Mr. Sun Dajian	105	—	—	—	105
Dr. Tu Qiyu	105	—	—	—	105
Mr. Shen Chengxiang	105	—	—	—	105
Mr. Xia Dawei (iii)	75	—	—	—	75
Mr. Lee Chung Bo (iii)	75	—	—	—	75
	780	2,031	658	176	3,645
Supervisors					
Mr. Wang Xingze	—	228	150	57	435
Mr. Wang Guoxing	—	—	—	—	—
Mr. Ma Mingju	—	—	—	—	—
Ms. Chen Junjin	—	127	—	55	182
Mr. Zhou Qiquan	9	—	—	—	9
Ms. Zhou Yi (ii)	9	—	—	—	9
	18	355	150	112	635
	798	2,386	808	288	4,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

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

(i) Chief executive of the Company.

(ii) Appointed as the director or the supervisor on 16 October 2012.

(iii) Resigned as the director on 15 October 2012.

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

(v) Passed away on 15 August 2011.

The emoluments fell within following bands:

	Year ended 31 December	
	2012	2011
	Number	Number
Nil to RMB810,800 (equivalent to HK$1,000,000)	**23**	22

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2012 do not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2012 are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salary and allowances	**8,520**	6,564
Discretionary bonuses	**242**	484
Retirement scheme contributions	**122**	259
	8,884	7,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(c) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2012	2011
	Number	Number
RMB810,800 (equivalent to HK$1,000,000) to RMB1,621,200 (equivalent to HK$2,000,000)	**2**	2
RMB1,621,600 (equivalent to HK$2,000,000) to RMB2,027,000 (equivalent to HK$2,500,000)	**2**	2
RMB2,027,000 (equivalent to HK$2,500,000) to RMB2,837,800 (equivalent to HK$3,500,000)	**1**	1
	5	5

(d) Senior management

The emoluments payable to the senior management during the year ended 31 December 2012 are as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salary and allowances	**2,057**	3,810
Discretionary bonuses	**928**	710
Retirement scheme contributions	**429**	349
	3,414	4,869

The emoluments fell within the following bands:

	Year ended 31 December	
	2012	2011
	Number	Number
RMB0 (equivalent to HK$0) to RMB810,800 (equivalent to HK$1,000,000)	**9**	9
RMB2,027,000 (equivalent to HK$2,500,000) to RMB2,432,400 (equivalent to HK$3,000,000)	**0**	1
	9	10

(e) During the year ended 31 December 2012, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no other emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

28 FINANCE COSTS

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Interest expenses	**137,836**	94,419
— Bank borrowings	**84,401**	44,869
— Borrowings from related parties	**22,603**	42,615
— Other unsecured borrowings	**29,445**	5,381
— Financial lease liabilities	**1,387**	1,554
Net foreign exchange gain on borrowings	**(224)**	(4,666)
	137,612	89,753

29 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
	239,366	200,632
Deferred tax:		
Mainland China deferred income tax (note 15(a))	**(52,665)**	(62,164)
US deferred income tax (note 15(a))	**—**	(54,105)
	(52,665)	(116,269)
	186,701	84,363

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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

29 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (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 recognized	**54,323**	70,088
Utilization of previous unrecognized tax losses	**(13,703)**	(10,352)
Recognition of previously unrecognized tax losses (a)	**(14,312)**	(54,105)
Effect of exclusion of share of profit tax of associates (note 12(a))	**(36,004)**	(44,331)
Income tax expense	**186,701**	84,363

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

The tax (charge)/credit relating to other comprehensive income is as follow:

	2012			2011		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Fair value changes on available-for-sale financial assets	**432,995**	**(108,248)**	**324,747**	(743,309)	185,827	(557,482)
Transfer of fair value changes on disposal of available-for-sale financial assets	**(250,383)**	**63,224**	**(187,159)**	(13,509)	3,208	(10,301)
Currency translation differences	**(801)**	**—**	**(801)**	(8,606)	—	(8,606)
Other comprehensive income	**181,811**	**(45,024)**	**136,787**	(765,424)	189,035	(576,389)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

30 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company has been dealt with in the financial statements of the Company to the extent of RMB276,542,000 (2011: RMB331,369,000).

31 EARNINGS PER SHARE

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

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

32 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
	RMB'000	RMB'000
Proposed final dividend of RMB3.0 cents (2011: RMB4.0 cents) per share	**166,980**	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

		Year ended 31 December	
		2012	2011
	Note	**RMB'000**	RMB'000
Profit before income tax		**895,839**	991,508
Adjustments for:			
— depreciation of property, plant and equipment	26	**988,349**	1,010,477
— depreciation of investment properties	26	**6,085**	5,048
— amortization of land use rights	26	**60,592**	36,716
— amortization of intangible assets	26	**52,689**	43,281
— transaction cost in relation to business combination and acquisition of jointly controlled entities	36	**952**	4,777
— gain on disposal of property, plant and equipment	24	**(43,475)**	(43,315)
— loss on disposal of property, plant and equipment	25	**3,034**	3,182
— gain on properties acquired in exchange for a non-monetary asset		**(30,289)**	—
— loss on disposal of intangible assets	25	**16,884**	17,477
— gain on disposal of available-for-sale financial assets	24	**(274,483)**	(10,753)
— gain on disposal of investment in associates		**—**	(2,266)
— loss on revaluation of financial assets at fair value through profit or loss		**217**	1,233
— gain on business combination other than common control combination		**—**	(400,225)
— provision for impairment of trade receivables, prepayments and other receivables	26	**4,255**	1,547
— provision/(reversal) of inventories to net realisable value	26	**280**	(319)
— interest income	24	**(27,641)**	(27,336)
— interest expenses	28	**137,836**	94,419
— net foreign exchange gain	28	**(224)**	(4,666)
— share of results of associates	12	**(144,017)**	(177,324)
— dividend income	24	**(80,640)**	(101,905)
Changes in working capital:			
— restricted cash		**(139,004)**	13,050
— inventories		**(5,920)**	(7,632)
— trade receivables, prepayments and other receivables		**(232,238)**	279,421
— trade and other payables		**446,046**	(109,327)
Cash generated from operations		**1,635,127**	1,617,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Net book amount (note 6(a))	**145,970**	66,226
Gain on disposal of property, plant and equipment (note 24)	**43,475**	43,315
Loss on disposal of property, plant and equipment (note 25)	**(3,034)**	(3,182)
Proceeds from disposal of property, plant and equipment	**186,411**	106,359

Non-cash transactions

The principal non-cash transaction in 2012 is the acquisition of property, plant and equipment, and intangible assets by assuming directly related liabilities with amount of RMB315,719,000 (2011: RMB332,068,000) (note 22(a)).

34 FINANCIAL GUARANTEE CONTRACTS

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Not later than 1 year	**41,940**	34,100
Later than 1 year and not later than 5 years	**10,000**	4,000
	51,940	38,100

The Group provides guarantees for the bank borrowings of the jointly controlled entities and associates of the Group. Under the terms of the financial guarantee contracts, the Group will make payments to reimburse the lenders upon failure of the guaranteed entities to make payments when due.

The financial guarantees contracts had not been recognized in the consolidated financial statements as the Group considered that the possibility of failure of the guaranteed entities to make payments when the bank borrowings due is remote and the fair value of the guarantees contract was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

35 COMMITMENTS

(a) Capital commitments

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

(i) The Group

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**151,388**	153,897

(ii) The Company

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**4,254**	6,197

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue and the operating lease expenses recognized in the consolidated income statement for the year ended 31 December 2012 are disclosed in notes 5(a) and 26, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

35 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(i) The Group

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

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

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

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

(ii) The Company

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Not later than 1 year	**47,117**	49,009
Later than 1 year and not later than 5 years	**186,192**	190,215
Later than 5 years	**525,829**	571,118
	759,138	810,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

(ii) The Company (continued)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Not later than 1 year	**2,095**	1,014
Later than 1 year and not later than 5 years	**–**	150
	2,095	1,164

(c) Loan commitments

The Group

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 (note 38(b)).

(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.

36 ACQUISITION OF A JOINTLY CONTROLLED ENTITY

(a) Acquisition of Hilton Seelbach Louisville ("Seelbach") by IHR Group

IHR Group, a 50% jointly controlled entity of the Group, held 15% interest in an entity classified as an associate and had significant influence over the board of directors of the entity. On 6 September 2012, IHR Group entered into a transaction with the entity to purchase its wholly owned subsidiary, Seelbach, in order to expand IHR Group's self-owned hotel business. IHR Group effectively acquired 85% indirect interest in Seelbach and after the acquisition, Seelbach became a jointly controlled entity of the Group.

The revenue included in the consolidated income statement since 6 September 2012 contributed by Seelbach was RMB61,568,000. Seelbach also contributed profit of RMB2,210,000 over the same period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36 ACQUISITION OF A JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Acquisition of Hilton Seelbach Louisville ("Seelbach") by IHR Group (continued)

If the acquisition had occurred on 1 January 2012, the Group revenue would have been RMB13,945,820,000, and net profit would have been RMB317,683,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the jointly controlled entity to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 January 2012.

Details of the net assets acquired are as follows:

	RMB'000
Fair value of consideration transferred:	
— Cash paid	48,510
— Fair value of previously held equity interest	6,228
Total purchase consideration	54,738

Recognized value of the Group's 50% share in assets and liabilities as of 6 September 2012 arising from the acquisition measured in accordance with HKFRS3 are as follows:

	Fair values RMB'000
Property, plant and equipment	181,594
Intangible assets	1,110
Inventories	1,243
Trade receivables, prepayments and other receivables	1,321
Cash and cash equivalents	4,478
Trade and other payables	(4,958)
Borrowings	(130,050)
Net assets	54,738
Fair value of consideration transferred	54,738
Total purchase consideration settled in cash	48,510
Cash in Seelbach acquired	(4,478)
Cash outflow on acquisition in 2012	44,032
Acquisition related cost charged to administrative expenses	952

(b) Acquisition of Noble Management Company by IHR Group

IHR Group also paid the deferred consideration with amount of RMB47,470,000 equivalent in 2012 for the acquisition of Noble Management Company in 2011.

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For the year ended 31 December 2012

37 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of equity interests in Jinguang Inn

Shanghai Jin Jiang International Hotel Investment Company Limited ("Shanghai Jin Jiang International Hotel Investment"), a 50.32% subsidiary of the Group, previously held 70% equity interest in Jinguang Inn. Pursuant to the agreement of equity transfer of Jinguang Inn signed between Shanghai Jin Jiang International Hotel Investment and Shanxi Jinguang Investment Company Limited ("Jinguang Investment") on 16 March 2012, Jinguang Investment transferred its 30% equity interest in Jinguang Inn to Jin Jiang International Hotel Investment, at a cash consideration of approximately RMB64,919,000. The equity transfer was completed on 31 March 2012 and Jin Jiang International Hotel Investment hold 100% equity interest in Jinguang Inn thereafter.

Details of purchase consideration are as follows:

	RMB'000
Fair value of consideration transferred:	
— Prepayment made in 2011	18,000
— Cash paid in 2012	46,919
Total purchase consideration	64,919

The effect of changes on the equity attributable to the shareholders of the Company is summarized as follows:

	RMB'000
Carrying amount of 30% non-controlling interests acquired	42,886
Purchase consideration	(64,919)
Excess of purchase consideration	(22,033)
Multiply: percentage of equity interests in Shanghai Jin Jiang International Hotel Investment	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(11,087)

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

	RMB'000
Total comprehensive income for the year attributable to the shareholders of the Company	370,861
Changes in equity attributable to shareholders of the Company arising from:	
— Acquisition of equity interests in Jinguang Inn	(11,087)
	359,774

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For the year ended 31 December 2012

38 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Jin Jiang International (incorporated in Mainland China), which owns 75% of the Company's share. The remaining 25% of the shares are widely held. The ultimate parent and controlling party of the Group is Jin Jiang International.

(a) Related party transactions — the Group

The Group had the following significant related party transactions during the year ended 31 December 2012:

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Provision of food and beverage service	1,297	1,283
— Provision of training services	972	365
— Provision of other services	967	484
— Provision of hotel services	646	116
— Sales of hotel supplies	398	93
— Interest Income received	334	902
— Provision of vehicle operating services	106	484
	4,720	3,727
— Borrowing repaid	896,563	—
— Interest expenses paid	26,480	50,571
— Rental expenses paid	10,332	11,773
— Receipt of food and beverage service	648	601
	934,023	62,945
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	16,605	12,812
— Sales of hotel supplies	9,143	8,396
— Provision of other services	7,323	4,798
— Rental income received	4,572	2,444
— Management fee received	283	—
	37,926	28,450
— Rental expenses paid	18,141	16,766
— Receipt of other services	8,797	4,821
— Purchase of food and beverage	3,538	3,252
— Receipt of laundry services	—	297
	30,476	25,136

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For the year ended 31 December 2012

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Transactions with jointly controlled entities of the Group		
— Interest income received	**9,545**	1,332
— Management fees received	**2,263**	4,402
— Sales of hotel supplies	**965**	2,528
— Provision of other services	**659**	85
— Rental income received	**—**	337
	13,432	8,684
— Purchase of goods	**3,194**	—
— Receipt of other services	**3,060**	2,351
— Interest expenses paid	**2,622**	3,262
	8,876	5,613
Transactions with associates of the Group		
— Rental income received	**3,501**	3,803
— Management fees received	**2,957**	2,471
— Interest income received	**1,510**	2,609
— Sales of hotel supplies	**1,353**	4,160
	9,321	13,043
— Purchase of vehicles and related parts	**28,602**	98,545
— Purchase of food and beverage	**762**	700
— Interest expenses paid	**74**	54
— Provision of other services	**19**	—
— Receipt of travelling services	**—**	584
	29,457	99,883

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For the year ended 31 December 2012

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from related parties (note 18(a))		
— Jin Jiang International	37	394
— Subsidiaries of Jin Jiang International	2,811	4,754
— Jointly controlled entities of the Group (i)	241,767	91,306
— Associates of the Group (ii)	28,343	56,750
	272,958	153,204
Amounts due to related parties (note 22(a))		
— Jin Jiang International (iii)	(425,986)	(183,350)
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International (iv)	(133,218)	(24,315)
— Jointly controlled entities of the Group (v)	(51,115)	(76,476)
— Associates of the Group (vi)	(47,508)	(26,561)
— Companies with common directors	—	—
	(657,827)	(310,702)
Borrowings from related parties (note 23(a))		
— Jin Jiang International (vii)	—	(901,563)
— A subsidiary of Jin Jiang International (viii)	(55,000)	(20,000)
— A jointly controlled entity of the Group (ix)	(27,500)	(7,500)
	(82,500)	(929,063)

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For the year ended 31 December 2012

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Loan commitments (note 35(c))		
— Jin Jiang International	**500,000**	—
— Jointly controlled entities of the Group	**47,250**	40,000
— Associates of the Group	**41,000**	46,200
	588,250	86,200
Financial guarantees provided to related parties (note 3)		
— Jointly controlled entities of the Group	**58,000**	10,000
— Associates of the Group	**15,600**	15,600
	73,600	25,600

(i) The balance includes secured loans to a jointly controlled entity of RMB16,340,000 as at 31 December 2012 (31 December 2011: RMB16,340,000) with effective interest rate of 5.90% (2011: 5.39%) per annum which were guaranteed by the joint party of the jointly controlled entity, and a secured loan to a jointly controlled entity of RMB187,688,000 as at 31 December 2012 (31 December 2011: RMB42,000,000) with effective interest rate of 5.91% (2011: 6.56%) per annum which was guaranteed by their properties, and an unsecured loan to a jointly controlled entity of RMB6,250,000 as at 31 December 2012 (31 December 2011: RMB4,000,000) with effective interest rate of 5.80% (2011: 5.45%) per annum which was guaranteed by a subsidiary of the Group, and unsecured loans to a jointly controlled entities of RMB21,745,000 as at 31 December 2012 (31 December 2011: RMB21,000,000) with effective interest rate of 6.00% (2011: 6.56%) per annum.

(ii) The balance includes secured loans to an associate of the Group of RMB17,000,000 as at 31 December 2012 (31 December 2011: RMB18,000,000) with effective interest rate of 6.65% (2011: 6.20%) per annum which were guaranteed by their properties. The balance as at 31 December 2011 also includes an unsecured loan of RMB20,000,000 with effective interest rate of 6.65%.

(iii) The balance includes deposits from Jin Jiang International of RMB409,640,000 as at 31 December 2012 (31 December 2011: RMB168,559,000) with effective interest rate of 0.38% (2011: 1.30%) per annum.

(iv) The balance includes deposits from associates of Jin Jiang International of RMB118,709,000 as at 31 December 2012 (31 December 2011: RMB11,500,000) with effective interest rate of 2.48% (2011: 3.24%) per annum.

(v) The balance includes deposits from jointly controlled entities of RMB39,363,000 as at 31 December 2012 (31 December 2011: RMB65,436,000) with effective interest rate of 4.00% (2011: 1.99%) per annum.

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For the year ended 31 December 2012

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(vi) The balance includes deposits from associates of Jin Jiang International of RMB13,078,000 as at 31 December 2012 (31 December 2011: RMB4,225,000) with effective interest rate of 2.03% (2011: 0.50%) per annum.

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

(viii) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB55,000,000 as at 31 December 2012 (31 December 2011: RMB20,000,000) with effective interest rate of 5.51% (2011: 5.68%) per annum.

(ix) The balance includes an unsecured borrowing from a jointly controlled entity of the Group of RMB27,500,000 as at 31 December 2012 (31 December 2011: RMB7,500,000) with effective interest rate of 5.77% (2011: 5.90%) per annum.

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

	At 31 December	
	2012	2011
	RMB'000	RMB'000
Amounts due from related parties (note 18(b))		
— Subsidiaries of the Company (i)	**749,755**	152,832
— Associates of the Company	**10,860**	10,500
— Jointly controlled entities of the Company (ii)	**1,229**	993
— Subsidiaries of Jin Jiang International	**1,118**	86
	762,962	164,411
Amounts due to related parties (note 22(b))		
— Subsidiaries of the Company	**(3,196)**	(3,525)
— Jointly controlled entities of the Company	**(66)**	(6)
— Jin Jiang International	**—**	(761)
— Subsidiaries of Jin Jiang International	**—**	(36)
	(3,262)	(4,328)
Borrowing (note 23(b))		
— Subsidiaries of the Company (iii)	**(120,000)**	(120,000)
— Jin Jiang International (iv)	**—**	(589,500)
	(120,000)	(709,500)

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38 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) The balance includes unsecured borrowings of RMB646,000,000 as at 31 December 2012 (31 December 2011: nil) to subsidiaries of the Group with effective interest rates of 6.20% (31 December 2011: nil) per annum.

(ii) The balance includes unsecured borrowings of RMB1,000,000 as at 31 December 2012 (31 December 2011: nil) to jointly controlled entities of the group with effective interest rates of 4.76% (31 December 2011: nil) per annum.

(iii) The balance includes unsecured borrowings from subsidiaries of the Group of RMB120,000,000 as at 31 December 2012 (31 December 2011: 120,000,000) with effective interest rates of 5.55% (31 December 2011: 6.10%) per annum.

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

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

(d) Key management compensation

	Year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Salary and other allowances	**2,057**	3,810
Discretionary bonus	**928**	710
Retirement scheme contributions	**429**	349
	3,414	4,869

(e) Balances and transactions with stated-owned enterprises in China other than Jin Jiang International and its subsidiaries, jointly controlled entities and associates ("Other State-owned Enterprises")

As at 31 December 2012, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises in China including but not limited to sales of products, purchases of raw material, utilities and services. The directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

As at 31 December 2012, the Company had direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries						
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	RMB206,920	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	RMB91,583	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	RMB84,182	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	RMB40,649	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Marvel Hotel 上海商悦青年會大酒店有限公司	Mainland China, 23 October 1984	RMB40,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	RMB21,951	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	RMB19,885	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	RMB26,099	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	RMB88,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Hotel Company Limited 上海靜安賓館有限公司	Mainland China, 31 December 2010	RMB46,886	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	RMB68,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Magnolia Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	RMB59,166	99.0%	1.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	RMB31,704	–	100.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	RMB120,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	RMB345,460	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	RMB16,600	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	75.0%	25.0%	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Jin Jiang International Finance Company Limited 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	RMB500,000	90.0%	10.0%	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	RMB179,712	–	100.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	RMB1,225,000	–	100.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	RMB220,000	100.0%	–	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司	Mainland China, 9 June 1993	RMB603,241	50.32%	–	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company
Shanghai New Asia Food Company Limited 上海新亞食品有限公司	Mainland China, 1 November 1996	RMB11,415	–	100.0%	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	RMB100,000	100.0%	–	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	RMB149,930	–	100.0%	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	RMB18,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	RMB40,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment and Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	RMB28,000	–	100.0%	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Zhengzhou, Mainland China	Limited liability company
Shanghai Di Shui Hu Jin Jiang Inn Company Limited 上海滴水湖錦江之星旅館有限公司	Mainland China, 22 September 2005	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	RMB40,000	–	100.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai YuJin Hotel Management Company Limited 上海豫錦酒店管理有限公司	Mainland China, 30 October 2008	RMB20,000	–	60.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Hedong District Jin Jiang Inn Company Limited 天津河東區錦江之星旅館有限公司	Mainland China, 15 January 2008	RMB21,000	–	100.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Shenyang Songhua River Street Jin Jiang Inn Company Limited 瀋陽松花江街錦江之星旅館有限公司	Mainland China, 21 February 2008	RMB20,000	–	100.0%	Budget hotel ownership and operations, Shenyang, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (continued)						
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團(香港)有限公司	Hong Kong, 14 February 2000	HK$70,736	98.6%	1.4%	Hotel reservation, Hong Kong	Limited liability company
Jian Guo Hotel 上海建國賓館有限公司	Mainland China, 30 October 1986	RMB80,000	65.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai 上海海侖賓館有限公司	Mainland China, 22 November 1985	RMB62,626	66.67%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Café de Coral Company Limited 上海新亞大家樂餐飲有限公司	Mainland China, 12 December 1997	RMB68,670	–	75.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
West Capital International Hotel Company Limited 西安西京國際飯店有限公司	Mainland China, 17 May 2005	RMB80,000	100.0%	–	Hotel ownership and operations, Xi'an, Mainland China	Limited liability company
Capital Gathering LLC 上海錦江酒店集團(美國)有限公司	USA 15 May 2009	US$39,600	100.0%	–	Investment operations Wilmington, USA	Limited liability company
ShanXi Jinguang Inn Company Limited 山西金廣快捷酒店管理有限公司	China Mainland, 15 August,2006	RMB68,333	–	100%	Budget hotel ownership and operations, Shanxi, Mainland China	Limited liability company
Jing An Bakery Holding Co.,Ltd 靜安麵包房控股有限公司	British Virgin islands Britain, 21 April 2009	HK$41,692	–	60.0%	Investment operation Hong Kong, China	Limited liability company
Shanghai Hua Ting Hotel and Towers Company Limited (a) 上海華亭賓館有限公司	Mainland China, 19 September 1985	RMB120,000	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Travel Co.,Ltd 上海錦江國際旅遊股份有限公司	Mainland China, 24 September 1994	RMB132,556	50.21%	–	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Industrial Investment Co.,Ltd (b) 上海錦江國際實業投資股份有限公司	Mainland China, 24 February 1993	RMB551,610	38.54%	2.37%	Vehicle and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Jing An Bakery Company Limited 上海靜安麵包房有限公司	Mainland China, 1 January 1993	US$1,000	–	65.85%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jinjiang International Cold Logistics Development Co.,Ltd. 上海錦江國際低溫物流發展有限公司	Mainland China, 28 August 2006	RMB83,338	–	51.0%	Provision of logistics management and relevant business services, Shanghai, Mainland China	Limited liability company
Shanghai Shanghai Food Co., Ltd. 上海尚海食品有限公司	Mainland China, 20 February 2010	RMB25,000	–	100.0%	Trading of food, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Auto Service Co., Ltd 上海錦江汽車服務有限公司	Mainland China, 3 May 1993	RMB338,480	–	95.0%	Provision of vehicle rental services, Shanghai, Mainland China	Limited liability company
Shanghai CITS International Travel Services Co., Ltd. 上海國旅國際旅行社有限公司	Mainland China, 29 December 1993	RMB20,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Tourism Co., Ltd. 上海錦江旅遊有限公司	Mainland China, 25 August 1993	RMB24,990	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Travel Agency Co., Ltd. 上海旅行社有限公司	Mainland China, 2 September 1992	RMB2,000	–	100.0%	Travel agency, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(b) Jointly controlled entities						
Beijing Kunlun Hotel Company Limited 北京昆侖飯店有限公司	Mainland China, 24 May 1988	US$34,167	35.0%	12.5%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	50.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer Jin Jiang Interactive Co., Ltd. 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	50.0%	–	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai New Garden Hotel 上海新苑賓館	Mainland China, 26 November 1984	RMB13,975	57.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Hotel Acquisition Company, LLC	USA 6 July 2009	US$223,000	–	50.0%	Investment operations company, Wilmington, USA	Limited liability company
Interstate Hotels & Resorts, INC 美國州際酒店與度假村集團	USA 31 July 2002	US$195,240	–	50.0%	Hotel real estate investment and hotel management, Arlington, USA	Limited liability company
Interstate (China) Hotels & Resorts Co.,Limited 州際(中國)酒店和度假村有限公司	Hong Kong, 24 March 2010	US$1,282	–	50.0%	Investment Holding, Hong Kong, China	Limited liability company
Shanghai Thayer Jin Jiang Equity Investment Management Company Limited 上海錦江德爾股權投資管理有限公司	Mainland China, 13 August 2010	US$2,500	50.0%	–	Investment Management, Shanghai, Mainland China	Limited liability company
Interstate (Shanghai) Hotels & Retors Co., Limited 上海州際卓逸酒店和度假村管理有限公司	Mainland China, 16 September 2010	US$7,300	–	50.0%	Hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Tower Jin Jiang Hotel Asset Management Co.,Ltd 上海中心大廈錦江酒店資產管理有限公司	Mainland China, 16 May 2011	RMB60,000	50.0%	–	Hotel management, Shanghai, Mainland China	Limited liability company
JHJ International Transportation Co.,Ltd. 錦海捷亞國際貨運有限公司	Mainland China, 6 December 1992	US$10,000	–	50.0%	Transportation and logistics, Shanghai, Mainland China	Limited liability company
Shanghai Dazhong New Asia Co., Ltd. 上海大眾新亞出租汽車有限公司	Mainland China, 27 April 2000	RMB30,000	–	49.5%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Jiayou Automobile Services Co., Ltd. 上海錦江佳友汽車服務有限公司	Mainland China, 8 September 1993	RMB24,700	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Vehicle Driver Training Centre 上海市機動車駕駛員培訓中心	Mainland China, 25 August 1989	RMB4,340	–	33.33%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Zhendong Automobile Services Co., Ltd. 上海振東汽車服務有限公司	Mainland China, 25 June 1991	US$7,900	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jinmao Jin Jiang Automobile Services Co., Ltd. 上海金茂錦江汽車服務有限公司	Mainland China, 11 January 1996	RMB22,000	–	50.0%	Transportation services, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

Company name	Country and date of incorporation	Issued/ registered and paid in capital '000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(c) Associates						
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	RMB18,000	30.0%	–	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	RMB67,570	25.0%	–	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
The Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	US$53,000	40.0%	–	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	–	42.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	RMB35,000	–	41.0%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$12,300	–	42.8%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	RMB34,640	40.0%	–	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company
Nanjing Long Distance Passenger Transport Group Co., Ltd. 江蘇南京長途汽車客運集團有限公司	Mainland China, 4 June 1991	RMB110,000	–	23.0%	Transportation services, Nanjing, Mainland China	Limited liability company
Shanghai Pudong Int'l Airport Cargo Terminal Co.,Ltd 上海浦東國際機場貨運站有限公司	Mainland China, 8 October 1999	RMB311,610	–	20.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Yongda Fengdu Automobile Distribution and Services Co., Ltd. 上海永達風度汽車銷售服務有限公司	Mainland China, 21 January 2002	RMB15,000	–	40.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Passenger Transport Co., Ltd. 上海錦江客運有限公司	Mainland China, 24 February 2003	RMB10,000	–	30.0%	Transportation services, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Automobile Sales Co., Ltd. 上海錦江汽車銷售服務有限公司	Mainland China, 14 January 2004	RMB5,000	–	30.0%	Trading of automobile and related parts, Shanghai, Mainland China	Limited liability company
Shanghai Shuijin Yang Food Co., Ltd. 上海水錦洋食品有限公司	Mainland China, 20 August 2012	RMB25,000	–	40.0%	Frozen food and agricultural products operation, Shanghai, Mainland China	Limited liability company
Shanghai Huangpu River Cruise Co.,Ltd. 上海浦江遊覽有限公司	Mainland China, 4 May 1982	RMB50,000	–	20.0%	Travel agency, Shanghai, Mainland China	Limited liability company
China Oriental International Travel & Transport Co., Ltd. 上海東方航空國際旅游運輸有限公司	Mainland China, 16 August 1990	RMB8,000	–	49.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Waihang International Travel Service Co., Ltd. 上海外航國際旅行社有限公司	Mainland China, 25 May 1993	RMB3,500	–	30.0%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Oneday Travel Service Co.,Ltd. 上海一日旅行社有限公司	Mainland China, 4 May 1999	RMB3,500	–	22.86%	Travel agency, Shanghai, Mainland China	Limited liability company
Shanghai Juxing Property Management Co.,Ltd. 上海聚星物業管理有限公司	Mainland China, 10 January 2000	RMB1,000	–	24.65%	Travel agency, Shanghai, Mainland China	Limited liability company

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39 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES (CONTINUED)

(a) Although the Company holds 50% equity interest in Hua Ting Hotel and Towers, the Director concludes that the Company has control over Hua Ting Hotel and Towers and accounts for a subsidiary after taking into consideration, among the things: (i) a majority of the Board (3 out of 5) of Hua Ting Hotel and Towers can be appointed by the Company; and (ii) being authorized by the Board of Hua Ting Hotel and Towers, the Company can appoint the general manager who is responsible for decisions making on financial and operational policies of Hua Ting Hotel and Towers as well as for dealing with the matters arising from the ordinary course of operation and production of Hua Ting Hotel and Towers.

(b) Although the Company holds less than half of the equity interest in Jin Jiang Investment and therefore has less than half of its voting rights, the Director concludes that the Company has de facto control over Jin Jiang Investment and accounts for a subsidiary after taking into consideration, among the things: (i) the dispersed shareholder structure excluding those interests directly and indirectly held by the Company; (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; and (iii) the extent of involvement of directors of Jin Jiang Investment nominated by the Company in its operational and financial policy setting and decision making.

40 RECLASSIFICATION OF COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform to the current year presentation.