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

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

(Stock Code: 02006)

ANNOUNCEMENT OF THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2013 (RMB'000)	Six months ended 30 June 2012 (RMB'000) Restated*	Increase/ (Decrease) (%)
Revenue	4,270,339	4,152,753	2.8
Operating profit	431,421	443,800	-2.8
Profit attributable to shareholders of the Company	130,806	167,827	-22.1
Earnings per share (expressed in RMB cents)	2.35	3.02	-22.1

* Hong Kong Financial Reporting Standards (“HKFRS”) 11 “Joint arrangements” has been adopted by the Group since 1 January 2013. Investments in joint ventures shall be accounted for by using equity method and proportional consolidation of joint ventures is no longer applied. In addition, the financial information for the six months ended 30 June 2012 and as at 31 December 2012 has been restated.

RESULTS SUMMARY

The Board announced the unaudited consolidated interim results of the Group. The interim results have been reviewed by the audit committee of the Company. For the six months ended 30 June 2013, sales revenue of the Group amounted to approximately RMB4,270,339,000, representing an increase of approximately 2.8% as compared to the same period of last year; operating profit of the Group was approximately RMB431,421,000, representing a decrease of approximately 2.8% as compared to the same period of last year, while profit attributable to shareholders of the Company amounted to approximately RMB130,806,000, representing a decrease of approximately 22.1% as compared to the same period of last year. Earnings per share were approximately RMB2.35 cents, representing a decrease of approximately 22.1% as compared to the same period of last year.

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Revenue	4(a)	4,270,339	4,152,753
Cost of sales	5	(3,448,660)	(3,380,437)
Gross profit		821,679	772,316
Other income		211,725	278,179
Selling and marketing expenses	5	(202,856)	(198,911)
Administrative expenses	5	(376,611)	(381,753)
Other expenses		(22,516)	(26,031)
Operating profit		431,421	443,800
Finance costs		(50,447)	(44,448)
Share of results of joint ventures and associates		5,889	67,889
Profit before income tax		386,863	467,241
Income tax expense	6	(85,373)	(86,936)
Profit for the period		<u>301,490</u>	<u>380,305</u>
Attributable to:			
Shareholders of the Company		130,806	167,827
Non-controlling interests		170,684	212,478
		<u>301,490</u>	<u>380,305</u>
Earnings per share for profit attributable to shareholders of the Company for the period <i>(expressed in RMB cents per share)</i>			
— basic and diluted	7	2.35	3.02
Dividends	8	—	—

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

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit for the period	301,490	380,305
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Fair value changes on available-for-sale financial assets — gross	(273,177)	320,767
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	(59,062)	(152,911)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	83,060	(41,919)
Currency translation differences	(1,269)	22
Total other comprehensive income	<u>(250,448)</u>	<u>125,959</u>
Total comprehensive income for the period	<u>51,042</u>	<u>506,264</u>
Attributable to:		
— Shareholders of the Company	(1,157)	231,920
— Non-controlling interests	52,199	274,344
	<u>51,042</u>	<u>506,264</u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2013

		As at 30 June 2013	As at 31 December 2012 (Restated)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,795,943	7,026,450
Investment properties		178,213	185,809
Land use rights		1,838,735	1,867,419
Intangible assets		435,695	386,420
Investments in joint ventures		1,377,866	1,444,765
Investments in associates		476,385	626,600
Available-for-sale financial assets		1,618,847	1,964,156
Deferred income tax assets		233,188	229,018
Trade receivables, prepayments and other receivables	9	75,499	41,764
		<u>15,030,371</u>	<u>13,772,401</u>
Current assets			
Financial assets at fair value through profit or loss		728	730
Available-for-sale financial assets		86,486	61,640
Inventories		167,102	150,743
Trade receivables, prepayments and other receivables	9	1,276,818	1,063,481
Restricted cash		568,255	544,171
Cash and cash equivalents		3,051,475	2,536,253
		<u>5,150,864</u>	<u>4,357,018</u>
A non-current asset held for sale	10	30,061	—
		<u>5,180,925</u>	<u>4,357,018</u>
Total assets		<u><u>20,211,296</u></u>	<u><u>18,129,419</u></u>

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2013

		As at 30 June 2013 <i>RMB'000</i>	As at 31 December 2012 <i>RMB'000</i> (Restated)
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	5,566,000	5,566,000
Reserves			
— Proposed dividend	8	—	166,980
— Others		<u>1,578,252</u>	<u>1,579,409</u>
		7,144,252	7,312,389
Non-controlling interests		<u>4,689,077</u>	<u>4,823,056</u>
Total equity		<u>11,833,329</u>	<u>12,135,445</u>
LIABILITIES			
Non-current liabilities			
Borrowings		1,367,577	1,394,093
Deferred income tax liabilities		654,938	638,651
Trade and other payables	11	<u>186,040</u>	<u>114,219</u>
		2,208,555	2,146,963
Current liabilities			
Borrowings		2,028,029	600,823
Income tax payable		78,360	103,416
Dividend payable to shareholders of the Company		166,980	—
Trade and other payables	11	<u>3,896,043</u>	<u>3,142,772</u>
		6,169,412	3,847,011
Total liabilities		<u>8,377,967</u>	<u>5,993,974</u>
Total equity and liabilities		<u>20,211,296</u>	<u>18,129,419</u>
Net current (liabilities)/assets		<u>(988,487)</u>	<u>510,007</u>
Total assets less current liabilities		<u>14,041,884</u>	<u>14,282,408</u>

NOTES TO THE SELECTED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

During the year 2003 to 2006, the Group entered into several group reorganisation transactions (“Reorganisation”) with Jin Jiang International, its subsidiaries other than the Group and other state-owned enterprises under the administration and control of Shanghai SASAC, through which the Group obtained from these companies equity interests in certain subsidiaries, jointly controlled entities and associates which were engaged in hotels and related business and also transferred to Jin Jiang International equity interests in certain subsidiaries, a joint venture 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 China by converting its paid-in capital and reserves of RMB3,300,000,000 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 (the “Listing”). Accordingly, the share capital of the Company was increased to RMB4,565,000,000.

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

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

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

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012, which were prepared in accordance with HKFRS issued by HKICPA.

As at 30 June 2013, the Group's current liabilities exceeded its current assets by RMB988,487,000. Its current liabilities as at 30 June 2013 included a current borrowing of RMB1,100,000,000, which Jin Jiang Hotels Development borrowed from Jin Jiang International to pay the cash consideration and repay the borrowing for the business combination of Smart Hotel Management Company Limited. Jin Jiang Hotels Development announced that it planned to issue corporate bonds with the aggregate principal amount not exceeding RMB1,600,000,000 and with the term of 5 years, the Issuance Examination Committee of the China Securities Regulatory Commission approved the application for issuance of corporate bonds on 16 August 2013, and Jin Jiang Hotels Development expects the issuance of corporate bonds can be completed in the second half of 2013. Since Jin Jiang Hotels Development plans to use the proceeds from the issuance of corporate bonds to repay the current borrowing due to Jin Jiang International, the Directors believe that the Group will be able to meet its debts and commitments as they fall due at least within the coming twelve months and accordingly have prepared the unaudited condensed consolidated interim financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2012, as described in those annual financial statements.

As HKFRS 11 is adopted by the Group in the accounting period beginning on 1 January 2013 when effective, proportional consolidation of joint ventures is no longer applied. The Group recognised its interests in joint ventures as investments using the equity method in accordance with HKAS 28 (revised 2011), with restating comparatives, for the six months ended 30 June 2013. The adoption of HKFRS 11 has significant impact on the Group's total assets, liabilities, revenue and other unaudited condensed consolidated interim income statement line items other than profit for the period, but no significant impact on the Group's profit for the period attributable to the Company and equity attributable to the Company.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

HKAS 1 (Amendment)	Presentation of financial statements: Regarding other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (Amendment)	Employee benefits

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRSs 10, 12 and 27 (Amendment)	Investment entities	1 January 2014
HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 9	Financial instruments: Addresses the classification, measurement and recognition of financial assets and financial liabilities	1 January 2015

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

4 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.

With restructuring and brand positioning of Hotel Related Businesses, management renamed "Star-rated hotels" and "Budget hotels" segments as "Full Service Hotels" and "Select Service Hotels" segments, respectively.

Upon adoption of HKFRS 11, the Group did not proportionately consolidate IHR Group. Since the share of results of IHR Group was immaterial to the Group, the segment of "IHR Group" was combined into the segment of "Full service hotels".

The executive committee assesses the performance according to six main business segments as follows:

- (1) Full service hotels (previously named as "Star-rated hotels"): ownership, operation and management of full service hotels;
- (2) Select service hotels (previously named as "Budget hotels"): operation of self-owned select service hotels and franchising to Select Service Hotels owned by other parties;
- (3) Food and restaurants: operation of fast food or upscale restaurants, moon cake production and related investments;
- (4) Vehicle and logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;
- (5) Travel agency: provision of travel agency and related services; and
- (6) 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 period.

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2013 is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Full service hotels	1,082,860	1,179,932
— Accommodation revenue	484,591	539,943
— Food and beverage sales	396,734	422,836
— Rental revenue	90,084	84,536
— Hotel management	46,415	43,860
— Sales of hotel supplies	8,506	29,389
— Rendering of ancillary services	56,530	59,368
Select service hotels	1,081,835	1,011,061
— Accommodation revenue	758,030	722,302
— Hotel management and franchise	141,915	105,683
— Food and beverage sales	97,312	104,207
— Revenue under customer royalty programme	38,241	32,415
— Sales of hotel supplies	16,610	11,240
— Rental revenue	13,825	11,960
— Rendering of ancillary services	15,902	23,254
Food and restaurants	160,733	136,761
Vehicle and logistics	1,013,095	977,928
— Vehicle operating	604,169	551,536
— Trading of automobile	339,147	354,979
— Refrigerated logistics	58,330	60,244
— Others	11,449	11,169
Travel agency	881,701	826,544
— Travel agency	864,003	808,988
— Others	17,698	17,556
Other operation	50,115	20,527
	<u>4,270,339</u>	<u>4,152,753</u>

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 period ended 30 June 2013 (30 June 2012: nil).

(b) Segment information

The segment results for the six months ended 30 June 2013 are as follows:

	Full service hotels <i>RMB'000</i>	Select service hotels <i>RMB'000</i>	Food and restaurants <i>RMB'000</i>	Vehicle and logistics <i>RMB'000</i>	Travel agency <i>RMB'000</i>	Other operation <i>RMB'000</i>	The Group <i>RMB'000</i>
External sales <i>(note 4(a))</i>	1,082,860	1,081,835	160,733	1,013,095	881,701	50,115	4,270,339
Inter-segment sales	5,630	2,029	2,773	1,665	718	16,194	29,009
Total gross segment sales	<u>1,088,490</u>	<u>1,083,864</u>	<u>163,506</u>	<u>1,014,760</u>	<u>882,419</u>	<u>66,309</u>	<u>4,299,348</u>
Profit for the period	<u>288</u>	<u>118,496</u>	<u>2,558</u>	<u>114,971</u>	<u>32,916</u>	<u>32,261</u>	<u>301,490</u>
Other income	14,065	12,710	57,579	18,897	36,001	72,473	211,725
Including: interest income	1,192	561	83	4,578	3,478	692	10,584
Depreciation of property, plant and equipment <i>(note 5)</i>	(142,693)	(137,902)	(4,593)	(124,743)	(2,802)	(4,787)	(417,520)
Depreciation of investment properties <i>(note 5)</i>	(78)	—	—	(256)	(2,074)	—	(2,408)
Amortization of land use rights <i>(note 5)</i>	(23,895)	(3,668)	(51)	(670)	—	(400)	(28,684)
Amortization of intangible assets <i>(note 5)</i>	(2,696)	(4,272)	(568)	—	(257)	(169)	(7,962)
Reversal of impairment of trade receivables, prepayments and other receivables <i>(note 5)</i>	10,385	—	—	—	1	—	10,386
Reversal of inventories write-down <i>(note 5)</i>	29	—	—	—	—	—	29
Finance costs	(38,706)	(1,593)	(74)	(1,080)	—	(8,994)	(50,447)
Share of results of joint ventures and associates	(7,274)	—	(34,434)	53,311	(6,945)	1,231	5,889
Income tax expense <i>(note 6)</i>	(4,818)	(39,581)	(582)	(20,063)	(6,051)	(14,278)	(85,373)
Capital expenditure	<u>35,196</u>	<u>1,969,520</u>	<u>6,429</u>	<u>243,713</u>	<u>4,488</u>	<u>450</u>	<u>2,259,796</u>

The restated segment results for the six months ended 30 June 2012 are as follows:

	Full service hotels RMB'000	Select service hotels RMB'000	Food and restaurants RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
External sales (note 4(a))	1,179,932	1,011,061	136,761	977,928	826,544	20,527	4,152,753
Inter-segment sales	1,911	689	1,034	1,262	162	33,697	38,755
Total gross segment sales	<u>1,181,843</u>	<u>1,011,750</u>	<u>137,795</u>	<u>979,190</u>	<u>826,706</u>	<u>54,224</u>	<u>4,191,508</u>
Profit for the period	<u>21,903</u>	<u>112,242</u>	<u>48,730</u>	<u>114,866</u>	<u>22,509</u>	<u>60,055</u>	<u>380,305</u>
Other income	82,163	8,126	47,145	24,579	24,142	92,024	278,179
Including: interest income	1,817	774	183	3,325	3,871	542	10,512
Depreciation of property, plant and equipment (note 5)	(157,585)	(143,488)	(7,038)	(127,547)	(2,915)	(730)	(439,303)
Depreciation of investment properties (note 5)	(78)	—	—	(256)	(2,143)	—	(2,477)
Amortization of land use rights (note 5)	(22,261)	(5,502)	(51)	(670)	—	(178)	(28,662)
Amortization of intangible assets (note 5)	(3,599)	(3,691)	(486)	—	(257)	(443)	(8,476)
(Provision for)/reversal of impairment of trade and other receivables (note 5)	(111)	—	—	—	115	—	4
Finance costs	(42,275)	(803)	38	(1,105)	—	(303)	(44,448)
Share of results of joint ventures and associates	(2,979)	—	24,190	54,153	(5,226)	(2,249)	67,889
Income tax expense (note 6)	(3,008)	(36,396)	(339)	(19,081)	(3,864)	(24,248)	(86,936)
Capital expenditure	<u>32,302</u>	<u>153,831</u>	<u>12,280</u>	<u>121,798</u>	<u>3,005</u>	<u>3,125</u>	<u>326,341</u>

The segment assets as at 30 June 2013 are as follows:

	Full service hotels RMB'000	Select service hotels RMB'000	Food and restaurants RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
Segment assets	5,121,252	5,405,567	175,377	2,567,083	1,353,462	3,734,304	18,357,045
Investments in joint ventures	1,015,793	—	—	344,188	—	17,885	1,377,866
Investments in associates	49,682	—	110,728	293,218	16,395	6,362	476,385
Total assets	<u>6,186,727</u>	<u>5,405,567</u>	<u>286,105</u>	<u>3,204,489</u>	<u>1,369,857</u>	<u>3,758,551</u>	<u>20,211,296</u>

The restated segment assets as at 31 December 2012 are as follows:

	Full service hotels RMB'000	Select service hotels RMB'000	Food and restaurants RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
Segment assets	5,160,521	3,540,493	148,240	2,274,490	1,314,247	3,620,063	16,058,054
Investments in joint ventures	1,070,148	—	—	356,494	—	18,123	1,444,765
Investments in associates	46,815	—	187,225	364,383	23,339	4,838	626,600
Total assets	<u>6,277,484</u>	<u>3,540,493</u>	<u>335,465</u>	<u>2,995,367</u>	<u>1,337,586</u>	<u>3,643,024</u>	<u>18,129,419</u>

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

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other operation". Other income in the segment of "Other operation" for the six months ended 30 June 2013 mainly includes gains on disposal of available-for-sale financial assets of RMB40,069,000 (for the six months ended 30 June 2012: RMB77,849,000). Other income in the segment of "Full Service Hotels" for the six months ended 30 June 2012 mainly includes a gain on disposal of available-for-sale financial assets of RMB66,939,000.

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

Capital expenditure comprises additions to property, plant and equipment, investment properties, land use rights and intangible assets including additions resulting from business combination.

5 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000 (Restated)
Employee benefit expense	1,096,997	1,070,059
Cost of travel agency	782,890	733,867
Cost of inventories sold	698,954	712,825
Depreciation of property, plant and equipment	417,520	439,303
Utility cost and consumables	325,176	331,099
Operating leases — land and buildings	199,324	177,883
Business tax, property tax, value added tax ("VAT") through a simplified method and other tax surcharges	173,504	164,342
Repairs and maintenance	48,010	49,823
Amortisation of land use rights	28,684	28,662
Commission paid to travel agency	21,385	19,602
Laundry costs	13,792	10,869
Advertising cost	12,747	12,367
Telecommunication expenses	9,921	7,736
Transportation expenses	8,944	8,317
Amortisation of intangible assets	7,962	8,476
Entertainment expenses	6,410	6,526
Auditors' remuneration	3,940	3,578
Transaction cost in business combination	2,900	—
Depreciation of investment properties	2,408	2,477
Pre-operation expenses	1,419	2,124
Reversal of inventories write-down	(29)	—
Reversal of impairment of trade receivables, prepayments, and other receivables	(10,386)	(4)
Others	175,655	171,170
	<u>4,028,127</u>	<u>3,961,101</u>

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Mainland China current income tax ("CIT")	100,578	102,636
Mainland China deferred income tax	(15,205)	(15,700)
	85,373	86,936

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the six months ended 30 June 2013 (the six months ended 30 June 2012: 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 incorporated in Hong Kong for the six months ended 30 June 2013 (the six months ended 30 June 2012: 16.5%). For the six months ended 30 June 2013, the Group's subsidiary incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax (the six months ended 30 June 2012: nil).

7 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
Profit attributable to shareholders of the Company (<i>RMB'000</i>)	130,806	167,827
Weighted average number of ordinary shares in issue (<i>thousands</i>)	5,566,000	5,566,000
Basic earnings per share (<i>RMB cents</i>)	2.35	3.02

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

8 DIVIDENDS

The final dividend for the year ended 31 December 2012 of RMB3.0 cents (2011 final dividend: RMB4.0 cents) per share, totalling RMB166,980,000 (2011 final dividend: RMB222,640,000) was paid subsequently in August 2013. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012 interim dividend: nil).

9 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i> (Restated)
Trade receivables	358,157	279,843
Less: provision for impairment of trade receivables	<u>(8,273)</u>	<u>(10,211)</u>
Trade receivables — net	349,884	269,632
Amounts due from related parties	474,349	507,802
Prepayments and deposits	375,460	268,836
Accrual rental revenue	17,848	16,062
Dividends receivable	68,341	—
Others	72,506	59,491
Less: provision for impairment amounts due from related parties and other receivables	<u>(6,071)</u>	<u>(16,578)</u>
Prepayments and other receivables — net	<u>1,002,433</u>	<u>835,613</u>
	<u>1,352,317</u>	<u>1,105,245</u>
Less: non-current portion of trade receivables, prepayments and other receivables	<u>(75,499)</u>	<u>(41,764)</u>
	<u>1,276,818</u>	<u>1,063,481</u>
Non-current portion of trade receivables, prepayments and other receivables	<u>75,499</u>	<u>41,764</u>

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

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i> (Restated)
0 to 3 months	336,248	261,083
3 months to 1 year	17,915	14,245
Over 1 year	<u>3,994</u>	<u>4,515</u>
	<u>358,157</u>	<u>279,843</u>

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

10 A NON-CURRENT ASSET HELD FOR SALE

In May and June 2013, Jin Jiang Automobile Company, a subsidiary of the Group, had registered at the Shanghai Unified Assets and Equity Exchange to transfer its 50% equity interest in Shanghai Wanguo Automobile Driver Training Center (“Wanguo Automobile”) for a public bidding process, and it was confirmed that Shanghai Hexin Investment Development Co., Ltd. (“Hexin Investment”) had become the final bidder. The transaction was completed in July 2013. Therefore, the investment in Wanguo Automobile with carrying amount of RMB30,061,000 was reclassified as a non-current asset held for sale as at 30 June 2013.

11 TRADE AND OTHER PAYABLES

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i> (Restated)
Trade payables	414,800	415,929
Advances from customers	677,326	610,860
Employee benefits payables	396,191	498,927
Payables for purchases of property, plant and equipment, and intangible assets	790,791	313,003
Amounts due to related parties	913,836	712,255
Deposits from lessees and constructors	294,837	291,773
Other tax payables	142,342	157,212
Dividend payable to non-controlling interests	107,573	25,150
Accrued expenses and provisions for other liabilities and changes	90,887	85,728
Payable for deferred consideration of business combination	47,345	—
Deferred revenue for customer royalty programme	6,359	2,758
Notes payable	19,794	19,364
Others payables	180,002	124,032
	<u>4,082,083</u>	<u>3,256,991</u>
Less: non-current portion of trade and other payables	<u>(186,040)</u>	<u>(114,219)</u>
	<u>3,896,043</u>	<u>3,142,772</u>
Non-current portion of trade and other payables	<u>186,040</u>	<u>114,219</u>

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

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i> (Restated)
0 to 3 months	373,817	379,518
3 months to 1 year	32,514	27,035
Over 1 year	8,469	9,376
	<u>414,800</u>	<u>415,929</u>

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

12 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2013 but not yet incurred is as follows:

	At 30 June 2013 <i>RMB'000</i>	At 31 December 2012 <i>RMB'000</i> (Restated)
Acquisition of property, plant and equipment	<u>46,713</u>	<u>95,753</u>

(b) Operating lease commitments

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

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

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000 (Restated)
Not later than 1 year	184,373	181,395
Later than 1 year and not later than 5 years	509,399	495,493
Later than 5 years	552,857	631,944
	<u>1,246,629</u>	<u>1,308,832</u>

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000 (Restated)
Not later than 1 year	361,967	329,751
Later than 1 year and not later than 5 years	1,464,662	1,420,894
Later than 5 years	2,677,913	2,528,233
	<u>4,504,542</u>	<u>4,278,878</u>

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

As at 30 June 2013, the Company held a 30% equity interest in Chengdu Jinhe with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party (the “Purchaser”) and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the Purchaser, at a consideration of RMB17,760,000. Pursuant to a further agreement signed between the Purchaser and the Company on 10 May 2013, the Purchaser committed to pay the consideration of RMB17,760,000 and the interests for late payment of RMB1,450,000 before 31 December 2013. The transaction was not completed as at 29 August 2013.

13 SUBSEQUENT EVENTS

- (a) On 25 June 2013, Jin Jiang Hotels Development’s general meeting approved a proposal of issuance of corporate bonds with the aggregate principal amount not exceeding RMB1,600,000,000 and with the term of 5 years from the date of issuance. On 16 August 2013, the Issuance Examination Committee of the China Securities Regulatory Commission approved the application for issuance of corporate bonds.
- (b) Pursuant to the agreement of equity transfer of Wanguo Automobile signed between Jin Jiang Automobile Company and Hexin Investment in July 2013, Jin Jiang Automobile Company transferred its 50% equity interest in Wanguo Automobile to Hexin Investment, at a cash consideration of RMB131,700,000. The equity transfer was completed in July 2013 and Jin Jiang Automobile Company has no equity interest in Wanguo Automobile thereafter. The profit attributable to shareholders of the Company derived from the equity transfer was approximately RMB23,319,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group realized sales revenue of approximately RMB4,270,339,000, representing an increase of approximately 2.8% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB431,421,000, representing a decrease of approximately 2.8% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB130,806,000, representing a decrease of approximately 22.1% as compared to the same period of last year.

As at 30 June 2013, the Group owned or managed 1,459 hotels throughout the world, with total number of rooms over 220,000. Based on the scale of the rooms, the Group was ranked the ninth on the list of global hotel groups in the official publication, “HOTELS Magazine”, by The International Hotel and Restaurant Association released in July 2013. Amongst which 1,106 hotels are owned or managed by the Group in the PRC and are in operation or under construction, with rooms over 155,000, located variously in over 230 cities in 31 provinces, autonomous regions and municipalities. IHR Group, in which the Group held 50% interests, managed 357 hotel properties and 68,000 guest rooms located variously in 9 countries around the world.

During the Reporting Period, the Group continued to rely on Jin Jiang e-commerce platform and its membership system, which further strengthens the resources integration and system integration in hotels, car rentals and tourism, with total membership of over 10 million.

Operational Statistics

	First Half of 2013	First Half of 2012
Average occupancy rate		
Full Service Hotels		
— 5-star Luxury Hotels	59%	57%
— 4-star Luxury Hotels	60%	61%
— Commercial Hotels	57%	60%
Select Service Hotels	82%	85%
Average room rate (RMB)		
Full Service Hotels		
— 5-star Luxury Hotels	817	868
— 4-star Luxury Hotels	494	532
— Commercial Hotels	452	463
Select Service Hotels	181	184

Note: Commercial Hotels include: Pacific Hotel, New Garden Hotel and Marvel Y.M.C.A.

Full Service Hotels

Full Service Hotels represent one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB1,082,860,000 to the Group's revenue, representing a decrease of approximately 8.2% as compared to the same period of last year and accounting for approximately 25.4% of the Group's turnover.

As at 30 June 2013, the Group owned and managed 128 Full Service Hotels in the PRC, offering close to 39,000 guest rooms.

During the Reporting Period, the Group enhanced its marketing efforts with a full-scale upgrading of the room reservation functions of its official website, while making dedicated efforts in procurement cooperation agreements and global customer development. During the Reporting Period, room nights reserved through the official website increased by 150% over the same period of last year. As at the end of the Reporting Period, 370 global cooperation agreements had been signed, representing a growth exceeding 250% as at the end of 2012.

During the Reporting Period, Jin Jiang International Hotel Management Company Limited won the “Best Hotel Group of the Year Award” in the nomination of leaders in the business travel industry for 2013 hosted by China Business News, “TTG China Travel Awards — Best Local Chain Hotel Group in Greater China Market” voted by readers of TTG China, as well as one of the “Top 10 International Hotel Management Company” at the 13th China Hotel Global Forum and Golden Horse Award Ceremony.

The asset management centre of the Group launched various operations in close adherence to the objectives of business format conversion, brand streamlining and asset management, striving to enhance the profitability of hotel assets and the Group’s corporate value. During the Reporting Period, adjustments to the operating structure of Full Service Hotels under the Group showed initial results. At the same time, the Group upgraded the centralised procurement platform to foster an advantage in resource centralisation. Efforts have also been made to further improve the concentration of the unified payment, reduce working capital appropriation and improve the capital utilisation ratio, in a bid to enhance the Group’s core competitiveness on all fronts.

Select Service Hotels

The business of Select Service Hotels represents another principal operation of the Group, covering Budget Hotels and select service commercial hotels.

During the Reporting Period, operation of Select Service Hotels reported a stable growth in turnover, contributing approximately RMB1,081,835,000 to the Group’s revenue, representing an increase of approximately 7.0% as compared to the same period of last year and accounting for approximately 25.3% of the Group’s turnover. Out of the revenue from hotel management and franchise fees, the revenue from initial and ongoing franchise fees amounted to approximately RMB104,668,000, representing a growth of approximately 26.8% as compared to the same period of last year; and the revenue from room reservation distribution fees amounted to approximately RMB17,408,000, representing a growth of approximately 70.2% as compared to the same period of last year.

During the Reporting Period, there were 78 newly contracted Select Service Hotels, of which 35 were self-managed hotels and 43 were franchised hotels. As at 30 June 2013, there were a total of 978 contracted chain Select Service Hotels (comprising 817 Jin Jiang Inn hotels, 79 Bestay Hotels Express hotels, 10 Yulan hotels, 45 Jinguang Inn hotels and 27 Brand Consolidated Hotels), offering 116,152 guest rooms in aggregate. There were 714 contracted franchised hotels, accounting for 73% of all contracted Select Service Hotels. During the Reporting Period, 82 Select Service Hotels such as Jin Jiang Inn were opened, comprising 37 self-managed hotels and 45 franchised hotels. As at 30 June 2013, a total of 772 Select Service Hotels were in operation (comprising 653 Jin Jiang Inn hotels, 67 Bestay Hotels Express hotels, 7 Yulan hotels, 25 Jinguang Inn hotels and 20 Brand Consolidated Hotels), offering 94,068 guest rooms in aggregate.

As at 30 June 2013, out of 772 Select Service Hotels that had commenced operation, 229 were self-managed hotels, accounting for approximately 30%, while 543 were franchised hotels, accounting for approximately 70%.

During the Reporting Period, the Company signed an entrusted operation contract and a lease contract respectively with Jin Jiang Hotels Development on 29 March 2013 to entrust the operating management of New Asia Hotel and Metropole Hotel to Jin Jiang Hotels Development, and to lease the properties of Hua Ting Guest House, Jinsha Hotel and Magnolia Hotel to Jin Jiang Hotels Development respectively. The 5 aforesaid hotels will be converted into Select Service Hotels.

During the Reporting Period, Jin Jiang Hotels Development acquired 100% interests in Smart Hotels Management Co., Ltd.. As at the end of the Reporting Period, Smart Hotels Management Co., Ltd. held 16 hotels in operation with a total of 2,382 guest rooms and 5 hotels under development with a total of 728 guest rooms. Jin Jiang Hotels Development is currently engaged in systems consolidation work with Smart Hotels Management Co., Ltd. and its 21 hotels.

During the Reporting Period, Jin Jiang Inn Company Limited was honoured with the titles of “Top 100 Hotels in China 2012–2013”, “13th Golden Horse Award for Hotels in China” and “Most Satisfactory Brand in Budget Hotel Chain for Chinese Consumers 2012–2013” nominated by the Organizing Committee of the China Hotel Industry Annual Conference and “China Hotels with Outstanding Quality 2013” by The China Hotel Association. In the 2013 Chinese customer satisfaction assessment conducted by the Customer Satisfaction Assessment Centre under China National Institution of Standardization, “Jin Jiang Inn” was ranked first for the “Convenience Hotel” brand.

Food and Restaurants

During the Reporting Period, the Group reported stable development of its food and restaurant operations through various brands of food and restaurant chains held through Jin Jiang Hotels Development, generating revenue of approximately RMB160,733,000 which represented a growth of approximately 17.5% as compared to the same period of last year and accounting for approximately 3.8% of the Group’s turnover. During the Reporting Period, Jin Jiang Hotels Development made a major effort to develop the corporate catering business, managing 24 corporate catering restaurants as at the end of the Reporting Period, as compared to 11 at the end of last year. Jing An Bakery was vigorously expanding its franchise operations, with the number of its franchise outlets increased from 2 to 16 during the Reporting Period, and the total number of its outlets increased to 54. As at 30 June 2013, Shanghai KFC, “New Asia Snacks” and “Shanghai Yoshinoya” had a total of 308, 64 and 21 outlets, respectively. “Chinoise Story” currently operates 2 restaurants in Jin Jiang Hotel and Wuhan Jin Jiang International Hotel respectively.

Vehicle Operation and Logistics

During the Reporting Period, vehicle operation and logistics business reported an operating revenue of approximately RMB1,013,095,000, representing growth of approximately 3.6% as compared to the same period of last year and accounting for approximately 23.7% of the Group’s turnover.

During the Reporting Period, the role of “Jin Jiang Automobile Service Centre” of Jin Jiang Automobile Company as a cross-industry hub showed initial effects. Phase-two construction of Jin Jiang Automobile Service Centre was accelerated, as the construction of underground structures had been completed and above-ground construction had started as at the end of the Reporting Period. During the Reporting Period, the vehicle operation business succeeded in lowering administrative costs and improving economic efficiency through innovative management models and enhanced efforts in resource consolidation and optimised allocation. The two van teams were combined into

one with a single-shift of 1,261 vehicles after the addition of 224 vehicles. A total of 238 charter vehicles were in operation after new additions, as we continued to optimise our commercial leasing structure to leverage our advantages in brand recognition and services. During the Reporting Period, Jin Jiang Automobile Company received 20 large international cruise ships such as the Diamond Princess and served 32 trips for the Shanghai East China Import and Export Fair and the Shanghai International Film Festival, which further enhanced the utilisation ratio and profitability of the vehicle. Through the connection with the e-commerce platform, stronger results were achieved in e-commerce marketing, as 4,070 orders for vehicle services were received via the e-commerce platform system during the Reporting Period. More than 7,400 orders had been received through mobile phone calls during the first half of the year since the launch of the “mobile phone automobile calling” system in early 2013.

Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. expanded its refrigerated storage capacity through external as well as internal measures coupled with output management. Through internal management, the level of standardised operation has been raised. At the same time, the refrigeration business sustained sound development on the back of vigorous implementation of the major customer marketing strategy and consistent improvements to the model of operation that allowed better control over operating risks.

Against austere and intricate economic conditions domestically and abroad, JHJ International Transaction increased its efforts in the development of integrated logistics and enhanced its competitiveness and profitability by designing and implementing integrated logistics solutions for customers, while continuing to strengthen and expand its existing businesses in free trade warehousing, inland shipping and conference and exhibition logistics.

During the Reporting Period, the operating results of the Shuijinyang project, a joint venture between Jin Jiang Investment and Shanghai Fisheries General Corporation (Group) showed steady progress as the business made its first step towards the creation of “Chinese cuisines with fishes from all over the world”.

During the Reporting Period, Jin Jiang Investment successfully conducted the transfer of the 50% interests in Wanguo Automobile, which was listed on Shanghai United Assets and Equity Exchange in late May with a listing price of approximately RMB132 million. The transfer was subsequently completed in July 2013.

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB881,701,000, representing a growth of approximately 6.7% as compared to the same period of last year and accounting for approximately 20.6% of the Group’s turnover.

During the Reporting Period, Jin Jiang Travel handled outbound travel for 90,000 travelers, representing an increase of 18.73% as compared to the same period of last year, domestic travel of 63,900 people, representing a decrease of 7.26% as compared to the same period of last year, inbound tours for 38,600 people, representing a decrease of 20.08% as compared to the same period of last year, and inbound reception for 53,200 people, representing a decrease of 30.55% as compared to the same period of last year.

During the Reporting Period, Jin Jiang Travel continued to reinforce the structural adjustment of its principal tourism business with an emphasis on products sales and research and development, and made considerable improvements to its core competitiveness. Its outbound travel business maintained double digit growth, underpinned by outstanding performance of the liner travel business. For

domestic travel, we increased our efforts in the development of our own brand of holiday and leisure products. In connection with the MICE segment, we formulated plans to serve and retain major customers based on our business characteristics, optimising the resource development, servicing and maintenance process for major customers and at the same time enhancing cost control and efficiency management.

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2012 is set out as follows:

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	<i>RMB in million</i>	<i>Percentage of turnover</i>	<i>RMB in million (restated)</i>	<i>Percentage of turnover (restated)</i>
Full Service Hotels	1,082.9	25.4%	1,179.9	28.4%
Select Service Hotels	1,081.8	25.3%	1,011.1	24.3%
Food and restaurants	160.7	3.8%	136.8	3.3%
Vehicle and logistics	1,013.1	23.7%	977.9	23.6%
Travel agency	881.7	20.6%	826.5	19.9%
Other operations	50.1	1.2%	20.6	0.5%
Total	<u>4,270.3</u>	<u>100.0%</u>	<u>4,152.8</u>	<u>100.0%</u>

Full Service Hotels

The following table sets out the percentage of contribution from the Group's Full Service Hotels segment and other types of business to the Full Service Hotels segment's turnover for the Reporting Period and the same period in 2012:

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	<i>RMB in million</i>	<i>Percentage of turnover</i>	<i>RMB in million (restated)</i>	<i>Percentage of turnover (restated)</i>
— Accommodation revenue	484.6	44.8%	539.9	45.8%
— Food and beverage sales	396.8	36.6%	422.8	35.8%
— Rental revenue	90.1	8.3%	84.5	7.2%
— Rendering of ancillary services	56.5	5.2%	59.4	5.0%
— Hotel management revenue	46.4	4.3%	43.9	3.7%
— Sales of hotel supplies	8.5	0.8%	29.4	2.5%
Total	<u>1,082.9</u>	<u>100.0%</u>	<u>1,179.9</u>	<u>100.0%</u>

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. The accommodation revenue of Full Service Hotels for the Reporting Period amounted to approximately RMB484,591,000, representing a decrease of

approximately 10.3% or RMB55,352,000 as compared to the same period in 2012. The aforesaid changes were mainly attributable to further rate adjustments conducted by the Full Service Hotels to stabilise occupancy rates in view of changes in the business environment such as the macro-economic downturn, changes in the social environment and the increasing surplus in the domestic sector of Full Service Hotels, which had resulted in the decline in RevPAR to various extents for members in this sector. Moreover, the conversion of New Asia Hotel, Metropole Hotel, Hua Ting Guest House, Jinsha Hotel and Magnolia Hotel into Select Service Hotels during the Reporting Period resulted in the decrease in ADR by approximately RMB21,864,000 as compared to the same period of last year.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. Revenue from food and beverage sales in Full Service Hotels for the Reporting Period amounted to approximately RMB396,734,000, representing a decrease of approximately 6.2% or approximately RMB26,102,000 from the same period of last year. During the Reporting Period, food and beverage sales were adversely affected by the social environment with dwindling budgets for banquets and conferences. The Full Service Hotels of the Group took active measures to address such adverse factors and succeeded in partially mitigating the negative impact of the macro-environment by adjusting the product mix with the introduction of new products and cuisines that catered to a broader group of consumers, while expanding and fortifying their competitive products. The conversion of New Asia Hotel, Metropole Hotel, Hua Ting Guest House, Jinsha Hotel and Magnolia Hotel into Select Service Hotels during the Reporting Period resulted in the decrease in food and beverage sales by approximately RMB19,876,000 as compared to the same period of last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's hotels for retail, exhibition and other purposes, as well as the lease of certain catering space on an outsourcing basis. During the Reporting Period, rental revenue amounted to approximately RMB90,084,000, representing an increase of approximately 6.6% or approximately RMB5,548,000 as compared to the same period of last year. The Group's "Flex Property Lease Management System" went online during the Reporting Period, allowing the Group to strengthen its centralised management over lease projects and carry out centralised streamlining in respect of tenants and rental rates, with a view to optimising lease operation and procuring stable growth in lease income.

Rendering of ancillary services

Revenue from rendering of 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 RMB56,530,000, representing a slight decrease of approximately 4.8% or approximately RMB2,838,000 as compared to the same period of last year, which was driven by the slight decline in the average Occupancy Rate for Full Service Hotels.

Hotel management

The revenue of hotel management was mainly generated from the management fees received for the provision of management services of Full Service Hotels not owned by the Group. Revenue of hotel management amounted to approximately RMB46,415,000 during the Reporting Period, representing an increase of approximately 5.8% or approximately RMB2,555,000 as compared to the same period of last year. As the Group's management business continued to expand and IHR China made strong

efforts in developing the business of technology management services, the hotel management business reported a growth in revenue from management fees against unfavourable macro-economic conditions in the hotel management sector.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB20,883,000 as compared to the same period of last year.

Select Service Hotels

During the Reporting Period, turnover of Select Service Hotels amounted to approximately RMB1,081,835,000, representing an increase of approximately RMB70,774,000 or approximately 7.0% as compared to the same period of last year. It was mainly due to the opening of 82 and 136 Select Service Hotels in 2013 and 2012, respectively, which increased the number of Available Rooms, and also 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, as part of the management and franchise fees for Select Service Hotels, the revenue from initial and ongoing franchise fees amounted to approximately RMB104,668,000, representing an increase of approximately 26.8% as compared to the same period of last year, and revenue generated from room reservation distribution fees amounted to approximately RMB17,408,000, representing an increase of approximately 70.2% as compared to the same period of last year.

Food and Restaurants

Revenue for food and restaurants segment was mainly derived from New Asia Café de Coral, Jing An Bakery, Shanghai Jin Jiang International Catering Investment Co., Ltd. (“Jin Jiang International Catering”), Chinese Story, and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB160,733,000, representing an increase of approximately RMB23,972,000 or approximately 17.5% as compared to the same period of last year. During the Reporting Period, the increase in food and restaurants revenue was primarily due to an increase of approximately RMB36,460,000 in revenue of group catering business as compared to the same period last year, offsetting a slight decrease in operating revenue of, among others, New Asia Café de Coral and Jin Jiang Tung Lok as adversely affected by food safety incidents.

Vehicle Operation and Logistics

During the Reporting Period, the revenue for vehicle operation and logistics was approximately RMB1,013,095,000, representing an increase of approximately 3.6% or approximately RMB35,167,000 as compared to same period of last year. The increase was primarily due to an increase of approximately RMB52,633,000 driven by an improvement of utilization rate of automobiles and an enhancement of profitability of our vehicle operation.

Travel Agency

During the Reporting Period, the revenue of travel agency was approximately RMB881,701,000, representing an increase of approximately 6.7% or approximately RMB55,157,000 as compared to same period of last year. The increase was primarily due to constantly rapid development of outbound travel business as well as market opportunities being realized by Jin Jiang Travel through proactive development of outbound travel and cruise tours which target at mid-to-high end markets, resulting in continuous uplift in operating revenue.

Other Operations

In addition, the Group also engages in other domestic business, including the provision of financial services via Jin Jiang International Finance and the provision of training services. During the Reporting Period, revenue of other operations was approximately RMB50,115,000, representing an increase of approximately 144.1% as compared to the same period of last year, which was primarily due to an increase in interest income from interbank lending of Jin Jiang International Finance.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB3,448,660,000, representing an increase of approximately 2.0% as compared to the same period of last year. The increase was primarily due to business expansion of Select Service Hotels as well as increase in revenue of travel agency.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB821,679,000 for the Reporting Period, representing an increase of approximately RMB49,363,000 or approximately 6.4% as compared to the same period of last year.

Other Income

Other income for the Reporting Period amounted to approximately RMB211,725,000 (same period in 2012: approximately RMB278,179,000), representing a decrease of approximately 23.9% as compared to the same period of last year. The decrease was primarily due to a decrease in gain on disposal of available-for-sale financial assets to approximately RMB55,546,000 in the Reporting Period, such as Changjiang Securities Company Limited and Shanghai Yuyuan Tourist Mart Co. Ltd., from approximately RMB152,911,000 in the same period of last year, such as AVIC Real Estate Holding Company Limited and Changjiang Securities Company Limited. At the same time, dividend received from available-for-sale financial assets held by the Group during the Reporting Period was approximately RMB99,614,000 (same period in 2012: approximately RMB76,813,000).

Sales and Marketing Expenses

Sales and marketing expenses comprised primarily of labour costs, travel agents commission and advertizing fees, which amounted to approximately RMB202,856,000 during the Reporting Period (same period in 2012: approximately RMB198,911,000), representing an increase of approximately 2.0% as compared to the same period of last year. The increase was mainly due to an increase in efforts on expanding travel agency business under the Full Service Hotels of the Group in response to changes in external environment, resulting in elevation of our travel agents commission. In addition, an increase in lease expenses was due to expansion of travel agency business.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB376,611,000 (same period in 2012: approximately RMB381,753,000), representing a decrease of approximately 1.3% as compared to the same period of last year. The decrease was primarily due to the Group's stringent control over various expenses as well as the increased collection efforts for receivables, resulting in a reversal of bad debt loss (net) of approximately RMB10,386,000.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses on disposal of property, plant and equipment, amounted to approximately RMB22,516,000 (same period in 2012: approximately RMB26,031,000), representing a decrease of approximately RMB3,515,000 as compared to the same period of last year.

Finance Cost

Finance cost comprises of interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost was approximately RMB50,447,000 (same period in 2012: approximately RMB44,448,000), representing an increase of approximately 13.5% as compared to the same period of last year. The increase was primarily due to a growth in our bank borrowings and an upward adjustment of interest rate during the Reporting Period.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly include results of the Group's joint ventures, namely IHR Group, Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ International Transaction, as well as 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 results of joint ventures and associates for the Reporting Period was approximately RMB5,889,000 (same period in 2012: approximately RMB67,889,000). Share of operating results of Shanghai Kentucky Fried Chicken Company Limited decreased by approximately RMB60,186,000 during the Reporting Period as compared to the same period last year as affected by an incident on chicken raw materials and bird flu.

Taxation

The effective tax rate for the Reporting Period was approximately 22.1% (same period in 2012: approximately 18.6%). Increase in effective tax rate was primarily due to a decrease in non-taxable profit such as share of results of joint ventures and associates.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB130,806,000 (same period in 2012: approximately RMB167,827,000), representing a decrease of approximately RMB37,021,000 or approximately 22.1%.

Borrowings and Pledge of Assets

As at 30 June 2013, the borrowings included:

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000 (Restated)
Borrowings included in non-current liabilities		
Bank borrowings — secured ⁽¹⁾	80,076	94,032
Bank borrowings — unsecured	1,309,638	1,324,267
Finance lease liabilities ⁽²⁾	24,085	21,729
	<hr/> 1,413,799	<hr/> 1,440,028
Less: current portion of long-term secured bank borrowings	(12,357)	(12,571)
current portion of long-term unsecured bank borrowings	(32,000)	(32,000)
current portion of long-term finance lease liabilities	(1,865)	(1,364)
	<hr/> 1,367,577	<hr/> 1,394,093
Borrowings included in current liabilities		
Bank borrowings — secured ⁽³⁾	10,000	33,668
Bank borrowings — unsecured	503,807	11,220
Borrowings from related parties	1,463,000	105,000
Other borrowings — unsecured	5,000	405,000
Current portion of long-term secured bank borrowings	12,357	12,571
Current portion of long-term unsecured bank borrowings	32,000	32,000
Current portion of long-term finance lease liabilities	1,865	1,364
	<hr/> 2,028,029	<hr/> 600,823

As at 30 June 2013, the secured bank borrowings include:

- (1) Bank borrowings of USD12,960,000, equivalent to RMB80,076,000 (31 December 2012: USD14,960,000, equivalent to RMB94,032,000), which were guaranteed by Jin Jiang International.
- (2) Finance lease liabilities of RMB24,085,000 (31 December 2012: RMB21,729,000), which were collateralized by leasehold equipment with carrying amount of RMB21,367,000 (31 December 2012: RMB20,496,000).
- (3) Bank borrowings of RMB10,000,000 (31 December 2012: RMB33,668,000), which were guaranteed by the non-controlling interest of a subsidiary of the Group.

GEARING RATIO

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 11.0% as at 31 December 2012 to approximately 16.8% as at 30 June 2013. The increase in the gearing ratio was mainly due to the increase in borrowings of RMB1,100,000,000 for the consideration paid

by Jin Jiang Hotels Development for the acquisition of 100% equity interest in Smart Hotels Management Co., Ltd. and for the settlement of borrowings owed to Tianjin Huasheng Tourism Equity Investment Partners (LLP) by Jin Jiang Hotels Development.

TREASURY MANAGEMENT

The Group had cash and cash equivalents as at 30 June 2013 and 31 December 2012 amounting to approximately RMB3,051,475,000 and approximately RMB2,536,253,000 respectively. The cash flow is relatively sufficient.

Interest Rate Risk Management

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to fully centralize cash resources and improve the efficiency of fund applications, the subsidiaries, joint ventures 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 7,216,458 shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), as well as 115,630,000 shares in Changjiang Securities Company Limited (Stock code: 000783.SZ), 42,973,976 shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH), 16,291,542 shares in YuYuan Trade Mart (600655.SH) and 25,152,662 shares in Pudong Development Bank Co., Ltd (600000.SH) held by the Group's subsidiaries, etc..

HUMAN RESOURCES

As at 30 June 2013, the Group had approximately 32,000 employees. Employee benefit expense for the Reporting Period increased by approximately RMB26,938,000 or approximately 2.5% as compared to the same period of 2012. The remuneration for employees comprises of basic salary, discretionary bonus and social security contributions. Currently, the Group has not set up share option schemes.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The development of the Group's principal businesses will continue to be subject to uncertainties in global economic recovery, slowdown in domestic macro-economic growth and cyclical oversupply in the hotel industry. The Group will vigorously address the challenges and develop new resources by enhancing its brand and network marketing capabilities. The advantage of centralisation will be fostered by fully leveraging our system platforms, strengthening cost reduction measures and optimising our staff structure. Synergies arising from our acquisitions will be brought into full play to drive the internationalisation process in full force. We will also leverage benefits of group restructuring to optimise the multi-sector link among the hotel, passenger transport logistics and tourism sectors. We will continue to drive asset turnover of the Company and seek to enhance our overall return on assets and corporate value through the conversion and adjustment of our properties.

By improving the Company's core competitiveness in brand building, network, human resources and management systems, we will strive to grow into the leader in hotel and tourism industry in China with international competitiveness.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

The Audit Committee held meetings on 27 March 2013 and 22 August 2013 respectively. The consolidated financial statements for the year ended 31 December 2012 and the unaudited condensed consolidated interim financial statements as at 30 June 2013 of the Group were respectively reviewed at such meetings. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2013 and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

The Board is pleased to confirm that the Group has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Reporting Period.

INTERIM REPORT

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use
“Board”	the board of Directors of the Company
“Brand Consolidated Hotels”	hotels obtained by ways such as acquisition, leasing or entrusted operation, and which are yet to complete and implement brand conversion
“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 
“Commercial Hotels”	hotels in which the Group holds Hotel Interests or which are owned by third parties but managed by the Group, all of 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) which have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
“Full Service Hotels”	hotels which are based on comprehensive hotel functions and facilities, and provide all-rounded quality services for guests
“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”	Interstate Hotels & Resorts, Inc. and its subsidiaries
“JHJ International Transaction”	JHJ International Transaction Co. Ltd.
“Jin Jiang Automobile Company”	Shanghai Jin Jiang Automobile Service Co.,Ltd.
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited
“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang International”	Jin Jiang International 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.
“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 and which have obtained or are expected to obtain 5-star or 4-star ratings according to the criteria set by the Group, excluding Jin Jiang Hotel, Peace Hotel and Park Hotel under which are categorized as Landmark Hotels
“MICE”	an acronym that refers to a combination of 4 elements, namely meeting, incentive, convention and exhibition
“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
“PRC”, “China” or “Mainland China”	the People’s Republic of China
“Reporting Period”	the period from 1 January 2013 to 30 June 2013
“RevPAR”	room revenue per Available Room
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Select Service Hotels”	hotels providing guests with basic professional services which are suitable for the mass consumption with emphasis on core function of accommodation

“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Star-Rating Standard Manual”	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Hotel Interests”	the equity interests of the joint ventures or subsidiaries of the Company engaged in hotel operations held by the Group
“Supervisor(s)”	the supervisor(s) of the Company
“Total Number of Rooms”	number of available rooms per hotel
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America

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

Shanghai, the PRC, 29 August 2013

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

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