



Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006



Interim Report 2011



CONTENTS

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yu Minliang (*Chairman*)
 Ms. Chen Wenjun
 Mr. Yang Weimin (*CEO*)
 Mr. Chen Hao
 Mr. Han Min
 Mr. Kang Ming

NON-EXECUTIVE DIRECTOR

Mr. Shen Maoxing (*Vice Chairman*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang
 Mr. Xia Dawei
 Mr. Sun Dajian
 Dr. Rui Mingjie
 Mr. Yang Menghua
 Dr. Tu Qiyu
 Mr. Shen Chengxiang
 Mr. Lee Chung Bo

SUPERVISORS

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

AUTHORISED REPRESENTATIVES

Mr. Yang Weimin
 Mr. Kang Ming

JOINT COMPANY SECRETARIES

Mr. Kang Ming
 Ms. Ma Sau Kuen Gloria

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

AUDIT COMMITTEE

Mr. Xia Dawei (*Chairman*)
 Mr. Yang Menghua
 Mr. Sun Dajian

REMUNERATION COMMITTEE

Mr. Chen Hao (*Chairman*)
 Mr. Ji Gang
 Mr. Yang Menghua

STRATEGIC INVESTMENT COMMITTEE

Mr. Yang Weimin (*Chairman*)
 Mr. Chen Hao
 Dr. Rui Mingjie

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian
 CPAs Company Limited

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 China, Shanghai Branch

LEGAL ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

26/F., Union Building
 No. 100 Yan'an East Road
 Shanghai, the PRC (Puxi)

13th Floor, Youyou Yanqiao Building
 No. 489 Pudian Road
 Shanghai, the PRC (Pudong)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3203, 32nd Floor
 Shun Tak Centre, West Tower
 200 Connaught Road Central
 Hong Kong Special Administrative
 Region of the PRC ("Hong Kong")

STOCK EXCHANGE ON WHICH H SHARES OF THE COMPANY ("H SHARES") ARE LISTED

Main board ("Main Board")
 of The Stock Exchange of Hong Kong
 Limited (the "Stock Exchange")
 Abbreviation of H Shares:
 JIN JIANG HOTELS
 Stock code: 02006
 Website: www.jinjianghotels.com.cn
 Tel: (86-21) 6326 4000
 Fax: (86-21) 6323 8221

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF ALL HOTELS

All hotels (As at 30 June 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group*		Hotels owned by third parties but granted franchises by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
—5-star hotels	6	3,120	2	938	45	14,113			53	18,171
—4-star hotels	12	4,069	2	932	36	8,900			50	13,901
Sub-total	18	7,189	4	1,870	81	23,013			103	32,072
Commercial Hotels	8	1,805			2	317			10	2,122
Total number of star-rated Hotels	26	8,994	4	1,870	83	23,330			113	34,194
Budget Hotels	206	28,637					476	53,514	682	82,151
Total	232	37,631	4	1,870	83	23,330	476	53,514	795	116,345

* Excluding hotels managed by IHR Group

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS IN OPERATION

In operation (As at 30 June 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group*		Hotels owned by third parties but granted franchises by the Group		Total number of hotels in operation	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
—5-star hotels	6	3,120	2	938	22	7,322			30	11,380
—4-star hotels	12	4,069	2	932	30	7,643			44	12,644
Sub-total	18	7,189	4	1,870	52	14,965			74	24,024
Commercial Hotels	7	1,708			2	317			9	2,025
Total number of star-rated Hotels	25	8,897	4	1,870	54	15,282			83	26,049
Budget Hotels	160	23,531					325	37,973	485	61,504
Total	185	32,428	4	1,870	54	15,282	325	37,973	568	87,553

* Excluding hotels managed by IHR Group

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As at 30 June 2011)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group*		Hotels owned by third parties but granted franchises by the Group		Total number of hotels under development	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
—5-star hotels					23	6,791			23	6,791
—4-star hotels					6	1,257			6	1,257
Sub-total					29	8,048			29	8,048
Commercial Hotels	1	97							1	97
Total number of star-rated Hotels	1	97			29	8,048			30	8,145
Budget Hotels	46	5,106					151	15,541	197	20,647
Total	47	5,203			29	8,048	151	15,541	227	28,792

* Excluding hotels managed by IHR Group

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF REGIONAL DISTRIBUTION

Province, autonomous region, municipality		In operation				Under development			
		Star-rated hotels		Budget Hotels		Star-rated hotels		Budget Hotels	
		Total		Total		Total		Total	
		Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Eastern Region	Shanghai	30	11,007	80	10,363	1	268	19	2,183
	Zhejiang	3	853	33	4,087	1	285	18	1,698
	Jiangsu	8	2,103	90	10,747	7	1,813	29	3,011
	Anhui	2	396	11	1,273	—	—	6	595
	Shandong	2	623	43	4,691	7	2,597	26	2,531
Northern Region	Beijing	9	2,584	33	4,307	3	849	13	1,445
	Tianjin	—	—	11	1,536	—	—	3	253
	Hebei	4	891	10	1,127	—	—	9	936
	Liaoning	3	925	14	2,220	—	—	9	858
	Jilin	—	—	7	934	—	—	3	278
	Heilongjiang	1	174	7	855	1	300	—	—
Central Region	Henan	3	909	21	2,712	2	590	6	533
	Hubei	3	849	15	2,230	—	—	3	271
	Hunan	1	300	7	1,022	—	—	1	129
	Jiangxi	3	735	8	1,101	—	—	3	248
	Guangxi	—	—	2	387	—	—	—	—
Southern Region	Fujian	1	320	14	1,621	1	300	7	821
	Guangdong	1	350	14	1,837	—	—	8	896
	Hainan	2	543	1	283	—	—	—	—
Northwestern Region	Shanxi	—	—	22	2,883	1	115	7	930
	Shaanxi	1	216	12	1,542	—	—	7	887
	Gansu	1	236	3	347	—	—	2	161
	Qinghai	—	—	3	269	—	—	2	171
	Xinjiang	—	—	2	213	1	280	4	447
	Inner Mongolia	1	900	6	811	2	337	6	711
Southwestern Region	Ningxia	—	—	2	260	—	—	1	105
	Chongqing	1	315	2	257	—	—	—	—
	Sichuan	1	250	7	1,072	2	190	1	80
	Guizhou	1	250	3	313	—	—	2	286
	Yunnan	1	320	1	135	1	221	2	183
Tibet	—	—	1	69	—	—	—	—	
Total		83	26,049	485	61,504	30	8,145	197	20,647

* Excluding hotels managed by IHR Group

** As at 30 June 2011

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS MANAGED BY IHR GROUP AS AT 30 JUNE 2011

	Number of hotels	Total Number of Rooms
USA, Canada and Mexico	298	53,616
Russia	7	2,040
Europe	4	384
India	3	455
China	3	1,630
Total	315	58,125


OPERATIONAL STATISTICS

	January to June 2011	January to June 2010
Average Occupancy Rate		
– 5-star Hotels	54%	64%
– 4-star Hotels	59%	64%
– Commercial Hotels	49%	62%
– Budget Hotels	86%	84%
Average room rate (RMB)		
– 5-star Hotels	961	925
– 4-star Hotels	538	592
– Commercial Hotels	322	363
– Budget Hotels	179	182
RevPAR (RMB)		
– 5-star Hotels	519	595
– 4-star Hotels	319	377
– Commercial Hotels	157	224
– Budget Hotels	154	152

Notes:

1. The star-rating for the operational statistics has been re-classified in accordance with the new bases;
2. 5-star Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kuntun Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel;
3. 4-star Hotels include: Park Hotel, JianGuo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel; and
4. Commercial Hotels include: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel and Bai Yulan Hotel.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use
“Board”	the board of directors of the Company
“Budget 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 
“Cold Logistics Company”	Shanghai Jinjiang International Cold Logistics Development Co., Ltd.
“Commercial Hotel(s)”	hotels in which the Group holds Hotel Interests or which are owned by the third parties but managed by the Group, which have obtained or are expected to obtain 3-star or 2-star ratings according to the criteria set by the Group
“Company”	Shanghai Jin Jiang International Hotels (Group) Company Limited
“Director(s)”	the director(s) of the Company
“Franchisee(s)”	third parties who have entered into franchise agreement(s) with the Group for the licence to use the Jin Jiang trademark or Jin Jiang Inn trademarks
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities or businesses which were contributed to and operated by the Company upon its establishment
“HAC”	Hotel Acquisition Company, LLC
“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 Group”	Interstate Hotels & Resorts, Inc. and its subsidiaries
“JHJ International Transaction”	JHJ International Transaction Co., Ltd.
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited
“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang International”	Jin Jiang International Holding Company Limited
“Jin Jiang International Finance”	Jin Jiang International Finance Company Limited
“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Jin Jiang Travel”	Shanghai Jinjiang International Travel Company Limited
“Jinjiang Automobile Company”	Shanghai Jinjiang Automobile Service Co., Ltd.
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Permanent House Use”	guest rooms which have been removed from the saleable inventory for a period longer than six months
“Reporting Period”	the six months ended 30 June 2011
“RevPAR”	room revenue per Available Room
“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 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
“Thayer”	Thayer Lodging Group, Inc.
“Thayer Group”	Thayer and its subsidiaries
“Total Number of Rooms”	number of available rooms per hotel

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the post-World Expo effect brought challenges to the hotel market in Shanghai. In particular, the competition within the Star-rated hotel market intensified. The Group responded actively by leveraging on its comprehensive and diversified asset portfolio and quality operation and management services, as well as measured such as market analysis, budget monitoring and effective cost control. During the Reporting Period, the Group realized revenue of approximately RMB5,931,189,000, representing an increase of 16.5% as compared with the same period of last year. The operating profit of the Group amounted to approximately RMB418,365,000, representing a decrease of 8.5% as compared with the same period of last year. Profit attributable to shareholders of the Company amounted to RMB165,221,000, representing a decrease of 12.2% as compared with the same period of last year.

As at 30 June 2011, the Group held or managed 795 hotels with approximately 116,000 rooms either in operation or under development, spanning across more than 170 cities in 31 provinces, autonomous regions and municipalities in China. The Group remains the leading hotel group in the PRC in terms of the number of hotel rooms offered. IHR Group and its associated companies, which the Group held a 50% interest in, managed a total of 315 hotels with more than 58,000 rooms.

The Company established a jointly controlled hotel management company with IHR Group, and has launched hotel management business in the PRC during the Reporting Period. Hotel management contracts with various hotels including Shanghai Tower J Hotel (上海中心J酒店), Shanghai Eastern Jin Jiang Hotel Company Limited (上海東錦江大酒店), Beijing Changan Hotel (北京長安大廈酒店), Wuhan Jin Jiang International Hotel (武漢錦江國際大酒店) and Chengdu Qingchengshan Resort (成都青城山度假酒店) have been signed to date.

The Company established Shanghai Jin Jiang Thayer Equity Investment Management Co., Ltd. with Thayer Group, which will develop the management business of hotel assets and other property assets in the PRC in order to enhance the liquidity of such assets, and to maintain and increase their value.

Furthermore, the Company also entered into a memorandum of understanding for a training programme with IHR Group and Thayer Group, with plans to train 100 hotel management talents for the Group within 3 years. The first group of 25 managerial staff have already completed a six-month training in the US as at the date of this report.

The transaction of the acquisition of 212,586,460 shares in Jin Jiang Investment (representing approximately 38.54% of the total registered capital of Jin Jiang Investment) and 66,556,270 shares in Jin Jiang Travel (representing approximately 50.21% of the total registered capital of Jin Jiang Travel) from Jin Jiang International was completed on 16 February 2011. The transaction has further enlarged the size of the Group. Through the effective consolidation of resources with Jin Jiang Investment and Jin Jiang Travel, the synergy effects of the hotel and tourism industry will be achieved under a new business model. Currently, the Group is actively promoting the consolidation of automobile related resources with Jin Jiang Investment, as well as developing the joint action plan with Jin Jiang Travel with respect to the customer sources.

MANAGEMENT DISCUSSION AND ANALYSIS

Star-rated Hotels

Star-rated hotel business is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business, where over 80% of our self-managed Star-rated hotels are located. During the Reporting Period, operation of Star-rated hotels contributed approximately RMB1,172,078,000 to the Group's revenue, decreasing by 2.6% as compared with the same period of last year.

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

	January–June 2011 Average		January–June 2010 Average	
	Occupancy Rate (%)	ADR (RMB)	Occupancy Rate (%)	ADR (RMB)
5-star hotels	49	950	62	938
4-star hotels	56	604	66	661
Commercial hotels	44	385	61	397

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

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel, 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 and Sofitel Hyland; and
3. Commercial hotels: Jin Jiang Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel, Jinsha Hotel, Bai Yulan Hotel and Jin Jiang Marvel Y.M.C.A..

RevPar for hotels which the Group invested in places such as Beijing, Xi'an, Wuhan and Kunming all increased as compared with the same period of last year.

As at 30 June 2011, the Group owned and managed 113 Star-rated hotels in China with 34,000 guest rooms, of which 83 hotels were managed by third-parties.

In order to facilitate the internationalization strategy for the Group's hotel operations and to further consolidate the Group's hotel management resources, the Group launched the plan to establish Jin Jiang Hotel Management Centre during the Reporting Period. The plan was designed with an aim to further facilitate the marketization and internationalization of the business through the introduction of international operation philosophy and mechanism, and the establishment of co-ordinated and efficient hotel operation and management system.

During the Reporting Period, the Company appointed a world-renowned brand consultation agency to act as the brand advisor of the Group's "J"-brand high-end hotel. The interior design company for the first "J"-brand hotel, Shanghai Tower Hotel (上海中心大廈酒店), was also confirmed.

After the first new-style business hotel under the new brand name of "Marvel" officially commenced operation, its brand service concept of being simple, highly efficient and of quality was rapidly recognized by the market. The Group plans to set up a Marvel Hotel Company to run the "Marvel" brand chain business hotels independently.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group continued to enhance its sales system and strengthen customer relationship management. The total number of members for the Jin Jiang VIP programme was approximately 180,000. The Group has already entered into cooperative partnership with Sol Meliá Hotel Group of Spain, where each party chooses 6 member hotels to be included in the other's e-commerce website's reservation system, and sends staff to one another's hotel for trainings.

For online sales, the Group strived to facilitate centralized management for third-party distribution during the Reporting Period. Unified management with third-party distribution channels was achieved for self-managed Star-rated hotels and most hotels which were managed by third parties. In addition, the development of the connection between the major third-party distributor in China and the Group's Jin Jiang Central Reservation System (JREZ) has completed, and reservation integration was achieved. The Group continued to develop JREZ. Bookings through JREZ for about 293,000 room nights were received during the Reporting Period, representing a significant increase against the same period of last year.

Budget Hotels

The business of budget hotels of the Group includes mainly the operation of Jin Jiang Inn Budget Hotels on owned and leased properties, granting of franchises of the brand of Jin Jiang Inn to third-party hotel owners and development of budget hotels on the Group's own properties.

Budget hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB882,289,000 to the Group's revenue, representing an increase of 19.6% as compared with the same period of last year and accounting for 14.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB63,310,000, representing an increase of 15.1% as compared with the same period of last year.

During the Reporting Period, there were 86 newly contracted chain budget hotels including Jin Jiang Inn Budget Hotels, of which 6 were self-managed hotels and 80 were franchised hotels. As at 30 June 2011, there were a total of 682 contracted chain budget hotels (comprised of 592 Jin Jiang Inn, 67 Bestay Hotels Express, 9 Bai Yulan and 14 Jinguang Inn) with 82,000 guest rooms in aggregate. Among these contracted chain budget hotels, 476 were franchised hotels, accounting for 69.8% of all contracted chain budget hotels.

During the Reporting Period, 68 chain budget hotels entered into operation, of which 14 were self-managed hotels and 54 were franchised hotels. As at 30 June 2011, a total of 485 chain budget hotels were in operation with 62,000 guest rooms in aggregate. Among these chain budget hotels in operation, 325 were franchised hotels, accounting for 67.0% of all chain budget hotels in operation.

As at 30 June 2011, budget hotels including Jin Jiang Inn operated by the Group covered over 160 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels have presence in 42 cities within 22 provinces, autonomous regions and municipalities in the PRC.

During the Reporting Period, there were 410,000 new members of Jin Jiang Inn, so that the total number of members exceeded 2 million. A total of 540,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 14,000 corporate clients. Meanwhile, through the commissioning of the new paging centre and strengthening of its marketing efforts for online reservation, room reservation function was enhanced, hereby providing additional support for chain outlets.

MANAGEMENT DISCUSSION AND ANALYSIS

Food and Restaurants

The Group's various brands of restaurant chains held by the Group and through Jin Jiang Hotels Development grew steadily during the Reporting Period. As at 30 June 2011, Shanghai KFC had a total of 278 outlets, representing a net increase of 12 outlets as compared with the end of 2010, and maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya and Jing An Bakery had 58, 20 and 56 outlets respectively. Chinese Story operated 2 restaurants.

IHR Group

As at the end of the Reporting Period, IHR Group and its affiliates manage a total of 315 hotel properties with more than 58,000 guest rooms located variously in 36 states of the US, the District of Columbia, Mainland China, Russia, India, Mexico, Belgium, Canada, Ireland and England.

During the Reporting Period, IHR Group contributed RMB1,382,101,000 of revenue attributable to the Group, increased by 97.5% as compared with the same period of last year, which was mainly because the Group only proportionately consolidated the results of IHR Group's business since 18 March 2010, which was the completion date of the acquisition of IHR Group. Excluding that factor, the turnover of IHR Group in the first half of this year increased by 23.8% as compared with the same period of last year. With the gradual recovery of the U.S. hotel market, the average rate of its self-owned hotel properties was USD123 with an average occupancy rate of 73%. The RevPAR was USD90, representing an increase of 12.8% compared with the same period of last year. Moreover, IHR Group carried out restructuring to its debt of USD128 million, effectively lowering its finance costs.

During the Reporting Period, IHR Group appointed Mr. Jim Abrahamson as President and Chief Operating Officer. Mr. Jim Abrahamson held senior management positions in numerous internationally-renowned hotel groups, and has rich experience in the hotel industry.

Vehicle and Logistics

During the Reporting Period, the turnover of the vehicle and logistics business was approximately RMB1,570,559,000, representing an increase of 4.9% compared with the same period of last year.

Internal modification and equipment installation were completed for the 1st phase engineering work of the "Jin Jiang Automobile Service Centre" of Jin Jiang Automobile Company, and operation commenced. With regards to the post-World Expo operating characteristics, the Group expanded channels of providing additional revenue by increasing its marketing efforts, and capturing business opportunities derived from peak passenger flow during the Spring Festival, Ching Ming Festival, and the May 1st Golden Week, etc. The Group participated in the transportation and car rental services for the 14th World Swimming Championships. The Group also increased e-commerce marketing efforts. The online car sales and car repair system were also launched by making use of the online car rental service which was previously established.

Having successfully introduced strategic investors, Cold Logistics Company actively proceeded to the acquisition of Shanghai Xintiantian Dazhong Cold Logistics Co., Ltd.'s 33% equity interest as planned, and facilitated the cooperation project with Shanghai Fisheries General Corporation. The Group enhanced efforts in searching for opportunities internally, and expanded resources related to refrigerating chamber. It increased efforts in technology modification, and completed the Wusong cold chamber — multi-purpose cold chamber (變溫庫) technology modification project, which increased market competitiveness.

JHJ International Transaction enhanced sales and marketing efforts for logistics projects, continued to carry out research and development on direct-sale customer business, characteristic business and value-added business, as well as further developed transportation business for large items, exhibition items and dangerous goods, so as to enhance market share. It enhanced water transportation network for containers along the Yangtze River route, and a direct external trade sea route from Jiujiang, Jiangxi to Incheon, Korea was opened. The central China region bonded logistics business (taking Chongqing as representative) developed rapidly. Bonded logistics businesses in places such as Beijing, Qingdao, Suzhou, Wuhan, Shanghai developed and progressed orderly, optimizing business structure.

MANAGEMENT DISCUSSION AND ANALYSIS

Travel Agency

During the Reporting Period, turnover from the travel agency business was RMB797,720,000, representing a decrease of 5.1% compared with the same period of last year. The tourism industry faced rather rigorous challenges during the Reporting Period. Firstly, it is due to the entering into the correction phase after the World Expo. Secondly, it is due to the series of unexpected events, such as the occurrence of massive earthquake as well as secondary disasters such as tsunami and nuclear radiation in Japan in March 2011, which seriously affected the outbound and inbound tourism markets. The Company adjusted its operation strategies in a timely manner, and achieved good results in terms of actively expanding the tourism markets of Europe and America.

FINANCIAL INFORMATION OVERVIEW

Turnover

The Group's financial information for the Reporting Period against the same period in 2010 is set out below:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	RMB million	Percentage of Turnover	RMB million	Percentage of Turnover
Star-rated hotels	1,172.1	19.8%	1,203.1	23.7%
Budget Hotels	882.3	14.9%	737.8	14.5%
Food and restaurants	109.6	1.8%	95.3	1.9%
IHR Group	1,382.1	23.3%	699.8	13.7%
Vehicle and logistics	1,570.6	26.5%	1,497.8	29.4%
Travel agency	797.7	13.4%	840.8	16.5%
Other operation	16.8	0.3%	16.2	0.3%
Total	5,931.2	100.0%	5,090.8	100.0%

Star-rated Hotels

The following table sets out turnover contributions from the operating segments and different businesses of the Group's Star-rated hotels as a percentage of the Group's turnover for the Reporting Period against the same period in 2010:

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	RMB million	Percentage of Turnover	RMB million	Percentage of Turnover
— Accommodation revenue	541.6	46.2%	613.0	51.0%
— Food and beverage sales	432.6	36.9%	393.9	32.7%
— Rendering of ancillary services	60.2	5.1%	60.3	5.0%
— Rental revenue	78.6	6.7%	77.4	6.4%
— Sales of hotel supplies	23.3	2.0%	28.7	2.4%
— Star-rated hotel management	35.8	3.1%	29.8	2.5%
Total	1,172.1	100.0%	1,203.1	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 Group's hotels. The accommodation revenue of Star-rated hotels for the Reporting Period was approximately RMB541,604,000, representing a decrease of approximately 11.6% over the same period in 2010. It was mainly because post-World Expo, competition among Star-rated hotels further intensified. Currently, there is a situation of over supply in the industry, with a decrease in business travelers and tourists numbers. Among the inbound tourists of Shanghai, those who stayed overnight decreased by approximately 4.6% compared with the same period of last year, which directly affected accommodation revenue of Star-rated hotels.

Food and Beverage Sales

The Group's food and beverage sales primarily comprises of catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. Increased prices of food and beverage and banquet increased due to the continuous increase in costs of utilities, labour and raw materials. Despite the decrease in Occupancy Rate which affected part of the food and beverage sales revenue, the good performance of the wedding banquet market contributed to the revenue from food and beverage at Star-rated hotels, which was approximately RMB432,600,000 during the Reporting Period, representing an increase of 9.8% over the same period of last year.

Rendering of Ancillary Services

The revenue from rendering of ancillary services mainly represents the turnover generated from gift shop, entertainment, laundry services and other guest services. During the Reporting Period, the revenue from rendering of ancillary services amounted to approximately RMB60,176,000, representing a decrease by approximately 0.3% as compared with the same period in 2010.

Rental Revenue

Rental revenue was mainly generated from the leasing of space at the Group's hotels for shops, showcase and other purposes. During the Reporting Period, the rental revenue was approximately RMB78,661,000, representing an increase of approximately RMB1,229,000 or approximately 1.6% compared with the same period in 2010.

Sales of hotel supplies

Turnover from guest supplies and hotel products decreased by approximately RMB5,354,000 compared with the same period in 2010, representing a decrease of approximately 18.7%. The decrease was mainly due to the decrease in business volume of Star-rated hotels.

Star-rated hotel management

The external sales revenue of the Star-rated hotel management division for the first half of 2011 amounted to approximately RMB35,750,000, representing an increase of approximately 19.8% compared with the same period of last year, which was primarily generated from management fees received for the provision of management services to Star-rated hotels not owned by the Group. The increase in hotel management projects outside Shanghai, and a steady increase in operating results of managed hotels resulted in an increase in management fees income.

MANAGEMENT DISCUSSION AND ANALYSIS

Budget Hotels

Turnover of budget hotels during the Reporting Period amounted to approximately RMB882,289,000, representing an increase of approximately RMB144,498,000 or approximately 19.6% compared with the same period of last year. It was mainly due to an increase in the number of available room from 68 and 84 newly opened Jin Jiang Inn in 2011 and 2010 respectively, as well as 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 RMB63,310,000, representing an increase of 15.1% compared with the same period of last year.

Food and Restaurant

Revenue from food and restaurant operation was derived from New Asia Cafe de Coral, Jing An Bakery, Chinoise Story and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the segment of food and restaurant operation amounted to approximately RMB109,586,000, representing an increase of RMB14,298,000 or approximately 15.0% compared with the same period of last year. Revenue from food and beverage in the past mainly originated from the fast food chain operations and moon cake production business, namely, New Asia Cafe de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. The increase during the Reporting Period was mainly due to the growth of business of New Asia Cafe de Coral and Chinoise Story, as well as the adjustment of certain food and beverage prices because of the increase in food and beverage costs.

IHR Group

During the Reporting Period, the revenue from the IHR Group business was approximately RMB1,382,101,000, representing an increase of 97.5% over the same period of last year, of which revenue from other managed properties was approximately RMB1,164,378,000. The increase over the same period of last year was mainly because the Group completed its merger and acquisition of IHR Group from 18 March 2010, and consolidated its business into the Group.

Vehicle and Logistics

During the Reporting Period, vehicle and logistics revenue amounted to approximately RMB1,570,559,000, representing an increase of approximately 4.9% compared with approximately RMB1,497,843,000 in the corresponding period of last year. It was mainly attributable to the increase of 11.0% in revenue from operating vehicles and the increase of 26.8% in revenue from low-temperature logistics storage.

Travel Agency

During the Reporting Period, revenue from travel agency business was approximately RMB797,720,000, representing a decrease of approximately 5.1% compared with approximately RMB840,797,000 for the same period of last year. This was due to the tourism market entering into the correction phase after the World Expo, and the outbound and inbound tourism markets were affected by calamities in certain regions.

Moreover, the Group also engages in other businesses in the PRC, including the provision of financial services through Jin Jiang International Finance and the operation of training schools. During the Reporting Period, revenue from such other businesses amounted to approximately RMB16,856,000, representing an increase of approximately 4.0% against the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB4,944,077,000, representing an increase of approximately 19.4%. The increase was mainly attributable to the additional cost of sales resulted from the consolidation of IHR Group since 18 March 2010, amounting to RMB594,373,000, and the corresponding increase in commodity costs, energy and material consumption due to the business expansion and increase in chain outlets of the budget hotel segment. For the vehicle operations business of Jin Jiang Investment, owing to rise in oil prices and the expiry of vehicle purchasing concessions, which also led to increase in cost of sales. The cost of sales incurred by the IHR Group includes the cost of managed properties, being approximately RMB1,164,378,000 (same period of last year: RMB569,030,000). Such cost was in the same amount as other revenue generated from the managed properties, and therefore had no impact on operating profit.

Gross Profit

For the above reasons, the Group recorded a gross profit of approximately RMB987,112,000 for the Reporting Period, representing an increase of approximately RMB36,237,000 or approximately 3.8% as compared with the same period in 2010.

Other Income

Other income for the Reporting Period amounted to approximately RMB163,750,000 (same period in 2010: approximately RMB175,203,000), representing a decrease of 6.5% as compared with the same period of last year. The decrease was mainly attributable to the disposal of available-for-sale financial assets of RMB8,595,000 and RMB11,411,000 respectively by Jin Jiang Investment and Jin Jiang Travel in the same period of last year. At the same time, dividend of approximately RMB39,239,000 (same period in 2010: approximately RMB52,331,000) was received from Changjiang Securities for the Reporting Period. Other income for the Reporting Period also include dividend income received from KFCs in Suzhou, Wuxi and Hangzhou, amounted to approximately RMB40,986,000 (same period in 2010: approximately RMB37,114,000).

Sales and Marketing Expenses

Sales and marketing expenses for the Reporting Period, comprising primarily labour costs, travel agents commission and advertising fees, amounted to approximately RMB254,242,000 (same period in 2010: approximately RMB258,670,000), representing a decrease of approximately 1.7%. It was mainly due to the decrease in room rental revenue from Star-rated hotels compared with the same period of last year, causing a corresponding decrease in commission expenses, and the decrease in relevant advertising fees.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB439,409,000, representing an increase of approximately 11.6% compared with the same period of last year (same period in 2010: approximately RMB393,798,000). The increase was mainly due to an increase in labour cost besides an increase in administrative expenses of approximately RMB18,304,000 due to the completion of the acquisition of IHR Group on 18 March 2010, whereby the Group consolidated IHR Group's business.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, was approximately RMB38,783,000 (same period in 2010: approximately RMB16,591,000), representing an increase of approximately 133.8% compared with the same period of last year. This was mainly attributable to disposal of intangible assets (management contract) by the IHR Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Cost

Finance cost comprises of mainly interest expenses in respect of the Group's bank. During the Reporting Period, finance cost was approximately RMB49,160,000 (same period in 2010: approximately RMB42,627,000), representing an increase of approximately 15.3% over the same period of last year. The finance cost increased by approximately RMB6,533,000, with an increased finance cost of approximately RMB4,417,000 from Shanghai Jin Jiang Hotel Group (US) Limited (上海錦江國際酒店集團(美國)有限公司) and an increased finance cost of approximately RMB2,116,000 from the Company, due to the completion of the acquisition of IHR Group on 18 March 2010.

Share of Results of Associates

Results of associates primarily include results of the Group's associates Shanghai Kentucky Fried Chicken Company Limited and Shanghai Yangtze Hotel Company Limited, as well as Jin Jiang Investment and Jin Jiang Travel's associates, which mainly include Shanghai Pudong Int'l Airport Cargo Terminal Co., Ltd., Jiangsu Nanjing Long-distance Automobile (江蘇南京長途汽車) and Shanghai Oriental Airlines International Travel and Transportation CO., Ltd. (上海東方航空國際旅遊運輸有限公司). Share of results of associates for the Reporting Period amounted to approximately RMB87,551,000 (same period in 2010: approximately RMB88,072,000). This was mainly attributable to the decrease in share of results from Shanghai Yangtze Hotel Company Limited and Shanghai Kentucky Fried Chicken Company Limited by approximately RMB2,052,000 and RMB11,661,000, respectively, as compared with the same period of last year. However, the associates held by IHR Group recorded an increase of approximately RMB13,325,000 compared with the same period of last year.

Taxation

The effective tax rate for the Reporting Period was approximately 16.7% (same period in 2010: approximately 17.0%).

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to the shareholders of the Company was approximately RMB165,221,000 (same period in 2010: approximately RMB188,163,000), representing a decrease of approximately RMB22,942,000 or approximately 12.2%.

Pledge of Assets

As at 30 June 2011, finance lease equipment of the Group's PRC companies with a net carrying amount of approximately RMB26,014,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB27,297,000; various types of assets of IHR Group with a net carrying value of approximately USD43,013,000 (equivalent to approximately RMB278,363,000) was pledged as security for bank borrowing of approximately USD42,891,000 (equivalent to approximately RMB277,577,000); trade receivables of JHJ International Transaction with a carrying amount of approximately USD1,389,000 (equivalent to RMB8,989,000) was pledged as security for bank borrowing of approximately USD1,251,000 (equivalent to approximately RMB8,097,000); bank deposits of JHJ International Transaction with a carrying amount of RMB38,978,000 was pledged as security for bank borrowing of approximately USD6,023,000.

Gearing ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 11.82% as at 31 December 2010 to approximately 12.82% as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP DEBTS AND FINANCIAL CONDITIONS

As at 30 June 2011, the total amount of bank loans owed by the Group's PRC companies was USD16,960,000 (equivalent to approximately RMB109,758,000), which were guaranteed borrowings. The total amount of entrusted loans owed to a related party, Jin Jiang International, was RMB1,031,563,000, and the liabilities relating to finance lease for energy conservation projects amounted to RMB27,296,000.

The total amount of bank loans owed by the Group's overseas companies as at 30 June 2011 was USD163,106,000 (equivalent to RMB1,055,554,000), comprising credit loans of USD120,214,000 (equivalent to RMB777,978,000) and guaranteed loans of USD42,891,000 (equivalent to RMB277,576,000).

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 30 June 2011 are analyzed as follows:

(RMB'000)	Maturity of contracted borrowings outstanding as at 30 June 2011				Total
	Within 1 year	2 years	3 and 5 years	Over 5 years	
Corporate bank borrowings (RMB)	2,750	—	—	—	2,750
Corporate bank borrowings (USD)	527,191	132,020	582,299	—	1,241,510
Borrowings from Jin Jiang International	130,000*	901,563**	—	—	1,031,563
Borrowings from the subsidiary of Jin Jiang International	20,000	—	—	—	20,000
Finance lease liabilities	1,333	1,690	5,754	18,519	27,296
Total	681,274	1,035,273	588,053	18,519	2,323,119

Notes:

* These borrowings carry a fixed interest rate of 3.84%.

** These borrowings carry a fixed interest rate, of which the borrowing amounted to RMB300,000,000 with effective interest rate of 3.84% and the borrowing amounted to RMB601,563,000 with effective interest rate of 4.62%. Apart from that, all other borrowings carry interests charged at floating rates.

TREASURY MANAGEMENT

The Group had cash and cash equivalents as at 30 June 2011 and 31 December 2010 amounting to approximately RMB2,779,360,000 and approximately RMB2,747,102,000 respectively. The cash flow is relatively sufficient.

INTEREST RATE RISK MANAGEMENT

Jin Jiang International Finance, a subsidiary of the Company, acts as a non-bank financial institution within the Group. In order to centralise cash resources and improve the efficiency of fund applications, the subsidiaries and associates of the Group deposit as much of their cash as possible in the accounts with Jin Jiang International Finance and borrow from Jin Jiang International Finance as first priority for short-term financing requirements. Hence, the Group's interest expenses of external bank borrowings have decreased.

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

MANAGEMENT DISCUSSION AND ANALYSIS

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets held by the Group included 19,723,274 shares in AVIC Real Estate (Stock code: 000043.SZ); 130,796,701 shares in Changjiang Securities (Stock code: 000783.SZ); 47,430,887 shares in Bank of Communications (Stock code: 601328.SH); 20,649,307 shares in Yuyuan Tourist Mart (Stock code: 600655.SH) and 21,002,662 shares in Pudong Development Bank (Stock code: 600000.SH) held by the Group's subsidiaries.

HUMAN RESOURCES

As at 30 June 2011, the Group had approximately 25,000 employees, representing an increase of approximately 18.5% as compared with last year. Employee benefit expense for the Reporting Period increased by approximately RMB76,375,000 or 7.7% as compared with the same period of 2010. The employee benefit expense for existing employees comprises of basic salary, discretionary bonus and social security contributions. Currently, the Group has not set up share option schemes. The Company determines employees' remuneration according to their qualifications, experience and contribution.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The Group has implemented diversified strategies to sustain long-term development, which include the strategic redeployment of hotel assets, expansion of budget hotels, upgrading of landmark hotels, differentiated brand strategy, as well as the enhancement of hotel management standards to reinforce market leadership.

The Group will take advantage of the restructuring to speed up the development of core business, so as to create a business chain composed of hotel, passenger transportation and tourism which strives to increase the Company's value. It will be committed to improving its management standards and core competitiveness and further promoting the Group's international layout, by bringing into full play the synergies of its international mergers and acquisitions and making longterm plans with reference to the expertise and experience of its foreign partners.

The Group will further enhance its branding system, further facilitate brand segmentation and innovation, as well as building and improving the standard system, to raise the competitiveness of the Jin Jiang hotel brand.

The Group is the leading hotel investor and operator in China. Leveraging on the benefit of its competitive advantages in hotel ownership and management, the Group is well-positioned to strengthen control over its hotels while realising potential value growth for its hotel properties. The Group will enhance future profitability through reallocation of funds to rationalise the distribution and network of its hotels.

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

OTHER INFORMATION

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

As at 30 June 2011, none of the Directors, chief executive 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 was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors.

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 30 June 2011, three Directors, namely Mr. Yu Minliang, Mr. Yang Weimin and Mr. Chen Hao held the following equity interests in Jin Jiang Hotels Development:

Name	Number of shares held in Jin Jiang Hotels Development	Nature of interests	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long Position	Beneficial owner	0.0024%
Yang Weimin	497,339	Long Position	Beneficial owner	0.0824%
Chen Hao	497,399	Long Position	Beneficial owner	0.0825%

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executive or Supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the supervisors to the same extent as it applies to the directors).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 30 June 2011, so far as was known to the Directors, the following persons (other than a Director, chief executive or Supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (long position)	Beneficial owner	100%	75%
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	108,282,000 (long position)	Beneficial owner	7.78%	1.95%

Save as disclosed above and so far as the Directors are aware, as at 30 June 2011, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

AUDIT COMMITTEE

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

Audit committee meetings were held on 24 March 2011 and 26 August 2011 respectively. The consolidated financial statements for the year ended 31 December 2010 and the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2011 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 2011 and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the Reporting Period, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CG 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 CG Code at all times during the Reporting Period.

By order of the Board

Yu Minliang

Chairman of the Board

30 August 2011

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,875,551	7,933,118
Investment properties	7	193,764	196,288
Land use rights	7	1,206,964	1,205,477
Intangible assets	7	907,229	806,580
Investments in associates		608,958	681,537
Available-for-sale financial assets		2,490,794	2,627,704
Deferred income tax assets		185,535	175,121
Trade and other receivables	8	31,360	32,642
Restricted cash		18,509	—
		13,518,664	13,658,467
Current assets			
Financial assets held for trading		117	—
Available-for-sale financial assets		68,776	83,748
Inventories		145,893	142,077
Trade and other receivables	8	1,171,229	1,499,958
Restricted cash		434,760	313,577
Cash and cash equivalents		2,779,360	2,747,102
		4,600,135	4,786,462
Total assets		18,118,799	18,444,929
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	9	5,566,000	4,565,000
Reserves			
— Proposed dividend	17	—	122,452
— Others		1,488,672	3,151,478
		7,054,672	7,838,930
Non-controlling interests		4,122,136	4,153,312
Total equity		11,176,808	11,992,242

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2011

	Note	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	12	1,641,845	1,627,020
Deferred income tax liabilities		570,911	623,752
Trade and other payables	11	28,442	8,030
Other non-current liabilities		52,050	52,390
		2,293,248	2,311,192
Current liabilities			
Trade and other payables	11	3,752,903	3,482,814
Dividend payable	17	122,452	—
Income tax payable		92,114	106,244
Borrowings	12	681,274	552,437
		4,648,743	4,141,495
Total liabilities		6,941,991	6,452,687
Total equity and liabilities		18,118,799	18,444,929
Net current (liabilities)/assets		(48,608)	644,967
Total assets less current liabilities		13,470,056	14,303,434

The notes on pages 32 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000 (Restated)
Revenue	6(a)	5,931,189	5,090,835
Cost of sales	14	(4,944,077)	(4,139,960)
Gross profit		987,112	950,875
Other income	13	163,750	175,203
Selling and marketing expenses	14	(254,242)	(258,670)
Administrative expenses	14	(439,409)	(393,798)
Other expenses		(38,783)	(16,591)
Other losses		(63)	—
Operating profit		418,365	457,019
Finance costs		(49,160)	(42,627)
Share of results of associates		87,551	88,072
Profit before income tax		456,756	502,464
Income tax expense	15	(76,338)	(85,214)
Profit for the period		380,418	417,250
Attributable to:			
Shareholders of the Company		165,221	188,163
Non-controlling interests		215,197	229,087
		380,418	417,250
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB cents per share)			
— basic and diluted	16	2.97	3.38

The notes on pages 32 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Dividends	17	—	—

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Profit for the period	380,418	417,250
Other comprehensive income:		
Fair value changes on available-for-sale financial assets — gross	(113,677)	(1,432,271)
Transfer of fair value changes on available-for-sale financial assets — gross	(2,973)	(20,006)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	29,160	363,650
Currency translation differences	(3,632)	—
Total other comprehensive income	(91,122)	(1,088,627)
Total comprehensive income for the period	289,296	(671,377)
Attributable to:		
— Shareholders of the Company	118,734	(379,115)
— Non-controlling interests	170,562	(292,262)
	289,296	(671,377)

The notes on pages 32 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to the shareholders of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2010, as previously presented	4,565,000	1,554,095	504,538	6,623,633	2,286,095	8,909,728
Common control combination (note 21)	—	665,030	550,267	1,215,297	1,867,217	3,082,514
Balance at 31 December 2010 (Restated)	4,565,000	2,219,125	1,054,805	7,838,930	4,153,312	11,992,242
Comprehensive income:						
Profit for the period	—	—	165,221	165,221	215,197	380,418
Other comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	(55,787)	—	(55,787)	(57,890)	(113,677)
Transfer of fair value changes on available-for-sale financial assets — gross	—	(1,354)	—	(1,354)	(1,619)	(2,973)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	14,286	—	14,286	14,874	29,160
Currency translation differences	—	(3,632)	—	(3,632)	—	(3,632)
Total other comprehensive income	—	(46,487)	—	(46,487)	(44,635)	(91,122)
Total comprehensive income	—	(46,487)	165,221	118,734	170,562	289,296
Transaction with owners:						
Issue of shares, net of expenses (note 9)	1,001,000	912,480	—	1,913,480	—	1,913,480
Settlement for common control combination (note 21)	—	(2,694,020)	—	(2,694,020)	—	(2,694,020)
Dividends to non-controlling interests	—	—	—	—	(260,855)	(260,855)
Dividends declared (note 17)	—	—	(122,452)	(122,452)	—	(122,452)
Capital contribution from non-controlling equity holders	—	—	—	—	1,200	1,200
Partial disposal of equity interest in a subsidiary	—	—	—	—	57,917	57,917
Total transactions with owners	1,001,000	(1,781,540)	(122,452)	(902,992)	(201,738)	(1,104,730)
Balance at 30 June 2011	5,566,000	391,098	1,097,574	7,054,672	4,122,136	11,176,808

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

For the six months ended 30 June 2011

	Attributable to the shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Note 10	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 31 December 2009, as previously presented		4,565,000	2,636,733	425,963	7,627,696	2,016,991	9,644,687
Common control combination (note 21)		—	726,520	488,318	1,214,838	1,882,240	3,097,078
Balance at 31 December 2009 (Restated)		4,565,000	3,363,253	914,281	8,842,534	3,899,231	12,741,765
Comprehensive income:							
Profit for the period		—	—	188,163	188,163	229,087	417,250
Other comprehensive income:							
Fair value changes on available-for-sale financial assets — gross		—	(747,870)	—	(747,870)	(684,401)	(1,432,271)
Transfer of fair value changes on available-for-sale financial assets — gross		—	(9,250)	—	(9,250)	(10,756)	(20,006)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax		—	189,842	—	189,842	173,808	363,650
Total other comprehensive income		—	(567,278)	—	(567,278)	(521,349)	(1,088,627)
Total comprehensive income		—	(567,278)	188,163	(379,115)	(292,262)	(671,377)
Transaction with owners:							
Dividends to non-controlling interests		—	—	—	—	(225,759)	(225,759)
Dividends declared (note 17)		—	—	(91,300)	(91,300)	—	(91,300)
Dividends to Jin Jiang International before the completion of common control combination (note 21)		—	—	(77,088)	(77,088)	—	(77,088)
Disposal of subsidiaries		—	—	—	—	(3,773)	(3,773)
Reversal of income tax payable	(vi)	—	15,253	—	15,253	—	15,253
Transaction with Jin Jiang Hotels Development	(vii)	—	(619,731)	—	(619,731)	619,731	—
Transaction cost for transaction with Jin Jiang Hotels Development	(viii)	—	(12,965)	—	(12,965)	—	(12,965)
Acquisition of equity interests in a subsidiary from non-controlling equity holders	(ix)	—	(57,163)	—	(57,163)	(81,042)	(138,205)
Total transactions with owners		—	(674,606)	(168,388)	(842,994)	309,157	(533,837)
Balance at 30 June 2010 (Restated)		4,565,000	2,121,369	934,056	7,620,425	3,916,126	11,536,551

The notes on pages 32 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from operating activities:			
Cash generated from operations		1,192,177	623,817
Interest paid		(47,869)	(42,732)
Income tax paid		(137,052)	(87,596)
Net cash generated from operating activities		1,007,256	493,489
Cash flows from investing activities:			
Consideration and transaction cost paid for the common control combination		(547,610)	—
Acquisition of subsidiaries, net of cash acquired		(1,837)	(9,266)
Acquisition of equity interests in a subsidiary from non-controlling equity holders	20(b)	—	(132,381)
Acquisition of a jointly controlled entity, net of cash acquired	19	—	(309,931)
Disposal of subsidiaries, net of cash outflow		—	(1,983)
Proceeds from disposal of investments in an associate		—	6,620
Proceeds from disposal of property, plant and equipment		40,873	27,456
Purchase of property, plant and equipment		(540,835)	(513,044)
Purchase of intangible assets		(142,831)	(16,296)
Proceeds from disposal of intangible assets		19	—
Purchase of land use rights		(19,623)	(6,044)
Purchase of available-for-sale financial assets		(81,842)	(110,998)
Purchase of financial assets held for trading		(117)	—
Proceeds from disposal of available-for-sale financial assets		114,498	20,148
Interest received		12,506	10,277
Dividends received		79,469	175,558
Increase in investments in associates		(9,000)	(10,028)
Net cash used in investing activities		(1,096,330)	(869,912)
Cash flows from financing activities:			
Proceeds from borrowings		644,927	660,072
Repayments of borrowings		(482,675)	(379,717)
Payments of finance leases		(740)	(694)
Dividends paid to non-controlling interests		(7,350)	(123,920)
Deposit pledged for borrowings		(30,434)	(9,874)
Withdraw of deposit pledged for borrowings		—	299,306
Capital contributions from a non-controlling equity holder		1,200	—
Net cash generated from financing activities		124,928	445,173
Increase in cash and cash equivalents		35,854	68,750
Cash and cash equivalents at beginning of the period		2,747,102	2,478,689
Exchange losses on cash and cash equivalents		(3,596)	(943)
Cash and cash equivalents at end of the period		2,779,360	2,546,496

The notes on pages 32 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1 GENERAL INFORMATION

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

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

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

On 15 December 2006 and 20 December 2006, a total of 1,265,000,000 ordinary shares of RMB1 per share newly issued by the Company through a public offer in Hong Kong and an international placing were listed on the Main Board of the Stock Exchange (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”) (note 1(c) and note 21). 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.

Upon completion of the Acquisition, the Group expanded its businesses in investment and operation of hotels and related businesses (the “Hotel Related Businesses”) in Mainland China and the United States of America (“US”) with the businesses in investment and operation of vehicle, logistics and related businesses (the “Vehicle and Logistics Business”) and investment and operation of travel agency and related businesses (the “Travel Agency Business”) in Mainland China.

These unaudited condensed consolidated interim financial statements were approved for issue by the Board of the Company on 30 August 2011.

Key events

(a) Acquisition of IHR Group

HAC, a jointly controlled entity of the Group acquired IHR Group on 18 March 2010. The Group indirectly holds a 50% equity interest in IHR Group through HAC, and accounts for IHR Group as a jointly controlled entity.

Further financial details are given in note 19.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1 GENERAL INFORMATION (CONTINUED)

Key events (continued)

(b) Transaction with Jin Jiang Hotels Development

Pursuant to the reorganisation agreement and the supplemental agreement (together, the "Transaction") entered between Jin Jiang Hotels Development, a subsidiary of the Company, listed on the Shanghai Stock Exchange of Mainland China, and the Company dated 28 August 2009 and 29 September 2009, respectively, the Company agreed to transfer its 71.225% equity interest in Jin Jiang Inn Company Limited ("Jin Jiang Inn"), 80% equity interest in Shanghai Jin Jiang International Hotel Investment Co., Ltd. and 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development; and Jin Jiang Hotel Co., Ltd., a subsidiary of the Company, will transfer its 1% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development (together, the "Transfer-out Assets"). In return, the Company will acquire from Jin Jiang Hotels Development 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer Jin Jiang Interactive Co., Ltd., 50% equity interest in Shanghai Jin Jiang Tomson Hotel Co., Ltd., 99% equity interest in Jin Jiang International Hotel Management Co., Ltd., 100% interest in Shanghai Jin Jiang International Management College, 66.67% equity interest in Sofitel Hyland Shanghai, 65% equity interest in Shanghai Jian Guo Hotel Co., Ltd., 40% equity interest in The Yangtze Hotel Limited, 15% equity interest in Wenzhou Dynasty Hotel, and total assets and liabilities of Metropole Hotel and New Asia Hotel, branches of Jin Jiang Hotels Development; and also acquire 1% equity interest in Jin Jiang International Hotel Management Co., Ltd. from Shanghai Min Hang Hotel Limited, a subsidiary of Jin Jiang Hotels Development (together, the "Transfer-in Assets").

The Transaction was approved by the China Securities Regulatory Committee (the "CSRC") on 12 May 2010 and the completion date of the Transaction was 31 May 2010.

Further financial details are given in note 20(a).

(c) Acquisition of shares in Jin Jiang Investment and Jin Jiang Travel involving issue of new domestic shares

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

The aggregate consideration for the Acquisition in the amount of RMB2,694,020,000 was satisfied by the Company by (i) transferring to Jin Jiang International cash consideration of RMB772,909,000; and (ii) issuing and allotting to Jin Jiang International 1,001,000,000 new domestic shares at a price of Hong Kong Dollar ("HK\$") 2.2 per consideration share. As the Company and Jin Jiang Travel had held approximately 2.22% and 0.15% of the total registered share capital of Jin Jiang Investment before the Acquisition, upon completion, each of Jin Jiang Investment and Jin Jiang Travel became a 40.91% owned subsidiary and a 50.21% owned subsidiary of the Company.

The Acquisition was completed on 16 February 2011.

The Company, Jin Jiang Investment and Jin Jiang Travel are under common control of Jin Jiang International both before and after the Acquisition. The Acquisition is therefore regarded as common control combination and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — "Merger Accounting for Common Control Combination" issued by the HKICPA. Upon completion of the Acquisition, the financial statements of Jin Jiang Investment and Jin Jiang Travel were included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International. Comparative figures as at 31 December 2010 and for the six months ended 30 June 2010 were represented on the same basis.

Further financial details are given in note 21.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 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 2010, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements of the Group for the year ended 31 December 2010, as described in those consolidated financial statements.

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.
- HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual periods beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
 - The name of the government and the nature of their relationship;
 - The nature and amount of any individually significant transactions; and
 - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

The Group has early adopted the government-related entity exemption since the financial year beginning 1 January 2009. The clarification and simplification of the definition of a related party do not result in a material impact on the Group's unaudited condensed consolidated interim financial statements.

The following new amendments and improvements to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011, but not have any significant impact to the Group.

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- Amendment to HK(IFRIC) — Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3 and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised RMB87,490,000 of such losses in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed.

- HKAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment properties measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment properties measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.
- HKFRS 7 (Amendment) 'Disclosures — Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.
- HKFRS 10 replaces all of the guidance on control and consolidation in HKAS 27, 'Consolidated and separate financial statements', and HK(SIC)-12, 'Consolidation — special purpose entities'. HKAS 27 is renamed 'Separate financial statements', and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. HKFRS 10 includes guidance on 'de facto' control, participating and protective rights and agent/principal relationships.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- HKFRS 11 changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. The jointly controlled assets classification in HKAS 31, 'Interests in Joint Ventures', has been merged into joint operations, as both types of arrangements generally result in the same accounting outcome. The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

A joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement.

A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. A joint venturer does not have rights to individual assets or obligations for individual liabilities of the joint venture. Instead, joint venturers share the net assets and, in turn, the outcome (profit or loss) of the activity undertaken by the joint venture. Joint ventures are accounted for using the equity method in accordance with HKAS 28, 'Investments in Associates'. Entities can no longer account for an interest in a joint venture using the proportionate consolidation method.

Since the Group acquired Jin Jiang Investment and Jin Jiang Travel on 16 February 2011, the Group has not adopted any significant new accounting policies except for the following for the Jin Jiang Investment.

Intangible assets

The intangible assets of the Jin Jiang Investment mainly include the license of operating vehicles which will not be expired and need no renewal, which are carried at cost less any subsequent accumulated impairment losses.

4 ESTIMATES

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010, except for additional judgements, estimates and assumptions as described below.

Since the Group acquired Jin Jiang Investment and Jin Jiang Travel on 16 February 2011, the following significant judgments, estimates and assumptions are made by management:

Useful lives and estimated impairment of intangible assets

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 are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

4 ESTIMATES (CONTINUED)

Useful lives and estimated impairment of intangible assets (continued)

For the purposes of impairment testing, license of operating vehicles has been allocated to the cash generating unit (the "CGU") of vehicle operating business that is expected to generate future economic benefits. As at 30 June 2011, 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 summarised 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.

5 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2010.

There have been no material changes in the risk management department or in any material risk management policies since 31 December 2010.

Fair value estimation

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

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

The fair value measurement by level of the fair measurement hierarchy as at 30 June 2011 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities	2,293,726	—	—	2,293,726
Financial Assets held for trading				
— Equity securities	117	—	—	117

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

The fair value measurement by level of the fair measurement hierarchy as at 31 December 2010 were as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— Equity securities (Restated)	2,450,399	—	—	2,450,399
Financial Assets held for trading				
— Equity securities	—	—	—	—

For the six months ended 30 June 2011, there were no material changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2011, there were no reclassifications of financial assets.

6 TURNOVER AND SEGMENT INFORMATION

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

With the expansion of IHR Group's hotel management operation in Mainland China, the segment of "Overseas hotels" was renamed to "IHR Group".

Upon the completion of the Acquisition, Jin Jiang Investment and Jin Jiang Travel became subsidiaries of the Company, the Board assesses the performance of Vehicle and Logistics Business and Travel Agency Business as individual business segments, with representing comparatives in segment information.

The Board assesses the performance according to seven main business segments as follows:

- (1) Star-rated hotels: ownership, operation and management of star-rated hotels;
- (2) Budget hotels: operation of self-owned budget hotels and franchising to budget hotels owned by other parties;
- (3) Food and restaurants: operation of fast food or upscale restaurants, moon cake production and related investments;
- (4) IHR Group (previously known as "Overseas hotels"): 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.

The Board assesses the performance of the operating segments based on profit for the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)**(a) Turnover**

The Group's revenue which represents turnover for the six months ended 30 June 2011 is as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Star-rated hotels	1,172,078	1,203,123
— Accommodation revenue	541,604	613,015
— Food and beverage sales	432,600	393,863
— Rendering of ancillary services	60,176	60,334
— Rental revenue	78,661	77,432
— Sales of hotel supplies	23,287	28,641
— Star-rated hotel management	35,750	29,838
Budget hotels	882,289	737,791
Food and restaurants	109,586	95,288
IHR Group	1,382,101	699,788
— Accommodation revenue	83,804	50,245
— Food and beverage sales	44,722	26,739
— Rendering of ancillary services	3,647	2,011
— Rental revenue	759	492
— Hotel management	84,791	51,271
— Other revenue from managed properties (i)	1,164,378	569,030
Vehicle and logistics	1,570,559	1,497,843
— Vehicle operating	667,478	601,160
— Trading of automobile	250,608	283,001
— Refrigerated logistics	48,987	38,630
— Freight forwarding	594,069	564,068
— Others	9,417	10,984
Travel agency	797,720	840,797
— Travel agency	775,300	818,827
— Others	22,420	21,970
Other operation	16,856	16,205
	5,931,189	5,090,835

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover (continued)

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

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue.

(b) Segment information

The segment results for the six months ended 30 June 2011 are as follows:

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	IHR Group RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
External sales (note 6(a))	1,172,078	882,289	109,586	1,382,101	1,570,559	797,720	16,856	5,931,189
Including: other revenue from managed properties	—	—	—	1,164,378	—	—	—	1,164,378
Inter-segment sales	1,529	298	—	—	1,209	167	45,870	49,073
Total gross segment sales	1,173,607	882,587	109,586	1,382,101	1,571,768	797,887	62,726	5,980,262
Profit for the period	7,268	87,594	66,678	(7,463)	168,490	10,256	47,595	380,418
Other income (note 13)	13,572	8,744	44,427	1,012	29,284	3,279	63,432	163,750
Including: interest income (note 13)	821	2,140	467	1,012	5,117	2,021	745	12,323
Depreciation of property, plant and equipment (note 7)	(182,312)	(139,870)	(5,520)	(19,603)	(136,619)	(3,237)	(679)	(487,840)
Depreciation and amortization of investment properties (note 7)	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights (note 7)	(14,121)	(2,815)	(51)	—	(988)	(14)	(147)	(18,136)
Amortization of intangible assets (note 7)	(1,342)	(3,568)	(249)	(10,763)	(8)	(259)	(3,398)	(19,587)
Provision for inventories (note 14)	(98)	—	—	—	—	—	—	(98)
(Provision for)/reversed of impairment of trade and other receivables (note 14)	(440)	—	—	281	(2,341)	14	—	(2,486)
Finance costs	(22,532)	—	59	(22,565)	(4,390)	268	—	(49,160)
Share of results of associates	2,303	—	28,189	12,542	45,760	(1,247)	4	87,551
Income tax expense (note 15)	(547)	(27,837)	123	(376)	(36,040)	(3,479)	(8,182)	(76,338)
Capital expenditure	95,492	189,228	8,509	86,022	247,134	2,885	207	629,477

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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

The restated segment results for the six months ended 30 June 2010 are as follows:

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	IHR Group RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
External sales (note 6(a))	1,203,123	737,791	95,288	699,788	1,497,843	840,797	16,205	5,090,835
Including: other revenue from managed properties	—	—	—	569,030	—	—	—	569,030
Inter-segment sales	5,024	1,309	172	—	4,021	—	35,661	46,187
Total gross segment sales	1,208,147	739,100	95,460	699,788	1,501,864	840,797	51,866	5,137,022
Profit for the period	37,063	76,952	72,752	(19,748)	165,176	28,008	57,047	417,250
Other income (note 13)	9,500	6,944	40,846	21	17,378	6,505	94,009	175,203
Including: interest income (note 13)	606	1,909	553	21	4,343	1,959	1,675	11,066
Depreciation of property, plant and equipment (note 7)	(159,897)	(115,709)	(4,677)	(9,833)	(124,338)	(3,193)	(537)	(418,184)
Depreciation and amortization of investment properties (note 7)	(78)	—	—	—	(303)	(2,143)	—	(2,524)
Amortization of land use rights (note 7)	(14,121)	(2,703)	(51)	—	(1,254)	(14)	(147)	(18,290)
Amortization of intangible assets (note 7)	(1,687)	(510)	(34)	(5,301)	(8)	(29)	(3,954)	(11,523)
Reversal of inventories written-down (note 14)	1	—	—	—	—	—	—	1
Reversal of/(provision for) impairment of trade and other receivables (note 14)	352	—	—	—	(942)	—	—	(590)
Provision for impairment of available-for-sales financial assets (note 14)	—	—	—	—	—	—	(11,000)	(11,000)
Finance costs	(16,292)	(6,040)	146	(17,229)	(2,739)	(473)	—	(42,627)
Share of results of associates	2,690	—	39,414	(782)	46,616	1,371	(1,237)	88,072
Income tax expense (note 15)	(21,969)	(24,691)	(14)	(1,460)	(27,536)	(7,874)	(1,670)	(85,214)
Capital expenditure	197,714	126,943	1,413	1,035,221	314,527	1,816	489	1,678,123

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets as at 30 June 2011 are as follows:

	Star-rated hotels RMB'000	Budget hotels RMB'000	Food and restaurants RMB'000	IHR Group RMB'000	Vehicle and logistics RMB'000	Travel agency RMB'000	Other operation RMB'000	The Group RMB'000
Segment assets	5,705,136	3,587,644	177,437	1,444,135	2,982,600	1,357,857	2,255,032	17,509,841
Investments in associates	57,133	—	164,574	48,762	297,191	38,076	3,222	608,958
Total assets	5,762,269	3,587,644	342,011	1,492,897	3,279,791	1,395,933	2,258,254	18,118,799

The restated segment assets as at 31 December 2010 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	5,978,266	3,545,193	180,374	1,322,599	2,881,971	1,437,828	2,417,161	17,763,392
Investments in associates	46,360	—	213,719	44,446	334,685	38,970	3,357	681,537
Total assets	6,024,626	3,545,193	394,093	1,367,045	3,216,656	1,476,798	2,420,518	18,444,929

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

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other operation".

Segment assets consist primarily of property, plant and equipment, investment properties, land use rights, intangible assets, available-for-sale financial assets, deferred income tax assets, inventories, financial assets held for trading, other current assets, trade and other receivables, restricted cash and cash and cash equivalent. They also include goodwill recognized arising from acquisition of subsidiaries relating to respective segments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 7), land use rights (note 7) and intangible assets (note 7). Capital expenditure for the six months ended 30 June 2010 also included additions resulting from acquisition of a jointly controlled entity (note 19).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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

	Property, plant and equipment	Investment properties	Land use rights	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2011 (Restated)	13,476,239	258,949	1,428,876	877,292
Additions	467,023	—	19,623	142,831
Disposals	(218,948)	—	—	(14,497)
Currency translation differences	(13,669)	—	—	(10,009)
At 30 June 2011	13,710,645	258,949	1,448,499	995,617
At 1 January 2010 (Restated)	11,424,442	258,949	1,413,135	318,968
Additions	621,890	—	6,044	16,296
Additions resulting from acquisition of a jointly controlled entity (note 19)	607,468	—	—	423,282
Disposals	(160,775)	—	—	(9)
At 30 June 2010 (Restated)	12,493,025	258,949	1,419,179	758,537
Accumulated depreciation, amortization and impairment				
At 1 January 2011 (Restated)	(5,543,121)	(62,661)	(223,399)	(70,712)
Depreciation and amortization charge for the period (note 14)	(487,840)	(2,524)	(18,136)	(19,587)
Disposals	195,006	—	—	1,490
Currency translation differences	861	—	—	421
At 30 June 2011	(5,835,094)	(65,185)	(241,535)	(88,388)
At 1 January 2010 (Restated)	(4,437,777)	(57,613)	(173,402)	(15,147)
Depreciation and amortization charge for the period (note 14)	(418,184)	(2,524)	(18,290)	(11,523)
Disposals	142,358	—	—	—
At 30 June 2010 (Restated)	(4,713,603)	(60,137)	(191,692)	(26,670)
Net book amount				
At 30 June 2011	7,875,551	193,764	1,206,964	907,229
At 30 June 2010 (Restated)	7,779,422	198,812	1,227,487	731,867

The fair value of the investment properties is approximately RMB834,962,000 (31 December 2010: approximately RMB834,962,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Current portion of trade and other receivables		
Trade receivables	461,670	448,425
Less: provision for impairment of trade receivables	(14,412)	(12,094)
Trade receivables — net	447,258	436,331
Amounts due from related parties (note 22(b))	98,961	416,128
Prepayment to a related party (note 22(b))	—	231,873
Prepayments and deposits	325,134	312,936
Dividends receivable	193,136	3,837
Notes receivable	11,267	12,608
Others	141,642	133,737
Less: provision for impairment of other receivables	(14,809)	(14,850)
Other receivables — net	755,331	1,096,269
Less: non-current portion of trade and other receivables	1,202,589 (31,360)	1,532,600 (32,642)
	1,171,229	1,499,958
Non-current portion of trade and other receivables	31,360	32,642

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Current to 3 months	399,369	382,024
3 months to 1 year	49,011	55,201
Over 1 year	13,290	11,200
	461,670	448,425

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

9 SHARE CAPITAL

	Share capital	
	Number of shares '000	Amount RMB'000
At 1 January 2010 and 2011	4,565,000	4,565,000
Issue of ordinary shares	1,001,000	1,001,000
At 30 June 2011	5,566,000	5,566,000

The Group issued 1,001,000,000 ordinary shares of RMB1 per share at a price of HK\$2.2 on 16 February 2011 for the partial consideration for the Acquisition (note 21) of RMB1,913,480,000.

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

10 RESERVES

	Other reserves						Total	Retained earnings	Total
	Capital surplus (i) RMB'000	Statutory and discretionary reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available-for-sales financial assets (iv) RMB'000	Asset revaluation surplus (v) RMB'000	Currency translation differences RMB'000			
At 31 December 2010, as previously presented	1,068,079	432,008	(570,038)	627,627	1,673	(5,254)	1,554,095	504,538	2,058,633
Common control combination (note 21)	—	—	377,815	287,215	—	—	665,030	550,267	1,215,297
At 31 December 2010 (Restated)	1,068,079	432,008	(192,223)	914,842	1,673	(5,254)	2,219,125	1,054,805	3,273,930
Profit for the period	—	—	—	—	—	—	—	165,221	165,221
Issue of shares, net of expenses (note 9)	912,480	—	—	—	—	—	912,480	—	912,480
Settlement for common control combination (note 21)	—	—	(2,694,020)	—	—	—	(2,694,020)	—	(2,694,020)
Fair value changes on available-for-sale financial assets — gross	—	—	—	(55,787)	—	—	(55,787)	—	(55,787)
Transfer of fair value changes on available-for-sale financial assets — gross	—	—	—	(1,354)	—	—	(1,354)	—	(1,354)
Fair value changes and transfer of fair value changes on available-for-sale financial assets — tax	—	—	—	14,286	—	—	14,286	—	14,286
Dividends declared	—	—	—	—	—	—	—	(122,452)	(122,452)
Currency translation differences	—	—	—	—	—	(3,632)	(3,632)	—	(3,632)
At 30 June 2011	1,980,559	432,008	(2,886,243)	871,987	1,673	(8,886)	391,098	1,097,574	1,488,672

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

10 RESERVES (CONTINUED)

	Other reserves					Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available- for- sales financial assets (iv) RMB'000	Asset revaluation surplus (v) RMB'000			
At 31 December 2009, as previously presented	1,771,990	353,560	(585,291)	1,094,801	1,673	2,636,733	425,963	3,062,696
Common control combination (note 21)	—	—	377,815	348,705	—	726,520	488,318	1,214,838
At 31 December 2009 (Restated)	1,771,990	353,560	(207,476)	1,443,506	1,673	3,363,253	914,281	4,277,534
Profit for the period	—	—	—	—	—	—	188,163	188,163
Fair value changes on available-for-sale financial assets — gross	—	—	—	(747,870)	—	(747,870)	—	(747,870)
Transfer of fair value changes on available-for-sale financial assets — gross	—	—	—	(9,250)	—	(9,250)	—	(9,250)
Fair value changes and transfer of fair value changes on available- for-sale financial assets — tax	—	—	—	189,842	—	189,842	—	189,842
Dividends declared	—	—	—	—	—	—	(91,300)	(91,300)
Dividends declared by Jin Jiang Investment and Jin Jiang Travel to Jin Jiang International before the completion of common control combination (note 21)	—	—	—	—	—	—	(77,088)	(77,088)
Reversal of income tax payable (vi)	—	—	15,253	—	—	15,253	—	15,253
Transaction with non-controlling interests for reorganisation with Jin Jiang Hotels Development (vii)	(619,731)	—	—	—	—	(619,731)	—	(619,731)
Transaction cost for transaction with Jin Jiang Hotels Development (viii)	(12,965)	—	—	—	—	(12,965)	—	(12,965)
Acquisition of equity interests in subsidiary from non-controlling equity holders (ix)	(57,163)	—	—	—	—	(57,163)	—	(57,163)
At 30 June 2010 (Restated)	1,082,131	353,560	(192,223)	876,228	1,673	2,121,369	934,056	3,055,425

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

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

The transfer to statutory and discretionary reserves must be made before distribution of dividends to the shareholders. These reserves shall only be used to make up previous years' losses, to expand production operations, or to increase the capital of the respective company. The Company may transfer their respective 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

10 RESERVES (CONTINUED)

- (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 and capital surplus of certain subsidiaries, which were transferred to the Group in the Reorganisation and Acquisition, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation and Acquisition to obtain the interests in these subsidiaries, which were debited to merger reserve.
- (iv) Reserve on available-for-sale financial assets represents the changes in fair value, net of tax, on available-for-sale financial assets through equity.
- (v) Asset revaluation surplus represents the equity effect of the revaluation of assets arising on a business combination made in stages. The Company remeasures the fair value of its previously held equity interest in the acquiree at its acquisition date and recognizes the changes in the value of its previously held equity interest in the acquiree in other comprehensive income.
- (vi) Reversal of income tax payable represents the reversal of income tax payable of Shanghai Yulan Hotel Co., Ltd. ("Yulan Hotel") in connection with certain borrowings waived by its previous equity holder.

Before the Group obtained the 100% equity interest in Yulan Hotel from Jin Jiang International on 31 March 2005 under a common control combination, certain borrowings of Yulan Hotel were waived in 2001 and 2002 by its then equity holder, Shanghai Jin Jiang International Investment and Management Company Limited. At that time, tax regulations did not clarify whether or not obtaining such waiver of the borrowings was taxable. Yulan Hotel considered it as an uncertain tax position and provided an income tax payable of RMB15,253,000 after taking into account its then deductible tax losses. In 2010, Yulan Hotel confirmed with local tax authority according to a recent tax circular that such borrowings waived were not taxable and accordingly reversed the related income tax payable previously provided. As the 100% equity interest in Yulan Hotel, transferred from Jin Jiang International to the Group on 31 March 2005, was credited in merger reserve, the reversal of the income tax payable is also credited to merger reserve.

- (vii) Transaction with non-controlling interests for reorganisation with Jin Jiang Hotels Development represents the decrease of equity attributable to the shareholders of the Company due to the shortfall between the net carrying amount of Transfer-in Assets, Transfer-out Assets and the cash consideration paid by the Company in connection with the reorganisation with Jin Jiang Hotels Development. This Transaction is treated as transaction with non-controlling interests and accordingly it is recorded in capital surplus for the effect of changes in equity attributable to the shareholders of the Company on the cash consideration in excess of net carrying amounts of Transfer-in Assets and Transfer-out Assets, after considering the Group's respective equity interest. Further details are given in note 20(a).
- (viii) The transaction cost for the Transaction with Jin Jiang Hotels Development represents the transaction cost incurred in connection with the reorganisation with Jin Jiang Hotels Development. The Transaction is treated as transaction with non-controlling interests and accordingly the transaction cost incurred is recorded as a deduction of capital surplus (note 20(a)).
- (ix) Acquisition of equity interests in a subsidiary from non-controlling interests represents Jin Jiang Hotels Development's acquisition of 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders during the six months ended 30 June 2010. This acquisition is treated as transaction with non-controlling interests and accordingly the consideration paid in excess of the equity interests of net assets is recorded as a reduction of capital surplus. Further details are given in note 20(b).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

11 TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Current portion of trade and other payables		
Trade payables	466,779	488,868
Amounts due to related parties (note 22(b))	840,836	657,447
Advances from customers	654,640	600,630
Salary and welfare payables	363,921	502,423
Payables for purchases of property, plant and equipment, and intangible assets	322,802	396,614
Dividend payable to non-controlling interests	273,567	20,062
Deposits from lessees and constructors	219,885	193,953
Accrued expenses	121,067	108,020
Other taxes payable	118,108	184,078
Payable for insurance premiums on behalf of the managed hotels	73,890	42,315
Notes payable	20,427	12,406
Others	305,423	284,028
	3,781,345	3,490,844
Less: non-current portion of trade and other payables	(28,442)	(8,030)
	3,752,903	3,482,814
Non-current portion of trade and other payables	28,442	8,030

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Current to 3 months	376,334	429,571
3 months to 1 year	55,357	57,389
Over 1 year	35,088	1,908
	466,779	488,868

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

12 BORROWINGS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Borrowings included in non-current liabilities:		
Bank borrowings — secured	205,560	713,844
Bank borrowings — unsecured	521,702	—
Borrowings from a related party (note 22(b))	901,563	901,563
Finance lease liabilities	27,297	26,339
	1,656,122	1,641,746
Less: current portion of long-term secured bank borrowings	(12,944)	(13,245)
current portion of long-term finance lease liabilities	(1,333)	(1,481)
	1,641,845	1,627,020
Borrowings included in current liabilities:		
Bank borrowings — secured	228,850	106,876
Bank borrowings — unsecured	288,147	300,835
Borrowings from related parties (note 22(b))	150,000	130,000
Current portion of long-term secured bank borrowings	12,944	13,245
Current portion of finance lease liabilities	1,333	1,481
	681,274	552,437

As at 30 June 2011, the secured bank borrowings included (1) US\$42,891,000, equivalent to RMB277,577,000 (31 December 2010: US\$100,941,000, equivalent to RMB668,500,000), which were secured by assets with carrying amount of US\$43,013,000, equivalent to RMB278,363,000 (31 December 2010: US\$169,126,000, equivalent to RMB1,120,069,000); (2) US\$16,960,000, equivalent to RMB109,758,000 (31 December 2010: US\$18,960,000, equivalent to RMB125,566,000), which were guaranteed by Jin Jiang International; (3) US\$1,251,000, equivalent to RMB8,097,000 (31 December 2010: nil), which were pledged by trade receivables of approximately US\$1,389,000, equivalent to RMB8,989,000 (31 December 2010: nil); and (4) US\$6,023,000, equivalent to RMB38,978,000 (31 December 2010: US\$4,025,000, equivalent to RMB26,654,000), which were secured by RMB deposits with equivalent amount.

Finance lease liabilities with carrying amount of RMB27,297,000 (31 December 2010: RMB26,339,000) are effectively secured as the rights to the leased assets with carrying amount of RMB26,014,000 (31 December 2010: RMB25,389,000) revert to the lessor in the event of default.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

13 OTHER INCOME

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Gain on disposal of property, plant and equipment	19,220	9,213
Gain on disposal of available-for-sale financial assets	3,138	20,006
Gain on disposal of an associate	—	2,013
Gain on disposal of subsidiaries	—	521
Gain on disposal of financial assets held for trading	—	500
Dividend income		
— Unlisted	46,757	48,879
— Listed	53,624	58,187
	100,381	107,066
Interest income	12,323	11,066
Subsidy income	28,688	24,818
	163,750	175,203

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

14 EXPENSES BY NATURE

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

	Six months ended 30 Jun	
	2011 RMB'000	2010 RMB'000 (Restated)
Employee benefit expense	1,067,069	990,694
Other expenses from managed properties (note 6(a))	1,164,378	569,030
Cost of inventories sold	1,337,107	1,351,088
Transportation expenses	552,169	535,253
Depreciation of property, plant and equipment (note 7)	487,840	418,184
Utility cost and consumables	344,721	291,252
Business tax, property tax and other tax surcharges	188,108	165,718
Operating leases — land and buildings	166,597	135,570
Repairs and maintenance	61,686	66,829
Laundry costs	27,247	25,086
Telecommunication expenses	19,980	13,746
Amortisation of intangible assets (note 7)	19,587	11,523
Amortisation of land use rights (note 7)	18,136	18,290
Commission to travel agency	13,659	16,833
Advertising fee	12,421	16,748
Pre-operation expenses	12,370	24,345
Entertainment expenses	11,210	12,985
Auditors' remuneration	3,958	2,845
Depreciation of investment properties (note 7)	2,524	2,524
Provision for impairment of trade and other receivables	2,486	590
Provision for/(reversal of) inventories write-down	98	(1)
Transaction cost in connection with the acquisition of IHR Group	—	11,757
Provision for impairment of available-for-sale financial assets	—	11,000
Others	124,377	100,539
	5,637,728	4,792,428

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Mainland China current income tax ("CIT")	110,057	110,370
Mainland China deferred income tax	(34,095)	(26,616)
US current income tax	376	1,460
	76,338	85,214

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 2011 (the six months ended 30 June 2010: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations except for as described below.

The Company, Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited, Jin Jiang Investment, JHJ International Transaction Co., Ltd., Shanghai Zhen Dong Automobile Service Co., Ltd., and Shanghai Jin Mao Jin Jiang Automobile Service Co., Ltd. were registered in Shanghai Pudong New Area and entitled to the preferential income tax rates of 24% for the six months ended 30 June 2011 (the six months ended 30 June 2010: 22%).

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 2011 (the six months ended 30 June 2010: 16.5%). For the six months ended 30 June 2011, the Group's subsidiary 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 six months ended 30 June 2011 (the six months ended 30 June 2010: 35%).

16 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010 (Restated)
Profit attributable to the shareholders of the Company (RMB'000)	165,221	188,163
Weighted average number of ordinary shares in issue (thousands)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	2.97	3.38

Basic earnings per share for the six months ended 30 June 2011 and 2010 have been computed by dividing the profit attributable to the shareholders of the Company for the six months ended 30 June 2011 and 2010 by 5,566,000,000 ordinary shares outstanding upon completion of the Acquisition (note 21), as if such shares had been outstanding for all periods presented.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

17 DIVIDENDS

The final dividend for the year 2010 of RMB2.2 cents (2009 final dividend: RMB2.0 cents) per share, totalling RMB122,452,000 (2009 final dividend: RMB91,300,000) was paid subsequently in July 2011. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (the six months ended 30 June 2010: nil).

18 COMMITMENTS

(a) Capital commitments

Capital expenditure at 30 June 2011 but not yet incurred is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Acquisition of property, plant and equipment	246,614	169,670

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognized and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2011 is disclosed in note 6(a) and note 14, respectively.

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

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Not later than 1 year	165,885	160,577
Later than 1 year and not later than 5 years	340,847	313,963
Later than 5 years	679,909	772,485
	1,186,641	1,247,025

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

18 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Not later than 1 year	312,027	310,053
Later than 1 year and not later than 5 years	1,191,213	1,117,306
Later than 5 years	2,515,629	2,319,303
	4,018,869	3,746,662

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

As at 30 June 2011, the Company held a 30% equity interest in Chengdu Jinhe with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party (the "Purchaser") and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the Purchaser, at a consideration of approximately RMB17,760,000. The final consideration will be further negotiated based on the valuation of the 30% equity interest in Chengdu Jinhe and is not determinable as at 30 August 2011.

19 ACQUISITION OF A JOINTLY CONTROLLED ENTITY

Further to note 1(a), the acquisition of IHR Group was completed on 18 March 2010 with the total purchase cash consideration as follows:

	RMB'000
Total purchase cash consideration	357,715

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

19 ACQUISITION OF A JOINTLY CONTROLLED ENTITY (CONTINUED)

The Group's 50% share in assets and liabilities as of 18 March 2010 arising from the acquisition of IHR Group were as follows:

	Fair values
	RMB'000
Cash and cash equivalents	47,784
Property, plant and equipment (note 7)	607,468
Intangible assets	199,974
Investments in associates	47,797
Available-for-sale financial assets	31,084
Deferred income tax assets	511
Trade and other receivables, non-current	10,701
Inventories	1,219
Trade and other receivables, current	70,312
Restricted cash	22,247
Borrowings, non-current	(489,442)
Trade and other payable, non-current	(12,068)
Borrowings, current	(209,531)
Trade and other payable, current	(191,905)
Income tax payable	(1,744)
Fair value of net assets	134,407
Goodwill	223,308
Total purchase consideration	357,715
Purchase consideration settled in cash	(357,715)
Cash and cash equivalents acquired	47,784
Cash outflow on acquisition	(309,931)
Acquisition related cost	
— incurred in 2009	36,702
— incurred in 2010	11,757
	48,459

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

20 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIES WITHOUT CHANGE OF CONTROL

(a) Transaction with Jin Jiang Hotels Development

Further to note 1(b), the considerations of the exchange of the Transfer-in Assets and Transfer-out Assets between the Company and Jin Jiang Hotels Development were determined based on the valuation of the respective assets as at 31 July 2009 and the profit or loss of the Transfer in Assets and Transfer-out Assets between 1 August 2009 and the completion date of the Transaction. The difference was settled in cash. The valuation of the Transfer-in Assets and Transfer-out Assets as at 31 July 2009 were RMB3,071,037,000 and RMB2,728,248,000, respectively.

The Transaction was approved by CSRC on 12 May 2010 and the completion date of the Reorganisation was 31 May 2010. The Company paid a cash consideration of RMB251,074,000 to Jin Jiang Hotels Development.

The Transaction with Jin Jiang Hotels Development is treated as the transaction with non-controlling interests. The cash consideration paid by the Company is RMB251,074,000 and the carrying amounts of the Transfer-in Assets and Transfer-out Assets on the completion date of the Transaction were RMB620,125,000 and RMB1,616,497,000, respectively. Considering the 49.68% of non-controlling interests in Jin Jiang Hotels Development, the Group recognised an increase in non-controlling interests of RMB619,731,000 and a decrease in equity attributable to the shareholders of the Company of RMB619,731,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling interests as at 31 May 2010 is summarised as follows:

	At 31 May 2010 RMB'000
Carrying amount of Transfer-in Assets acquired	620,125
Carrying amount of Transfer-out Assets disposed of	(1,616,497)
Net consideration paid to Jin Jiang Hotels Development	(251,074)
Excess of consideration paid	(1,247,446)
Multiply: percentage of share of non-controlling interests	49.68%
Effect of changes on equity attributable to the shareholders of the Company	(619,731)
Effect of changes on non-controlling interests	619,731

The transaction cost of RMB12,965,000 in connection of the reorganisation was recognized as an decrease in equity attributable to the shareholders of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

20 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIES WITHOUT CHANGE OF CONTROL (CONTINUED)**(b) Acquisition of additional interest in a subsidiary**

On 21 June 2010, Jin Jiang Hotels Development acquired the remaining 8.775% equity interests in Jin Jiang Inn from its non-controlling equity holders for a purchase consideration of RMB138,205,000, and Jin Jiang Inn became a wholly-owned subsidiary of Jin Jiang Hotels Development. The carrying amount of the non-controlling interests in Jin Jiang Inn on the date of acquisition was RMB24,607,000, which was recognised by Jin Jiang Hotels Development as a decrease in non-controlling interests. Considering the 49.68% of non-controlling interests in Jin Jiang Hotels Development, the Group recognised a decrease in non-controlling interests of RMB81,042,000 and a decrease in equity attributable to the shareholders of the Company of RMB57,163,000. The effect of changes on the equity attributable to the shareholders of the Company and non-controlling interests for the six months ended 30 June 2010 is summarised as follows:

	At 21 June 2010 RMB'000
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	24,607
Consideration paid to non-controlling interests	(132,381)
Consideration to be paid to non-controlling interests	(5,824)
Excess of consideration paid/to be paid	(113,598)
Multiply: percentage of equity interests in Jin Jiang Hotels Development	50.32%
Effect of changes on the equity attributable to the shareholders of the Company	(57,163)
Carrying amount of non-controlling interests acquired by Jin Jiang Hotels Development	(24,607)
Excess of consideration paid recognised in non-controlling interests	(56,435)
Effect of changes on non-controlling interests	(81,042)

(c) Effects of transactions with non-controlling interests on the equity attributable to the shareholders of the Company for the six months ended 30 June 2010

	Six months ended 30 June 2010 RMB'000 (Restated)
Changes in equity attributable to shareholders of the Company arising from:	
— Transaction with non-controlling interests for reorganisation with Jin Jiang Hotels Development	(619,731)
— Transaction cost for reorganisation with Jin Jiang Hotels Development	(12,965)
— Acquisition of additional interests in subsidiary	(57,163)
Total effect for transactions with non-controlling interests on changes in equity attributable to shareholders of the Company	(689,859)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

21 COMMON CONTROL COMBINATION

Further to note 1(c), the Company paid the cash consideration of RMB231,873,000 and RMB541,035,000 to Jin Jiang International in August 2010 and January 2011 respectively. As at 16 February 2011, the Acquisition had been approved by CSRC, State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company, the Company had completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 domestic shares in the Company at the China Securities Depository and Clearing Corporation Limited ("SD&C"), and the registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel had also been completed at the SD&C. The Company also paid the transaction cost of RMB6,575,000 for the six months ended 30 June 2011.

The Acquisition was completed on 16 February 2011.

The dividends of RMB77,088,000 declared by Jin Jiang Investment and Jin Jiang Travel to Jin Jiang International during the six months ended 30 June 2010 were debited to retained earnings. The total settlement of the Acquisition of RMB2,694,020,000 were debited to merger reserve for the six months ended 30 June 2011.

The following is a reconciliation of the effect arising from the common control combination in respect of the Acquisition on the consolidated balance sheets as at 30 June 2011 and 31 December 2010.

The consolidated balance sheet as at 30 June 2011:

	The Group excluding Jin Jiang Investment and Jin Jiang Travel RMB'000	Consolidation				Sub-total RMB'000	Consolidated RMB'000
		Jin Jiang Investment RMB'000	Jin Jiang Travel RMB'000	Adjustments RMB'000			
Investment in Jin Jiang Investment	911,495	—	8,305	(919,800)	(911,495)	—	
Investment in Jin Jiang Travel	486,978	—	—	(486,978)	(486,978)	—	
Other net assets/(liabilities)	9,302,057	2,286,146	933,201	(1,344,596)	1,874,751	11,176,808	
	10,700,530	2,286,146	941,506	(2,751,374)	476,278	11,176,808	
Net assets							
Share capital	5,566,000	551,610	132,556	(684,166)	—	5,566,000	
Merger reserve	(570,038)	—	—	(2,316,205)	(2,316,205)	(2,886,243)	
Other reserves	2,996,744	675,855	726,143	(1,121,401)	280,597	3,277,341	
Retained earnings	482,396	803,431	79,455	(267,708)	615,178	1,097,574	
Non-controlling interests	2,225,428	255,250	3,352	1,638,106	1,896,708	4,122,136	
Total equity	10,700,530	2,286,146	941,506	(2,751,374)	476,278	11,176,808	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

21 COMMON CONTROL COMBINATION (CONTINUED)

The consolidated balance sheet as at 31 December 2010:

	Group before the Acquisition RMB'000	Common control combination			Sub-total RMB'000	Consolidated RMB'000
		Jin Jiang Investment RMB'000	Jin Jiang Travel RMB'000	Adjustments RMB'000		
Investment in Jin Jiang Investment	140,177	—	9,214	(149,391)	(140,177)	—
Investment in Jin Jiang Travel	—	—	—	—	—	—
Other net assets/(liabilities)	8,769,551	2,246,218	977,926	(1,453)	3,222,691	11,992,242
	8,909,728	2,246,218	987,140	(150,844)	3,082,514	11,992,242
Net assets						
Share capital	4,565,000	551,610	132,556	(684,166)	—	4,565,000
Merger reserve	(570,038)	—	—	377,815	377,815	(192,223)
Other reserves	2,124,133	664,693	734,299	(1,111,777)	287,215	2,411,348
Retained earnings	504,538	841,618	116,410	(407,761)	550,267	1,054,805
Non-controlling interests	2,286,095	188,297	3,875	1,675,045	1,867,217	4,153,312
Total equity	8,909,728	2,246,218	987,140	(150,844)	3,082,514	11,992,242

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group had the following significant related party transactions during six months ended 30 June 2011:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Transactions with Jin Jiang International		
— Provision of hotel services	798	784
— Provision of training services	14	10
— Sales of hotel supplies	52	456
— Interest income received	620	—
	1,484	1,250
— Rental expenses paid	4,837	4,797
— Interest expense paid	27,027	20,848
	31,864	25,645
Transactions with subsidiaries, jointly controlled entities and associates of Jin Jiang International		
— Provision of hotel services	5,744	6,499
— Rental income received	2,987	2,857
— Provision of other services	5,243	5,517
	13,974	14,873
— Purchase of food and beverage	584	801
— Rental expenses paid	6,727	6,730
— Receipt of laundry services	214	398
— Receipt of other services	1,535	3,098
— Interest income paid	264	—
	9,324	11,027

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Transactions with jointly controlled entities of the Group		
— Interest income received	521	401
— Sales of hotel supplies	1,344	1,736
— Management fees received	1,923	2,284
— Rental income received	198	237
	3,986	4,658
— Interest expenses paid	1,187	905
— Purchase of food and beverage	69	164
— Receipt of hotel services	102	62
— Receipt of passenger transportation services	19	30
	1,377	1,161
Transaction with associates of the Group		
— Rental income received	2,036	2,020
— Interest income received	1,647	1,714
— Management fees received	1,205	924
— Sales of hotel supplies	4,044	3,559
— Provision of hotel services	179	178
	9,111	8,395
— Rental expense paid	240	240
— Interest expenses paid	30	1
— Purchase of property, plant and equipment	93,572	108,908
— Purchase of goods	124	868
	93,966	110,017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000 (Restated)
Transactions with companies with common directors (i)		
— Sales of hotel supplies	—	3,479
— Sales of food	—	315
	—	3,794
— Purchase of food and beverage	2,011	2,786
— Rental expenses paid	—	30
	2,011	2,816
Transactions with directors, supervisors and chief executives of the Company and a subsidiary of the Company		
— Acquisition of a 5.079% equity interest in Jin Jiang Inn	—	76,627

(i) A company previously with common directors of the Group became a subsidiary of Jin Jiang International in 2011.

(b) Amount due from/to related parties

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Amounts due from related parties (note 8)		
— Jin Jiang International (i)	608	271,118
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International	6,117	5,250
— Jointly controlled entities of the Group (ii)	24,878	20,306
— Associates of the Group (iii)	67,358	119,454
	98,961	416,128

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amount due from/to related parties (continued)

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000 (Restated)
Prepayment to a related party (note 8)		
— Jin Jiang International (iv)	—	231,873
Amounts due to related parties (note 11)		
— Jin Jiang International (v)	(713,949)	(440,222)
— Subsidiaries, jointly controlled entities and associates of Jin Jiang International (vi)	(10,472)	(60,556)
— Jointly controlled entities of the Group (vii)	(105,146)	(138,115)
— Associates of the Group (viii)	(10,754)	(18,188)
— Companies with common directors	(515)	(366)
	(840,836)	(657,447)
Borrowings from related parties (note 12)		
— Jin Jiang International (ix)	(1,031,563)	(1,031,563)
— A subsidiary of Jin Jiang International (x)	(20,000)	—
	(1,051,563)	(1,031,563)

- (i) As at 31 December 2010, the balance included unsecured loans to Jin Jiang International of RMB270,000,000 with effective interest rates of 4.59% per annum.
- (ii) The balance includes secured loans to jointly controlled entities of Jin Jiang International of RMB21,340,000 as at 30 June 2011 (31 December 2010: RMB16,340,000) with effective interest rate of 5.41% (2010: 4.78%) per annum which were guaranteed by a third party.
- (iii) The balances include secured loans to an associate of the Group of RMB18,000,000 as at 30 June 2011 (31 December 2010: RMB58,000,000) with effective interest rates of 5.32% (2010: 5.32%) per annum which were guaranteed by properties, and the unsecured loan of RMB20,000,000 (31 December 2010: RMB30,000,000) with effective interest rate of 5.26% (2010: 5.10%) per annum.
- (iv) As at 31 December 2010, the balance represented the prepayment of RMB231,873,000 in connection with the Acquisition (note 21).
- (v) The balance includes deposits from Jin Jiang International of RMB694,897,000 as at 30 June 2011 (31 December 2010: RMB424,210,000) with effective interest rate of 1.21% (2010: 1.60%) per annum.
- (vi) The balance includes deposits from a subsidiary of Jin Jiang International of RMB5,000,000 as at 30 June 2011 (31 December 2010: RMB10,000,000) with effective interest rate of 3.05% (2010: 1.35%) per annum.
- (vii) The balances include deposits from jointly controlled entities of the Group of RMB93,732,000 as at 30 June 2011 (31 December 2010: RMB128,097,000) with the effective interest rates of 2.85% (2010: 1.97%) per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amount due from/to related parties (continued)

- (viii) The balances include deposits from associates of the Group of RMB9,015,000 as at 30 June 2011 (31 December 2010: RMB7,087,000) with the interest rates of 0.50% (2010: 1.25%) per annum.
- (ix) The balance includes unsecured borrowings from Jin Jiang International of RMB1,031,563,000 as at 30 June 2011 (31 December 2010: RMB1,031,563,000) with effective interest rates of 4.52% (2010: 4.52%) per annum.
- (x) The balance includes unsecured borrowings from a subsidiary of Jin Jiang International of RMB20,000,000 as at 30 June 2011 (31 December 2010: nil) with effective interest rates of 5.68% (2010: nil) per annum.

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

(c) Key management compensation

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Salary and other allowances	554	563
Discretionary bonus	166	302
Retirement scheme contributions	136	121
	856	986

23 EVENT AFTER THE BALANCE SHEET DATE

Significant decrease in fair value of available-for-sale financial assets

With the significant decrease of the market prices of the listed equity investments held by the Group subsequent to the balance sheet date, the relevant fair value of available-for-sale financial assets as at 30 June 2011 decreased by RMB288,675,000 and the corresponding equity attributable to shareholders of the Company decreased by RMB108,975,000 based on the market prices as at 29 August 2011.

24 RESTATEMENT

As explained in note 1(c), the Acquisition is regarded as common control combinations and accounted for using the principles of merger accounting in accordance with the Accounting Guideline No. 5 — “Merger Accounting for Common Control Combination” issued by the HKICPA. Upon completion, the financial statements of Jin Jiang Investment and Jin Jiang Travel will be included in the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 as if the combinations had occurred from the date when Jin Jiang Investment and Jin Jiang Travel first came under the control of Jin Jiang International. Comparative figures as at 31 December 2010 and for the six months ended 30 June 2010 were also represented on the same basis.



