



Chairman's Statement

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2006.

2006 was a remarkable year in the historical development of the Company. The Company was listed on the Main Board on 15 December 2006 and became the first stock with PRC hotel concept in Hong Kong's capital market. The international placement and Hong Kong public offering achieved outstanding results and was warmly welcomed by international investors. The Hong Kong listing (the "Listing") provides a sound platform for the Group's international development and sets a meaningful milestone in its future development. The stock code of the Company is "2006", which commemorates the historical year 2006.

During year 2006, being a leading hotel operator and management company in the PRC, the Group's hotel service and integrated business model were well-recognised in the PRC. The Group's Star-rated hotel operation, budgeted inns, Star-rated hotel management, restaurants and others achieved stable development and the scale of operations consistently expanded. By the end of the year, there were 277 hotels, or about 54,000 rooms, being in operation or under development, covering 78 cities in 28 provinces, autonomous regions, and municipality cities under the central government of the PRC. The Group successfully built up a huge hotel business network. The Group's scale of room inventory maintains a leading position in Asia. The brands, networks, management systems, and talents recruitment attained new achievements. Core competitive power was reinforced. Corporate governance was consistently improved in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Group has built up a complete corporate governance system. Moreover, the shareholders' meetings, the Board, the supervisory committee of the Company ("Supervisory Committee") and the administrative management are operating in a co-ordinated manner and pay sufficient attention to disclosure of information and investors relations.

Both revenue and profit increased in 2006 and the Board proposes to declare a final dividend of RMB2.6 cents per share for the year ended 31 December 2006.

On future business outlook, the Group is facing increased supply of hotels and a challenge caused by keen market competition. The Company will seize the bright future in the vigorous development of tourism industry in the international and domestic markets, and in the growth of business opportunities as a result of international events such as 2008 Beijing Olympic Games and 2010 Shanghai World Exposition, to continually improve operational and managerial quality, explore the investment value of the Group's hotel properties, increase return on capital employed and return to shareholders, and transform the Group into an international hotel group with continuous increase in core competitiveness and sustainable and stable growth.

Taking the opportunity of the Company's first annual report after the Listing, for and on behalf of the Board, I express my sincere gratitude to all shareholders, investors, diligent managers and employees and those people who supported the development of the Company.

Yu Minliang

Chairman of the Board

Shanghai, the PRC

20 April 2007