

Corporate Governance Report

The Board has reviewed its “Company Operation and Corporate Governance Guidelines” and is of the view that such document has incorporated most of the principles and all of the code provisions of the “Code on Corporate Governance Practices” as set out in Appendix 14 to the Listing Rules. The Company confirms that none of the Directors is aware of any information that would reasonably indicate that the Group was not, at any time during year 2006 after the Listing, in compliance with the code provisions of the “Code on Corporate Governance Practices”.

1. Board Composition

The Board currently consists of eight executive Directors, one non-executive Director and eight independent non-executive Directors.

Executive Directors:

Mr. Yu Minliang (*Chairman*)

Ms. Chen Wenjun

Mr. Yang Weimin (*CEO*)

Mr. Chen Hao

Mr. Yuan Gongyao

Mr. Xu Zurong

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

Mr. Rui Mingjie

Mr. Yang Menghua

Mr. Tu Qiyu

Mr. Shen Chengxiang

Mr. Lee Chungbo

Since the Listing, the Board has been composed of at least three independent non-executive Directors, of whom at least one of them possesses appropriate accounting and related financial management knowledge.

2. Nomination of Directors and Period of Office

A nomination committee has yet to be set up under the Board. Shareholders of the Company may nominate candidates for directorship. A written notice stating their intention to nominate a candidate for directorship and the nominee's consent to be nominated shall be delivered to the Company after the dispatch of the notice of general meeting at which the election of directors will be held and not less than 7 days before the general meeting, and the period of notice shall not be less than 7 days. The criteria for nomination shall be based mainly on the academic qualifications, experience and other biographical details of the candidates. The independence of the candidates and their potential contributions to the Board as a whole will also be considered.

A Director shall be appointed for a term of three years from the date of election. As the Company was listed on the Stock Exchange in December 2006, no Board or nomination committee meeting was held for year 2006 after the Listing for the purpose of appointment or removal of Directors.

Corporate Governance Report

3. Responsibilities of the Board

The Board is responsible to the Company's shareholders in general meeting and exercise the following duties:

1. be responsible to convene general meeting and report their works thereon;
2. execute the resolutions of general meeting;
3. make decision on the Company's business plans and investment plans;
4. formulate the Company's proposed annual preliminary and final financial budget;
5. formulate the Company's profit appropriation plan (inclusive annual dividend payout plan) and loss recovery plan;
6. formulate the increase/reduction of registered share capital and issue plan of the Company's debenture;
7. draft the Company's merger, spin-off, and dissolution plan;
8. decide the setting up of the Company's internal organizations;
9. employ or dismiss CEO, according to the nomination of CEO, employ or dismiss the Company's executive president, vice president, head of finance, and decide their remunerations;
10. formulate the Company's basic management policies;
11. formulate the alteration plans of the Articles of Association;
12. decide the Company's wages level, employees welfare and incentives according to the prevailing relevant legislations of the PRC;
13. decide major business and administrative issues to be proceeded in the Company's general meeting(s) not stated in the Articles of Association;
14. formulate major acquisition and disposal plans of the Company;
15. exercise duties as given in the Articles of Association and the general meeting(s) of the Company.

Resolutions shall be approved by two-thirds of the Directors in respect of matters referred to in items 6, 7 and 11 above and a simple majority in respect of other matters.

Regular meetings of the Board shall be held at least four times every year and convened by the Chairman. Notice of the meeting shall be served on all of the Directors and Supervisors not less than 14 days before the date of the meeting. A regular Board meeting cannot be held by obtaining Board approval through the circulation of written resolutions. In case of any urgent matters, upon requisition by shareholders holding one tenth or more of the voting rights or one third or more of Directors or the Supervisory Committee, an interim Board meeting may be held.

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

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

Corporate Governance Report

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

The quorum of Board meetings shall be formed with over one half of the Directors attending. Each Director shall have one vote.

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

1. Formulation of the Company's proposed annual preliminary and final financial budget;
2. Adjustments to the internal management set-up (below the departmental level) of the Company;
3. Formulation of systems for the Company's day-to-day management (such as human resources, finance, internal control, internal audit, asset management and investment management, etc);
4. Determination of wages, welfare and incentives for Company staff (other than the Directors and the senior management) subject to relevant State regulations.

Corporate Governance Report

4. Board Meetings

In year 2006, the Company held 10 Board meetings. The attendance record of each respective Director at the Board meetings during year 2006 is set out below:

Directors	Attendance
Executive Directors	
Mr. Yu Minliang (Chairman)	10/10
Ms. Chen Wenjun	10/10
Mr. Yang Weimin (CEO)	10/10
Mr. Chen Hao	7/10
Mr. Yuan Gongyao	6/10
Mr. Xu Zurong	1/10
Mr. Han Min	1/10
Mr. Kang Ming	1/10
Non-Executive Director	
Mr. Shen Maoxing (Vice Chairman)	10/10
Independent Non-Executive Directors	
Mr. Ji Gang	1/10
Mr. Xia Dawei	1/10
Mr. Sun Dajian	1/10
Mr. Rui Mingjie	1/10
Mr. Yang Menghua	1/10
Mr. Tu Qiyu	1/10
Mr. Shen Chengxiang	0/10
Mr. Lee Chung Bo	0/10

Note: Mr. Yu Minliang, Mr. Shen Maoxing, Ms. Chen Wenjun, Mr. Yang Weimin and Mr. Chen Hao have been Directors of the Company since 1 January 2006. Mr. Yuan Gongyao has been a Director of the Company since 8 April 2006. Mr. Xu Zurong, Mr. Han Min and Mr. Kang Ming have been Directors of the Company since 19 November 2006. The appointment of all independent non-executive Directors took effect from 20 November 2006.

5. Supervisory Committee

As at the end of 2006, the Supervisory Committee comprised six members. The background and biographies of the Supervisors are set out in the section headed "Directors, Supervisors and Senior Management". Supervisors acted diligently to exercise effective supervision over the lawfulness and compliance of the Company's financial matters and the performance of duties by the Directors and senior management.

6. Board Committees

(1) Audit Committee

The Company's audit committee is a committee established by the Board and its main responsibility is to review and supervise the Company's financial reporting procedures and internal control and to maintain an appropriate relationship with the Company's auditors. Its terms of reference is set out in "A Guide For Effective Audit Committees" issued by Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), issued in February 2002.

Corporate Governance Report

The audit committee members are appointed by the Board. The audit committee of the Company is comprised of three independent non-executive Directors, Mr. Xia Dawei, Mr. Yang Menghua and Mr. Sun Dajian and one of them fulfills the requirement under Rule 3.21 of the Listing Rules in respect of the appropriate accounting or related financial management expertise. The chairman of the audit committee is Mr. Xia Dawei and the secretary to the audit committee is Dr. Yuen Chin Yau.

As the Company was listed on the Stock Exchange in December 2006, no audit committee meeting was held during year 2006 after the Listing. The first audit committee meeting was held on 16 April 2007 and the consolidated financial statements of the Group for the year 2006 were reviewed at such meeting.

(2) Remuneration Committee

The Company's remuneration committee is a committee established by the Board. Its main duties are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal procedure for developing a remuneration procedures which integrate both incentives and supervision.

The remuneration committee of the Company consists of one executive Director, Mr. Chen Hao, and two independent non-executive Directors, Mr. Ji Gang and Mr. Yang Menghua. Mr. Chen Hao is the chairman of the remuneration committee.

As the Company was listed on the Stock Exchange in December 2006, no remuneration committee meeting was held during year 2006 after the Listing. The first remuneration committee meeting was held on 20 April 2007.

(3) Strategic Investment Committee

The strategic investment committee of the Company assists the Board by providing advice, proposals, exemplification, review, supervision of implementation, and other supervisory duties with regard to strategic investments to be made by the Company.

The strategic investment committee consists of three members and its chairman is also an executive Director. The committee members are nominated by the chairman and appointed or dismissed by the Board.

As the Company was listed on the Stock Exchange in December 2006, no strategic investment committee meeting was held during year 2006 after the Listing.

7. Chairman and CEO

Under Paragraph A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer of an issuer should be separate and should not be performed by the same person. Currently, the Chairman is Mr. Yu Minliang who is responsible for overall coordination and arrangement of management work, and the CEO is Mr. Yang Weimin who is an executive Director and is fully responsible for daily operation and implementation of the Board's resolutions.

8. Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2006, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

Corporate Governance Report

9. External Auditors

The independence of the Company's external auditors is assured. The external auditors will retire in the following annual general meeting and offer themselves for re-election at such meeting. During year 2006, two external auditors were appointed, namely PricewaterhouseCoopers in Hong Kong for consolidated financial statements prepared in accordance with HKFRS and Deloitte Touche Tohmatsu CPA Ltd. ("Deloitte") in the PRC for consolidated financial statements prepared in accordance with PRC Accounting Standards. An aggregate remuneration of RMB6.7 million was paid to the Company's external auditors in 2006. The fees were for the provision of audit services conducted by PricewaterhouseCoopers and Deloitte for the Company's consolidated financial statements. No remuneration was paid to PricewaterhouseCoopers and Deloitte for provision of non-audit related services to the Company.

10. Directors' and Auditor's Responsibilities

The Directors have acknowledged their responsibilities for the preparation of the consolidated financial statements for the year ended 31 December 2006, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these consolidated financial statements, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

PricewaterhouseCoopers, the international auditor of the Company, has presented their responsibilities in the independent auditor's report as set out on page 53.

11. Investor Relations

The Company promotes a two-way communication between the Company and investors. Requests for meetings and on-site visits from investors have been arranged with due care by the Company's Joint Company Secretarial Office after such requests are received.

This annual report is to be distributed to shareholders of the Company and can also be downloaded from the Company's website at <http://www.jinjianghotels.com.cn>.

As there is growing interest of investors in the Company's development strategies and business operations, the Company will make extra effort to enhance its corporate transparency.

The annual general meeting is the principal occasion at which the Directors may communicate directly with shareholders. All shareholders are given at least 45 days' formal notice of the date, venue and agenda of the annual general meeting.

12. Internal Controls, Audit and Risk Management

The Company has established a complete set of compliance manual, which is comprised of the corporate governance policies and operational regulations. It involves the structures of corporate governance, internal control for financial aspects, budgetary management, corporate finance, overseas investment, engineering and projects, and human resources management. The systems, policies and flowcharts in such compliance manual effectively cover all the decision and operational activities of the Company. Managerial employees in respective levels can effectively manage the risk level of their business activities. The compliance manual is reviewed and updated from time to time.

The Company's audit committee is responsible for reviewing the internal control system of the Company. As the Company was listed on the Stock Exchange in December 2006, no audit committee meeting was held during year 2006 after the Listing. On 16 April 2007, an audit committee meeting was held whereby the committee conducted a review of the effectiveness of the internal control system of the Company for year 2006.

Corporate Governance Report

In order to control the quality standard of Star-rated hotels, the Company implemented a set of quality standard for guestroom linens for 4-Star and 5-Star Hotels in November 2006 to ensure the consistency and effective promotion of brand standard and such linens are purchased through centralised procurement by way of tender to lower costs by making bulk purchases.

Apart from the above, internal audit guidelines were established during year 2006 to cover engineering and renovation, financial performance, internal control and integrity and responsibility for the general manager and senior management in operating hotels. Besides, internal control questionnaires were finalised by year-end, covering both operational aspects and financial areas.

The Duties of Internal Audit

Internal audit encompasses the Company's major projects and focuses on enhancement of efficiency and improvement of operation and management, and audits the annual business plan and operational targets of members of the Group. Besides, the internal audit assignments focus on the following issues:

- conduct integrity audit on the main leaders of members of the Group during their appointment period and separate audit for those who have been transferred, resigned, dismissed or retired;
- conduct audit in receivable, payable, and related business activities;
- conduct audit in construction projects of over RMB 300,000 and upgrade and renovation of fixed assets;
- conduct audit in investment management, fund management, assets management and internal control policies;
- implement internal control and formulate and optimise internal control policies and standards according to management requirements;
- be responsible for the development of full-time and part-time internal audit workforce, and organise relevant assignments in the Company's system; and
- accomplish audit assignments of senior management, the Board and the Supervisory Committee.

13. Excluded Hotel Businesses and New Union

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

In accordance with the arrangements disclosed in the Prospectus, the independent non-executive Directors held a quarterly meeting on 28 February 2007 to consider whether or not to exercise the relevant Rights granted to the Company by Jin Jiang International over the relevant Excluded Hotel Businesses and New Union under the Deed of Non-Competition.

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

Eastern Jin Jiang and JC Mandarin: The disputes among the respective shareholders of Eastern Jin Jiang and JC Mandarin have not been resolved and therefore it is not legally possible for the Company to exercise the relevant Rights.

Eastern Jin Jiang and JC Mandarin each has in total 446 rooms and 510 rooms, respectively.

The revenue and net liabilities of Eastern Jin Jiang as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB176.2 million and RMB81.7 million, respectively.

Corporate Governance Report

The revenue and net assets of JC Mandarin as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB230.6 million and RMB72.5 million, respectively.

Pacific Shanghai: The term of operation of Pacific Shanghai has not expired and Jin Jiang International has not yet obtained any of the assets of this joint venture company.

Pacific Shanghai has in total 496 rooms.

The revenue and net assets of Pacific Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB224.1 million and RMB282.0 million, respectively.

Garden Hotel Shanghai: The term of operation of Garden Hotel Shanghai has not expired and Jin Jiang International has not yet obtained any of the buildings or facilities of this joint venture company.

Garden Hotel Shanghai has in total 492 rooms.

The revenue and net assets of Garden Hotel Shanghai as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB325.3 million and RMB103.3 million, respectively.

New Jin Jiang Business Travellers: The Company has not been granted any Rights in relation to New Jin Jiang Business Travellers under the Deed of Non-Competition.

New Jin Jiang Business Travellers has in total 131 rooms.

The revenue and net liabilities of New Jin Jiang Business Travellers as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB16.1 million and RMB0.3 million, respectively.

Jinyuan Inn and Jiaozhou Road Inn: Legal and valid land use right certificates and building ownership certificates for the land and buildings being used by Jinyuan Inn and Jiaozhou Road Inn have not yet been obtained and therefore it is not legally possible for the Company to exercise the relevant Rights.

Jinyuan Inn and Jiaozhou Road Inn each has in total 82 rooms and 103 rooms, respectively.

The revenue and net assets of Jinyuan Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB2.5 million and nil, respectively.

The revenue and net assets of Jiaozhou Road Inn as set out in its management account prepared in accordance with the PRC Accounting Standards for the year ended and as at 31 December 2006 amounted to approximately RMB7.1 million and nil, respectively.

New Union: The development project of New Union has not yet been completed. Therefore, New Union did not generate any revenue during the year ended 31 December 2006. At present, New Union remains a real estate development company, which does not accord with the current development strategy of the Group in focusing on hotel investment and hotel management. The net assets of New Union as set out in its management account prepared in accordance with the PRC Accounting Standards as at 31 December 2006 was RMB 169.6 million.

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