Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1 Organisation, Reorganisation and Principal Activities

Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company"), formerly known as Shanghai New Asia (Group) Company, was established on 16 June 1995 as a wholly state-owned company with limited liability and has been directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") or its predecessors. Pursuant to an enterprise reorganisation in June 2003, the Company was designated by Shanghai SASAC as a wholly-owned subsidiary of Jin Jiang International Holdings Company Limited ("Jin Jiang International"), which is also a wholly state-owned company directly under the administration and control of Shanghai SASAC. In September 2005, Jin Jiang International allocated its 5% equity interest in the Company to its wholly-owned subsidiary, Shanghai Jin Jiang International Investment & Management Company Limited (formerly known as Shanghai Huating Group Company Limited).

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

The address of the Company's registered office is Room 316–318, No. 24, Yang Xin Road East, Shanghai, the People's Republic of China.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Businesses") in Mainland China.

These consolidated financial statements have been approved for issue by the board (the "Board") of directors of the Company on 20 April 2007.

Significant changes in the organisational structure of the Group during the year ended 31 December 2006 and 2005 are summarized below:

(a) Transfers of equity interests in companies between the Group and Jin Jiang International

As part of the several group reorganising transactions (the "Reorganisation"), the Group transferred its equity interests in certain subsidiaries (the "Transfer-out Companies"), a jointly controlled entity and certain associates, to Jin Jiang International; Jin Jiang International and its other subsidiaries (other than the Group) transferred their equity interests in certain subsidiaries (the "Transfer-in Companies"), jointly controlled entities and associates which were engaged in Hotel Related Businesses, to the Group.

(b) Change in the Company's equity interests in Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development", formerly known as Shanghai New Asia (Group) Company Limited)

The A shares and B shares of Jin Jiang Hotels Development are listed on the Shanghai Stock Exchange of Mainland China. Before the Reorganisation, the Company directly held 42.32% of its equity interest. Pursuant to the Reorganisation, in December 2005, the Company acquired an aggregate of 10.14% equity interest in Jin Jiang Hotels Development at a total consideration of approximately RMB218,924,000, including 8.07% equity interest from other state-owned enterprises under the administration and control of Shanghai SASAC.

Pursuant to the implementation of a share reform, the Company gave away for free 4.85% equity interest in Jin Jiang Hotels Development to other A share public shareholders in January 2006, including payment of respective portion of other A share non-public shareholders, and subsequently acquired from the market 2.44% equity interest at a total consideration of approximately RMB100,048,000 from then to March 2006. Since then, the Company directly held 50.05% equity interest in Jin Jiang Hotels Development. In 2007, due to the redemption of shares by other A share non-public shareholders as mentioned above, the Company's equity interest in Jin Jiang Hotels Development was increased to 50.31%.

2 *Basis of Presentation*

The Group, the Transfer-in Companies as described in note 1(a) and Jin Jiang Hotels Development as described in note 1(b) above are under common control of Shanghai SASAC both before and after the Reorganisation. The transfer of equity interests in the Transfer-in Companies and the acquisition of the 8.07% equity interests in Jin Jiang Hotels Development are therefore 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 Hong Kong Institute of Certificated Public Accountants (the "HKICPA"). Financial statement items of the Transfer-in Companies and Jin Jiang Hotels Development are included in the Group's consolidated financial statements as if the combinations had occurred from the date when these companies first came under the control of Shanghai SASAC.

Assets, liabilities and equity of the above companies are included in the Group's consolidated financial statements at the carrying amounts in the consolidated financial statements of Shanghai SASAC as if they had been prepared, including any adjustments required for conforming the Group's accounting policies and applying those policies to all periods presented. There is no recognition of goodwill or excess of the Group's interest in net fair value of identifiable assets, liabilities and contingent liabilities of these companies over cost at the time of the common control combinations. For companies which were previously acquired from third parties, the Group's consolidated financial statements include the fair value of identifiable assets and liabilities of such companies at the respective dates of original acquisitions from third parties, any remaining goodwill arising on such acquisitions and minority interests.

The results of these companies are included in the Group's consolidated financial statements from the earliest date presented or since the date when these companies first came under the control of Shanghai SASAC, where this is a shorter period, regardless of the dates of the common control combinations. The Group's consolidated financial statements have also taken into account the profit or loss attributable to minority interests that should have been recorded in the consolidated financial statements of Shanghai SASAC as if they had been prepared.

The effects of all transactions between the companies now comprising the Group, whether occurring before or after the common control combinations, are eliminated in preparing the Group's consolidated financial statements.

Expenditure incurred in relation to the common control combinations is recognized as an expense in the consolidated income statements.

The names of companies acquired under common control combinations, the respective dates of common control combinations and the composition and fair value of the considerations are set out as follows:

Name of combining entities	Date of combination	Consideration
Jin Jiang Hotel Company Limited Cypress Hotel Company Limited Y.M.C.A Hotel Company Limited Shanghai Rainbow Hotel Company Limited Shanghai Galaxy Hotel Company Limited Shanghai Hua Ting Guest House Company Limited Shanghai Hotel Company Limited Jinsha Hotel Company Limited Shanghai Yulan Hotel Company Limited Shanghai Jin Jiang Da Hua Hotel Company Limited Shanghai Jin Jiang Tower Company Limited (previously operating Jin Jiang Tower)	31 March 2005	100% equity interests in these companies at nil consideration
Shanghai Jin Jiang International Hotel Investment Company Limited Jin Jiang International Finance Company Limited	31 March 2005	80% equity interests in these companies at nil consideration
Jin Jiang Inn Company Limited	31 March 2005	74% equity interest in this company at nil consideration
Shanghai Jiu Long Hotel Company Limited	31 March 2005	60% equity interest in this company at nil consideration
Wuhan Jin Jiang International Hotel Company Limited	31 March 2005	50% equity interest in this company at nil consideration
Kunming Jin Jiang Hotel Company Limited	75% equity interest on 31 March 2005 and 25% equity interest on 30 March 2006	75% equity interest in this company in 2005 at nil consideration and the remaining 25% equity interest in 2006 at nil consideration
Shanghai Jin Jiang Park Hotel Company Limited Shanghai Jin Jiang Pacific Hotel Company Limited Shanghai Peace Palace Hotel Company (previously operating Peace Palace Hotel)	30 September 2005	100% equity interests in these companies at nil consideration
Shanghai Peace Hotel Company Limited	30 September 2005	99% equity interest in this company at nil consideration and 1% equity interest at RMB1,702,000
Jin Jiang Hotels Development	4.45%, 1.29% and 2.33% equity interests on 22, 27 and 28 December 2005, respectively	8.07% equity interest in this company at a cash consideration of RMB174,232,000
Shanghai Linqing Hotel Company Limited	2 March 2006	90% equity interest in this company at a cash consideration of RMB3,042,000
Shanghai Peace Snack Culture Company Limited	14 March 2006	51% equity interest in this company at a cash consideration of RMB2,586,000
Shanghai Jin Jiang International Hotels Group (HK) Company Limited	10 April 2006	98.61% equity interest in this company at a cash consideration of Hong Kong Dollars ("HK$") 72,436,000
Shanghai Jin Jiang International Management College	12 May 2006	100% equity interest in this entity at a total cash consideration of RMB6,801,000

No significant accounting adjustments have been made to the net assets and net profit or loss of the above companies prepared under Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA to achieve consistency of their accounting policies with those of the Group as set out in note 3 below. The following significant adjustments have been made to the net assets and net profit or loss of certain of the above companies as a consequence of the common control combinations:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Adjustments to net assets		
— fair value adjustments of assets and liabilities of Kunming Jin Jiang Hotel Company Limited, Jin Jiang Tower and Jin Jiang Inn Company Limited which acquired by Jin Jiang International from parties not under the control of Shanghai SASAC	**77,397**	79,809
— adjustments of carrying value of assets of Jin Jiang Hotels Development acquired from the Company at amounts above their then carrying value	**(143,718)**	(148,073)
Adjustments to profit/(loss)		
— fair value adjustments of assets and liabilities of Kunming Jin Jiang Hotel Company Limited, Jin Jiang Tower and Jin Jiang Inn Company Limited which acquired by Jin Jiang International from parties not under the control of Shanghai SASAC	**(2,264)**	(2,264)
— adjustments of carrying value of assets of Jin Jiang Hotels Development acquired from the Company at amounts above their then carrying value	**4,355**	4,355

Details of the adjustments to the consolidated reserves with respect to these common control combinations are set out in note 21(a)(v).

After control of a subsidiary is obtained, changes in equity interest in that subsidiary that do not result in a loss of control, including the transfer and acquisition of equity interests in Jin Jiang Hotels Development to/from parties not controlled by Shanghai SASAC as mentioned in note 1(b) above, is treated as transactions with equity holders in their capacity as equity holders. No gain or loss is recognized in the consolidated income statement with respect to such changes. The carrying amount of the non-controlling interest is adjusted to reflect the change in the Group's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to equity holders of the Company.

The purchase method of accounting is used to account for the acquisitions of equity interests in subsidiaries from parties not under the control of Shanghai SASAC, and the transfers of equity interests in associates and jointly controlled entities to the Group from Jin Jiang International and its other subsidiaries (other than the Group).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3 *Summary of Significant Accounting Policies*

The consolidated financial statements of the Group have been prepared in accordance with HKFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

The following new standards, amendments to standards and interpretations are mandatory for financial year ended 31 December 2006.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 1 & 6 (Amendments)	First-time Adoption of Hongkong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

The adoption of the above new standards, amendments to standards and interpretations did not have any significant impacts to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors anticipate that adoption of these standards, amendments to standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Agreements

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

The principal accounting policies adopted set out below:

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

Apart from the transfer of equity interests regarded as common control combinations as mentioned in note 2, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 3(h)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 3(i)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 3(h)).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses (note 3(i)). The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(c) ***Jointly controlled entities***

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

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (note 3 (i)). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(d) ***Segment reporting***

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(e) ***Foreign currency translation***

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(iii) Group companies

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

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

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

— all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

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

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Plant and machinery	3–20 years
Motor vehicles	3–12 years
Furniture, fittings and equipment	3–17 years
Renovations and leasehold improvements	5–20 years but not exceeding the lease period

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the income statement.

(g) Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 20 to 50 years. Amortization of land use rights is calculated on the straight-line method over the period of the land use rights.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested annually for impairment as part of overall. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Computer software

Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 to 5 years).

(iii) Others

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

(i) Impairment of investments in subsidiaries, associates and non-financial assets

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

(j) Financial assets

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the balance sheet date.

(ii) *Loans and receivables*

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

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year ended 31 December 2006, the Group did not hold any investments in this category.

(iv) *Available-for-sale financial assets*

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

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

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

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

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

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

(k) Inventories

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

(l) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of 3 months or less.

(n) Share capital

Ordinary shares are classified as equity.

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

(o) Borrowings

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

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

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(q) Deferred income tax

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

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

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

(r) Employee benefits

(i) Pension obligations

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

The Group's subsidiary in Hong Kong participates in a mandatory provident fund ("MPF scheme") for its employees in Hong Kong. Both the Group and the employees are required to contribute 5% of the salaries of the employee's, up to a maximum of HK$1,000 per employee per month. The assets of MPF scheme are held separately from those of the Group in an independent administered fund.

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

(ii) Housing benefits

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

(s) Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

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

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

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

(t) Government grants

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

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

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

(u) Revenue recognition

Revenue from hotel accommodation, hotel management and related services, food and beverage sales and other ancillary services is recognized when the services are rendered.

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

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

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

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

(v) ***Operating leases***

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

(w) ***Dividend distribution***

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

4 Financial Risk Management

(a) ***Financial risk factors***

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

(i) Foreign exchange risk

The Group mainly operates in Mainland China and most of the Group's transactions, assets and liabilities are denominated in RMB. Foreign currencies are however required to settle payments for the Group's purchases of equipment from overseas suppliers and certain expenses. Foreign currencies are also received from overseas customers and part of cash proceeds from the issue of H Shares are kept in HK$. The Group's cash and cash equivalents and borrowings as at 31 December 2006 included foreign currencies, denominated in either United States Dollars ("US$") or HK$, are disclosed in notes 19 and 23.

As at 31 December 2006, the Group has not used any forward contracts, currency borrowings, or other means to hedge its foreign currency exposure. The exchange rate for RMB against US$ and HK$ have been stable, however, in the event of a substantial appreciation of RMB against US$ and HK$ in the future, it may in turn adversely affect the operating results of the Group.

RMB is not freely convertible into other foreign currencies. Conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by Mainland China government.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in note 23.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheets either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iv) Credit risk

The Group has no significant concentrations of credit risk. It has policies that limit the amount of credit exposure to any customer. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(v) Liquidity risk

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

(b) Fair value estimation

The fair value of financial instruments is determined based on the policies disclosed in note 3(j). The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

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

The face values less any estimated credit adjustments for other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

5 Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Deferred tax assets

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

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilized. Management revises the assumptions and profit projections by the balance sheet date.

(iii) Impairment of property, plant and equipment

The Group's management assesses at each of the balance sheet date whether property, plant and equipment have any indication of impairment, in accordance with the accounting policy stated in note 3(i). The recoverable amount is higher of an asset's value in use and fair value less costs to sell, which is estimated based on the best information available to reflect the amount that is obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal, or cash to be generated from continuously using the assets.

(iv) Impairment of trade and other receivables

The Group's management estimates the provision of impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivable and impairment charge in the period in which such estimate has been changed.

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

(i) Leasehold improvements on leased premises

The Group operates certain hotels on leased premises in Mainland China and incurs construction or renovation expenditures for these hotels. Some landlords named in the corresponding lease agreements have informed the Group that they are unable to produce proper building ownership certificates or to provide valid lease permits or other necessary permissions. However, based on the Group's past experiences and available information and after consultation with the Group's legal advisor, the directors of the Company are of the view that such problem is unlikely to cause the interruption or termination of these leases or to have a material effect on the carrying values of the related leasehold improvements of approximately RMB214,991,000 as at 31 December 2006 (2005: approximately RMB121,219,000). Accordingly, no impairment for such leasehold improvements is considered necessary to be made according to the Group's accounting policies.

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

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

6 Turnover and Segment Information

During the year ended 31 December 2006, the Group's Hotel Related Businesses were organized into four main business segments in Mainland China and Hong Kong:

(1) Star-rated hotel operation: ownership and operation of star-rated hotels;

(2) Star-rated hotel management: provision of hotel management services to star-rated hotels owned by the Group or other parties;

(3) Jin Jiang Inn Budget Hotels: operation of self-owned budget hotels and franchising to budget hotels owned by other parties; and

(4) Restaurants: operation of fast food or upscale restaurants and related investments.

Other businesses of the Group mainly include intra-group financial services, training and education and moon cake production businesses.

(a) Turnover

The Group's revenue which represents turnover for the year ended 31 December 2006 is as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Star-rated hotel operation		
— Accommodation revenue	**1,413,622**	1,355,077
— Food and beverage sales	**770,476**	660,722
— Rendering of ancillary services	**134,714**	133,458
— Rental revenue	**104,368**	101,854
— Sales of hotel supplies	**42,534**	34,295
	2,465,714	2,285,406
Jin Jiang Inn Budget Hotels	**430,298**	334,900
Star-rated hotel management	**38,342**	36,683
Restaurants	**49,210**	89,738
Others	**46,924**	60,943
	3,030,488	2,807,670

(b) Primary reporting format — business segments

Year ended 31 December 2006

	Star-rated hotel operation RMB'000	Jin Jiang Inn Budget Hotels RMB'000	Star-rated hotel management RMB'000	Restaurants RMB'000	Others RMB'000	Group RMB'000
External sales	2,465,714	430,298	38,342	49,210	46,924	3,030,488
Inter-segment sales	89,520	14,706	55,232	—	53,771	213,229
Total gross segment sales	2,555,234	445,004	93,574	49,210	100,695	3,243,717
Operating profit	466,973	44,868	50,852	12,880	20,833	596,406
Finance costs (note 28)						(84,581)
Share of results of associates (note 12)	21,323	—	(219)	67,025	(4,180)	83,949
Profit before income tax						595,774
Income tax expense (note 29)						(150,095)
Profit for the year						445,679
Segment assets	7,470,096	1,541,259	197,571	91,226	554,146	9,854,298
Investments in associates (note 12)	93,488	—	653	243,723	9,414	347,278
Total Assets	7,563,584	1,541,259	198,224	334,949	563,560	10,201,576
Total Liabilities	2,297,995	467,782	29,389	6,093	267,112	3,068,371
Capital expenditure	481,259	475,156	1,147	10,234	2,224	970,020
Depreciation (note 7)	280,853	53,859	318	3,916	1,878	340,824
Amortization of land use rights (note 8)	22,694	2,119	—	—	154	24,967
Amortization of intangible assets (note 9)	316	173	—	105	25	619
Impairment of property, plant and equipment (note 7)	9,906	—	—	—	—	9,906
Write-down/(reversal of write-down) inventories	296	(383)	—	—	—	(87)
Impairment of trade and other receivables (note 26)	1,898	175	86	24	7	2,190

Year ended 31 December 2005

	Star-rated hotel operation RMB'000	Jin Jiang Inn Budget Hotels RMB'000	Star-rated hotel management RMB'000	Restaurants RMB'000	Others RMB'000	Group RMB'000
External sales	2,285,406	334,900	36,683	89,738	60,943	2,807,670
Inter-segment sales	76,892	6,421	53,789	—	33,346	170,448
Total gross segment sales	2,362,298	341,321	90,472	89,738	94,289	2,978,118
Operating profit	406,007	51,404	51,633	18,520	35,815	563,379
Finance costs (note 28)						(37,228)
Share of results of associates (note 12)	17,170	—	(103)	43,525	(4,259)	56,333
Profit before income tax						582,484
Income tax expense (note 29)						(168,330)
Profit for the year						414,154
Segment assets	4,634,552	1,152,995	221,767	155,116	493,430	6,657,860
Investments in associates (note 12)	71,524	—	920	206,941	6,558	285,943
Total Assets	4,706,076	1,152,995	222,687	362,057	499,988	6,943,803
Total Liabilities	2,118,077	284,072	31,599	11,562	260,965	2,706,275
Capital expenditure	1,536,405	347,223	482	4,707	1,206	1,890,023
Depreciation (note 7)	269,182	30,749	209	5,979	2,766	308,885
Amortization of land use rights (note 8)	12,795	2,529	—	—	737	16,061
Amortization of intangible assets (note 9)	287	26	—	205	6	524
(Reversal of)/provision for impairment of property, plant and equipment (note 7)	(1,513)	—	—	500	—	(1,013)
Impairment of available-for-sale financial assets (note 26)	3,230	—	—	—	—	3,230
Write-down of inventories	394	—	—	—	—	394
Provision for/(reversal of) impairment of trade and other receivables (note 26)	2,098	27	(62)	1	1,284	3,348

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

Segment assets consist primarily of property, plant and equipment, land use rights, available-for-sale financial assets, deferred income tax assets, inventories, receivables and operating cash. They also include goodwill recognized arising from acquisition of subsidiaries relating to respective segments.

Segment liabilities comprise operating liabilities. Corporate borrowings are included in the segment of "Others".

Capital expenditure comprises additions to property, plant and equipment (note 7), land use rights (note 8) and intangible assets (note 9), including additions resulting from acquisition through business combinations other than common control combination (note 35).

(c) Secondary reporting format — geographical segments

No geographical segment information is presented as more than 90% of the Group's turnover and contribution to operation is attributable to Mainland China market and more than 90% of the Group's assets are located in Mainland China, which is considered as one geographic location with similar risks and returns.

7 Property, Plant and Equipment

(a) The Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2005	3,281,724	971,502	61,012	230,692	573,295	305,164	5,423,389
Additions	64,380	18,695	4,999	8,683	17,798	577,599	692,154
Acquisition of jointly controlled entities (note 35(a))	320,039	16,186	754	14,892	63,261	14,551	429,683
Disposal of a subsidiary	(28,812)	—	(1,067)	(7,524)	(12,686)	(2,741)	(52,830)
Disposals	(88,498)	(57,964)	(6,420)	(18,009)	(28,772)	—	(199,663)
Transfers	81,661	67,731	889	31,644	184,629	(366,554)	—
At 31 December 2005	3,630,494	1,016,150	60,167	260,378	797,525	528,019	6,292,733
Additions	—	14,447	6,048	9,440	16,004	767,404	813,343
Acquisition of jointly controlled entities (note 35 (b) and (c))	55,049	3,192	484	3,076	15,694	5,708	83,203
Disposal of a subsidiary and change of a jointly controlled entity (note 33(b) and (c))	(63,045)	(48,745)	(2,273)	(1,452)	(26,792)	(83)	(142,390)
Disposals	(87,629)	(46,422)	(8,394)	(32,227)	(47,705)	(2,821)	(225,198)
Transfers	83,038	78,690	1,244	26,994	295,514	(485,480)	—
At 31 December 2006	**3,617,907**	**1,017,312**	**57,276**	**266,209**	**1,050,240**	**812,747**	**6,821,691**
Accumulated depreciation and impairment							
At 1 January 2005	(1,080,295)	(628,093)	(42,595)	(155,682)	(258,646)	—	(2,165,311)
Depreciation charge for the year (note 26)	(103,056)	(79,648)	(5,065)	(25,999)	(95,117)	—	(308,885)
Impairment (charge)/ reversal for the year (note 26)	(19)	1,450	—	82	(500)	—	1,013
Disposal of a subsidiary	5,647	—	705	6,067	10,052	—	22,471
Disposals	63,897	49,018	5,003	14,862	24,732	—	157,512
At 31 December 2005	(1,113,826)	(657,273)	(41,952)	(160,670)	(319,479)	—	(2,293,200)
Depreciation charge for the year (note 26)	(105,552)	(77,252)	(5,250)	(27,935)	(124,835)	—	(340,824)
Impairment charge for the year (note 26)	—	(7,309)	(31)	—	(2,566)	—	(9,906)
Disposal of a subsidiary and change of a jointly controlled entity (note 33(b) and (c))	20,187	32,564	1,644	896	14,218	—	69,509
Disposals	81,847	42,025	7,682	30,040	41,092	—	202,686
At 31 December 2006	**(1,117,344)**	**(667,245)**	**(37,907)**	**(157,669)**	**(391,570)**	**—**	**(2,371,735)**
Net book amount							
At 31 December 2006	**2,500,563**	**350,067**	**19,369**	**108,540**	**658,670**	**812,747**	**4,449,956**
At 31 December 2005	2,516,668	358,877	18,215	99,708	478,046	528,019	3,999,533

Property, plant and equipment of the Group with net book amount of approximately RMB319,563,000 (2005: approximately RMB340,859,000) was pledged as securities for the Group's borrowings (note 23).

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost of sales	**319,067**	284,974
Selling and marketing expenses	**2,393**	4,760
Administrative expenses	**19,364**	19,151
	340,824	308,885

Borrowing costs of approximately RMB9,223,000 (2005: approximately RMB1,421,000) (note 28) arising on financing specifically entered into for the construction of certain property, plant and equipment have been capitalized and are included in "Additions" in property, plant and equipment. The capitalization rate was 6.118% (2005: 5.515%).

(b) ***The Company***

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Renovations and leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2005	5,562	—	—	130	—	—	5,692
Additions	—	—	—	84	—	—	84
Transfer in from subsidiaries	587,698	43,486	805	109	32,993	2,029	667,120
Disposals	(5,562)	—	—	—	—	—	(5,562)
At 31 December 2005	587,698	43,486	805	323	32,993	2,029	667,334
Additions	—	1,026	—	215	—	8,760	10,001
Disposals	—	(383)	(252)	(4)	—	(184)	(823)
Transfers	—	2,534	—	—	1,275	(3,809)	—
At 31 December 2006	**587,698**	**46,663**	**553**	**534**	**34,268**	**6,796**	**676,512**
Accumulated depreciation and impairment							
At 1 January 2005	(1,013)	—	—	(95)	—	—	(1,108)
Depreciation charge for the year	—	—	—	(97)	—	—	(97)
Disposals	1,013	—	—	—	—	—	1,013
At 31 December 2005	—	—	—	(192)	—	—	(192)
Depreciation charge for the year	(16,011)	(14,727)	(403)	(141)	(8,392)	—	(39,674)
Impairment charge for the year	—	(1,734)	—	—	(76)	—	(1,810)
Disposals	—	257	92	2	—	—	351
At 31 December 2006	**(16,011)**	**(16,204)**	**(311)**	**(331)**	**(8,468)**	**—**	**(41,325)**
Net book amount							
At 31 December 2006	**571,687**	**30,459**	**242**	**203**	**25,800**	**6,796**	**635,187**
At 31 December 2005	587,698	43,486	805	131	32,993	2,029	667,142

8 *Land Use Rights*

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

(a) The Group

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost		
At beginning of the year	**1,065,861**	371,886
Additions	**72,516**	767,301
Disposal of subsidiaries (note 33(b))	**(1,872)**	(3,850)
Disposals	**(7,949)**	(69,476)
At end of the year	**1,128,556**	1,065,861
Accumulated amortization		
At beginning of the year	**(44,033)**	(43,644)
Charge for the year (note 26)	**(24,967)**	(16,061)
Disposal of subsidiaries (note 33(b))	**66**	794
Disposals	**1,805**	14,878
At end of the year	**(67,129)**	(44,033)
Net book amount		
At end of the year	**1,061,427**	1,021,828

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost of sales	**24,967**	16,061

(b) The Company

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost		
At beginning of the year	**49,908**	45,520
Addition	**269**	—
Transfer in from subsidiaries	**—**	49,908
Disposals	**—**	(45,520)
At end of the year	**50,177**	49,908
Accumulated amortization		
At beginning of the year	**—**	(9,731)
Charge for the year	**(1,285)**	—
Disposals	**—**	9,731
At end of the year	**(1,285)**	—
Net book amount		
At end of the year	**48,892**	49,908

9 Intangible Assets

(a) The Group

	Goodwill RMB'000	Software RMB'000	Others RMB'000	Total RMB'000
Cost				
At 1 January 2005	17,451	1,061	920	19,432
Additions	—	449	34	483
Acquisition of jointly controlled entities (note 35(a))	—	188	214	402
Disposal of a subsidiary	—	—	(21)	(21)
At 31 December 2005	17,451	1,698	1,147	20,296
Additions	—	904	—	904
Acquisition of a jointly controlled entity (note 35(c))	—	—	54	54
Change of a jointly controlled entity (note 33(c))	—	(1,093)	—	(1,093)
At 31 December 2006	**17,451**	**1,509**	**1,201**	**20,161**
Accumulated amortization				
At 1 January 2005	—	(450)	(379)	(829)
Charge for the year (note 26)	—	(324)	(200)	(524)
Disposal of a subsidiary	—	—	4	4
At 31 December 2005	—	(774)	(575)	(1,349)
Charge for the year (note 26)	—	(356)	(263)	(619)
Change of a jointly controlled entity (note 33(c))	—	718	—	718
At 31 December 2006	—	**(412)**	**(838)**	**(1,250)**
Net book amount				
At 31 December 2006	**17,451**	**1,097**	**363**	**18,911**
At 31 December 2005	17,451	924	572	18,947

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

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Cost of sales	**619**	524

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business segment. A segment level summary of the goodwill is presented below:

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Star-rated hotel operation	**11,003**	11,003
Jin Jiang Inn Budget Hotels	**6,448**	6,448
	17,451	17,451

The principal component of goodwill represents the excess of cost of acquisition of certain star-rated hotel and Jin Jiang Inn Budget Hotels over the fair value of the identified net assets acquired. The goodwill impairment assessment is based on recoverable amounts of respective CGUs which are determined by the higher of their fair value (less cost to sell) or value-in-use estimate. In view of the performance of the CGUs, the provision for impairment losses is not considered necessary.

(b) The Company

	Other intangible assets
	RMB'000
Cost	
At 1 January 2005	—
Transfer in from subsidiaries	62
At 31 December 2005 and 2006	**62**
Accumulated amortization	
At 1 January 2005 and 2006	—
Charge for the year ended 31 December 2006	(21)
At 31 December 2006	**(21)**
Net book amount	
At 31 December 2006	**41**
At 31 December 2005	62

10 Investments in Subsidiaries — The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Investments at cost		
— Shares of a listed company (i)	**685,434**	585,385
— Unlisted equity investments	**1,965,253**	2,122,404
	2,650,687	2,707,789

(i) The balance represents the Group's investment in Jin Jiang Hotels Development.

Particulars of the Company's principal subsidiaries are set out in note 37.

11 Investments in Jointly Controlled Entities

(a) The Group

The Group's share of assets and liabilities, revenue and results of jointly controlled entities included in consolidated balance sheet and consolidated income statement during the year ended 31 December 2006 are set out as follows:

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Assets		
Non-current assets	**959,431**	760,792
Current assets	**196,097**	218,055
	1,155,528	978,847
Liabilities		
Non-current liabilities	**200,110**	134,502
Current liabilities	**200,545**	190,756
	400,655	325,258
Net assets	**754,873**	653,589
Proportionate interests in jointly controlled entities' commitments	**18,593**	5,675

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Revenue	**644,605**	542,745
Expenses	**(522,858)**	(448,008)
Profit before income tax	**121,747**	94,737
Income tax expense	**(37,353)**	(24,999)
Profit for the year	**84,394**	69,738

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

Particulars of the Group's principal jointly controlled entities are set out in note 37.

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investments, at cost	**518,242**	460,477

12 Investments in Associates

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**285,943**	318,932
Additions	**46,972**	86,193
Share of results of associates		
— Profit before income tax	**129,141**	92,817
— Income tax expense	**(45,192)**	(36,484)
	83,949	56,333
Declaration of dividends	**(69,537)**	(66,424)
Disposals	**(49)**	(109,091)
At end of the year	**347,278**	285,943

Investments in associates at 31 December 2006 include goodwill of RMB23,880,000 (2005: nil).

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Total assets	**567,498**	536,449
Total liabilities	**220,220**	250,506
Revenue	**1,082,828**	896,493
Profit for the year	**83,949**	56,333

Particulars of the Group's principal associates are set out in note 37.

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investments, at cost	**29,905**	13,105

13 Available-for-sale Financial Assets

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**283,633**	290,642
Additions	**12,496**	4,500
Acquisition of jointly controlled entities (note 35)	**1,521**	3,868
Impairment charge (note 26)	**—**	(3,230)
Disposals	**(1,343)**	(12,147)
At end of the year	**296,307**	283,633

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investments, at cost (i)	**310,031**	297,357
Less: provision for impairment	**(13,724)**	(13,724)
	296,307	283,633

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**211,489**	217,442
Additions	**—**	4,500
Disposals	**—**	(10,453)
At end of the year	**211,489**	211,489

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Unlisted equity investments, at cost (i)	**213,489**	213,489
Less: provision for impairment	**(2,000)**	(2,000)
	211,489	211,489

(i) The balance represents the Group's/the Company's investments in various companies which do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

14 Deferred Income Tax

(a) The Group

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Deferred tax assets		
— Deferred tax assets to be recovered after more than 12 months	**13,082**	11,877
— Deferred tax assets to be recovered within 12 months	**4,198**	2,938
	17,280	14,815
Deferred tax liabilities		
— Deferred tax liabilities to be settled after more than 12 months	**(204,347)**	(196,296)
— Deferred tax liabilities to be settled within 12 months	**(7,957)**	(4,389)
	(212,304)	(200,685)
	(195,024)	(185,870)

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**(185,870)**	(93,550)
Acquisition of jointly controlled entities (note 35)	**(14,930)**	(84,785)
Credited/(charged) to income statement (note 29)	**5,191**	(7,535)
Disposal of a subsidiary (note 33(b))	**585**	—
At end of the year	**(195,024)**	(185,870)

The movement in deferred tax assets and liabilities during the year ended 31 December 2006, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Tax losses RMB'000	Provisions RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2005	13,488	13,975	20,346	3,607	1,086	52,502
Acquisition of jointly controlled entities	465	749	—	—	—	1,214
(Charged)/credited to income statement	(2,688)	(4,975)	(12,255)	1,787	674	(17,457)
At 31 December 2005	11,265	9,749	8,091	5,394	1,760	36,259
Acquisition of jointly controlled entities	116	11	—	—	19	146
Credited/(charged) to income statement	1,723	(875)	(3,244)	(1,195)	251	(3,340)
Disposal of a subsidiary	(10)	—	—	—	—	(10)
At 31 December 2006	**13,094**	**8,885**	**4,847**	**4,199**	**2,030**	**33,055**

Deferred tax liabilities:

	Impairment of assets RMB'000	Accelerated tax depreciation RMB'000	Provisions for staff welfare (i) RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2005	(4,153)	(114,908)	(25,070)	(1,921)	(146,052)
Acquisition of jointly controlled entities	—	(83,409)	(2,590)	—	(85,999)
Credited to income statement	6	3,811	5,050	1,055	9,922
At 31 December 2005	(4,147)	(194,506)	(22,610)	(866)	(222,129)
Acquisition of jointly controlled entities	—	(14,576)	(263)	(237)	(15,076)
Credited to income statement	470	5,074	2,292	695	8,531
Disposal of a subsidiary	—	446	149	—	595
At 31 December 2006	**(3,677)**	**(203,562)**	**(20,432)**	**(408)**	**(228,079)**

(i) Certain unpaid staff welfare of the Group were deductible for PRC current income tax purpose. However, it did not meet the definition of liabilities under HKFRS, which resulted in a deferred tax liability.

Deferred tax assets are recognized for tax losses carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of approximately RMB52,096,000 (2005: approximately RMB71,115,000) in respect of tax losses, as the directors of the Company believe it is more likely than not that such tax losses would not be realized before their expiry between 2007 to 2011. The expiry of related unrecognized deferred income tax assets are analyzed as follows:

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Within 1 year	**14,983**	15,681
Between 1 and 2 years	**8,877**	16,974
Between 2 and 3 years	**2,754**	13,448
Between 3 and 4 years	**16,418**	6,491
Between 4 and 5 years	**9,064**	18,521
	52,096	71,115

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	**—**	512
Deferred tax liabilities to be settled after more than 12 months	**(86)**	—
	(86)	512

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
At beginning of the year	**512**	(711)
Charged to income statement	**(598)**	(70)
Transfer in from subsidiaries	**—**	1,293
At end of the year	**(86)**	512

The movement in deferred tax assets and liabilities during the year ended 31 December 2006, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets:

	Impairment of assets RMB'000	Accelerated accounting depreciation RMB'000	Total RMB'000
At 1 January 2005	—	—	—
Transfer in from subsidiaries	157	2,317	2,474
At 31 December 2005	157	2,317	2,474
Credited/(charged) to income statement	194	(1,898)	(1,704)
At 31 December 2006	**351**	**419**	**770**

Deferred tax liabilities:

	Provisions for staff welfare (i) RMB'000
At 1 January 2005	(711)
Transferred in from subsidiaries	(1,181)
Charged to income statement	(70)
At 31 December 2005	(1,962)
Credited to income statement	1,106
At 31 December 2006	**(856)**

(i) Certain unpaid staff welfare of the Group were deductible for PRC current income tax purpose. However, it did not meet the definition of liabilities under HKFRS, which resulted in a deferred tax liability.

A new PRC enterprise income tax law has been enacted subsequent to the year end (note 38(b)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

15 Inventories

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Raw materials	**17,427**	20,940
Finished goods/goods held for resale	**5,798**	7,311
Consumables and supplies	**26,016**	22,613
	49,241	50,864

The cost of inventories recognized as expense and included in cost of sales amounted to approximately RMB466,080,000 (2005: approximately RMB465,461,000) (note 26).

The Group reversed a previous inventory write-down by approximately RMB87,000 for the year ended 31 December 2006 and wrote down the inventories to the net realizable value by approximately RMB394,000 for the year ended 31 December 2005 (note 26).

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Raw materials	**2,909**	2,846
Finished goods/goods held for resale	**287**	418
Consumables and supplies	**804**	851
	4,000	4,115

16 Trade and Other Receivables

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Trade receivables	**67,188**	65,820
Less: provision for impairment of trade receivables	**(6,374)**	(9,760)
Trade receivables — net	**60,814**	56,060
Amounts due from related parties (note 36(b))	**102,125**	181,623
Prepayments and deposits	**75,686**	46,621
Receivables on disposal of property, plant and equipment and land use rights	**—**	1,774
Loans to third parties	**3,756**	12,214
Receivables on disposal of subsidiaries (note 33(b))	**55,748**	—
Others	**26,349**	30,770
Less: provision for impairment of other receivables	**(5,726)**	(12,773)
Other receivables — net	**257,938**	260,229
	318,752	316,289

The majority of the Group's sales in its Hotel Related Businesses are retail sales and no credit terms are granted. For certain corporate or travel agency customers, the sales are made with credit terms from 30 to 90 days generally. Aging analysis of trade receivables at respective balance sheet dates are as follows:

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Current to 3 months	**55,119**	52,123
3 months to 1 year	**5,986**	5,044
Over 1 year	**6,083**	8,653
	67,188	65,820

Provision for impairment of trade receivables over 1 year is approximately RMB4,854,000 (2005: approximately RMB7,619,000).

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

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

(b) ***The Company***

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Trade receivables	**6,611**	7,533
Less: provision for impairment of trade receivables	**(222)**	(246)
Trade receivables — net	**6,389**	7,287
Amounts due from related parties (note 36(c))	**125,664**	213,503
Prepayments and deposits	**3,518**	1,250
Receivables on disposal of subsidiaries	**54,509**	—
Others	**1,696**	1,273
Less: provision for impairment of other receivables	**(310)**	(230)
Other receivables — net	**185,077**	215,796
	191,466	223,083

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Current to 3 months	**6,074**	7,100
3 months to 1 year	**399**	256
Over 1 year	**138**	177
	6,611	7,533

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

17 Other Financial Assets at Fair Value Through Profit or Loss — The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Listed funds	**—**	2,322

The carrying amounts of the above financial assets are classified as follows:

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Held for trading	**—**	2,322

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement (note 33(a)).

18 Restricted Cash — The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Mandatory reserve deposit	**78,679**	68,292

Restricted cash represents mandatory reserve deposit of Jin Jiang International Finance Company Limited, a subsidiary and non-bank finance company, placed with the People's Bank of China, the central bank of Mainland China. The weighted average effective interest rate on mandatory reserve deposit was 1.89% (2005: 1.89%) per annum.

19 *Cash and Bank Deposits*

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Cash at bank and in hand	**735,893**	725,016
Bank deposits	**2,827,852**	156,321
	3,563,745	881,337
Less: long-term bank deposits due after 12 months	**(23,426)**	(48,421)
long-term bank deposits due within 12 months	**(23,426)**	—
Cash and cash equivalents	**3,516,893**	832,916
Cash and bank deposits denominated in		
— RMB	**717,552**	792,627
— US$ and HK$	**2,846,193**	88,710
	3,563,745	881,337

(i) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from 7 days to 360 days, was 3.85% (2005: 2.04%) per annum.

(ii) The weighted average effective interest rate on long-term bank deposits, with maturities ranging from 1,080 days to 1,800 days, was 4.76% (2005: 4.76%) per annum.

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Cash at bank and in hand	**189,171**	279,479
Short-term bank deposits	**2,750,094**	54,335
Cash and cash equivalents	**2,939,265**	333,814
Cash and bank deposits denominated in		
— RMB	**165,754**	331,350
— US$ and HK$	**2,773,511**	2,464
	2,939,265	333,814

The weighted average effective interest rate on short-term bank deposits, with maturities ranging from 7 days to 360 days, was 3.87% (2005:1.86%) per annum.

20 Capital/Share Capital — The Group and The Company

	Registered and paid-in capital	Share capital	
		Number	Amount
	RMB'000	'000	RMB'000
At 1 January 2005 and 2006 (i)	724,254	—	—
Upon transformation by conversion of the following to share capital (ii)			
— Registered and paid-in capital	(724,254)	724,254	724,254
— Reserves	—	2,575,746	2,575,746
Issue of ordinary shares (iii)	—	1,265,000	1,265,000
At 31 December 2006	—	4,565,000	4,565,000

(i) The Company was established in Mainland China on 16 June 1995 as a wholly state-owned company under the Company Law of Mainland China. The registered and paid-in capital of the Company upon incorporation was RMB200,000,000. Pursuant to a series of capital injections on 1 April 1998 and 10 October 1999, the registered and paid-in capital of the Company increased to approximately RMB724,254,000.

(ii) On 11 January 2006, the Company was transformed into a joint stock limited company by converting its paid-in capital of approximately RMB724,254,000 and reserves of approximately RMB2,575,746,000 as at 30 September 2005 into 3,300,000,000 ordinary shares of RMB1 per share.

(iii) The Company issued 1,100,000,000 and 165,000,000 ordinary shares of RMB1 per share at a price of HK$2.20 on 14 December 2006 and 18 December 2006, respectively, through a public offer in Hong Kong and an international placing. The Company received net proceeds of RMB2,676,059,000 from these new issues.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

21 Reserves

(a) The Group

	Other reserves						
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Statutory public welfare fund (iii) RMB'000	Merger reserve (iv) RMB'000	Total RMB'000	(Accumulated losses) /retained earnings RMB'000	Total RMB'000
At 1 January 2005	1,717,882	153,222	63,291	1,695,782	3,630,177	(1,199,238)	2,430,939
Profit for the year	—	—	—	—	—	312,836	312,836
Effect on merger of equity interests in subsidiaries (v)	—	—	—	(222,531)	(222,531)	(32,549)	(255,080)
Contribution from equity holders of the Company (vi)	435,171	—	—	—	435,171	—	435,171
Acquisition of equity interest in a subsidiary from minority interests (vii)	(3,844)	—	—	—	(3,844)	—	(3,844)
Transfer (note 21(b)(i))	(1,001,232)	—	—	—	(1,001,232)	1,001,232	—
Profit appropriation	—	22,077	10,835	—	32,912	(32,912)	—
Dividends declared (note 32)	—	—	—	—	—	(146,140)	(146,140)
Distribution to equity holders of the Company (viii)	(161,819)	—	—	—	(161,819)	—	(161,819)
At 31 December 2005	986,158	175,299	74,126	1,473,251	2,708,834	(96,771)	2,612,063
Profit for the year	—	—	—	—	—	334,908	334,908
Effect on merger of equity interests in subsidiaries (v)	—	—	—	(26,378)	(26,378)	—	(26,378)
Distribution to minority interests (ix)	(95,705)	—	—	—	(95,705)	—	(95,705)
Acquisition of equity interests in subsidiaries from minority interests (vii)	(57,426)	—	—	—	(57,426)	—	(57,426)
Capitalization of reserves into share capital upon transformation (note 20(ii))	(477,681)	(41,455)	(24,446)	(2,032,164)	(2,575,746)	—	(2,575,746)
Profit appropriation	—	73,502	—	—	73,502	(73,502)	—
Dividends declared (note 32)	—	—	—	—	—	(26,472)	(26,472)
Issue of ordinary shares, net of issuing expenses of RMB184,515,000 (note 20(iii))	1,411,059	—	—	—	1,411,059	—	1,411,059
Transfer (iii)	—	49,680	(49,680)	—	—	—	—
At 31 December 2006	**1,766,405**	**257,026**	**—**	**(585,291)**	**1,438,140**	**138,163**	**1,576,303**

(i) Capital surplus represents premium arising from equity holders' contribution in excess of paid-in capital or from the issue of shares at a price in excess of their par value per share.

(ii) Pursuant to the Company Law of Mainland China and the articles of association of certain group companies, the Company and its subsidiaries in Mainland China are 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 reserve, the Company and its subsidiaries in Mainland China 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 equity holders. These reserves shall only be used to make good previous years' losses, to expand production operations, or to increase the capital of the respective company. The Company and its subsidiaries in Mainland China may transfer their respective statutory surplus reserve into share/paid-in capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Prior to 1 January 2006, pursuant to the then Company Law of Mainland China and their articles of association, the Company and its subsidiaries in Mainland China are required to transfer 5%–10% of its net profit, as determined under Mainland China accounting regulations, to statutory public welfare fund. From January 2006, according to the newly revised Company Law, the Company and its subsidiaries are not required to make such transfer, and the balance of the statutory public welfare fund as at 31 December 2005 was transferred into the statutory surplus reserve.

(iv) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control, as stated in note 1 above. It includes (1) the paid-in capital of the Transfer-in Companies 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 to obtain the interests in these companies, which were debited to merger reserve.

(v) Details of effect on merger of equity interests in subsidiaries are as follows:

	Merger reserve RMB'000	Retained earnings RMB'000	Total RMB'000
For the year ended 31 December 2005			
Injection of additional capital to certain Transfer-in Companies by Jin Jiang International	142,490	—	142,490
Payments and payables by the Group to acquire equity interests of certain Transfer-in Companies and Jin Jiang Hotels Development from Jin Jiang International and other state-owned enterprises under the control of Shanghai SASAC			
— considerations	(175,934)	—	(175,934)
— for net assets change between contract dates and dates of control transferred	(189,087)	—	(189,087)
Dividends paid by certain Transfer-in Companies to Jin Jiang International	—	(32,549)	(32,549)
	(222,531)	(32,549)	(255,080)
For the year ended 31 December 2006			
Injection of additional capital to a Transfer-in Company by a subsidiary of Jin Jiang International	59,055	—	59,055
Payments and payables by the Group to acquire equity interests of certain Transfer-in Companies from Jin Jiang International			
— considerations	(86,621)	—	(86,621)
— for net assets change between contract dates and dates of control transferred	1,188	—	1,188
	(26,378)	—	(26,378)

(vi) Contribution from equity holders of the Company represents Jin Jiang International's transfer of equity interests in jointly controlled entities (note 35(a)) and associates to the Group in the year ended 31 December 2005.

(vii) Acquisition of equity interests in subsidiaries from minority interests represents (1) the Group's acquisition of 2.07% and 2.44% equity interests in Jin Jiang Hotels Development in the year ended 31 December 2005 and 2006, respectively, from minority interests who are not under common control of Shanghai SASAC (note 1 (b)), and (2) the Group's acquisition of 48% equity interest in Shanghai Jinle Hotel Company Limited from its minority shareholder during the year ended 31 December 2006. As explained in note 2 above, these acquisitions are treated as transactions between equity holders and accordingly the considerations paid in excess of the respective shares of net assets are recorded as reduction of capital surplus.

(viii) Distribution to equity holders of the Company mainly represents equity interests in associates transferred to Jin Jiang International in the year ended 31 December 2005 pursuant to the Reorganisation.

(ix) Distribution to minority interests represents the Group's giving away for free 4.85% equity interest in Jin Jiang Hotels Development to other public shareholders in the year ended 31 December 2006. As set out in note 2 above, such transfer is treated as a transaction between equity holders and accordingly the respective share of net assets given away is recorded as a reduction of capital surplus.

(b) The Company

	Other reserves					
	Capital surplus	Statutory surplus reserve	Statutory public welfare fund	Total	(Accumulated losses)/ retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	541,759	24,262	15,850	581,871	(716,122)	(134,251)
Profit for the year	—	—	—	—	36,301	36,301
Contribution from equity holders of the Company (ii)	2,812,590	—	—	2,812,590	—	2,812,590
Profit appropriation	—	22,043	10,819	32,862	(32,862)	—
Transfer (i)	(1,001,232)	—	—	(1,001,232)	1,001,232	—
Dividends declared (note 32)	—	—	—	—	(146,140)	(146,140)
Distribution to equity holders of the Company (ii)	(157,653)	—	—	(157,653)	—	(157,653)
At 31 December 2005	2,195,464	46,305	26,669	2,268,438	142,409	2,410,847
Profit for the year	—	—	—	—	207,253	207,253
Dividends declared (note 32)	—	—	—	—	(26,472)	(26,472)
Capitalization of reserves into share capital upon transformation (note 20(ii))	(2,509,845)	(41,455)	(24,446)	(2,575,746)	—	(2,575,746)
Profit appropriation	—	34,115	—	34,115	(34,115)	—
Issue of ordinary shares, net of issuing expenses of RMB184,515,000 (note 20(iii))	1,411,059	—	—	1,411,059	—	1,411,059
Transfer (note 21(a)(iii))	—	2,223	(2,223)	—	—	—
At 31 December 2006	**1,096,678**	**41,188**	**—**	**1,137,866**	**289,075**	**1,426,941**

(i) Pursuant to the Company Law of Mainland China and a resolution of the Board dated 30 September 2005, the Company used its capital surplus of approximately RMB1,001,232,000 to make good previous years' losses as reported in its financial statements prepared in accordance with the relevant PRC accounting principles and financial regulations.

(ii) Distribution to/contribution from equity holders of the Company represents the transfer of equity interests in the Transfer-out Companies/Transfer-in Companies, jointly controlled entities and associates to/from Jin Jiang International and its other subsidiaries (note 1(a)).

22 Trade and Other Payables

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Trade payables	**100,434**	91,722
Payables for purchases of property, plant and equipment	**96,356**	80,330
Amounts due to related parties (note 36(b))	**88,263**	165,765
Salary and welfare payables	**195,179**	153,110
Other taxes payable	**52,772**	59,461
Accrued expenses	**65,532**	8,271
Advances from customers and buyers	**100,526**	104,871
Deposits from lessees and constructors	**48,027**	41,468
Others	**45,796**	77,100
	792,885	782,098

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Current to 3 months	**93,002**	76,940
3 months to 1 year	**4,521**	6,117
Over 1 year	**2,911**	8,665
	100,434	91,722

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Trade payables	**2,378**	2,154
Amounts due to related parties (note 36(c))	**5,853**	74,738
Salary and welfare payables	**25,593**	11,028
Other taxes payable	**2,563**	9,721
Accrued expenses	**59,460**	1,814
Advances from customers	**5,950**	6,146
Others	**3,375**	8,728
	105,172	114,329

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Current to 3 months	**2,092**	1,668
3 months to 1 year	**263**	31
Over 1 year	**23**	455
	2,378	2,154

23 Borrowings

(a) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	**162,318**	113,093
Bank borrowings — unsecured	**1,630,835**	965,059
	1,793,153	1,078,152
Less: current portion of long-term secured bank borrowings	**(20,390)**	(2,425)
current portion of long-term unsecured bank borrowings	**(500,000)**	(4,000)
	1,272,763	1,071,727
Borrowings included in current liabilities:		
Bank borrowings — secured	**19,333**	28,668
Bank borrowings — unsecured	**156,500**	370,000
Current portion of long-term secured bank borrowings	**20,390**	2,425
Current portion of long-term unsecured bank borrowings	**500,000**	4,000
	696,223	405,093

As at 31 December 2006, bank borrowings of approximately RMB181,651,000 (2005: approximately RMB141,761,000) were secured by property, plant and equipment of the Group with net book amount of approximately RMB319,563,000 (2005: approximately RMB340,859,000) (note 7).

All the bank borrowings were from state-owned banks (note 36(e)).

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000
Borrowings included in non-current liabilities:				
At 31 December 2006	—	—	1,232,763	40,000
At 31 December 2005	—	—	1,041,727	30,000
Borrowings included in current liabilities:				
At 31 December 2006	175,833	520,390	—	—
At 31 December 2005	45,093	360,000	—	—

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Between 1 and 2 years	**371,928**	545,610
Between 2 and 5 years	**860,835**	496,117
Over 5 years	**40,000**	30,000
	1,272,763	1,071,727

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
RMB	**5.2879%**	4.8245%
US$	**6.0901%**	4.5531%

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

	Carrying amounts RMB'000	Fair values RMB'000
At 31 December 2006	1,272,763	1,239,076
At 31 December 2005	1,071,727	1,059,192

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

The carrying amounts of current borrowings approximate their fair values.

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
RMB	**1,925,408**	1,423,727
US$	**43,578**	53,093
	1,968,986	1,476,820

(b) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — unsecured	**620,000**	950,000
Borrowings included in current liabilities:		
Bank borrowings — unsecured	**500,000**	320,000

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000
Borrowings included in non-current liabilities:				
At 31 December 2006	—	—	620,000	—
At 31 December 2005	—	—	950,000	—
Borrowings included in current liabilities:				
At 31 December 2006	—	500,000	—	—
At 31 December 2005	—	320,000	—	—

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Between 1 and 2 years	**320,000**	500,000
Between 2 and 5 years	**300,000**	450,000
	620,000	950,000

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

	At 31 December	
	2006	2005
	RMB'000	RMB'000
RMB	**5.2500%**	5.0220%

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

	Carrying amounts	Fair values
	RMB'000	RMB'000
At 31 December 2006	620,000	608,638
At 31 December 2005	950,000	937,922

The carrying amounts of current borrowings approximate their fair values.

24 Other Income

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Gain on disposal of subsidiaries (note 33(b))	**83,554**	3,122
Dividend income, unlisted	**27,897**	28,223
Gain on disposal of land use rights	**11,659**	22,167
Subsidy income	**8,849**	3,007
Interest income	**8,715**	7,707
Gain on disposal of available-for-sale financial assets	**3,666**	—
Gain on disposal of other financial assets at fair value through profit or loss	**289**	—
	144,629	64,226

25 Other Expenses

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Bank charges	**25,616**	24,256
Loss on disposal of property, plant and equipment	**12,307**	9,888
	37,923	34,144

26 Expenses by Nature

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

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Cost of inventories sold (note 15)	**466,080**	465,461
Employee benefit expense (note 27)	**834,647**	737,556
Utility cost and consumables	**300,637**	261,254
Business tax, property tax and other tax surcharges	**202,298**	188,271
Operating leases		
— machinery	**1,487**	920
— land and buildings	**51,740**	48,039
	53,227	48,959
Auditors' remuneration	**6,674**	3,393
Depreciation of property, plant and equipment (note 7)	**340,824**	308,885
Amortization of land use rights (note 8)	**24,967**	16,061
Amortization of intangible assets (note 9)	**619**	524
Repairs and maintenance	**45,657**	61,781
Provision for/(reversal of) impairment of property, plant and equipment (note 7)	**9,906**	(1,013)
Provision for impairment of available-for-sale financial assets (note 13)	**—**	3,230
(Reversal of write-down)/write-down inventories (note 15)	**(87)**	394
Provision for impairment of trade and other receivables	**2,190**	3,348

27 Employee Benefit Expense

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Wages and salaries	**536,540**	474,973
Retirement and housing benefits	**122,729**	94,658
Welfare and other expenses	**175,378**	167,925
	834,647	737,556
Number of employee	**17,283**	16,307

(a) Retirement benefit and housing benefits schemes

The employees of the Group participate in various pension plans organized by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on percentages of the employees' monthly salaries and wages, subject to a certain ceiling. The employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds.

The Group had no further obligation for post-retirement benefits or housing funds beyond the payments above.

(b) Directors', supervisors' and senior management's emoluments

The emoluments of every director and supervisor for the year ended 31 December 2006, on a named basis, are set out as below:

Name	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors				
Mr. Yu Minliang	–	–	–	–
Mr. Shen Maoxing	–	–	–	–
Ms. Chen Wenjun	–	–	–	–
Mr. Chen Liming (iv)	–	–	–	–
Mr. Zhang Baohua (i)	–	–	–	–
Mr. Yang Weimin	192	188	27	407
Mr. Chen Hao	186	174	27	387
Mr. Yuan Gongyao (ii)	132	93	19	244
Mr. Xu Zurong (v)	12	–	2	14
Mr. Han Min (v)	12	–	2	14
Mr. Kang Ming (v)	9	–	2	11
Mr. Ji Gang (vi)	–	–	–	–
Mr. Xia Dawei (vi)	–	–	–	–
Mr. Sun Dajian (vi)	–	–	–	–
Mr. Rui Mingjie (vi)	–	–	–	–
Mr. Yang Menghua (vi)	–	–	–	–
Mr. Tu Qiyu (vi)	–	–	–	–
Mr. Shen Chengxiang (vi)	–	–	–	–
Mr. Lee Chung Bo (vi)	–	–	–	–
	543	455	79	1,077
Supervisors				
Mr. Wang Guoxing	–	–	–	–
Ms. Li Minyou (i)	–	–	–	–
Mr. Wang Fengqi (i)	46	7	4	57
Mr. Wang Xingze (ii)	132	93	19	244
Mr. Ma Mingju (iii)	–	–	–	–
Ms. Chen Junjin (ii)	78	42	17	137
Ms. Jiang Ping (ii)	–	–	–	–
Mr. Zhou Qiquan (ii)	–	–	–	–
	256	142	40	438
	799	597	119	1,515

(i) Resigned on 8 April 2006.

(ii) Appointed on 8 April 2006.

(iii) Resigned as a director on 8 April 2006 and appointed as a supervisor thereafter.

(iv) Resigned on 19 November 2006.

(v) Appointed on 19 November 2006.

(vi) Appointed on 20 November 2006.

The emoluments of every director and supervisor for the year ended 31 December 2005, on a named basis, are set out as below:

Name	Salary and allowances RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Directors				
Mr. Yu Minliang (i)	—	—	—	—
Mr. Shen Maoxing (i)	—	—	—	—
Ms. Chen Wenjun (i)	—	—	—	—
Mr. Chen Liming (i)	—	—	—	—
Mr. Ma Mingju (i)	—	—	—	—
Mr. Zhang Baohua (i)	—	—	—	—
Mr. Yang Weimin (i)	161	36	10	207
Mr. Chen Hao (i)	149	20	10	179
	310	56	20	386
Supervisors				
Mr. Wang Guoxing (i)	—	—	—	—
Ms. Li Minyou (i)	—	—	—	—
Mr. Wang Fengqi (i)	114	32	11	157
	114	32	11	157
	424	88	31	543

(i) Appointed on 25 May 2005.

The emoluments fell within the following bands:

	Year ended 31 December	
	2006 Number	2005 Number
Nil to RMB1,005,000 (equivalent to HK$1,000,000)	**27**	11

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2006 did not include any directors of the Company. The emoluments payable to these individuals during the year ended 31 December 2006 are as follows:

	Year ended 31 December	
	2006 RMB'000	2005 RMB'000
Salary and allowances	**8,466**	3,314
Discretionary bonuses	**671**	552
Retirement scheme contributions	**136**	190
	9,273	4,056

The emoluments fell within the following bands:

	Year ended 31 December	
	2006	2005
	Number	Number
Nil to RMB1,005,000 (equivalent to HK$1,000,000)	**—**	4
RMB1,005,000 to RMB1,507,000 (equivalent to HK$1,500,000)	**—**	1
RMB1,507,000 to RMB2,009,000 (equivalent to HK$2,000,000)	**4**	—
RMB2,009,000 to RMB2,512,000 (equivalent to HK$2,500,000)	**1**	—
	5	5

(d) During the year ended 31 December 2006, no directors, supervisors, senior management or the five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

28 Finance Costs

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Interest expenses		
— Bank borrowings wholly repayable with 5 years	**93,804**	37,186
— Other borrowings wholly repayable within 5 years	**—**	1,463
	93,804	38,649
Less: amounts capitalized in property, plant and equipment (note 7)	**(9,223)**	(1,421)
	84,581	37,228

29 Income Tax Expense

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Mainland China current income tax ("EIT")	**155,200**	160,575
Hong Kong profits tax	**86**	220
Deferred income tax (note 14)	**(5,191)**	7,535
	150,095	168,330

Provision for Mainland China EIT is calculated based on the statutory income tax rate of 33% on the assessable income of Group companies operating in Mainland China during the year ended 31 December 2006 as determined in accordance with the relevant Mainland China income tax rules and regulations except for as described below.

The Company was subject to the statutory income tax rate of 33% for the year ended 31 December 2005. After its move of tax registration to Shanghai Pudong New Area on 19 January 2006, it was approved to be entitled to the preferential income tax rate of 15% from 1 January 2006.

Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Shanghai New Asia Café de Coral Company Limited, Jin Jiang International Hotel Management Company Limited, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited were registered in Shanghai Pudong New Area and approved to be entitled to the preferential income tax rate of 15% during the year ended 31 December 2006 (2005: 15%).

Hong Kong profits tax is provided at a rate of 17.5% on the estimated assessable profits of Group's subsidiary in Hong Kong during the year ended 31 December 2006 (2005: 17.5%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 33% in Mainland China as follows:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Profit before income tax	**595,774**	582,484
Tax calculated at a tax rate of 33%	**196,605**	192,220
Effect of different taxation rates	**(14,666)**	(9,237)
Income not subject to tax	**(9,439)**	(9,197)
Expenses not deductible for tax purposes	**3,565**	4,519
Tax losses for which no deferred income tax assets were recognized	**10,479**	13,163
Utilization of previous unrecognized tax losses	**(8,695)**	(4,548)
Effect of share of profit tax of associates	**(27,754)**	(18,590)
Income tax expense	**150,095**	168,330

A new PRC enterprise income tax law has been enacted subsequent to the year end (note 38(b)).

30 Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company have been dealt with in the financial statements of the Company to the extent of approximately RMB207,253,000 (2005: approximately RMB36,301,000).

31 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year adjusted for as if 3,300,000,000 ordinary shares issued at 11 January 2006 upon conversion of the Company into a joint stock limited company had been outstanding since 1 January 2005.

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Profit attributable to equity holders of the Company	**334,908**	312,836
Weighted average number of ordinary shares in issue (thousands)	**3,360,575**	3,300,000
Basic earnings per share (RMB cents)	**9.97**	9.48

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

32 Dividends

The dividends paid in 2006 were RMB172,612,000 (2005: nil), including a dividend of RMB146,140,000 declared in 2005 and a dividend of RMB26,472,000 declared in 2006. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful.

A dividend in respect of the year ended 31 December 2006 of RMB2.60 cents per share, amounting to a total dividend of RMB118,690,000, is proposed by the Board at the meeting on 20 April 2007. These financial statements do not reflect this dividends payable.

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Dividends declared	**26,472**	146,140
Dividends proposed	**118,690**	—
	145,162	146,140

33 Notes to Consolidated Cash Flow Statement

(a) Reconciliation of profit for the year to cash generated from operations:

		Year ended 31 December	
	Note	**2006**	2005
		RMB'000	RMB'000
Profit for the year		**445,679**	414,154
Adjustments for:			
— income tax expense	29	**150,095**	168,330
— depreciation of property, plant and equipment	26	**340,824**	308,885
— amortization of land use rights	26	**24,967**	16,061
— amortization of intangible assets	26	**619**	524
— loss on disposal of property, plant and equipment	25	**12,307**	9,888
— gain on disposal of land use rights	24	**(11,659)**	(22,167)
— provision for/(reversal of) impairment of property, plant and equipment	26	**9,906**	(1,013)
— provision for impairment of trade and other receivables	26	**2,190**	3,348
— (reversal of write-down)/write down inventories to net realizable value	26	**(87)**	394
— gain on disposal of investments in subsidiaries	24	**(83,554)**	(3,122)
— provision for impairment of available-for-sale financial assets	26	**—**	3,230
— interest income	24	**(8,715)**	(7,707)
— interest expenses	28	**84,581**	37,228
— share of results of associates	12	**(83,949)**	(56,333)
— gain on disposal of available-for-sale financial assets	24	**(3,666)**	—
— dividend income	24	**(27,897)**	(28,223)
Changes in working capital:			
— restricted bank deposits	18	**(10,387)**	30,101
— inventories		**715**	2,367
— trade and other receivables		**(54,911)**	360,598
— other financial assets at fair value through profit or loss	17	**2,322**	3,730
— trade and other payables		**17,120**	(171,895)
Cash generated from operations		**806,500**	1,068,378

(b) Disposal of a subsidiary

In November 2006, the Group sold its 45% equity interest in Shanghai Jiu Long Hotel Company Limited ("Jiu Long Hotel") to a third party company, for a consideration of approximately RMB114,748,000. Jiu Long Hotel was a wholly owned subsidiary of the Group before such disposal and became a jointly controlled entity thereafter.

Details of the disposal are as belows:

	RMB'000
Consideration received by cash before 31 December 2006	59,000
Consideration received by cash in March 2007 (note 16)	55,748
Total consideration	114,748
Less: share of net assets disposed	(31,194)
Gain on disposal	83,554

The assets and liabilities of 45% share of Jiu Long Hotel at the date of disposal were stated as below:

	RMB'000
Cash and cash equivalents	1,643
Property, plant and equipment (note 7)	51,070
Land use rights (note 8)	1,806
Inventories	744
Trade and other receivables	992
Deferred income tax liabilities (note 14)	(585)
Borrowings, current	(21,375)
Trade and other payables	(3,101)
Share of net assets disposed	31,194
Cash proceeds received from disposal	59,000
Cash and cash equivalents disposed	(1,643)
Cash inflow on disposal	57,357

(c) Change of a jointly controlled entity to an associate

Shanghai New Asia Café de Coral Company Limited ("New Asia Cafe' de Coral"), with its 50% equity held by the Group, was jointly controlled by the Group and the other party and proportionately consolidated by the Group until 30 June 2006. On 1 July 2006, pursuant to the revision of the articles of association made by the investors, Shanghai New Asia Café de Coral Company Limited was no longer jointly controlled by the Group and the other party, and was no longer proportionately consolidated by the Group.

The assets and liabilities of 50% share of New Asia Cafe' de Coral on 30 June 2006 were stated as below:

	RMB'000
Cash and cash equivalents	8,255
Property, plant and equipment (note 7)	21,811
Intangible assets (note 9)	375
Inventories	1,599
Trade and other receivables	2,926
Trade and other payables	(12,497)
Share of net assets transferred to investment in associates	22,469
Cash and cash equivalents transferred out	(8,255)

34 Commitments

(a) Capital commitments

Capital expenditure at 31 December 2006 but not yet incurred is as follows:

(i) *The Group*

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Acquisition of property, plant and equipment — contracted but not provided for	**321,668**	82,367

(ii) *The Company*

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Acquisition of property, plant and equipment — contracted but not provided for	**8,367**	915

(b) Operating lease commitments

The Group leases various premises, offices and machinery under non-cancellable operating lease agreements. The lease expenditure expensed in the consolidated income statement during the year ended 31 December 2006 is disclosed in note 26.

Leases with different lessors are negotiated for terms ranging from 1 year to 20 years with different renewal options, escalation clauses and restrictions on subleasing. When certain 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 payments under non-cancellable operating leases are as follows:

(i) The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Not later than 1 year	**77,378**	58,076
Later than 1 year and not later than 5 years	**316,523**	315,816
Later than 5 years	**972,465**	535,494
	1,366,366	909,386

(ii) The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Not later than 1 year	**788**	480
Later than 1 year and not later than 5 years	**468**	440
	1,256	920

35 Business Combinations Other Than Common Control Combination — The Group

During the years ended 31 December 2005 and 2006, certain equity interests in existing jointly controlled entities of the Group were transferred or acquired from Jin Jiang International and its subsidiaries (other than the Group). Such transfers of equity interests in jointly controlled entities were accounted for using purchase method of accounting. Details are as follows:

(a) Transfer of 35% equity interest in Beijing Kunlun Hotel Company Limited and 50% equity interest in Shanghai Hua Ting Hotel & Tower Company Limited to the Company on 11 March 2005 as contribution from Jin Jiang International:

	Fair values RMB'000	Share of acquirees' carrying amounts RMB'000
Cash and cash equivalents	58,542	58,542
Property, plant and equipment (note 7)	429,683	231,796
Intangible assets (note 9)	402	402
Investments in associates	345	345
Available-for-sale financial assets (note 13)	3,868	3,868
Inventories	4,589	4,589
Trade and other receivables	60,545	60,545
Deferred income tax liabilities (note 14)	(84,785)	(19,482)
Borrowings, current	(15,750)	(15,750)
Trade and other payables	(26,906)	(26,906)
Dividends payable	(10,868)	(10,868)
Income tax payable	(2,099)	(2,099)
Share of net assets	417,566	284,982
Contribution by Jin Jiang International	417,566	
Cash inflow on acquisition	58,542	

(b) Acquisition of 57% equity interest in Shanghai New Garden Hotel from a subsidiary of Jin Jiang International on 31 March 2006:

	Fair values RMB'000	Share of acquiree's carrying amounts RMB'000
Cash and cash equivalents	**4,422**	4,422
Property, plant and equipment (note 7)	**15,295**	15,295
Available-for-sale financial assets (note 13)	**140**	140
Inventories	**260**	260
Trade and other receivables	**1,438**	1,438
Deferred income tax liabilities (note 14)	**(922)**	(922)
Borrowings, current	**(11,970)**	(11,970)
Trade and other payables	**(5,331)**	(5,331)
Income tax payable	**(597)**	(597)
Share of net assets	**2,735**	2,735
Total purchase consideration	**2,735**	
Purchase consideration settled in cash	**(2,735)**	
Cash and cash equivalents acquired	**4,422**	
Cash inflow on acquisition	**1,687**	

(c) Transfer of additional 12.5% equity interest in Beijing Kunlun Hotel Company Limited from a subsidiary of Jin Jiang International on 30 April 2006:

	Fair values RMB'000	Share of acquiree's carrying amounts RMB'000
Cash and cash equivalents	6,217	6,217
Property, plant and equipment (note 7)	67,908	39,129
Intangible assets (note 9)	54	54
Investments in associates	135	135
Available-for-sale financial assets (note 13)	1,381	1,381
Inventories	1,088	1,088
Trade and other receivables	8,616	8,616
Deferred income tax liabilities (note 14)	(14,008)	(4,511)
Borrowings, current	(7,500)	(7,500)
Trade and other payables	(3,730)	(3,730)
Income tax payable	(1,106)	(1,106)
Share of net assets	59,055	39,773
Total purchase consideration	59,055	
Purchase consideration settled in cash	—	
Cash and cash equivalents acquired	6,217	
Cash inflow on acquisition	6,217	

36 *Significant Related Party Transactions*

(a) Related party transactions — The Group

Other than the Reorganisation and the related party transactions disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions during the year ended 31 December 2006:

Continuing:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Provision of hotel services	**2,505**	4,169
— Provision of training services	**1,166**	16
— Sales of hotel supplies	**270**	157
	3,941	4,342
— Rental expenses paid	**3,208**	5,048
Transactions with subsidiaries of Jin Jiang International		
— Provision of hotel services	**22,281**	11,436
— Rental income received	**847**	842
— Provision of other services	**3,407**	1,065
	26,535	13,343
— Purchase of food and beverage	**6,325**	6,224
— Rental expenses paid	**1,912**	815
— Receipt of laundry services	**4,426**	4,785
— Receipt of other services	**4,001**	4,114
	16,664	15,938
Transactions with jointly controlled entities of the Group		
— Interest income received	**2,031**	971
— Sales of hotel supplies	**6,456**	4,071
— Management fees received	**4,608**	3,069
	13,095	8,111
— Interest expenses paid	**844**	638

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Transactions with associates of the Group		
— Rental income received	**4,190**	3,486
— Interest income received	**3,827**	3,377
— Management fees received	**1,393**	1,331
— Sales of hotel supplies	**3,887**	—
	13,297	8,194
— Purchase of food and beverage	**16,749**	19,600
— Interest expenses paid	**328**	67
	17,077	19,667
Transactions with companies with common directors		
— Management fees received	**821**	1,677
— Sales of hotel supplies	**1,892**	3,847
	2,713	5,524
— Purchase of food and beverage	**6,026**	5,715

Discontinued:

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Transactions with Jin Jiang International		
— Interest income received	—	2,529
— Interest expenses paid	—	2,024
Transactions with subsidiaries of Jin Jiang International		
— Interest income received	—	10,157
— Interest expenses paid	—	1,058
Transaction with companies with common directors		
— Interest expenses paid	**11**	512

(b) Amounts due from/due to related parties — The Group

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Amounts due from related parties (note 16(a))		
— Jin Jiang International	**3,806**	8,048
— Subsidiaries of Jin Jiang International	**6,923**	2,267
— Jointly controlled entities of the Group (i)	**31,599**	42,812
— Associates of the Group (ii)	**59,176**	128,040
— Companies with common directors	**621**	456
	102,125	181,623
Amounts due to related parties (note 22(a))		
— Jin Jiang International	**(9,442)**	(41,813)
— Subsidiaries of Jin Jiang International	**(1,239)**	(2,009)
— Jointly controlled entities of the Group (iii)	**(63,203)**	(64,507)
— Associates of the Group (iv)	**(13,695)**	(13,950)
— Companies with common directors (v)	**(684)**	(5,004)
— A state-owned enterprise for purchase of a hotel property (note 36(e))	**—**	(10,000)
— State-owned enterprises under the control of Shanghai SASAC (note 36(e))	**—**	(28,482)
	(88,263)	(165,765)

(i) The balances include unsecured loans to jointly controlled entities of RMB31,265,000 as at 31 December 2006 (2005: RMB42,500,000) with effective interest rates of 5.37% (2005: 5.28%) per annum.

(ii) The balances include unsecured loans to associates of RMB18,000,000 as at 31 December 2006 (2005: RMB50,000,000) with effective interest rates of 5.81% (2005: 5.13%) per annum, and secured loans to associates of RMB24,000,000 as at 31 December 2006 (2005: RMB37,750,000) with effective interest rates of 5.88% (2005: 5.58%) per annum, which were guaranteed by a third party company or pledged by their or third parties' properties.

(iii) The balances include deposits from jointly controlled entities of RMB62,667,000 as at 31 December 2006 (2005: RMB64,498,000), with the interest rates of 0.72% (2005: 0.72%) per annum.

(iv) The balances include deposits from associates of RMB12,309,000 as at 31 December 2006 (2005: RMB13,838,000), with the interest rates of 0.72% (2005: 0.72%) per annum.

(v) The balance as at 31 December 2005 represents deposits from companies with common directors, with the interest rates of 0.72% per annum.

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

(c) Amounts due from/to related parties — The Company

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Amounts due from related parties (note 16(b))		
— Jin Jiang International	**3,482**	2,176
— Subsidiaries of Jin Jiang International	**1,955**	66
— Subsidiaries of the Group	**88,216**	171,106
— Jointly controlled entities of the Group	**18,446**	31,699
— Associates of the Group	**13,513**	8,456
— Companies with common directors	**52**	—
	125,664	213,503
Amounts due to related parties (note 22(b))		
— Jin Jiang International	**(1,258)**	(22,930)
— Subsidiaries of the Group	**(4,595)**	—
— Jointly controlled entities of the Group	**—**	(23,326)
— State-owned enterprises under the control of Shanghai SASAC	**—**	(28,482)
	(5,853)	(74,738)

All the balances above are unsecured and interest free.

(d) Key management compensation

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Salary and other allowances	**2,009**	1,087
Discretionary bonus	**861**	265
Retirement scheme contributions	**158**	94
	3,028	1,446

(e) Additional financial information on other state-owned enterprises

The Company is controlled by Jin Jiang International, and is ultimately controlled by Mainland China government, which also controls a significant portion of the productive assets and entities in Mainland China, in accordance with Hong Kong Accounting Standard 24 "Related Party Disclosures", state-owned enterprises and their subsidiaries, other than Jin Jiang International and fellow subsidiaries, are also defined as related parties of the Company ("other state-owned enterprises").

In the Hotel Related Businesses, the Group is likely to have extensive transactions with the employees of other state-owned enterprises while such employees are on corporate business as well as management personnel and their close family members. These transactions are carried out on terms that are consistently applied to all customers and are made on a cash basis. Due to the vast volume and the pervasiveness of the Group's retail transactions in the hotel businesses, the Group is unable to determine the aggregate amount of such transactions for disclosure. Therefore, the information disclosed below does not include the retail sales to such related parties. Management believes that meaningful information relative to related party balances and transactions have been adequately disclosed.

(i) Summary of significant transactions with other state-owned enterprises

	Year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Interest income from state-owned banks	**7,097**	3,529
Interest expenses to state-owned banks	**93,804**	37,186
Purchase of a hotel property from a state-owned enterprise	**—**	150,000

(ii) Balances with other state-owned enterprises

	At 31 December	
	2006	2005
	RMB'000	RMB'000
Bank deposits in state-owned banks (1)	**3,495,697**	790,415
Bank borrowings from state-owned banks (note 23)	**(1,968,986)**	(1,476,820)
Amount due to a state-owned enterprise for purchase of a hotel property	**—**	(10,000)
Amounts due to state-owned enterprises under the control of Shanghai SASAC (2)	**—**	(28,482)

(1) The weighted average effective interest rate on bank deposits to state-owned banks with maturities ranging from 7 days to 360 days, were 3.85% (2005: 2.04%) per annum.

(2) The amounts represent the unsettled balance for the Group's acquisition of 8.07% equity interest in Jin Jiang Hotels Development from other state-owned enterprises under the control of Shanghai SASAC in December 2005.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

37 *Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associates*

As at 31 December 2006, the Company has direct and indirect interests in the following subsidiaries, jointly controlled entities and associates:

Company name	Country and date of incorporation	Issued/ registered and paid in capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries						
Jin Jiang Hotel Company Limited 上海錦江飯店有限公司	Mainland China, 30 May 1982	181,920	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Park Hotel Company Limited 上海錦江國際飯店有限公司	Mainland China, 21 December 1979	91,583	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Cypress Hotel Company Limited 上海龍柏飯店有限公司	Mainland China, 28 January 1984	29,182	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Pacific Hotel Company Limited 上海錦江金門大酒店有限公司	Mainland China, 21 December 1979	40,649	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Y.M.C.A Hotel Company Limited 上海錦江青年會賓館有限公司	Mainland China, 23 October 1984	6,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Rainbow Hotel Company Limited 上海虹橋賓館有限公司	Mainland China, 9 February 1988	11,951	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Galaxy Hotel Company Limited 上海銀河賓館有限公司	Mainland China, 22 August 1990	9,885	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hua Ting Guest House Company Limited 上海南華亭酒店有限公司	Mainland China, 15 July 2002	26,099	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Hotel Company Limited 上海市上海賓館有限公司	Mainland China, 23 August 1991	134,886	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jinsha Hotel Company Limited 上海金沙江大酒店有限公司	Mainland China, 22 January 2003	35,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Yulan Hotel Company Limited 上海白玉蘭賓館有限公司	Mainland China, 25 March 1998	5,055	99.0%	1.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company

Company name	Country and date of incorporation	Issued/ registered and paid in capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (Continued)						
Shanghai Jin Jiang Da Hua Hotel Company Limited 上海錦江達華賓館有限公司	Mainland China, 18 February 1982	20,704	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Plaza Great Wall Hotel Company Limited 上海新亞廣場長城酒店有限公司	Mainland China, 26 April 1994	120,000	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Peace Hotel Company Limited 上海和平飯店有限公司	Mainland China, 11 November 1998	145,460	99.0%	1.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Linqing Hotel Company Limited 上海臨青賓館有限公司	Mainland China, 18 November 1999	16,600	—	86.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Kunming Jin Jiang Hotel Company Limited 昆明錦江大酒店有限公司	Mainland China, 7 December 1985	US$8,000	75.0%	24.8%	Hotel ownership and operations, Kunming, Mainland China	Limited liability company
Jin Jiang International Finance Company Limited 錦江國際集團財務有限責任公司	Mainland China, 16 October 1997	300,000	90.0%	10.0%	Provision of intra-group treasury and financing services, Shanghai, Mainland China	Limited liability company
Jin Jiang Inn Company Limited 錦江之星旅館有限公司	Mainland China, 17 May 1996	179,712	71.2%	10.0%	Budget hotel ownership, operations and franchising, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotel Investment Company Limited 上海錦江國際旅館投資有限公司	Mainland China, 20 December 2004	300,000	80.0%	10.0%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Wuhan Jin Jiang International Hotel Company Limited 武漢錦江國際大酒店有限公司	Mainland China, 22 November 2004	180,000	50.0%	25.0%	Hotel ownership and operations, Wuhan, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司 (i)	Mainland China, 9 June 1993	603,241	50.1%	—	Hotel and restaurant ownership and operations, Shanghai, Mainland China	Joint stock limited company

Company name	Country and date of incorporation	Issued/ registered and paid in capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(a) Subsidiaries (Continued)						
Shanghai New Asia Food Factory 上海新亞食品廠	Mainland China, 1 November 1996	11,763	—	50.1%	Food manufacturing, Shanghai, Mainland China	Limited liability company
Jin Jiang International Hotel Management Company Limited 錦江國際酒店管理有限公司	Mainland China, 1 December 1992	100,000	—	50.1%	Star-rated hotel management, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Catering Investment Company Limited 上海錦江國際餐飲投資管理有限公司	Mainland China, 1 December 1992	149,930	—	50.1%	Investment in and operation of restaurants, Shanghai, Mainland China	Limited liability company
Shanghai Jin Ya Hotel Company Limited 上海錦亞旅館有限公司	Mainland China, 1 December 1992	18,000	—	51.6%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Tianjin Jin Jiang Inn Company Limited 天津錦江之星旅館有限公司	Mainland China, 1 July 2003	40,000	—	70.0%	Budget hotel ownership and operations, Tianjin, Mainland China	Limited liability company
Qingdao Jin Jiang Inn Company Limited 青島錦江之星旅館有限公司	Mainland China, 21 March 2005	20,000	—	70.0%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Beijing Jin Jiang Inn Investment & Management Company Limited 北京錦江之星旅館投資管理有限公司	Mainland China, 22 July 2003	28,000	—	81.2%	Budget hotel ownership and operations, Beijing, Mainland China	Limited liability company
Xi'an Jin Jiang Inn Company Limited 西安錦江之星旅館有限公司	Mainland China, 24 June 2005	20,000	—	89.9%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Zhengzhou Jin Jiang Inn Company Limited 鄭州錦江之星旅館有限公司	Mainland China, 5 July 2005	20,000	—	89.1%	Budget hotel ownership and operations, Qingdao, Mainland China	Limited liability company
Shanghai Jin Min Hotel Company Limited 上海錦閔旅館有限公司	Mainland China, 5 July 2005	40,000	—	89.1%	Budget hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang International Hotels Group (HK) Company Limited 上海錦江國際酒店集團（香港）有限公司	Hong Kong, 14 February 2000	HK$70,736	98.6%	0.7%	Hotel reservation, Hong Kong	Limited liability company

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

Company name	Country and date of incorporation	Issued/ registered and paid in capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(b) Jointly controlled entities						
Shanghai Hua Ting Hotel and Towers Company Limited 上海華亭賓館有限公司	Mainland China, 19 September 1985	120,000	50.0%	—	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Beijing Kunlun Hotel Company Limited 北京昆侖飯店有限公司	Mainland China, 24 May 1988	US$34,167	35.0%	12.4%	Hotel ownership and operations, Beijing, Mainland China	Limited liability company
Shanghai Jin Jiang Tomson Hotel Company Limited 上海錦江湯臣大酒店有限公司	Mainland China, 10 July 1993	US$24,340	—	25.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Thayer JinJiang Interactive Co., Ltd 上海錦江德爾互動有限公司	Mainland China, 31 October 2005	US$3,000	—	25.0%	Software development and related services, Shanghai, Mainland China	Limited liability company
Shanghai Jiu Long Hotel Company Limited 上海九龍賓館有限公司 (ii)	Mainland China, 8 January 1997	160,000	55.0%	—	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Jian Guo Hotel 上海建國賓館有限公司	Mainland China, 30 October 1986	80,000	—	32.5%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Sofitel Hyland Shanghai 上海海侖賓館有限公司	Mainland China, 22 November 1985	62,626	—	33.4%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Garden Hotel 上海新苑賓館	Mainland China, 26 November 1984	13,975	57.0%	—	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company

Company name	Country and date of incorporation	Issued/ registered and paid in capital RMB'000	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities and place of operation	Type of legal entity
(c) Associates						
Chengdu Jinhe Real Estate Company Limited 成都錦和物業發展有限公司	Mainland China, 12 August 1993	18,000	30.0%	—	Hotel ownership and operations, Chengdu, Mainland China	Limited liability company
Wuxi Jin Jiang Grand Hotel Company Limited 無錫錦江大酒店有限公司	Mainland China, 16 December 1994	67,570	25.0%	—	Hotel ownership and operations, Wuxi, Mainland China	Limited liability company
The Yangtze Hotel Limited 上海揚子江大酒店有限公司	Mainland China, 4 February 1985	US$53,000	—	20.0%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai Kentucky Fried Chicken Company Limited 上海肯德基有限公司	Mainland China, 5 May 1989	US$27,010	—	24.5%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Fulihua Catering Company Limited 上海新亞富麗華餐飲股份有限公司	Mainland China, 25 June 1992	35,000	—	20.5%	Restaurant operations, Shanghai, Mainland China	Limited liability company
Shanghai Yoshinoya Company Limited 上海吉野家快餐有限公司	Mainland China, 3 June 2002	US$4,800	—	20.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Shanghai Jin Jiang Moc Wedding Produce Inc. 錦江摩可婚慶禮儀服務有限公司	Mainland China, 28 February 2005	US$3,000	—	20.0%	Provision of wedding services, Shanghai, Mainland China	Limited liability company
Shanghai Zhongya Hotel 上海中亞飯店	Mainland China, 12 March 1990	1,800	—	22.5%	Hotel ownership and operations, Shanghai, Mainland China	Limited liability company
Shanghai New Asia Café de Coral Company Limited 上海新亞大家樂餐飲有限公司 (iii)	Mainland China, 12 December 1997	68,670	—	25.0%	Fast food operations, Shanghai, Mainland China	Limited liability company
Jiangsu Jin Jiang Nanjing Hotel Company Limited 江蘇錦江南京飯店有限公司	Mainland China, 12 October 1982	34,640	40%	—	Hotel ownership and operations, Nanjing, Mainland China	Limited liability company

(i) This company issued an announcement on 15 March 2007, disclosing the changing in the proportion of tradable shares with restricted condition of selling among the shareholders. Due to the redemption for total consideration of some shareholders, the Company increases the equity interest in this company from 50.05% to 50.31%.

(ii) This company was accounted for as a subsidiary before partial disposal in November 2006 and became a jointly controlled entity thereafter.

(iii) This company was accounted for as a jointly controlled entity before 30 June 2006 and became an associate thereafter.

38 Events after the Balance Sheet Date

(a) The merger through absorption of Changjiang Securities Co., Ltd. by Shijianzhuang Refining & Chemical Co., Ltd.

According to the announcement made by Shijianzhuang Refining & Chemical Co., Ltd. ("SRCC", a company listed in Shenzhen Stock Exchange) on 23 January 2007, its board of directors approved a proposal of merging Changjiang Securities Co., Ltd. ("Changjiang Securities") through absorption.

The Group originally held 150,000,000 shares, being 7.5% of equity interest in Changjiang Securities. Before the merger proposal, 7,500,000 shares were reserved by the Group for contribution to a share incentive scheme for the employees of Changjiang Securities, the implementation of which was pending for approval.

Pursuant to the merger proposal, the remaining 142,500,000 shares held by the Group will be converted into 102,637,789 shares of SRCC, representing 6.13% of its total equity interest. Meanwhile, as part of the merger proposal, the Group and other current shareholders of Changjiang Securities commit to transfer certain SRCC shares to SRCC's public A share shareholders to implement the share merger reform of SRCC. After this reform, the Group will eventually hold 100,637,463 shares of SRCC, representing 6.01% of its total equity interest.

The implement of the merger is pending for the approval of national supervision and administration departments. Up till the date of this report, the transaction has not commenced.

(b) Impact from New PRC Corporate Income Tax Law

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.