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

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

(Stock Code: 02006)

2010 FINAL RESULTS ANNOUNCEMENT

The board (the "Board") of directors (the "Directors") of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company" or "Jin Jiang Hotels") is pleased to announce the final results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 (the "Reporting Period"). These results have been reviewed by the audit committee of the Board.

Shanghai World Expo was held as scheduled in 2010, during which, the hotel business in Shanghai has shown significant recovery. The Group captured the opportunity brought by the World Expo. Not only did the Group actively explore the market of inbound visitors, it also took advantage of its competitive edge of having a thorough understanding of the domestic market, conducted in-depth research on the domestic market for the World Expo, formulated reasonable market strategies and took active steps to develop the market in an attempt to realise the maximisation of operational benefits. The average room rate, average guest room occupancy rate and growth rate of revenue per available room ("RevPAR") were generally better than the average of the Shanghai market, evidencing the enhancement of the Group's efficiency.

During the Reporting Period, the Group realised revenue of approximately RMB6,521,998,000, representing an increase of 96.4% as compared to the same period last year. The operating profit of the Group amounted to approximately RMB552,395,000, representing an increase of 81.5% as compared to the same period last year, and the operating profit excluding other income amounted to RMB412,535,000, representing an increase of RMB452,579,000 as compared to the same period last year. Profit attributable to shareholders of the Company amounted to RMB248,323,000, representing an increase of 202.2% as compared to the same period last year. The increase in revenue was mainly attributable to the increase in revenue of the Group's star-rated hotels and budget hotels, as well as the proportionate consolidation of 50% of the revenue of the Interstate Hotels & Resorts, Inc. ("IHR", together with its subsidiaries referred to as the "IHR Group") following the acquisition of such jointly controlled entity on 18 March 2010. The substantial increase in operating profit excluding other income was mainly attributable to the substantial increase in revenue generated from star-rated hotels and budget hotels, which was greater than the increase in corresponding operating expenses.

As at 31 December 2010, the Group held or managed 707 hotels with over 100,000 rooms. These hotels were either in operation or under construction, spreading across over 150 cities in 31 provinces, autonomous regions and municipalities in the People's Republic of China (the "PRC" or "Mainland China"). The Group remains the leading hotel group in the PRC in terms of scale of hotel rooms operated.

In 2009, the Group established Hotel Acquisition Company, LLC ("HAC", together with its subsidiaries referred to as the "HAC Group") jointly with Thayer Lodging Group, Inc. ("Thayer", together with its subsidiaries referred to as the "Thayer Group"). Thayer Group is a group with extensive investment experience. On 18 December 2009, HAC entered into a merger agreement with IHR to acquire the entire shareholding interests in IHR at a price of US$2.25 per share. The transaction was completed on 18 March 2010. Following completion, IHR became a wholly-owned subsidiary of HAC and the Company indirectly owns a 50% shareholding interest in IHR through HAC.

Upon completion of the acquisition of IHR Group, the Company continued to advance its co-operation with IHR Group and Thayer Group. The Company has established a jointly controlled hotel management company with IHR Group, introducing independent hotel management business to the PRC, and has signed various hotel management contracts with various hotels including Shanghai Tower J Hotel, Shanghai Eastern Jin Jiang Hotel Company Limited and Beijing Changan Hotel (北京長安大廈酒店) to date. The Company has also established a jointly controlled entity, Shanghai Thayer Jinjiang Equity Investment Management Co., Ltd., with Thayer, which will develop the management business of hotel assets and other real estates in the PRC in order to enhance the liquidity of such assets and realise value maintenance and appreciation. Furthermore, the Company also entered into a memorandum of understanding for a training programme with IHR Group and Thayer Group, with plans to train 100 hotel management talents for the Group within 3 years. The first group of 25 managerial staff has completed the domestic selection process and relevant assessments, and have already left for the United States (the "US").

During the Reporting Period, the Group further implemented its internal reorganisation. In relation to the assets swap of star-rated hotels and budget hotels, the Group has completed the relevant ownership transfer procedures of the swap-in interests and the swap-out interests. The Group has also obtained the relevant "Asset Ownership Transaction Certificate" issued by the Shanghai United Assets and Equity Exchange.

To further expand the Group's scale, utilise synergy of the hotel and tourism industry, and explore new business models, the Company entered into a share transfer agreement with Jin Jiang International Holdings Company Limited ("Jin Jiang International") on 13 August 2010 to acquire 212,586,460 shares in Shanghai Jin Jiang International Industrial Investment Co., Ltd. ("Jin Jiang Investment") (representing 38.54% of the total registered capital of Jin Jiang Investment) and 66,556,270 shares in Shanghai Jin Jiang International Travel Co., Ltd. ("Jin Jiang Travel") (representing 50.21% of the total registered capital of Jin Jiang Travel) from Jin Jiang International. The consideration payable was the issuance of 1,001,000,000 new domestic shares in the Company at a price of HK$2.2 per consideration share (i.e., RMB1.919192 per share, based on an exchange rate of HK$1.00=RMB0.87236) and RMB772,909,000 in cash. As at 16 February 2011, the acquisition has been approved by the China Securities Regulatory Commission ("CSRC"), State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company. The Company has already paid the cash consideration to Jin Jiang International and has completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 new domestic shares in the Company at the China Securities Depository and Clearing Corporation Limited ("SD&C"). The registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel have also been completed at the SD&C.

OPERATIONAL STATISTICS

	2010	2009
Average occupancy rate		
— 5-star Luxury Hotels	**65%**	51%
— 4-star Luxury Hotels	**68%**	56%
— 3-star Commercial Hotels	**67%**	45%
— Budget Hotels	**86%**	80%
Average room rate (RMB)		
— 5-star Luxury Hotels	**961**	832
— 4-star Luxury Hotels	**610**	493
— 3-star Commercial Hotels	**422**	338
— Budget Hotels	**190**	176
RevPAR (RMB)		
— 5-star Luxury Hotels	**621**	423
— 4-star Luxury Hotels	**415**	274
— 3-star Commercial Hotels	**282**	154
— Budget Hotels	**164**	141

Notes:

1. The star-rating for the operational statistics has been re-classified in accordance with the new bases, with the categories of Landmark Hotels and 2-star Commercial Hotels being cancelled;

2. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel;

3. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel, Kunming Jin Jiang Hotel and Marvel Hotel; and

4. 3-star Commercial Hotels include: Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel and Jinsha Hotel.

FINANCIAL HIGHLIGHTS

	2010	2009 (Restated)*	2008	2007	2006
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Revenue	**6,522**	3,321	3,403	3,197	3,030
Earnings before interests, taxes, depreciation and amortisation ("EBITDA")	**1,317**	952	1,071	1,169	1,047
Profit attributable to shareholders of the Company	**248**	82	270	383	335
Dividends	**122**	91	96	137	145
Proposed dividend per share (RMB cents)	**2.20**	2.00	2.10	3.00	2.60
Total assets	**13,759**	12,762	10,380	13,828	10,202
Total liabilities	**4,849**	3,117	2,001	2,930	3,068
Net assets (total equity)	**8,910**	9,645	8,379	10,898	7,133
Net assets per share (RMB)	**1.95**	2.11	1.84	2.39	1.56
Gearing ratio**	**14.4%**	8.4%	5.2%	3.6%	19.3%
Capital expenditure	**2,005**	1,245	1,001	1,012	970
Net cash generated from operating activities	**1,009**	561	533	470	543

* For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36,702,000 in connection with the acquisition of IHR Group which was completed subsequent to 1 January 2010. As Hong Kong Financial Reporting Standard ("HKFRS") 3 (revised) was not early adopted in 2009, the acquisition costs were capitalised under the HKFRS 3 for the year ended 31 December 2009. Upon adoption of HKFRS 3 (revised) in 2010, the 2009 financial statements were restated and these capitalised costs incurred in 2009 were expensed on a retrospective basis.

** Gearing ratio is calculated as total borrowings divided by total assets as shown in the consolidated balance sheet. Total borrowings include non-current and current borrowings.

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	Year ended 31 December **2010** *RMB'000*	2009 *RMB'000* (Restated)
Revenue	3	**6,521,998**	3,320,723
Cost of sales	4	**(4,970,463)**	(2,518,113)
Gross profit		**1,551,535**	802,610
Other income		**139,860**	344,359
Selling and marketing expenses	4	**(179,685)**	(140,920)
Administrative expenses	4	**(909,827)**	(676,782)
Other expenses		**(49,488)**	(24,952)
Operating profit		**552,395**	304,315
Finance costs		**(91,899)**	(35,074)
Share of results of associates		**84,933**	65,376
Profit before income tax		**545,429**	334,617
Income tax expense	5	**(101,887)**	(86,618)
Profit for the year		**443,542**	247,999
Attributable to:			
Shareholders of the Company		**248,323**	82,167
Non-controlling interests		**195,219**	165,832
		443,542	247,999
Earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB cents per share)*			
— basic and diluted	6	**5.44**	1.80
Dividends	7	**122,452**	91,300

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**443,542**	247,999
Other comprehensive income		
Fair value changes in available-for-sale financial assets — gross	**(1,142,530)**	1,725,323
Transfer of fair value changes in available-for-sale financial assets — gross	**(5,344)**	(98,718)
Fair value changes in and transfer of available-for-sale financial assets — tax	**286,969**	(406,652)
Asset revaluation surplus arising on a business combination achieved in stages	**—**	3,326
Currency translation	**(5,254)**	—
Total comprehensive income for the year	**(422,617)**	1,471,278
Attributable to:		
Shareholders of the Company	**(224,105)**	763,210
Non-controlling interests	**(198,512)**	708,068
	(422,617)	1,471,278

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**6,779,849**	5,973,615
Investment property		**4,729**	4,887
Land use rights		**1,082,972**	1,110,457
Intangible assets		**548,879**	54,419
Investments in associates		**307,882**	254,969
Available-for-sale financial assets		**1,913,208**	3,038,738
Deferred income tax assets		**168,165**	36,366
Trade and other receivables	8	**9,211**	—
		10,814,895	10,473,451
Current assets			
Available-for-sale financial assets		**83,748**	—
Inventories		**86,796**	50,961
Other current asset		—	11,900
Trade and other receivables	8	**1,003,310**	312,786
Restricted cash		**281,823**	452,379
Cash and cash equivalents		**1,488,125**	1,460,381
		2,943,802	2,288,407
Total assets		**13,758,697**	12,761,858
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**4,565,000**	4,565,000
Reserves			
— Proposed final dividend	7	**122,452**	91,300
— Others		**1,936,181**	2,971,396
		6,623,633	7,627,696
Non-controlling interests		**2,286,095**	2,016,991
Total equity		**8,909,728**	9,644,687

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**1,627,020**	655,214
Deferred income tax liabilities		**487,534**	756,681
Trade and other payable	9	**8,030**	—
		2,122,584	1,411,895
Current liabilities			
Borrowings		**357,207**	421,788
Income tax payable		**75,584**	58,110
Trade and other payables	9	**2,293,594**	1,225,378
		2,726,385	1,705,276
Total liabilities		**4,848,969**	3,117,171
Total equity and liabilities		**13,758,697**	12,761,858
Net current assets		**217,417**	583,131
Total assets less current liabilities		**11,032,312**	11,056,582

NOTES TO THE SELECTED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

On 15 December 2006 and 20 December 2006, a total of 1,265,000,000 ordinary shares of RMB1 per share newly issued by the Company through a public offer in Hong Kong and an international placing were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). Accordingly, the share capital of the Company was increased to RMB4,565,000,000.

On 11 November 2010, Shanghai Jin Jiang International Investment and Management Company Limited transferred its 158,675,000 shares in the Company to Jin Jiang International.

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

The Group is principally engaged in investment and operation of hotels and related businesses (the "Hotel Related Businesses") in Mainland China and the US.

Key events

(a) Acquisition of IHR Group

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

(b) Reorganisation with Shanghai Jin Jiang International Hotels Development Company Limited ("Jin Jiang Hotels Development")

Pursuant to the reorganisation agreement and the supplemental agreement (together, the "Reorganisation") entered between Jin Jiang Hotels Development, a subsidiary of the Company listed on the Shanghai Stock Exchange of Mainland China, and the Company dated 28 August 2009 and 29 September 2009, respectively, the Company agreed to transfer its 71.225% equity interest in Jin Jiang Inn Company Limited ("Jin Jiang Inn"), 80% equity interest in Shanghai Jin Jiang International Hotel Investment Co., Ltd. and 99% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development; and Jin Jiang Hotel Co., Ltd., a subsidiary of the Company, will transfer its 1% equity interest in Shanghai Jin Jiang Da Hua Hotel Co., Ltd. to Jin Jiang Hotels Development (together, the "Transfer-out Assets"). In return, the Company will acquire from Jin Jiang Hotels Development 50% equity interest in Wuhan Jin Jiang International Hotel Co., Ltd., 50% equity interest in Thayer Jin Jiang Interactive Co., Ltd., 50% equity interest in Shanghai Jin

Jiang Tomson Hotel Co., Ltd., 99% equity interest in Jin Jiang International Hotel Management Co., Ltd., 100% interest in Shanghai Jin Jiang International Management College, 66.67% equity interest in Sofitel Hyland Shanghai, 65% equity interest in Shanghai Jian Guo Hotel Co., Ltd., 40% equity interest in The Yangtze Hotel Limited, 15% equity interest in Wenzhou Dynasty Hotel, and total assets and liabilities of Metropole Hotel and New Asia Hotel, branches of Jin Jiang Hotels Development; and also acquire 1% equity interest in Jin Jiang International Hotel Management Co., Ltd. from Shanghai Min Hang Hotel Limited, a subsidiary of Jin Jiang Hotels Development (together, the "Transfer-in Assets").

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

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

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

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

The aggregate consideration for the Acquisition in the amount of RMB2,694,020,000 will be satisfied by the Company by (i) transferring to Jin Jiang International a security deposit in the amount of RMB231,873,000 previously paid by the Company and its bank interests as part of the cash consideration on the date when all the condition precedents are satisfied; (ii) paying to Jin Jiang International balance of the cash consideration after satisfaction of all the condition precedents and before the date of completion; and (iii) issuing and allotting to Jin Jiang International 1,001,000,000 new domestic shares at a price of Hong Kong Dollar ("HK$") 2.2 per consideration share after satisfaction of all the condition precedents and before the date of completion. As the Company currently holds approximately 2.22% of the total registered share capital of Jin Jiang Investment, upon completion, each of Jin Jiang Investment and Jin Jiang Travel will become a 40.76% owned subsidiary and a 50.21% owned subsidiary of the Company.

As at 31 December 2010, the amount of RMB231,873,000 has been paid to Jin Jiang International by the Company. The Acquisition was approved by the CSRC on 24 January 2011 and the completion date of the Acquisition and issue of new domestic shares was 16 February 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") . The consolidated financial statements have been prepared under the historical cost convention, except that the available-for-sale financial assets are measured 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 following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The standard was applied to the acquisition of IHR Group completed on 18 March 2010. For the year ended 31 December 2009, the Group incurred acquisition costs of RMB36,702,000 in connection with the acquisition of IHR Group which was completed subsequent to 1 January 2010. As HKFRS 3 (revised) was not early adopted in 2009, the acquisition costs were capitalised under the HKFRS 3 for the year ended 31 December 2009. Upon adoption of HKFRS 3 (revised) in 2010, the 2009 financial statements were restated and these capitalised costs incurred in 2009 were expensed on a retrospective basis. The acquisition-related costs of RMB11,757,000 incurred for the year ended 31 December 2010 were recognised as an expense in the consolidated income statement.

- HKAS 12 (amendment), 'Income taxes'. The amendment provides an exception to the principles in the existing standard for measuring deferred income tax assets or liabilities when investment property is measured at fair value. The amendment is effective for annual periods on or after 1 January 2012. This amendment is not expected to have a material impact on the Group's consolidated financial statements.

  Since October 2010, the HKICPA has published Amendments to HKFRS 7, 'Financial instruments: Disclosures on derecognition', Additions to HKFRS 9, 'Financial instruments — Classification and measurement' for financial liability accounting and Amendments to HKAS 12, 'Income taxes' on Deferred tax: Recovery of underlying assets. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact, if any, they may have on the Group's consolidated financial statements.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amendment does not have a material impact on the Group's consolidated financial statements.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered this amendment did not have material impact to the Group's consolidated financial statements as all the leases of land should still be classified as operating lease under the HKAS 17 (amendment).

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The Group has treated the largest cash-generating unit to which goodwill is allocated for the purposes of impairment testing as an operating segment and the amendment does not have material impact on the Group's consolidated financial statements.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation. The amendment does not have a material impact on the Group's consolidated financial statements.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events).

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This is not relevant to the Group, as it does not distribute any non-cash assets to owners for the year ended 31 December 2010.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group as it does not receive from a customer any item of property, plant and equipment that the Group must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water).

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This is not currently applicable to the Group, as it has no embedded derivatives.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This is not currently applicable to the Group, as it has no hedging activities.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This is not currently applicable to the Group, as it does not have any plans to settle a liability by the issue of equity.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. This is not relevant to the Group, as it does not has any non-current assets held for sale and discontinued operations.

New standard has been issued but is not effective for the financial year beginning 1 January 2010 and is partially early adopted by the Group.

- HKAS 24 (Revised) — Related party disclosures

  The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. The Group early adopted the government-related entity exemption. It also clarifies and simplifies the definition of a related party, which will not result in a material impact on the Group's and Company's financial statements, but the Group did not early adopt this part.

New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

- HKFRS 9, 'Financial instruments' introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets.

- Under 'Classification of rights issues' (amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivatives liabilities.

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments'.
- Amendments to HK (IFRIC) — Int 14 'Prepayments of a minimum funding requirement' correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The Group has not early adopted those third annual improvement project (2010) published in May 2010 by the HKICPA (to be effective in the financial year of 2011) in this consolidated financial statements and will apply those improvements in accordance with their respective effective dates, where applicable.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2010.

3 TURNOVER AND SEGMENT INFORMATION

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

Upon the completion of the reorganisation with Jin Jiang Hotels Development, Jin Jiang International Hotel Management Co., Ltd. became a wholly-owned subsidiary of the Company and did not charge hotel management fees to the star-rated hotels owned by the Group. The Board combined the previous segment of star-rated hotels management into the segment of star-rated hotels for the year ended 31 December 2010, and the comparatives segment information for 2009 was restated accordingly.

Upon the acquisition of 50% interest of IHR Group in March 2010, the Board assesses the performance of overseas hotels as an individual the business segment.

The Board assesses the performance according to five main reportable segments as follows:

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

(2) Budget hotels: operation of self-owned budget hotels and franchising to budget hotels owned by other parties;

(3) Food and restaurants: operation of fast food or upscale restaurants, moon cake production and related investments;

(4) Other operations in China: intra-group financial services, training and education;

(5) Overseas hotels: overseas operation of wholly-owned hotels, hotel management services and related sources.

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

(a) Turnover

The Group's revenue which represents turnover for the year ended 31 December 2010 is as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Represented)
Star-rated hotels	**2,651,323**	1,929,852
— Accommodation revenue	**1,398,581**	875,026
— Food and beverage sales	**870,970**	703,248
— Rental revenue	**171,580**	163,358
— Rendering of ancillary services	**111,107**	104,332
— Star-rated hotel management	**54,535**	48,361
— Sales of hotel supplies	**44,550**	35,527
Budget hotels	**1,621,267**	1,177,257
Food and restaurants	**262,131**	186,463
Other operations in China	**33,642**	27,151
Overseas hotels	**1,953,635**	—
— Other revenue from managed properties	**1,589,706**	—
— Hotel management	**159,886**	—
— Accommodation revenue	**129,319**	—
— Food and beverage sales	**68,465**	—
— Rendering of ancillary services	**5,005**	—
— Rental revenue	**1,254**	—
	6,521,998	3,320,723

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

(b) Segment information

Year ended 31 December 2010

	Star-rated hotels *RMB'000*	Budget hotels *RMB'000*	Food and restaurants *RMB'000*	Other operations in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
External sales	2,651,323	1,621,267	262,131	33,642	1,953,635	6,521,998
Including: other revenue from managed properties	—	—	—	—	1,589,706	1,589,706
Inter-segment sales	2,200	648	5,554	66,532	—	74,934
Total gross segment sales	2,653,523	1,621,915	267,685	100,174	1,953,635	6,596,932
Profit for the year	75,651	186,859	123,022	85,377	(27,367)	443,542
Other income	23,021	17,347	43,483	54,947	1,062	139,860
Including: interest income	5,432	1,286	1,921	42	1,062	9,743
Depreciation of property, plant and equipment	(337,689)	(239,554)	(10,464)	(113)	(29,911)	(617,731)
Depreciation of investment property	(158)	—	—	—	—	(158)
Amortisation of land use rights	(22,654)	(10,729)	(101)	(45)	—	(33,529)
Amortisation of intangible assets	(2,433)	(1,561)	(676)	(8,921)	(14,289)	(27,880)
Reversal of inventories write-down	37	—	—	—	—	37
Reversal of/(provision for) impairment of trade and other receivables	637	—	—	—	(3,862)	(3,225)
Provision for impairment of available-for-sales financial assets	—	—	—	(11,000)	—	(11,000)
Finance costs	(37,986)	(10,794)	190	—	(43,309)	(91,899)
Share of results of associates	4,746	—	84,834	(404)	(4,243)	84,933
Income tax expense	(31,393)	(65,176)	(1,399)	(5,230)	1,311	(101,887)
Capital expenditure	443,857	490,747	22,126	3,497	1,044,426	2,004,653

Year ended 31 December 2009 (represented)

	Star-rated hotels *RMB'000*	Budget hotels *RMB'000*	Food and restaurants *RMB'000*	Other operations in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
External sales	1,929,852	1,177,257	186,463	27,151	—	3,320,723
Inter-segment sales	—	—	4,343	55,949	—	60,292
Total gross segment sales	1,929,852	1,177,257	190,806	83,100	—	3,381,015
Profit for the year (restated)	(17,159)	70,305	167,047	27,806	—	247,999
Other income	204,066	10,162	119,803	10,328	—	344,359
Including: interest income	5,990	2,376	1,251	46	—	9,663
Depreciation of property, plant and equipment	(336,199)	(193,662)	(9,762)	(188)	—	(539,811)
Depreciation of investment property	(158)	—	—	—	—	(158)
Amortisation of land use rights	(22,354)	(9,629)	(109)	(45)	—	(32,137)
Amortisation of intangible assets	(1,860)	(473)	—	(8,193)	—	(10,526)
Reversal of inventories written-down	26	—	—	—	—	26
Reversal of/(provision for) impairment of trade and other receivables	581	(30)	(12)	—	—	539
Finance costs	(14,899)	(19,861)	(75)	(239)	—	(35,074)
Share of results of associates	(2,126)	—	68,147	(645)	—	65,376
Income tax expense	(35,878)	(23,039)	(17,970)	(9,731)	—	(86,618)
Capital expenditure	750,189	442,239	33,596	18,735	—	1,244,759

The segment assets and liabilities as at 31 December 2010 are as follows:

	Star-rated hotels *RMB'000*	**Budget hotels** *RMB'000*	**Food and restaurants** *RMB'000*	**Other operations in China** *RMB'000*	**Overseas hotels** *RMB'000*	**Group** *RMB'000*
Segment assets	**5,983,993**	**3,545,193**	**180,374**	**2,422,161**	**1,319,094**	**13,450,815**
Investments in associates	**46,360**	**—**	**213,719**	**3,357**	**44,446**	**307,882**
Total assets	**6,030,353**	**3,545,193**	**394,093**	**2,425,518**	**1,363,540**	**13,758,697**
Total liabilities	**1,603,796**	**734,682**	**39,505**	**1,302,844**	**1,168,142**	**4,848,969**

The segment assets and liabilities as at 31 December 2009 are as follows (represented):

	Star-rated hotels *RMB'000*	Budget hotels *RMB'000*	Food and restaurants *RMB'000*	Other operations in China *RMB'000*	Overseas hotels *RMB'000*	Group *RMB'000*
Segment assets (restated)	5,690,685	3,352,953	188,279	3,274,972	—	12,506,889
Investments in associates	51,303	—	199,081	4,585	—	254,969
Total assets (restated)	5,741,988	3,352,953	387,360	3,279,557	—	12,761,858
Total liabilities	918,080	1,218,673	44,317	936,101	—	3,117,171

Sales between segments are carried out at arm's length transactions. The external revenue reported to the Board is measured in a manner consistent with that in the consolidated income statement.

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other operations in China". Other income in the segment of "Star-rated hotels" for the year ended 31 December 2009 mainly includes gain on disposal of available-for-sale financial assets of RMB79,424,000 and gain on disposal of an investment in associates of RMB101,304,000, while there were no similar significant disposals in the year ended 31 December 2010.

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

Segment liabilities comprise borrowings, deferred income tax liabilities, trade and other payables and income tax payable.

Capital expenditure comprises additions to property, plant and equipment, investment property, land use rights and intangible assets, including additions resulting from acquisition through business combinations and acquisition of a jointly controlled entity.

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Other expenses from managed properties	**1,589,706**	—
Employee benefit expense	**1,519,465**	1,075,586
Cost of inventories sold	**717,088**	477,372
Depreciation of property, plant and equipment	**617,731**	539,811
Utility cost and consumables	**392,523**	364,183
Business tax, property tax and other tax surcharges	**304,690**	229,153
Operating leases — land and buildings	**239,109**	221,873
Repairs and maintenance	**81,050**	54,799
Laundry costs	**68,372**	57,171
Commissions paid to travel agencies	**67,914**	47,688
Pre-operation expenses	**41,791**	6,309
Amortisation of land use rights	**33,529**	32,137
Advertising costs	**30,592**	19,669
Amortisation of intangible assets	**27,880**	10,526
Telecommunication expenses	**19,467**	13,599
Transportation expenses	**18,845**	11,718
Transaction cost related to the acquisition of a jointly controlled entity	**11,757**	36,702
Auditors' remuneration	**11,689**	8,600
Entertainment expenses	**11,426**	7,733
Provision for impairment of available-for-sale financial assets	**11,000**	—
Insurance costs	**9,435**	5,745
Legal and consulting costs	**8,161**	5,452
Provision for/(reversal of) impairment of trade and other receivables	**3,225**	(539)
Depreciation of investment property	**158**	158
Reversal of inventories write-down	**(37)**	(26)
Others	**223,409**	110,396
	6,059,975	3,335,815

5 INCOME TAX EXPENSE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Mainland China current corporate income tax ("CIT")	**227,327**	102,065
Mainland China deferred income tax	**(125,069)**	(15,447)
US deferred income tax	**(371)**	—
	101,887	86,618

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the Group companies operating in Mainland China during the year ended 31 December 2010 (2009: 25%) as determined in accordance with the Corporate Income Tax Law of the PRC (the "New CIT Law") and the Detail Implementation Regulations ("DIR") except as described below.

The Company, Jin Jiang Hotels Development, Shanghai Jin Jiang International Hotel Investment Company Limited, Jin Jiang International Hotel Management Company Limited, New Asia Café de Coral, Shanghai Jinhua Hotel Co., Ltd. and Shanghai Jin Jiang Tomson Hotel Company Limited were registered in Shanghai Pudong New Area and entitled to a preferential income tax rate of 22% in 2010 (2009: 20%).

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary incorporated in Hong Kong during the year ended 31 December 2010 (2009: 16.5%). For the year ended 31 December 2010, the Group's subsidiary incorporated in Hong Kong did not have assessable profits and therefore has not provided for any Hong Kong profits tax.

US profits tax is provided at a rate of 35% on the estimated assessable profits of Group's subsidiary and jointly controlled entity incorporated in US during the year ended 31 December 2010.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2009: 25%) in the Mainland China as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit before income tax	**545,429**	334,617
Tax calculated at a tax rate of 25% (2009: 25%)	**136,357**	83,654
Effect of different taxation rates	**(969)**	(26,592)
Income not subject to tax	**(26,364)**	(20,234)
Expenses not deductible for tax purposes	**8,116**	9,760
Tax losses for which no deferred income tax assets were recognised	**22,666**	56,374
Utilization of previous unrecognised tax losses	**(16,686)**	—
Effect of share of profit tax of associates	**(21,233)**	(16,344)
Income tax expense	**101,887**	86,618

6 EARNINGS PER SHARE

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to shareholders of the Company	**248,323**	82,167
Weighted average number of ordinary shares in issue *(thousands)*	**4,565,000**	4,565,000
Basic earnings per share *(RMB cents per share)*	**5.44**	1.80

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

7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2009 of RMB2.0 cents per share, totalling RMB91,300,000 (final dividend in respect of the year ended 31 December 2008: RMB2.1 cents per share, totalling RMB95,865,000) was paid in July 2010. On 30 March 2011, the Directors recommended the payment of a final dividend of RMB2.2 cents per share, totalling RMB122,452,000 in respect of the year ended 31 December 2010. Such dividend is to be approved by the shareholders at the Annual General Meeting to be held on 8 June 2011. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Proposed final dividend of RMB2.2 cents *(i)* (2009: RMB2.0 cents) per share	**122,452**	91,300

(i) As explained in note 1(c), new 1,001,000,000 domestic shares was issued on 16 February 2011 and the ordinary share of the Company was increased to 5,566,000,000 shares. On 30 March 2011, the Directors recommended the payment of a final dividend of RMB2.2 cents per share, totalling RMB122,452,000 in respect of the year ended 31 December 2010 to all the shareholders of the Company after the issue of new domestic shares.

8 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**165,484**	71,408
Less: provision for impairment of trade receivables	**(3,135)**	(3,749)
Trade receivables — net	**162,349**	67,659
Amounts due from related parties	**399,862**	89,258
Prepayment to a related party	**231,873**	—
Prepayments and deposits	**171,867**	128,094
Others	**61,285**	41,502
Less: provision for impairment of other receivables	**(14,715)**	(13,727)
Other receivables — net	**850,172**	245,127
	1,012,521	312,786
Less: non-current portion of trade current other receivables	**(9,211)**	—
	1,003,310	312,786
Non-current portion of trade and other receivables	**9,211**	—

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

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current to 3 months	**148,034**	58,158
3 months to 1 year	**15,103**	9,027
Over 1 year	**2,347**	4,223
	165,484	71,408

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

9 TRADE AND OTHER PAYABLES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**236,513**	177,635
Amounts due to related parties	**584,789**	109,792
Payables for purchases of property, plant and equipment, and intangible assets	**396,614**	248,928
Salary and welfare payables	**301,737**	238,437
Advances from customers	**270,487**	183,798
Other taxes payable	**169,702**	51,975
Accrued expenses	**107,220**	25,244
Deposits from lessees and constructors	**56,025**	52,997
Payable for insurance expense on behalf of the managed hotels of IHR Group *(i)*	**42,315**	—
Payable for acquisition of ShanXi Jinguang Inn Company Limited	**13,837**	—
Payable due to Shanghai World Expo 2010 Bureau	**9,169**	16,233
Payables in connection with acquisition of IHR Group	**—**	32,128
Accrued expenses for reorganisation between Jin Jiang Hotels Development and the Company	**—**	11,900
Payable for acquisition of West Capital International Hotel Company Limited	**—**	9,183
Other	**113,216**	67,128
	2,301,624	1,225,378
Less: non-current portion of trade and other payables	**(8,030)**	—
	2,293,594	1,225,378
Non-current portion of trade and other payables	**8,030**	—

(i) IHR Group centrally manages the procurement of various required insurance to the hotels they manage, including general liability insurance, property insurance, auto insurance, and Workers' Compensation insurance and rebills the managed hotels for the expected costs of the insurance.

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

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current to 3 months	**228,815**	162,651
3 months to 1 year	**6,087**	8,543
Over 1 year	**1,611**	6,441
	236,513	177,635

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

10 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at 31 December 2010 but not yet incurred is as follows:

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment	**114,646**	377,501

(b) Operating lease commitments

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

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

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

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Not later than 1 year	**144,090**	151,998
Later than 1 year and not later than 5 years	**311,322**	347,845
Later than 5 years	**771,619**	787,399
	1,227,031	1,287,242

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

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Not later than 1 year	**289,510**	227,159
Later than 1 year and not later than 5 years	**1,080,525**	900,754
Later than 5 years	**2,312,172**	2,273,545
	3,682,207	3,401,458

(c) Loan commitments

Loan commitments of RMB231,430,000 (31 December 2009: RMB860,000) represent undrawn loan facilities offered by Jin Jiang International Finance Company Limited and granted to related parties.

11 EVENTS AFTER THE BALANCE SHEET DATE

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

As explained in note 1(c), as at 16 February 2011, the acquisition has been approved by CSRC, State-owned Assets Supervision and Administration Commission of the State Council, State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government as well as independent shareholders and H share shareholders of the Company. The Company has already paid the cash consideration of RMB772,909,000 to Jin Jiang International and has completed the relevant registration procedures for Jin Jiang International to obtain the 1,001,000,000 domestic shares in the Company at SD&C. The registration procedures for the Company to obtain the 212,586,460 shares in Jin Jiang Investment and 66,556,270 shares in Jin Jiang Travel has also been completed at the SD&C.

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

As at 30 March 2011, the consolidated financial statements of Jin Jiang Investment and Jin Jiang Travel prepared in accordance with HKFRS are not available to the Group and the Group will assess the impact of the Acquisition on the Group's consolidated financial statements for the year ended 31 December 2011.

12 RESTATEMENT

As explained in note 2, the Group incurred and capitalised acquisition costs of RMB36,702,000 for the year ended 31 December 2009, in connection with the acquisition of IHR Group which was completed on 18 March 2010 (note 2). As HKFRS 3 (revised) was adopted in 2010, these acquisition costs, capitalised under the HKFRS 3 for the year ended 31 December 2009, were expensed on transition to HKFRS 3 (revised) on a retrospective basis, and the consolidated financial statements as at and for the year ended 31 December 2009 were restated accordingly. As the restatement has no effect on the Group's consolidated balance sheet as at 31 December 2008, no third consolidated balance sheet at the beginning of the earliest comparative period is presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

STAR-RATED HOTELS

Star-rated hotel operation is one of the major sources of revenue for the Group and Shanghai is the base of the Group's business, where over 80% of our self-managed star-rated hotels are located. During the Reporting Period, operation of star-rated hotels contributed approximately RMB2,651,323,000 to the Group's revenue, growing by 37.4% as compared to the same period last year.

Comparison between the performance of the Group's star-rated hotels and other star-rated hotels in Shanghai is set out below:

	2010				2009			
	The Group's star-rated hotels located in Shanghai		**Other star-rated hotels in Shanghai**		The Group's star-rated hotels located in Shanghai		Other star-rated hotels in Shanghai	
	Average Occupancy Rate *(%)*	**Average Room Rate** *(RMB)*	**Average Occupancy Rate** *(%)*	**Average Room Rate** *(RMB)*	Average Occupancy Rate *(%)*	Average Room Rate *(RMB)*	Average Occupancy Rate *(%)*	Average Room Rate *(RMB)*
5-star hotels	**62**	**981**	**68**	**1,151**	47	808	53	1,010
4-star hotels	**68**	**684**	**67**	**612**	54	547	50	508
3-star hotels	**67**	**422**	**63**	**373**	45	338	47	297

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

1. 5-star hotels: Jin Jiang Hotel, Huating Hotel & Towers, Jin Jiang Tower, Jin Jiang Tomson Hotel, Renaissance Yangtze Hotel and Peace Hotel;
2. 4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Galaxy Hotel, Rainbow Hotel, Shanghai Hotel, Sofitel Hyland and Jin Jiang Marvel Y.M.C.A; and
3. 3-star hotels: Jin Jiang Pacific Hotel, New Asia Hotel, Metropole Hotel, Hua Ting Guest House, New Garden Hotel and Jinsha Hotel.

As at 31 December 2010, the Group owned and managed 111 star-rated hotels, offering 34,000 guest rooms and among those, the Group was entrusted by third parties other than Jin Jiang International to manage 83 hotels.

The three-year overall refurbishment of Peace Hotel has been completed and the hotel re-opened since 28 July 2010. The re-opened Peace Hotel integrates state-of-the-art modern facilities with historical and cultural heritage; its market position as a high-end luxury hotel has been initially recognised by the market. The Group is devoted to develop it as one of the most luxurious star-rated hotels in Shanghai.

On 18 December 2010, the Group signed a joint venture agreement, a brand name licensing agreement and a hotel management agreement in relation to the Shanghai Tower Hotel with Shanghai Tower Construction and Development Company Limited. Shanghai Tower Hotel will utilise the Group's high-end luxury "J" brand within the brand system, and a wholly-owned subsidiary of Interstate (China) Hotels & Resorts Co., Ltd. ("IHR China") will be engaged for its management.

Y.M.C.A Hotel commenced operation in February 2010 as the first new-style commercial hotel under the new brand name of "Marvel" and was well-received by the market. With the brand service concept of being simple, highly efficient and of quality, the "Marvel" brand was rapidly recognised by the market, and the Group has developed 3 "Marvel" brand hotel management projects.

During the Reporting Period, the Group continued to optimise its sales system. It has established a national sales office and a comprehensive agency network and has set up a master sales agency for the regions of Japan, Singapore and Hong Kong. Favourable results were achieved by the utilisation of the Lanyang system and implementation of joint sales arrangement with American Express. The Group has strengthened its customer relationship management, with total membership of the Jin Jiang VIP programme over 120,000 people.

In terms of online sales, the Group has dedicated much efforts to strengthen its centralised management of sales by third parties during the Reporting Period; all self-managed star-rated hotels, and most of the third party-managed hotels have implemented unified management with third party distribution channels. In addition, the development of connections between major domestic third party distributors and the Company's centralised reservation system ("JREZ") has been completed, achieving direct connection in reservation. The Group continued to advance the construction of JREZ, and realised a reservation of 232,000 rooms during the Reporting Period, representing an increase of about 180% in terms of reservation. In particular, referrals through the international distribution system ("IDS") and the global distribution system ("GDS") accounted for 92% of the guests.

BUDGET HOTELS

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

Operation of Jin Jiang Inn Budget Hotels reported a fast growth in turnover during the Reporting Period, contributing approximately RMB1,621,267,000 to the Group's revenue, representing a 37.7% increase as compared to the same period last year and accounting for 24.9% of the Group's turnover. Initial and ongoing franchise fees income amounted to approximately RMB102,641,000, representing a 39.9% growth compared to the same period last year.

During the Reporting Period, there were 157 newly contracted chain budget hotels which are similar to Jin Jiang Inn Budget Hotels (including "Jinguang Inn" acquired during the Reporting Period), of which 47 were self-managed hotels and 110 were franchised hotels. As at the end of 2010, there were a total of 596 contracted chain budget hotels (of which, there were 522 Jin Jiang Inn Budget Hotels, 53 Bestay Hotels Express, 9 Yulan and 12 Jinguang Inn), offering 73,350 guest rooms in aggregate. Among these contracted chain budget hotels, 396 were franchised hotels, accounting for 66.4% of all contracted chain budget hotels. During the Reporting Period, 84 chain budget hotels which are similar to Jin Jiang Inn Budget Hotels (including "Jinguang Inn" acquired during the Reporting Period) were newly operated, of which 24 were self-managed hotels and 60 were franchised hotels. As at the end of 2010, a total of 417 chain budget hotels were operated (of which, there were 386 Jin Jiang Inn Budget Hotels, 15 Bestay Hotels Express, 5 Yulan and 11 Jinguang Inn), offering 54,254 guest rooms in aggregate. Among these operated chain budget hotels, 271 were franchised hotels, accounting for 64.99% of all operated chain budget hotels.

As at 31 December 2010, budget hotels that are similar to Jin Jiang Inn Budget Hotels operated by the Company covered over 140 cities within 31 provinces, autonomous regions and municipalities in the PRC, of which the Bestay brand chain hotels has presence in 35 cities within 20 provinces, autonomous regions and municipalities in the PRC.

As at 31 December 2010, out of all 417 budget hotels that are similar to Jin Jiang Inn Budget Hotels, 146 were self-managed hotels, accounting for 35.01%, while 271 were franchised hotels, accounting for 64.99%.

During the Reporting Period, there were 358,000 new members of Jin Jiang Inn, making the total number of members reaching 1.19 million. A total of 411,000 Jin Jiang Inn-Bank of Communications Cards had been issued and there were over 8,100 corporate clients. Meanwhile, through the commissioning of the new paging centre and strengthening of its marketing efforts for online reservation, Jin Jiang Inn has effectively enhanced its room reservation functions, providing additional marketing support for chain outlets throughout the PRC and boosted its capacity for guest reception.

During the Reporting Period, the "Jin Jiang Inn" trademark was recognised by the Trademark Office of the State Administration of Industry and Commerce as a famous trademark, was named by the Tourism Award Committee of TTG China as the best branded budget hotels in the Greater China, was certified as "China Well-known Trademark" by the State Administration for Industry and Commerce of China and was also named the "Top 10 China Hotel Group Brand" (中國飯店集團十佳品牌企業) and "China's Outstanding Green Hotel" (中國優秀綠色飯店) by the China's Hotel Association (中國飯店協會).

FOOD AND RESTAURANTS

The Group's various brands of restaurant chains held through Jin Jiang Hotels Development grew steadily during the Reporting Period. As at 31 December 2010, Shanghai KFC had a total of 269 outlets, representing a net increase of 23 outlets as compared to the end of 2009, enjoying steady growth in revenue and profit and maintaining its leading position in Shanghai's fast food industry. New Asia Snacks, Shanghai Yoshinoya Company Limited and Jing An Bakery had 57, 18 and 58 outlets respectively. Chinoise Story operated 2 restaurants in Jin Jiang Hotel and Wuhan Jin Jiang International Hotel.

OVERSEAS HOTELS

The Group's overseas business mainly comprises of its 50% interest in IHR Group. During the Reporting Period, IHR Group and its affiliates manage and/or have ownership interests in a total of 246 hotel properties with more than 51,000 guest rooms in 36 states of the US, the District of Columbia, Mainland China, Russia, India, Mexico, Belgium, Canada, Ireland and England. On 24 February 2011, IHR Group has obtained 65 hotel management contracts from Summit Hotel Properties, Inc. As at the date of this announcement, IHR Group and its associates managed a total of 311 hotel properties, offering over 58,000 guest rooms. Through proportionate consolidation, IHR Group contributed to the Group's operating revenue for the Reporting Period amounted to RMB1,953,635,000. The average rate of its self-owned hotel properties is USD103 with an average occupancy rate of 66%, while RevPAR is USD68, representing an increase of 2.1%.

INFORMATION TECHNOLOGY

In 2010, the Group's business information management and operating level of its major businesses were upgraded, gradually realising the "centralisation" of information system and business integration and management. This was achieved through the utilisation of advanced concepts and technology; service and control functions of the Group's information system were significantly improved.

Jin Jiang Hotels' JERZ central reservation system has been fully implemented by the end of 2010. The Group has achieved centralised management, symbolised by "unified contracting, reservation and settlement" for the distribution of hotel rooms in all member hotels. Co-operation between the Company's JREZ and the central reservation system ("CRS") of domestic and major international third-party distributors was deepened comprehensively, with connection of systems completed and data transmitted seamlessly. Meanwhile, connection between the Company's JREZ and its member hotels' PMS has also achieved a breakthrough, with all three standard PMS products linked. Centralisation of distribution does not only make the Company's reservation more standardised, efficient and smooth, but also raise the efficiency of reservation by the distribution partners and promote better customers' reservation experience.

The Company's centralised procurement platform (phase II) has also been completed. This helped to realise management of information for the entire procurement process in procurement segments, which include cost control, procurement and ordering, online completion, logistics tracking and online settlement for the hotels. This also helped to control the procurement costs of hotels to a large extent and optimised the unified online procurement experience. The project also transferred the core business and accounting system of the major centers which provide unified procurement services to the new information platform and integrated them to the central procurement platform in a seamless manner. Central procurement capability and services had increased notably.

First phase development for the Company's centralised human resources management system, characterised by cloud technology (雲技術), has been completed. It is planned that such system will be gradually promoted to its member hotels in 2011. This will have positive effects on the standardisation of human resources management, effective utilisation and selection of the Company's human resources, coordination and balance of labor costs and remuneration packages. This will also have positive effects on the overall standard of the Group, as well as the integrated development of human resources information of member hotels.

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2009 is set out as follows:

	Year ended 31 December 2010		Year ended 31 December 2009	
	RMB in million	***% of Turnover***	*RMB in million* (Represented)	*% of Turnover*
Star-rated hotels	**2,651.3**	**40.6%**	1,929.8	58.1%
Budget hotels	**1,621.3**	**24.9%**	1,177.2	35.5%
Food and restaurants	**262.1**	**4.0%**	186.5	5.6%
Other operations in China	**33.7**	**0.5%**	27.2	0.8%
Overseas hotels	**1,953.6**	**30.0%**	—	0.0%
Total	**6,522.0**	**100.0%**	3,320.7	100.0%

Star-rated Hotels

The following table sets out the percentage of contribution from the Group's star-rated hotel operation and other types of business to the Star-rated hotels segment's turnover for the Reporting Period and the same period in 2009:

	Year ended 31 December 2010		Year ended 31 December 2009	
	RMB in million	***% of Turnover***	*RMB in million* (Represented)	*% of Turnover*
Accommodation revenue	**1,398.6**	**52.7%**	875.0	45.4%
Food and beverage sales	**871.0**	**32.8%**	703.3	36.4%
Rental revenue	**171.6**	**6.5%**	163.4	8.5%
Rendering of ancillary services	**111.1**	**4.2%**	104.3	5.4%
Management of star-rated hotels	**54.5**	**2.1%**	48.4	2.5%
Sales of hotel supplies	**44.5**	**1.7%**	35.5	1.8%
Total	**2,651.3**	**100.0%**	1,929.9	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of available rooms, occupancy rate and average daily rate ("ADR") of the rooms of the Group's hotels. Accommodation revenue of the star-rated hotel operation for the Reporting Period was approximately RMB1,398,581,000, representing a significant increase of 59.8% compared to the same period last year. It was primarily attributable to the success of the Shanghai World Expo, which raised both occupancy rate and ADR. According to the information released by Shanghai Tourism Bureau, the number of inbound visitors in Shanghai region recorded an increase of 35.3% during the Reporting Period. According to the information announced on the official website of the Shanghai World Expo, the number of visitors to the Shanghai World Expo site reached 73.08 million as at the closing date of 31 October 2010.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised of catering for weddings and conferences, room services for guests and other sales in bars and restaurants in the hotels. As the Group succeeded in transferring the increased energy, labor and raw material costs of banquets to the customers, and as a result of the increase in hotels' occupancy rate, the revenue from food and beverage sales at star-rated hotels amounted to approximately RMB870,970,000, representing a growth of 23.8% as compared to the same period last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's hotels for retail, exhibition and other purposes. Rental revenue increased by approximately RMB8,222,000 compared to the same period last year, representing an increase of approximately 5.0%.

Rendering of ancillary services

Revenue from rendering of ancillary services mainly originated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the provision of ancillary services amounted to approximately RMB111,107,000, representing an increase of approximately RMB6,775,000 from the same period in 2009 and a growth of approximately 6.5%.

Star-rated hotel management

The external sales revenue of the star-rated hotel management division for 2010 amounted to approximately RMB54,535,000, representing an increase of approximately 12.8% compared to last year, which was primarily generated from management fees received for the provision of management services to star-rated hotels not owned by the Group. With gradual recovery of the economy and success of the Shanghai World Expo, operating results of managed hotels recorded a steady increase, resulting in an increased management fees income.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB9,023,000 compared to the same period in 2009, representing an increase of approximately 25.4%, which was primarily due to the increase in business of star-rated hotels.

Budget Hotels

Turnover of Budget Hotels during the Reporting Period amounted to approximately RMB1,621,267,000, representing an increase of approximately RMB444,010,000 or approximately 37.7% compared to the same period in 2009. It was mainly due to the opening of 84 and 93 Jin Jiang Inn Budget Hotels in 2010 and 2009 respectively, increasing the number of available rooms, and also due to the increase in initial franchise fees and ongoing franchise fees collected from franchisees for the grant of brand use rights and the provision of technology and management services. During the Reporting Period, revenue from initial and ongoing franchise fees amounted to approximately RMB102,641,000, representing an increase of 39.9% compared to the same period last year.

Food and Restaurant

Food and restaurant operation revenue was derived from New Asia Café de Coral, Jing An Bakery, Chinoise Story and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the segment of food and restaurant operation amounted to approximately RMB262,131,000, representing an increase of RMB75,668,000 or a growth of approximately 40.6% compared to the same period in 2009. Revenue from food and beverage in the past mainly originated from the fast food chain operations and moon cake production business, namely, New Asia Café de Coral, Chinoise Story and Shanghai New Asia Food Company Limited. The increase during the Reporting Period was mainly due to the large number of tourists brought by the success of the World Expo which led to an increase in operating income of chain catering, and the consolidation of Café de Coral since March last year and the proportionate consolidation of Jing An Bakery in 2010.

Other Operations in China

In addition, the Group was also engaged in other domestic businesses, including the provision of intra-group financial services through Jin Jiang International Finance Company Limited ("Jin Jiang International Finance"), and the operation of training schools. Revenue in the sum of RMB33,642,000 was realised during the Reporting Period, representing an increase of approximately 23.9% compared to the same period in 2009.

Overseas Hotels

Upon acquiring the overseas hotel business, the Group's additional revenue was approximately RMB1,953,635,000, of which other property management income amounted to approximately RMB1,589,706,000. With the recovery of the world economy, RevPAR of IHR Group's self-operated hotels recorded a growth of approximately 2.1% as compared to last year, while RevPAR of IHR Group's managed hotels also recorded a growth of approximately 4.9% compared to last year.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB4,970,463,000, representing an increase of approximately 97.4%. The increase was mainly attributable to the additional cost of sales resulted from the acquisition of IHR Group, amounting to approximately RMB1,725,679,000, and the corresponding increase in energy and material consumption due to the increase in occupancy rate of star-rated hotels and Jin Jiang Inn Budget Hotels. The adding of Xi'an West Capital International Hotel, the re-opening of Peace Hotel and Marvel Y.M.C.A. Hotel, as well as the business expansion and increase in chain outlets of budget hotels also led to an increase in cost of sales. After the proportionate consolidation, the cost incurred from managed properties, being approximately RMB1,589,706,000, has been included in the cost of sales generated from IHR Group. Such cost incurred from managed properties was the same amount as other revenue generated from the managed properties, and therefore had no impact on operating profit.

Gross profit

For the above reasons, the Group recorded a gross profit of approximately RMB1,551,535,000 for the Reporting Period, an increase of approximately RMB748,925,000 or approximately 93.3% compared to the same period in 2009.

Other Income

Other income for the Reporting Period amounted to approximately RMB139,860,000 (same period in 2009: approximately RMB344,359,000). During the Reporting Period, dividend income of RMB52,331,000 (same period in 2009: approximately RMB10,064,000) was received from Changjiang Securities Company Limited, dividend income of approximately RMB37,127,000 (same period in 2009: approximately RMB36,030,000) was received from Suzhou, Wuxi and Hangzhou KFC, and gains of approximately RMB5,343,000 was made from the disposal of shares in China Quanjude (Group) Co. Ltd. ("Quanjude"), Shanghai Tongda Venture Capital Co., Ltd. and Shanghai Yuyuan Tourist Mart Co., Ltd. by a subsidiary Jin Jiang Hotels Development. The decline was primarily due to the gain of approximately RMB75,619,000 generated by the Group during the same period in 2009 resulting from the disposal of shares in Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank"), gains of approximately RMB19,293,000 from the disposal of shares in Quanjude by a subsidiary, Jin Jiang Hotels Development, and gains of approximately RMB100,808,000 and approximately RMB62,932,000 from the disposal of a 45% equity interest in Shanghai Zhongya Hotel and a 7% equity interest in Shanghai KFC, respectively at the same period in 2009.

Sales and Marketing Expenses

Sales and marketing expenses for the Reporting Period, comprising primarily of labour costs, travel agents commission and advertising fees, amounted to approximately RMB179,685,000 (same period in 2009: approximately RMB140,920,000), representing an increase of approximately 27.5%. Among which, the additional sales and marketing expenses resulting from the acquisition of the IHR Group amounted to approximately RMB28,246,000.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB909,827,000, representing an increase of approximately 34.4% compared to the same period in 2009. (same period in 2009: approximately RMB676,782,000). The increase was mainly attributable to the additional administrative expenses of approximately RMB173,137,000 resulting from the acquisition of the IHR Group, the consolidation of Xi'an West Capital International Hotel after acquisition at the end of 2009, re-opening of Peace Hotel and Marvel Y.M.C.A. Hotel, the business development and expansion of Jin Jiang Inn Budget Hotels segment, which also led to an increase in administrative expenses.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, was approximately RMB49,488,000 (same period in 2009: approximately RMB24,952,000), representing an increase of approximately 98.3% compared to the same period in 2009. The increase was mainly attributable to the hotels' increased operation results, which increased credit card commission and corresponding bank charges.

Finance Cost

Finance cost comprises of mainly interest expenses in respect of the Group's bank and other borrowings. During the Reporting Period, finance cost was approximately RMB91,899,000 (same period in 2009: approximately RMB35,074,000), representing an increase of approximately 162.0% over the same period last year. The increase was primarily due to the proportionate consolidation of IHR Group into the consolidated financial statements of the Group since 18 March 2010, which led to an increase in finance cost of approximately RMB43,218,000, with an increased finance cost of approximately RMB3,996,000 from Shanghai Jin Jiang Hotel Group (US) Limited (上海錦江國際酒店集團（美國）有限公司) and an increased finance cost of approximately RMB23,769,000 from the Company.

Share of Results of Associates

Results of associates mainly include results of the Group's associates, namely Shanghai KFC and Yangtze Hotel. Share of results of associates for the Reporting Period was approximately RMB84,933,000 (same period in 2009: approximately RMB65,376,000). It was mainly because of the increase in share of results from Shanghai KFC and Yangtze Hotel by approximately RMB13,009,000 and RMB9,207,000 respectively, as compared to the same period in 2009.

Taxation

The effective tax rate for the Reporting Period was approximately 18.7% (same period in 2009: approximately 25.9%). The decrease of the effective tax rate compared with the same period in 2009 was due to the increase of income not subject to tax and utilisation of previous unrecognised tax losses.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB248,323,000 (same period in 2009: approximately RMB82,167,000), representing an increase of approximately RMB166,156,000 or approximately 202.2% compared to the same period in 2009.

Pledge of Assets

As at 31 December 2010, finance lease equipment of the Group's Mainland China business segment with a net carrying amount of approximately RMB25,389,000 was pledged as security for finance lease liabilities of the Group with a carrying amount of RMB26,339,000; various types of assets of IHR Group with a net carrying value of approximately USD169,126,000 (equivalent to approximately RMB1,120,069,000) was pledged as security for bank borrowing of approximately USD100,941,000 (equivalent to approximately RMB668,500,000).

Gearing ratio

The gearing ratio (calculated as total borrowings divided by total assets) increased from approximately 8.4% as at 31 December 2009 to approximately 14.4% as at 31 December 2010 due to an increase in borrowings.

GROUP DEBTS AND FINANCIAL CONDITIONS

As at 31 December 2010, the Group's subsidiary located in Mainland China had a total bank borrowing of USD18,960,000 (equivalent to approximately RMB125,566,000), which was the borrowing secured by Jin Jiang International. The total amount of entrusted loans from Jin Jiang International was RMB901,563,000, and the finance lease liabilities for energy conservation projects amounted to RMB26,339,000.

As at 31 December 2010, the Group's overseas subsidiary and jointly controlled entity had total borrowings of USD140,541,000 (equivalent to approximately RMB930,759,000). Among which, USD39,600,000 (equivalent to approximately RMB262,259,000) were unsecured borrowings and USD100,941,000 (equivalent to approximately RMB668,500,000) were secured borrowings, with pledged securities of various types of assets of IHR Group with a net carrying value of approximately USD169,126,000 (equivalent to approximately RMB1,120,069,000).

The Group has fulfilled all covenants under the remaining loan agreements. Outstanding borrowings as at 31 December 2010 are analysed as follows:

	Maturity of contracted borrowings outstanding as at 31 December 2010				
(RMB'000)	**Within 1 year**	**In second Year**	**In third to fifth year**	**Over 5 years**	**Total**
Borrowings					
Bank borrowings *(USD)*	355,726	468,082	232,517	—	1,056,325
Borrowings from Jin Jiang International *(RMB)*	—	901,563*	—	—	901,563
Finance lease liabilities *(RMB)*	1,481	1,577	5,372	17,909	26,339
Total	357,207	1,371,222	237,889	17,909	1,984,227

*Note**: This item of borrowing is fixed-rate borrowing with effective interest rate of 4.36%. Apart from that, all other borrowings are at variable rates.

TREASURY MANAGEMENT

The Group had cash and cash equivalents as at 31 December 2010 and 31 December 2009 amounting to approximately RMB1,488,125,000 and approximately RMB1,460,381,000 respectively. The cash flow is relatively sufficient.

INTEREST RATE RISK MANAGEMENT

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

During the Reporting Period, neither was the Group subject to any exposure to significant fluctuation in exchange rate nor was it engaged in any hedging activities. The Group will actively consider the use of relevant financial instruments to manage interest rate risks and currency exchange rate risks in line with its business development.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets held by the Group included 13,148,849 A shares in AVIC Real Estate Holding Company Limited (Stock code: 000043.SZ), 130,828,701 A shares in Changjiang Securities Company Limited (Stock code: 000783.SZ) and 921,610 A shares in Bank of Communications Co., Ltd. (Stock code: 601328.SH) held by the Group's subsidiary, Jin Jiang Hotels Development, etc.

HUMAN RESOURCES AND TRAINING

The Group's training school provides professional training on various management skills and technical skills. The school provides the Group with management talents of all fields and nurtures industry professionals, where education and training are based on the actual context of hotel management. The Group has set up the Les Roches Jin Jiang International Hotel Management College (the "Les Roches Jin Jiang Management College") in partnership with GESHOTEL-Les Roches Swiss Hotel Association School of Hotel Management. The Management College provides the Group with international leading hotel training courses and trainers to develop future hotel managers with high development and nurturing potential. In 2010, the Management College expanded its enrollment for students and further reinforced the teaching environment and atmosphere with the admission of 242 students, of which 68 were international students.

In order to nurture more management talents for the Group, Les Roches Jin Jiang Management College has solidly provided trainings for various types of management and technical staff on a solid base to satisfy the needs of different posts in the hotel. In 2010, 33 training courses for various positions and skills were provided, with almost 2,000 staff attended such training courses. The overall quality of hotel management staff has been raised continuously via various kinds of training, which in turn enhances the management and service quality of our hotels.

During the Reporting Period, with the need of nurturing more personnel of high caliber to realise the Group's internationalised hotel development, a first group of 25 qualified staff out of 945 middle and senior management were selected for professional training after a series of selection tests in relation to capability and English ability. Such qualified staff have been sent abroad for professional training.

As at 31 December 2010, the Group had approximately 21,897 employees (of which 607 employees were newly added because of the acquisition of IHR Group), which was about 16.7% more as compared to last year. Employee benefit expense increased by approximately RMB443,880,000 or 41.3% as compared to that of 2009. The remuneration package for existing employees comprises of basic salary, discretionary bonus and social security contributions.

SOCIAL RESPONSIBILITY

During Reporting Period, the World Expo was held in Shanghai and the Group actively participated in the reception works during the World Expo. The reception works during the World Expo was the most difficult and unique mission encountered by the Group, which made many new records for the Group in terms of duration, frequency, scale, number of guests with high specifications and scope of services involved, etc. Amidst such difficult works and challenges, all members of the Group united and co-operated with selfless dedication and whole-heartedly to maintain our services during the

World Expo. Meanwhile, to meet the specific needs of the reception works for World Expo, the Group has formulated detailed and customised service solutions for the honored guests of the World Expo in an attempt to bring a memorable brand experience to them, thereby raising the reputation of the Jin Jiang Hotel brand.

Under the collaborated efforts of the Group's staff, the Group completed the reception works for the World Expo in a successful and thorough manner. During the World Expo, the World Expo Food Center managed by the Group had catered for almost 1,800 groups of customers with an aggregate of over 180,000 people, including over 60 leaders of different countries and heads of governments, while hotels in Shanghai designated by the World Expo has catered for over 2,000 groups of designated guests with an aggregate of 2,600 people. Services and maintenance works provided by the Group for the World Expo were well recognised and praised by the relevant parties.

The Group has always focused on the improvement of staff remuneration and welfare. During the Reporting Period, the Group continued to work on improving staff remuneration and raising the fixed salary for all staff of our wholly-owned subsidiaries. The Group has also continued to optimise the supplementary medical insurance program for our staff, with coverage over 10,000 staff within the enterprise and successful claims reaching over 24,000. In addition, the Group also actively took part in the "Employer Liability Insurance", strengthening its efforts on employee safety and safeguarding their livelihood, which has achieved remarkable results.

ENERGY CONSERVATION

During the Reporting Period, the Group continued to promote modification projects in relation to its new energy conservation technology system, implementing system modification in Shanghai International Hotel and Yulan Hotel involving primarily air source oriented technology, and the effect of energy conservation was remarkable. In Plaza Changcheng Hotel (廣場長城大酒店) and Wuhan Jin Jiang International Hotel, modification project on residual heat recovery was implemented and had achieved favourable results. The Group has completed the technology alteration for liquid booster pumps of central air-conditioning systems in Jin Jiang Tower, Cypress Hotel, Shanghai Park Hotel and Shanghai New Asia Hotel, which could reduce energy consumption by approximately 30%.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The Group has implemented diversified strategies to sustain a long-term development, which include strategic redeployment of hotel assets, expansion of budget hotels, brand enhancement strategy, strengthening of hotel management standards and reinforcing market leadership.

In 2011, the Group remains very optimistic about its future development amidst the challenges in the post-World Expo period. We intend to speed up the development of our core businesses, bring into full play the synergies arising from our international acquisitions and promote industrial upgrades. We will endeavour to enhance values of the Company by taking advantage of the reorganisation effect of the group, and creating a business chain which includes hotel, passenger transportation and tourism services.

With further optimisation of our brand system, the Group will move forward to implement brand division and innovation, which will further optimise the construction of our standardisation system and increase the competitiveness of the Jin Jiang Hotel brand.

The Group is a major hotel investor and operator in the PRC. With its competitive advantages in hotel ownership and management, the Group is well-positioned to strengthen control over its hotels while realising potential growth in value for its hotel properties. The Group will enhance future profitability through the redeployment of funds to rationalise the distribution and network of its hotels.

The Group is committed to improving its management standards and core competitiveness, and increase its brand influence in the international hotel market. The Group is committed to bringing into full play the synergies of its international acquisitions and to make long-term plans with reference to the expertise and experience of its foreign partners.

The Group will continue to strengthen its six major platforms, namely information, finance, procurement, marketing, human resources and management systems. Innovations will be explored in six aspects, namely, business models, hotel networks, asset allocation, systems, management and corporate culture. Core competitive advantages of Jin Jiang Hotels will be enhanced in terms of brand building, networking, human resources and management systems, so that it will develop into a leading hotel operator and manager in the PRC with international competitive advantages.

DIVIDENDS

On 30 March 2011, the Board proposed to declare a final dividend of RMB2.2 cents (inclusive of tax) per share for the year ended 31 December 2010.

Pursuant to the "Corporate Income Tax Law" of the PRC" and its implementing regulations (hereinafter collectively referred to as the "CIT Law") which took effect on 1 January 2008 and the "Notice on Issues relating to the Recognition of Overseas Registered PRC-invested Enterprises as Resident Enterprises based on Actual Management Organisation Standards" issued by the State Administration of Taxation on 22 April 2009, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. For this purpose, any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders (as defined under the CIT Law). The Company will distribute the final dividend to non-resident enterprise shareholders subject to a deduction of 10% corporate income tax withheld and paid by the Company on their behalf.

Any resident enterprise (as defined under the CIT Law) which has been legally incorporated in the PRC or which has established effective administrative entities in the PRC pursuant to the laws of foreign countries (regions) and whose name appears on the Company's H share register of members on 7 June 2011 must deliver a legal opinion ascertaining its status as a resident enterprise furnished by a qualified PRC lawyer (with the seal of the issuing law firm affixed thereon) and relevant documents to Computershare Hong Kong Investor Services Limited no later than 4:30 pm on Friday, 6 May 2011 if they do not wish to have the 10% corporate income tax withheld and paid on their behalf by the Company.

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders whose names appear on the H share register of members of the Company on 7 June 2011. Any natural person investor whose H shares are registered under the name of non-individual shareholders and who does not wish to have any corporate income tax withheld by the Company may consider transferring the legal title of the relevant H shares into his or her name and duly lodge all transfer documents with the relevant H share certificates with the Company's H share registrar for registration at or before 4:30 p.m. on Friday, 6 May 2011.

The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting. The proposed final dividend will be paid within two months after the date of the annual general meeting to the shareholders whose names appear on the registers of members of the Company on 7 June 2011.

The Company will not take any responsibility arising from any delay in, or inaccurate determination of the status of the shareholders or any disputes over the mechanism of withholding.

The Board is not aware of any shareholders who have waived or agreed to waive any dividends.

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such document has incorporated most of the principles and all of the code provisions of the "Code on Corporate Governance Practices" as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company was in compliance with the code provisions as set out in Appendix 14 to the Listing Rules for the financial year ended 31 December 2010.

AUDIT COMMITTEE

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

The members of the audit committee are appointed by the Board. The audit committee of the Company includes three independent non-executive Directors, Mr. Xia Dawei, Mr. Yang Menghua and Mr. Sun Dajian, and one of them possesses the appropriate accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the audit committee is Mr. Xia Dawei and the secretary to the audit committee is Dr. Ai Gengyun.

The first meeting of the audit committee for 2010 was held on 9 April 2010, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2009 were tabled for review and discussion. The second meeting of the audit committee for 2010 was held on 16 August 2010, at which the condensed unaudited financial statements and the internal audit work of the Group for the first half of 2010 were reviewed and discussed. The third audit committee meeting for 2010 was held on 21 December 2010, at which the audit work and internal control tests conducted during 2010 were reviewed and discussed. The first meeting of the audit committee for 2011 was held on 24 March 2011, at which the consolidated financial statements, internal control report and corporate governance report of the Group for 2010 were tabled for review and discussion.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2010, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 9 May 2011 to Tuesday, 7 June 2011 (both dates inclusive) during which period no share transfers will be registered. To qualify for the proposed final dividend and to attend the forthcoming annual general meeting, all share transfer documents must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration on or before 4:30 p.m. on Friday, 6 May 2011.

By order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited
Yang Weimin
Executive Director and Chief Executive Officer

Shanghai, the People's Republic of China, 30 March 2011

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Chen Wenjun, Mr. Yang Weimin, Mr. Chen Hao, Mr. Han Min and Mr. Kang Ming, the non-executive Director is Mr. Shen Maoxing, and the independent non-executive Directors are Mr. Ji Gang, Mr. Xia Dawei, Mr. Sun Dajian, Dr. Rui Mingjie, Mr. Yang Menghua, Dr. Tu Qiyu, Mr. Shen Chengxiang and Mr. Lee Chung Bo.

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