



Shanghai Jin Jiang International Hotels (Group) Company Limited

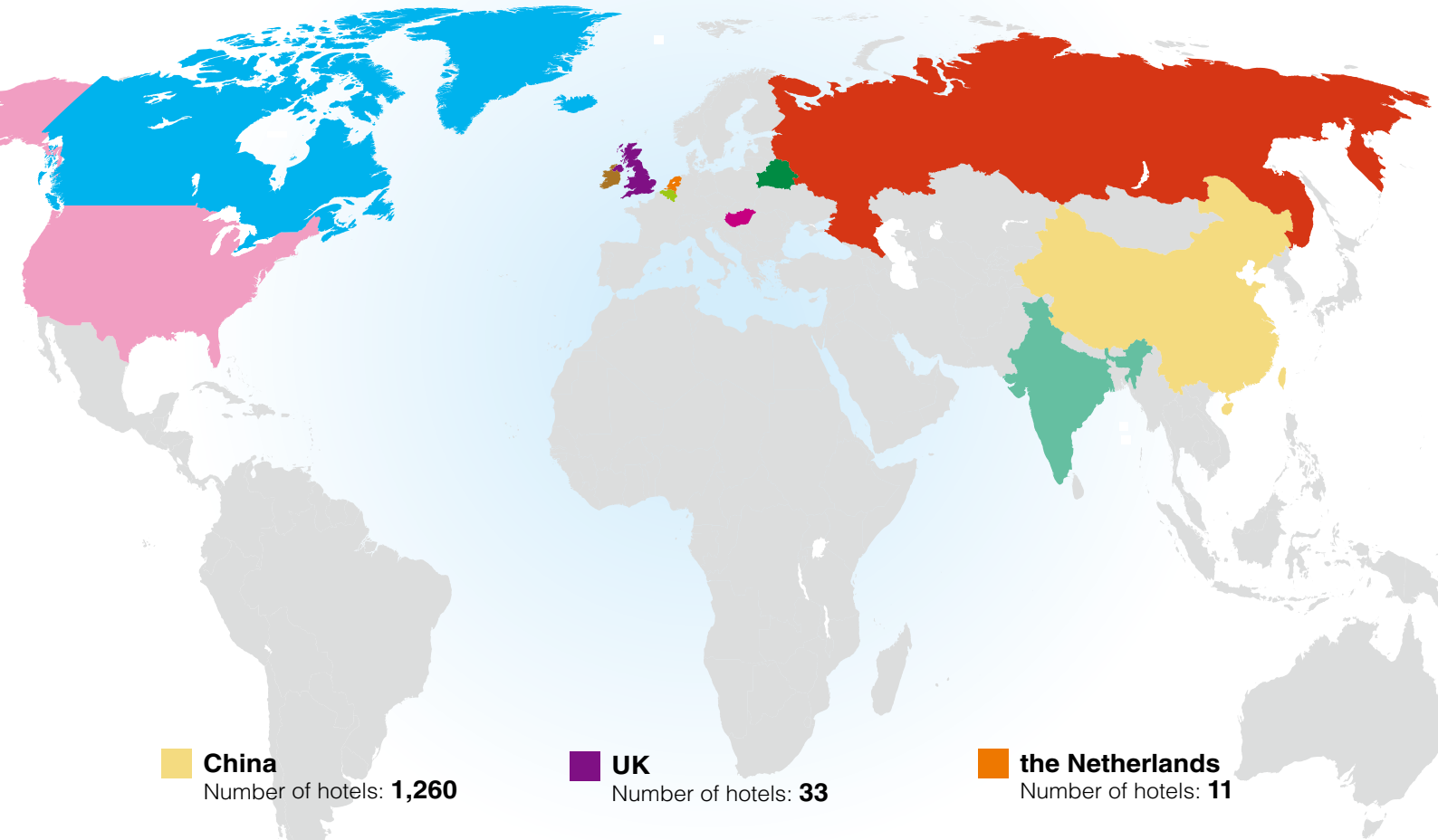
(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 02006



Interim Report 2014

Global Hotel Deployment



China
Number of hotels: **1,260**

UK
Number of hotels: **33**

the Netherlands
Number of hotels: **11**

US
Number of hotels: **358**

India
Number of hotels: **7**

Belgium
Number of hotels: **3**

Russia
Number of hotels: **11**

Canada
Number of hotels: **2**

Ireland
Number of hotels: **2**

Hungary
Number of hotels: **1**

Belarus
Number of hotels: **1**

Note: Inclusive of hotels managed and owned by IHR Group.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yu Minliang (*Chairman*)
 Mr. Yang Weimin (*Vice Chairman, CEO*)
 Ms. Chen Wenjun
 Mr. Yang Yuanping
 Mr. Shao Xiaoming
 Mr. Han Min
 Mr. Kang Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ji Gang
 Mr. Sun Dajian
 Dr. Rui Mingjie
 Mr. Yang Menghua
 Dr. Tu Qiyu
 Mr. Shen Chengxiang

SUPERVISORS

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

AUTHORISED REPRESENTATIVES

Mr. Yang Weimin
 Mr. Kang Ming

JOINT COMPANY SECRETARIES

Mr. Kang Ming
 Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

AUDIT COMMITTEE

Mr. Yang Menghua (*Chairman*)
 Mr. Sun Dajian
 Mr. Ji Gang

NOMINATION COMMITTEE

Mr. Yu Minliang (*Chairman*)
 Dr. Rui Mingjie
 Dr. Tu Qiyu

REMUNERATION COMMITTEE

Mr. Ji Gang (*Chairman*)
 Mr. Yang Weimin
 Mr. Shen Chengxiang

STRATEGIC INVESTMENT COMMITTEE

Mr. Yang Weimin (*Chairman*)
 Mr. Han Min
 Dr. Rui Mingjie

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

As to Hong Kong law & US law:
 Baker & McKenzie

As to PRC law:
 King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江國際酒店（集團）股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang International Hotels (Group) Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
 Shops 1712–1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Shanghai Branch
 Bank of Communications, Shanghai Branch

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

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

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

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

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF ALL HOTELS IN CHINA

All hotels (As at 30 June 2014)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury hotels	5	2,472	2	940	66	21,921	–	–	73	25,333
– 4-star Luxury hotels	10	3,418	2	932	37	8,830	–	–	49	13,180
– Commercial Hotels	2	268	–	–	2	545	–	–	4	813
Total number of Full Service Hotels	17	6,158	4	1,872	105	31,296	–	–	126	39,326
Select Service Hotels	281	38,803	–	–	–	–	853	94,318	1,134	133,121
Total	298	44,961	4	1,872	105	31,296	853	94,318	1,260	172,447

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS IN OPERATION IN CHINA

In operation (As at 30 June 2014)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels in operation	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury hotels	5	2,472	2	940	39	14,033	–	–	46	17,445
– 4-star Luxury hotels	10	3,418	2	932	32	7,373	–	–	44	11,723
– Commercial Hotels	2	268	–	–	2	545	–	–	4	813
Total number of Full Service Hotels	17	6,158	4	1,872	73	21,951	–	–	94	29,981
Select Service Hotels	249	34,426	–	–	–	–	644	72,719	893	107,145
Total	266	40,584	4	1,872	73	21,951	644	72,719	987	137,126

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS UNDER DEVELOPMENT IN CHINA

Under development (As at 30 June 2014)	Hotels in which the Group held Hotel Interests and managed by the Group		Hotels in which the Group held Hotel Interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels under development	
	Total		Total		Total		Total		Total	
	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms	Number of hotels	Number of Rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury hotels	–	–	–	–	27	7,888	–	–	27	7,888
– 4-star Luxury hotels	–	–	–	–	5	1,457	–	–	5	1,457
– Commercial Hotels	–	–	–	–	–	–	–	–	–	–
Total number of Full Service Hotels	–	–	–	–	32	9,345	–	–	32	9,345
Select Service Hotels	32	4,377	–	–	–	–	209	21,599	241	25,976
Total	32	4,377	–	–	32	9,345	209	21,599	273	35,321

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF REGIONAL DISTRIBUTION IN CHINA

Province/ autonomous region/ municipality (As at 30 June 2014)		In operation				Under development			
		Full Service		Select Service		Full Service		Select Service	
		Hotels		Hotels		Hotels		Hotels	
		Number	Total	Number	Total	Number	Total	Number	Total
	of hotels	of Rooms	of hotels	of Rooms	of hotels	of Rooms	of hotels	of Rooms	
Eastern region	Shanghai	26	9,933	109	13,579	1	268	23	2,771
	Zhejiang	2	631	64	7,234	5	1,674	14	1,357
	Jiangsu	11	2,850	151	16,833	5	1,551	30	3,190
	Anhui	2	396	24	2,770	1	200	6	676
	Shandong	5	1,612	82	8,924	1	248	15	1,537
Northern region	Beijing	16	4,789	53	6,780	3	1,013	9	1,052
	Tianjin	—	—	18	2,287	—	—	14	1,493
	Hebei	3	591	32	3,783	3	671	13	1,229
	Liaoning	3	925	41	5,097	1	300	13	1,407
	Jilin	—	—	13	1,674	—	—	7	701
	Heilongjiang	2	696	9	1,104	1	300	4	373
Central region	Henan	3	901	36	4,691	2	529	12	1,253
	Hubei	2	768	27	3,754	1	300	7	811
	Hunan	1	300	9	1,249	1	280	4	411
	Jiangxi	3	735	15	1,854	—	—	5	495
	Guangxi	—	—	5	689	—	—	4	399
Southern region	Fujian	1	320	29	3,546	2	633	9	1,017
	Guangdong	1	350	35	4,427	—	—	8	805
	Hainan	1	243	7	978	—	—	2	203
Northwestern region	Shanxi	—	—	33	3,997	—	—	6	617
	Shannxi	3	880	27	3,604	—	—	10	1,151
	Gansu	1	236	5	505	—	—	—	—
	Qinghai	—	—	6	522	—	—	—	—
	Xinjiang	1	349	4	383	1	280	5	637
	Inner Mongolia	2	1,120	14	1,939	1	420	9	965
	Ningxia	—	—	5	555	—	—	—	—
Southwestern region	Chongqing	1	315	2	257	—	—	1	166
	Sichuan	1	250	20	2,350	1	120	3	366
	Guizhou	1	250	8	831	1	320	1	86
	Yunnan	2	541	9	880	1	238	6	688
	Tibet	—	—	1	69	—	—	1	120
Total		94	29,981	893	107,145	32	9,345	241	25,976

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS OWNED AND MANAGED BY IHR GROUP AS AT 30 JUNE 2014

	Number of hotels	Total Number of Rooms
USA	358	67,097
United Kingdom	33	3,727
Russia	11	3,159
The Netherlands	11	1,906
India	7	740
The PRC	5	2,181
Belgium	3	329
Canada	2	570
Ireland	2	376
Belarus	1	267
Hungary	1	136
Total	434	80,488

OPERATIONAL STATISTICS

	January to June 2014	January to June 2013
Average Occupancy Rate		
Full Service Hotels		
– 5-star Luxury Hotels	67%	59%
– 4-star Luxury Hotels	65%	60%
Select Service Hotels	77%	82%
Average room rate (RMB)		
Full Service Hotels		
– 5-star Luxury Hotels	832	817
– 4-star Luxury Hotels	499	494
Select Service Hotels	190	181
RevPAR (RMB)		
Full Service Hotels		
– 5-star Luxury Hotels	555	486
– 4-star Luxury Hotels	324	295
Select Service Hotels	147	149

Notes:

1. 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.
2. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.
3. Select Service Hotels include all hotels under the brand of “Jin Jiang Metropolo”, “Jin Jiang Inn”, “Bestay Hotels Express”, “Jinguang Inn” and “Yulan” as well as the hotel chains under brand consolidation.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Audit Committee”	the audit committee of the Company
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use
“Board”	the board of Directors of the Company
“China” or “PRC”	The People’s Republic of China
“Company”	Shanghai Jin Jiang International Hotels (Group) Company Limited
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Franchisee(s)”	third party(ies) who have entered into franchise agreement(s) with the Group for the license to use the Jin Jiang trademark or Jin Jiang Inn trademark
“Full Service Hotels”	hotels which are based on comprehensive hotel functions and facilities, and provide all rounded quality services for guests
“Galaxy Hotel”	Shanghai Galaxy Hotel Co., Ltd.
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
“Hua Ting Hotel and Towers”	Shanghai Hua Ting Hotel and Towers Company Limited
“Hony Investment Fund”	Hony (Shanghai) Equity Interest Investment Fund Centre (Limited Partnership)
“Hotel Interests”	the equity interests held by the Group in companies engaged in hotel operations which are associated companies, jointly controlled entities or subsidiaries of the Company
“IHR”	Interstate Hotels & Resorts, Inc.
“IHR China”	Interstate (China) Hotels & Resorts Co., Ltd.
“IHR Group”	Interstate Hotels & Resorts, Inc. and its subsidiaries
“JHJ Transportation”	JHJ International Transportation Co., Ltd.
“Jin Jiang Automobile”	Shanghai Jin Jiang Automobile Service Co., Ltd.
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang International”	Jin Jiang International Holdings Company Limited
“Jin Jiang International Finance”	Jin Jiang International Finance Company Limited
“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited
“Jin Jiang Travel”	Shanghai Jin Jiang International Travel Co., Ltd.
“Jin Yun Company”	Shanghai Jin Yun Assets Management Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Garden Hotel”	Shanghai New Garden Hotel
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Permanent House Use”	guest rooms which have been removed from the rentable inventory for a period longer than six months
“Reporting Period”	the period from 1 January 2014 to 30 June 2014
“RevPAR”	room revenue per Available Room
“RMB”	Renminbi, the lawful currency of the PRC
“Select Service Hotels”	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Star-Rating Standard Manual”	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Total Number of Rooms”	number of available rooms per hotel
“US\$”	United States Dollars, the lawful currency of the United States

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2014, the Group's principal operations were subject to pressure given the slowdown in China's macro-economic growth, cyclical oversupply in the hotel industry and other changes in the social environment. Nevertheless, the domestic hotel industry was slowly recovering from the doldrums of 2013, while the Group overcame unfavourable factors and capitalised on favourable ones and achieved notable results in its timely and proactive efforts to introduce innovations, adjust asset mix, optimise staff allocation, enhance asset profitability and shareholders' equity.

During the Reporting Period, the Group realized sales revenue of approximately RMB4,322,778,000, representing an increase of approximately 1.2% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB879,953,000, representing an increase of approximately 104.0% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB421,511,000, representing an increase of approximately 222.2% as compared to the same period of last year.

As at 30 June 2014, the Group owned or managed 1,689 hotels throughout the world, with total number of rooms over 250,000, amongst which 1,260 hotels are owned or managed by the Group in the PRC and are in operation or under construction, with rooms over 172,000, located variously in over 300 cities in 31 provinces, autonomous regions and municipalities in the PRC.

IHR Group, in which the Group held 50% interests, managed 434 hotel properties (including 5 hotels in the PRC) and over 80,000 guest rooms located variously in 11 countries around the world.

During the Reporting Period, the Group continued to rely on Jin Jiang e-commerce platform and its membership system, which further strengthened cross-sales among hotels, car rentals and tourism, As at the end of the Reporting Period, J Club registered more than 15 million members, representing an addition of approximately 2 million new members compared to the end of 2013.

Full Service Hotels

Full Service Hotels represent one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB927,309,000 to the Group's revenue, representing a decrease of approximately 14.4% as compared to the same period of last year and accounting for approximately 21.5% of the Group's turnover.

As at 30 June 2014, the Group owned and managed 126 Full Service Hotels in the PRC, offering close to 40,000 guest rooms, including 105 hotels managed under the appointment of third-parties other than Jin Jiang International.

During the Reporting Period, the Group recorded steady growth in its ADR. There was a slight decrease in labour cost even though we managed to sustain growth in per capita salary and benefits. Meanwhile, the Group has effectively lowered its financial costs by enhancing income management and adjustment its funding structure.

During the Reporting Period, room reservation through the Group's corporate website increased by 86% as compared to the same period of last year, as the Group optimised its search engine and improved the reservation process while increasing its click-through rate and conversion rate by developing vertical search in an ongoing effort to enhance the functions of the corporate website. Meanwhile, the Group further broadened its online marketing channels with the full operation of its English-version application (APP) and the commencement of e-mail direct marketing (EDM) during the Reporting Period to conduct specific marketing for targeted customers. The Group also further strengthened income and management and optimised its room rate strategy by fully utilising data analysis in reliance upon the IDEaS system platform.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group further strengthened brand streamlining and positioning by vigorously advancing the development its two major platforms of “Full Service Hotels” and “Select Service Hotels” to ensure ongoing improvements in the Jin Jiang brand regime. Jin Jiang International Hotel Management Company Limited published the “Jin Jiang Hotel Brand Identity Management Manual” to enhance brand standards and strengthen the levels of operating quality control, and completed the editing of “Compulsory Guide for Jin Jiang Hotel’s Professional Managers” to further improve the “Jin Jiang” brand standards.

During the Reporting Period, the asset management centre of the Group commenced scientific operation of its hotel assets on all fronts to enhance asset profitability. The Full Service Hotels achieved steady progress in asset liquidity and ongoing business conversion. During the Reporting Period, the Group completed the transfer of 100% equity interest in Jin Yun Company through an open listing process and the transfer of its 57% interest in New Garden Hotel by way of negotiated assignment, while work relating to the transfer of 90% equity interest in Galaxy Hotel is underway. Such disposals of equity interests have further enhanced the Group’s asset liquidity and financial conditions and optimised the Group’s asset allocation.

During the Reporting Period, the Group further consolidated the integration of its resources as it continued to enhance the centralised management of hotel assets. Through the full-scale development and advancement of the central procurement system and the unified payment platform, working capital outlay was effectively reduced while fund utilisation ratio was enhanced. Costs and expenses were controlled within reasonable limits and the core competitiveness of our hotels was further enhanced as a result.

During the Reporting Period, IHR Group reported stable business development with sound operation of its three major operation platforms of the PRC, the United States and Europe. During the Reporting Period, IHR further developed its European platform while continuing to expand its business in America with the completion of the acquisition of RIM Hospitality.

The average room rate of IHR Group’s managed hotels for 2014 was US\$137.4 with an average occupancy rate of 75.0%, while RevPAR was US\$103.0, representing an increase of 8.2% as compared to the same period of last year.

Select Service Hotels

The business of Select Service Hotels represents another principal operation of the Group, covering budget hotels and select service commercial hotels.

During the Reporting Period, operation of Select Service Hotels reported a stable growth in turnover, contributing approximately RMB1,239,579,000 to the Group’s revenue, representing an increase of approximately 14.6% as compared to the same period of last year and accounting for approximately 28.7% of the Group’s turnover. Out of the revenue from hotel management and franchise fees, the revenue from initial and ongoing franchise fees amounted to approximately RMB104,481,000, which was similar to that reported for the same period of last year; and the revenue from room reservation distribution fees amounted to approximately RMB22,534,000, representing a growth of approximately 29.4% as compared to the same period of last year.

During the Reporting Period, there were 74 newly contracted Select Service Hotels, of which 5 were self-managed hotels and 69 were franchised hotels. As at 30 June 2014, there were a total of 1,134 contracted chain Select Service Hotels (comprising 33 Jin Jiang Metropolo Hotels, 945 Jin Jiang Inn hotels, 75 Bestay Hotels Express hotels, 71 Jinguang Inn hotels and 10 Yulan hotels), offering 133,121 guest rooms in aggregate. There were 853 contracted franchised hotels, accounting for 75% of all contracted Select Service Hotels. During the Reporting Period, 65 Select

MANAGEMENT DISCUSSION AND ANALYSIS

Service Hotels such as Jin Jiang Inn were opened, comprising 10 self-managed hotels and 55 franchised hotels. As at 30 June 2014, a total of 893 Select Service Hotels were in operation (comprising 2 Jin Jiang Metropolo Hotels, 752 Jin Jiang Inn hotels, 67 Bestay Hotels Express hotels, 42 Jinguang Inn hotels, 9 Yulan hotels and 21 Brand Consolidated Hotels), offering 107,145 guest rooms in aggregate.

As at 30 June 2014, out of 893 Select Service Hotels that had commenced operation, 249 were self-managed hotels, accounting for approximately 28%, while 644 were franchised hotels, accounting for approximately 72%.

During the Reporting Period, Jin Jiang Inn's membership reached 13.58 million with the addition of 2.31 million new members, including more than 83,000 corporate customers which featured prominent international and domestic brand names. Meanwhile, through the commissioning of the new paging centre and strengthening of its promotional efforts for online reservation, the room reservation functions of Jin Jiang Inn have been continuously enhanced, thereby providing additional marketing support for chain outlets throughout the PRC and increasingly boosting its capacity for guest reception.

During the Reporting Period, Jin Jiang Hotels Development entered into a conditional share subscription agreement with Hony Investment Fund and the Company, pursuant to which Jiang Hotels Development will issue a total of 201,277,000 A shares to Hony Investment Fund and the Company as such that the percentage of the Company's shareholdings in Jin Jiang Hotels Development will remain unchanged. As of now, Jin Jiang Hotels Development has received the "Notification of Acceptance of Application for CSRC Administrative Approval" from the CSRC. The implementation of the private placing of A shares by Jin Jiang Hotels Development is subject to approval by the PRC Ministry of Commerce and the CSRC.

Food and Restaurants

During the Reporting Period, the Group reported stable development of its food and restaurant operations through various brands of food and restaurant chains held through Jin Jiang Hotels Development, generating revenue of approximately RMB172,995,000 which represented a growth of approximately 7.6% as compared to the same period of last year and accounting for approximately 4.0% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development made a major effort to develop the corporate catering business, managing 42 corporate catering restaurants as at the end of the Reporting Period, as compared to 34 at the end of last year. As at 30 June 2014, Shanghai KFC, "New Asia Snacks" and "Shanghai Yoshinoya" had a total of 302, 63 and 18 outlets, respectively. "Chinoise Story" currently operates 2 feature restaurants. In addition, a "鼎味源" restaurant was managed by Shanghai Jinzhu Catering Management Co., Ltd. During the Reporting Period, the operating results of Shanghai KFC improved significantly as compared to the same period of last year.

Shanghai Jin Jiang International Catering Investment Co., Ltd. ("Jin Jiang International Catering"), a wholly-owned subsidiary of Jin Jiang Hotels Development, acquired 25% equity interest in Shanghai New Asia Café de Coral Company Limited in December 2013 with RMB11,369,000. As at the end of the Reporting Period, registration of changes with the industrial and commercial administration had been completed and the Company had been renamed as Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司).

Passenger Transportation Vehicles and Logistics

During the Reporting Period, passenger transportation vehicles and logistics business reported an operating revenue of approximately RMB1,050,484,000, representing growth of approximately 3.7% as compared to the same period of last year and accounting for approximately 24.3% of the Group's turnover.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the second-phase construction of “Jin Jiang Automobile Service Centre” entered the stage of final fitting work and full operation is scheduled for the second half of 2014. During the first half of 2014, auto sales increased by 27% as compared to the same period of last year in a further reflection of the cluster effect, while driving growth in our traditional passenger transportation business.

During the Reporting Period, Jin Jiang Automobile enhanced its economic efficiency on all fronts through vigorous market development, brand leveraging and in-depth cost control. The introduction of the e-platform for taxi calls has further enhanced our progress in e-commerce, while operating revenue from our online orders for vehicle services increased by 26% compared to the same period of last year, as we advanced joint development through proactive coordination and link-up with taxi calling software such as “Kuai Di (快的)” and “Di Di (滴滴)”.

During the Reporting Period, Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. strengthened its market research to identify and develop medium- to large-scale target customers amid intense market competition on the back of our brand advantage and management strengths. The utilisation ratio of our refrigerated storage reached 75% ahead of industry standards. During the Reporting Period, we commenced full construction of an integrated 10,000-tonne refrigerated storage with modern facilities, aiming to put it in operation as soon as practicable.

During the Reporting Period, the Shuijinyang project, a joint venture between Jin Jiang Investment and Shanghai Fisheries General Corporation (Group), continued to show steady progress, with new inroads made in the development of the end-user market. We also continued to develop the e-platform to drive synchronised progress of online and offline operations, and the products sold were immensely popular with the consumers.

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB884,631,000, representing a growth of approximately 0.3% as compared to the same period of last year and accounting for approximately 20.5% of the Group’s turnover.

During the Reporting Period, Jin Jiang Travel handled outbound travel for 82,200 travelers representing a decrease of 8.67%, inbound tours for 36,800 people representing a decrease of 4.66%, inbound reception for 58,800 people representing an increase of 10.53% and domestic travel of 53,800 people representing a decrease of 15.81%, as compared to the same period of last year.

During the Reporting Period, Yuyuan Sales Department, the first smart store outlet of Jin Jiang Travel, was officially opened during the first quarter of 2014 in a move to integrate online and offline channels, and was received by the market with enthusiastic response. Our agencies commenced channel cooperation with the website of Lvmama (驢媽媽), while the development and online operation of our official Weixin application “Jin Jiang Travel (錦江旅遊)” with positive market feedback.

During the Reporting Period, Jin Jiang Travel further optimised and adjusted its business structure with positive effects. Jin Jiang International Tourism Centre (錦江國際旅遊中心) organised and implemented approximately 30 marketing campaigns and attracted more than 2,500 tourists during the first half of 2014 following its official opening to create a sound marketing effect. The effort of our outbound travel business to increase new routes and enhance the development of new products was well received by the market. New-generation tourism products, as represented by the “Lining Up Friends for Travel (呼朋喚友)” brand, was driving the transition of traditional chartered tourism to leisure tourism.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2013 is set out as follows:

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	RMB in million	% of turnover	RMB in million	% of turnover
Full Service Hotels	927.3	21.5%	1,082.9	25.4%
Select Service Hotels	1,239.6	28.7%	1,081.8	25.3%
Food and restaurants	173.0	4.0%	160.7	3.8%
Passenger transportation vehicles and logistics	1,050.5	24.3%	1,013.1	23.7%
Travel agency	884.6	20.5%	881.7	20.6%
Other operations	47.8	1.0%	50.1	1.2%
Total	4,322.8	100.0%	4,270.3	100.0%

Full Service Hotels

The following table sets out the percentage of contribution from the Group's Full Service Hotels segment and other types of business to the Full Service Hotels segment's turnover for the Reporting Period and the same period in 2013:

	Six months ended 30 June 2014		Six months ended 30 June 2013	
	RMB in million	% of turnover	RMB in million	% of turnover
– Accommodation revenue	420.0	45.3%	484.6	44.8%
– Food and beverage sales	304.7	32.9%	396.8	36.6%
– Rendering of ancillary services	51.4	5.5%	56.5	5.2%
– Rental revenue	91.0	9.8%	90.1	8.3%
– Sales of hotel supplies	13.4	1.5%	8.5	0.8%
– Hotel management	46.8	5.0%	46.4	4.3%
Total	927.3	100.0%	1,082.9	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the rooms of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB419,967,000, representing a decrease of approximately 13.3% or RMB64,624,000 as compared to the same period in 2013. The aforesaid change reflected mainly the decrease in accommodation revenue as a result of the transfer of equity interest in Huating Hotel and Towers by the Group at the end of 2013 and the transfer of equity interest in Jin Yun Company (the main building of Galaxy Hotel), during the Reporting Period, resulting in a total impact of approximately RMB73,873,000. Moreover, accommodation revenue decreased following the redesignation of New Asia Hotel, Metropole Hotel, Hua Ting Guest House, Jinsha Hotel and Magnolia Hotel as Select Service Hotels during the first half of 2013 and the transfer of Y.M.C.A. Hotel to Jin Jiang Metropolo during the Reporting Period, resulting in a total impact of approximately RMB23,870,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Food and beverage sales

Food and beverage sales in the Group's hotels comprised catering for wedding banquet and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. During the Reporting Period, the sales revenue for food and beverage in Full Service Hotels amounted to approximately RMB304,754,000, representing a decrease of approximately 23.2% or RMB91,980,000 from the same period in 2013. The aforesaid change reflected mainly the decrease in revenue from food and beverage sales as a result of the transfer of equity interest in Huating Hotel and Towers by the Group at the end of 2013 and the transfer of equity interest in Jin Yun Company by the Group, during the Reporting Period, resulting in a total impact of approximately RMB53,676,000. Moreover, accommodation revenue decreased following the redesignation of New Asia Hotel, Metropole Hotel, Hua Ting Guest House, Jinsha Hotel and Magnolia Hotel as Select Service Hotels during the first half of 2013 and the transfer of Y.M.C.A. Hotel to Jin Jiang Metropolo during the Reporting Period, resulting in a total impact of approximately RMB14,033,000. Food and beverage sales were also negatively affected by the change in social sentiments and reduced expenses on banquets and conferences.

Rendering of ancillary services

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the rendering of ancillary services amounted to approximately RMB51,384,000, representing a decrease of approximately 9.1% or RMB5,146,000 from the same period of last year. The decrease was primarily due to the impact of the transfer of equity interests of Huating Hotel and Towers and Jin Yun Company and the redesignation of certain hotels to Select Service Hotels on the provision of ancillary services.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes as well as rental outsourcing of certain area for food and beverage. During the Reporting Period, rental revenue amounted to approximately RMB91,034,000, representing an increase of approximately 1.1% or RMB950,000 from the same period in 2013. During the Reporting Period, while rental revenue was affected by the transfer of equity interests of Huating Hotel and Towers and Jin Yun Company and the redesignation of certain hotels to Select Service Hotels, the online "Flex Property Lease Management System" of the Group further enhanced central management of leased properties and centralised streamlining of tenants and rental fees to optimize lease operations, resulting in a steady increase in rental revenue.

Sales of hotel supplies

Turnover from guest supplies and hotel products increased by approximately RMB4,886,000 from the same period of last year.

Hotel management revenue

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not owned by the Group. Revenue of Full Service Hotels management amounted to approximately RMB46,778,000 during the Reporting Period, representing an increase of approximately 0.8% or RMB363,000 as compared to the same period of last year. Despite the ongoing adverse impact of the macro-economic environment, there was steady growth in management fee income as the hotel management business overcame adversities and continued to develop new markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Select Service Hotels

The revenue of Select Service Hotels during the Reporting Period amounted to approximately RMB1,239,579,000, representing an increase of approximately RMB157,744,000 or approximately 14.6% as compared to the same period of last year. The increase was mainly due to the opening of 138 and 65 Select Service Hotels in 2013 and 2014 respectively, which increased the number of available rooms. Furthermore, the newly acquired Smart Hotels contributed revenue of approximately RMB98,570,000 and the newly acquired Da Hua Hotel, East Asia Hotel and Y.M.C.A. Hotel contributed operating revenue of approximately RMB33,550,000 in aggregate. Revenue from central room reservation channels amounted to approximately RMB22,534,000, representing an increase of approximately 29.5% as compared to the same period of last year.

Food and Restaurants

Revenue for food and restaurants segment was mainly derived from New Asia Café de Coral, Jing An Bakery, Jin Jiang International Catering, Chinese Story, and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB172,995,000, representing an increase of approximately RMB12,262,000 or approximately 7.6% as compared to the same period of last year. During the Reporting Period, the increase in food and restaurants revenue was primarily due to an increase of approximately RMB16,790,000 in revenue of group catering business as compared to the same period last year, offsetting a decrease in operating revenue of New Asia Café de Coral.

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue for passenger transportation vehicles and logistics was approximately RMB1,050,484,000, representing an increase of approximately 3.7% or approximately RMB37,389,000 as compared to same period of last year. The increase was primarily due to an increase in sales of automobiles of approximately RMB37,916,000.

Travel Agency

During the Reporting Period, the revenue of travel agency was approximately RMB884,631,000, representing an increase of approximately 0.3% or approximately RMB2,930,000 as compared to same period of last year. The increase was primarily due to constantly rapid development of outbound travel business, resulting in continuous uplift in operating revenue.

Other Operations

In addition, the Group also engages in other domestic business, including the provision of financial services via Jin Jiang International Finance and the provision of training services. During the Reporting Period, revenue of other operations was approximately RMB47,780,000, representing a decrease of approximately 4.7% as compared to the same period of last year, which was primarily due to a decrease in interest income from borrowings to related parties of Jin Jiang International Finance.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB3,491,753,000, representing an increase of approximately 1.2% as compared to the same period of last year. The increase was organically due to business expansion of Select Service Hotels and increase in revenue of travel agency, being offset by decrease in cost of sales due to the transfer of equity interests of Jin Yun Company and Hua Ting Hotel and Towers.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB831,025,000 for the Reporting Period, representing an increase of approximately RMB9,346,000 or approximately 1.1% as compared to the same period of last year.

Other Income

Other income for the Reporting Period amounted to approximately RMB1,383,849,000 (same period in 2013: approximately RMB211,725,000), representing an increase of approximately 553.6% as compared to the same period of last year. The increase was primarily due to a gain of approximately RMB1,109,652,000 on transfer of Jin Yun Company's equity interest in the Reporting Period as well as gain of approximately RMB94,432,000 (same period in 2013: approximately RMB55,546,000) on disposal available-for-sale financial assets, such as Changjiang Securities Company Limited and Shanghai Yuyuan Tourist Mart Co. Ltd. in the Reporting Period. Dividend received by the Group during the Reporting Period was approximately RMB83,244,000 (same period in 2013: approximately RMB99,614,000).

Sales and Marketing Expenses

Sales and marketing expenses comprised primarily of labor costs, travel agents commission and advertizing fees, which amounted to approximately RMB221,226,000 during the Reporting Period (same period in 2013: approximately RMB202,856,000), representing an increase of approximately 9.1% as compared to the same period of last year. The increase was mainly due to an increase in efforts on advertising promotion of the Full Service Hotels of the Group, increase in occupancy rate driven by the expansion of travel agency customers, resulting in elevation of our travel agents commission.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB1,064,813,000 (same period in 2013: approximately RMB376,611,000), representing an increase of approximately 182.7% as compared to the same period of last year. The increase was primarily due to the provision for staff resettlement costs of approximately RMB690,780,000, which was applied in redundancy payment, early retirement benefits and long-term employee benefits for the redundant employees during hotel renovations, in the Reporting Period.

Other Expenses

Other expenses for the Reporting Period, consisting primarily of bank charges and losses from the disposal of property, plant and equipment, amounted to approximately RMB48,882,000 (same period in 2013: approximately RMB22,516,000), representing an increase of approximately RMB26,366,000 as compared to the same period of last year.

Finance Cost

Finance cost comprises interest expenses in respect of the Group's bank borrowings. During the Reporting Period, finance cost was approximately RMB84,360,000 (same period in 2013: approximately RMB50,447,000), representing an increase of approximately 67.2% as compared to the same period of last year. The increase was primarily due to additional bank borrowings by the Group and increase in interest rate during the Reporting Period.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised share of results of joint ventures including IHR Group, Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ Transportation, and of associates including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Yangtze Hotel Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of joint ventures and associates for the Reporting Period was approximately RMB88,101,000 (same period in 2013: approximately RMB5,889,000). The share of results of Shanghai Kentucky Fried Chicken Company Limited for the Reporting Period increased by approximately RMB59,647,000 compared to the same period last year. The share of results of IHR Group increased by approximately RMB12,108,000 compared to the same period last year.

Taxation

The effective tax rate for the Reporting Period was approximately 30.2% (same period in 2013: approximately 22.1%). Rise in effective tax rate was mainly due to the issue of a series of detailed employee arrangement plans during the Reporting Period by the Company, provision for employee arrangement expenses and the recognition of the corresponding deferred tax assets according to expected profits in the future.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company was approximately RMB421,511,000 (same period in 2013: approximately RMB130,806,000), representing an increase of approximately RMB290,705,000 or approximately 222.2%.

Borrowings and Pledge of Assets

As at 30 June 2014, the borrowings included:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Borrowings included in non-current liabilities		
Bank borrowings — secured (a)	67,435	79,016
Bank borrowings — unsecured	1,491,331	1,592,332
Borrowings from related parties	—	304,845
Finance lease liabilities	22,303	23,588
	1,581,069	1,999,781
Less: current portion of long-term secured bank borrowings	(67,435)	(12,194)
current portion of long-term unsecured bank borrowings	(1,056,943)	(273,437)
current portion of long-term finance lease	(1,945)	(2,491)
	454,746	1,711,659
Borrowings included in current liabilities		
Bank borrowings — secured (b) and (c)	34,151	14,634
Bank borrowings — unsecured	1,504,664	1,493,907
Borrowings from related parties	100,000	348,000
Other borrowings — unsecured	5,000	5,000
Current portion of long-term secured bank borrowings (a)	67,435	12,194
Current portion of long-term unsecured bank borrowings	1,056,943	273,437
Current portion of long-term financial lease	1,945	2,491
	2,770,138	2,149,663

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, the secured bank borrowings include:

- (a) Bank borrowings of USD10,960,000, equivalent to RMB67,435,000 (31 December 2013: USD12,960,000, equivalent to RMB79,016,000), which were guaranteed by Jin Jiang International.
- (b) Bank borrowings of RMB24,151,000 (31 December 2013: RMB14,634,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.
- (c) Bank borrowings of RMB10,000,000 (31 December 2013: Nil), which were jointly guaranteed by a parent and a non-controlling shareholder of a subsidiary of the Group.

In the event of default of finance lease liabilities with carrying amount of RMB22,303,000 (31 December 2013: RMB23,588,000), titles of target lease assets with carrying amount of RMB19,934,000 (31 December 2013: RMB21,110,000) shall be transferred to the lessor.

Gearing Ratio

The gearing ratio (calculated as total borrowings divided by total assets) decreased from approximately 17.7% as at 31 December 2013 to approximately 15.9% as at 30 June 2014. The decrease in the gearing ratio was mainly due to the repayment of some borrowings of the Group.

TREASURY MANAGEMENT

The Group had cash and cash equivalents as at 30 June 2014 and 31 December 2013 amounting to approximately RMB3,154,582,000 and approximately RMB4,475,191,000 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 fully centralize cash resources and improve the efficiency of fund applications, the subsidiaries, joint ventures and associates of the Company deposit as much of their operation funds and surplus funds 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, and hence, reducing the Group's interest expenses on external bank borrowings.

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets held by the Group included 82,000,000 shares in Changjiang Securities Company Limited (000783.SZ), 42,973,976 shares in Bank of Communications Co., Ltd. (601328.SH), 13,880,893 shares in Yu Yuan Trade Mart (600655.SH) and 31,714,523 shares in Pudong Development Bank Co., Ltd (600000.SH).

HUMAN RESOURCES

For the six months ended 30 June 2014, the Group had approximately 30,500 employees. Currently, the Group has not set up share option schemes.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Reporting Period, the Group implemented structural adjustment of human resources for optimizing positions establishment and staff allocation, further enhancing its commercialization. For the six months ended 30 June 2014, administrative expenses of full service hotels segment consisted primarily of payment for redundancy scheme, early retirement scheme and staff benefit expenses under long-term staff benefit scheme for surplus staff of hotels under renovation of RMB690,780,000.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in global economic recovery, slowdown in domestic macro-economic growth, structural oversupply in the hotel industry and the rapid development of information technology relating to the Mobile Internet will continue to affect the development of the Group's principal business. With the implementation of the "Several Opinions of the State Council on Promoting the Reform and Development of the Tourism Industry" and the radiation effect of Shanghai Disneyland project, we can see bright future for the development of hotel and tourism industry in China sharing challenges and opportunities. Well-positioned to address these challenges and take these opportunities, the Group remains fully confident in its future development.

The Group will step up with the development of its core business and drive internationalization and industry upgrades. The synergies of our international acquisitions will be brought into full play in the formulation of long-term plans, as we seek to improve our management standards and core competitiveness, further advance our international deployment and strengthen our ability in multinational operations by learning from the expertise and experience of our foreign partners and leveraging the strategy of setting up international businesses while introducing foreign experiences to the domestic operations. The business development of IHR China will be expedited with a view to new breakthroughs in our third-party hotel management business.

The Group will seize the opportunity presented by the reform of state-owned assets to enhance its development towards a market-oriented corporation. We will advance reforms of our mechanisms and regimes and investigate new business and service models compatible with the age of Internet economy, while optimizing our market-based remuneration regime and risk and incentive mechanism. We will leverage our strengths in specialization to integrate the industry chains of hotel, passenger transport logistics and tourism, in a bid to enhance our business value. We will continue to improve the asset liquidity of the Company and further increase our overall asset return and enterprise value by converting and realigning our properties. The building of functional centres and system platforms will be optimized with the aim of improving quality and enhancing efficiency. Measures in cost reduction and income enhancement will be strengthened and improved, as our marketing network will be expanded through multiple channels, while personnel deployment and staff costs will also be optimized.

In line with its vision to build itself into a world-class brand name, the Group will further improve its branding system with further brand divisions and innovations as well as further efforts in the development of standards to enhance its international competitiveness. By strengthening our core competitive strengths in branding, network, human resources and management systems, we will strive to develop into a leader in the hotel and tourism industry in the PRC with international competitiveness.

OTHER INFORMATION

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

INTERESTS IN SHARES OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

As at 30 June 2014, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 30 June 2014, two Directors, namely Mr. Yu Minliang and Mr. Yang Weimin, held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares held in Jin Jiang Hotels Development	Nature of interest	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0024%
Yang Weimin	497,339	Long position	Beneficial owner	0.0824%

Save as disclosed above, as at 30 June 2014, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executive or Supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 30 June 2014, so far as the Directors are aware, the following persons (other than a Director, chief executive or Supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (long position)	Beneficial owner	100%	75%
Kwok Hoi Hing	H shares	153,092,00 (long position)	Beneficial owner	11.00%	2.75%
Norges Bank	H shares	84,856,000 (long position)	Beneficial owner	6.10%	1.52%
JPMorgan Chase & Co.	H shares	2,000 (long position)	Beneficial owner	0.00%	0.00%
		4,208,000 (long position)	Investment manager	0.30%	0.08%
		95,754,000 (long position) (lending pool)	Custodian — corporation/ approved lending agent	6.88%	1.72%

Save as disclosed above and so far as the Directors are aware, as at 30 June 2014, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee held meetings on 25 March 2014 and 22 August 2014 respectively. The consolidated financial statements for the year ended 31 December 2013 and the unaudited condensed consolidated interim financial statements as at 30 June 2014 of the Group were respectively reviewed at such meetings. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2014 and agreed with the accounting treatment adopted by the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the Reporting Period, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 TO THE LISTING RULES

The Board is pleased to confirm that the Group has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Reporting Period.

By order of the Board

Yu Minliang

Chairman of the Board

27 August 2014

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

	Note	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	6,996,876	7,074,106
Investment properties	7	224,747	227,888
Land use rights	7	1,997,244	2,030,284
Intangible assets	7	425,813	431,655
Investments in joint ventures		1,386,747	1,412,158
Investments in associates		532,191	538,175
Available-for-sale financial assets		1,625,733	1,888,002
Deferred income tax assets		282,671	490,905
Trade receivables, prepayments and other receivables	8	113,165	106,127
		13,585,187	14,199,300
Current assets			
Financial assets at fair value through profit or loss		101,220	80,662
Available-for-sale financial assets		124,176	121,780
Inventories		183,102	176,596
Trade receivables, prepayments and other receivables	8	1,553,281	1,305,785
Restricted cash and bank deposits with maturities ranging from 3 months to 12 months		866,283	1,369,680
Cash and cash equivalents		3,154,582	4,475,191
		5,982,644	7,529,694
Non-current assets held for sale	9	671,200	107,113
		6,653,844	7,636,807
Total assets		20,239,031	21,836,107

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2014

	Note	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		5,566,000	5,566,000
Reserves	10	2,097,262	1,999,514
— Proposed dividend	17	—	250,470
— Others		2,097,262	1,749,044
		7,663,262	7,565,514
Non-controlling interests		4,268,568	4,384,366
Total equity		11,931,830	11,949,880
LIABILITIES			
Non-current liabilities			
Borrowings	12	454,746	1,711,659
Deferred income tax liabilities		475,252	500,402
Trade and other payables	11	593,166	210,725
		1,523,164	2,422,786
Current liabilities			
Borrowings	12	2,770,138	2,149,663
Income tax payable		85,925	546,951
Dividend payable to shareholders of the Company		250,470	—
Trade and other payables	11	3,624,579	4,766,827
		6,731,112	7,463,441
Liabilities directly associated with non-current assets	9	52,925	—
		6,784,037	7,463,441
Total liabilities		8,307,201	9,886,227
Total equity and liabilities		20,239,031	21,836,107
Net current (liabilities)/assets		(130,193)	173,366
Total assets less current liabilities		13,454,994	14,372,666

The notes on pages 33 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Revenue	6(a)	4,322,778	4,270,339
Cost of sales	14	(3,491,753)	(3,448,660)
Gross profit		831,025	821,679
Other income	13	1,383,849	211,725
Selling and marketing expenses	14	(221,226)	(202,856)
Administrative expenses	14	(1,064,813)	(376,611)
Other expenses		(48,882)	(22,516)
Operating profit		879,953	431,421
Finance costs		(84,360)	(50,447)
Share of results of joint ventures and associates		88,101	5,889
Profit before income tax		883,694	386,863
Income tax expense	15	(266,645)	(85,373)
Profit for the period		617,049	301,490
Attributable to:			
Shareholders of the Company		421,511	130,806
Non-controlling interests		195,538	170,684
		617,049	301,490
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB cents per share)			
— basic and diluted	16	7.57	2.35

The notes on pages 33 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Dividends	17	—	—

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit for the period	617,049	301,490
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Fair value changes on available-for-sale financial assets — gross	(111,399)	(273,177)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	(93,224)	(59,062)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	51,155	83,060
Currency translation differences	5,887	(1,269)
Total other comprehensive income for the period	(147,581)	(250,448)
Total comprehensive income for the period	469,468	51,042
Attributable to:		
— Shareholders of the Company	350,415	(1,157)
— Non-controlling interests	119,053	52,199
	469,468	51,042

The notes on pages 33 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2014	5,566,000	269,092	1,730,422	7,565,514	4,384,366	11,949,880
Comprehensive income:						
Profit for the period	—	—	421,511	421,511	195,538	617,049
Other comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	(56,072)	—	(56,072)	(55,327)	(111,399)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(46,571)	—	(46,571)	(46,653)	(93,224)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	25,660	—	25,660	25,495	51,155
Currency translation differences	—	5,887	—	5,887	—	5,887
Total other comprehensive income	—	(71,096)	—	(71,096)	(76,485)	(147,581)
Total comprehensive income	—	(71,096)	421,511	350,415	119,053	469,468
Transaction with owners:						
Dividends to non-controlling interests	—	—	—	—	(225,679)	(225,679)
Dividends declared (note 17)	—	—	(250,470)	(250,470)	—	(250,470)
Acquisition of equity interests in a subsidiary from a non-controlling interest	—	(2,197)	—	(2,197)	(9,172)	(11,369)
Total transactions with owners	—	(2,197)	(250,470)	(252,667)	(234,851)	(487,518)
Balance at 30 June 2014	5,566,000	195,799	1,901,463	7,663,262	4,268,568	11,931,830

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

For the six months ended 30 June 2014

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2013	5,566,000	222,355	1,524,034	7,312,389	4,823,056	12,135,445
Comprehensive income:						
Profit for the period	—	—	130,806	130,806	170,684	301,490
Other comprehensive income:						
Fair value changes on available-for-sale financial assets — gross	—	(144,556)	—	(144,556)	(128,621)	(273,177)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(29,703)	—	(29,703)	(29,359)	(59,062)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	43,565	—	43,565	39,495	83,060
Currency translation differences	—	(1,269)	—	(1,269)	—	(1,269)
Total other comprehensive income	—	(131,963)	—	(131,963)	(118,485)	(250,448)
Total comprehensive income	—	(131,963)	130,806	(1,157)	52,199	51,042
Transaction with owners:						
Dividends to non-controlling interests	—	—	—	—	(211,659)	(211,659)
Dividends declared (note 17)	—	—	(166,980)	(166,980)	—	(166,980)
Capital contribution from non-controlling interests	—	—	—	—	25,481	25,481
Total transactions with owners	—	—	(166,980)	(166,980)	(186,178)	(353,158)
Balance at 30 June 2013	5,566,000	90,392	1,487,860	7,144,252	4,689,077	11,833,329

The notes on pages 33 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Cash flows from operating activities:			
Cash generated from operations		531,163	476,682
Net (decrease)/increase in deposits from customers (*)		(1,684,093)	184,260
Net decrease in loans to customers (*)		119,500	192,500
Interest paid		(86,743)	(48,233)
Income tax paid		(403,348)	(125,634)
Transaction costs in relation to business combination		—	(2,900)
Net cash (used in)/generated from operating activities		(1,523,521)	676,675
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		21,022	29,568
Proceeds from disposal of available-for-sale financial assets		243,773	154,475
Proceeds from disposal of financial assets at fair value through profit or loss		99,112	723
Proceeds from disposal of a subsidiary	1(a)	625,056	—
Proceeds for a transaction of a subsidiary to be disposed	1(b)	227,706	—
Purchase of property, plant and equipment		(452,888)	(328,530)
Purchase of intangible assets		(1,687)	(4,949)
Purchase of available-for-sale financial assets		(93,246)	(110,429)
Purchase of financial assets at fair value through profit or loss		(117,310)	(703)
Loans granted to related parties		(201,500)	—
Cash outflow for increase in investments in a joint venture		—	(3,151)
Cash outflow for increase in investments in associates		—	(5,385)
Bank deposits with maturities ranging from 3 months to 12 months		510,000	20,000
Interest received		38,800	11,798
Dividends received		77,335	58,734
Net of cash outflow for business combination		(11,866)	(628,085)
Repayments of borrowings for business combination		—	(635,535)
Repayment of the deposits for disposal of interests in an associate		—	(20,000)
Net cash generated from/(used in) investing activities		964,307	(1,461,469)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		—	25,481
Proceeds from borrowings	12	1,764,692	2,144,753
Repayments of borrowings and finance leases	12	(2,408,854)	(738,374)
Dividends paid to non-controlling interests		(121,588)	(129,237)
Net cash (used in)/generated from financing activities		(765,750)	1,302,623
(Decrease)/increase in cash and cash equivalents		(1,324,964)	517,829
Cash and cash equivalents at beginning of the period		4,475,191	2,536,253
Exchange gains/(losses) on cash and cash equivalents		4,355	(2,607)
Cash and cash equivalents at end of the period		3,154,582	3,051,475

* The deposits/loans from/to customers of Jin Jiang International Finance Company Limited, a subsidiary of the Company and non-bank finance company, are included in the cash flows from operating activities.

The notes on pages 33 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1 GENERAL INFORMATION

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

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

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

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

On 16 February 2011, 1,001,000,000 ordinary shares of RMB1 per share were issued and allotted to Jin Jiang International as part of the consideration to acquire Shanghai Jin Jiang International Industrial Investment Co., Ltd. (“Jin Jiang Investment”) and Shanghai Jin Jiang International Travel Co., Ltd. (“Jin Jiang Travel”) (the “Acquisition”). Accordingly, the share capital of the Company was increased to RMB5,566,000,000.

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

The Group is principally engaged in investment and operation of hotels and related businesses (the “Hotel Related Businesses”) in Mainland China and the United States of America (“US”), investment and operation of passenger transportation vehicles, logistics and related businesses (the “Vehicles and Logistics Business”) and investment and operation of travel agency and related businesses (the “Travel Agency Business”) in Mainland China.

These unaudited condensed consolidated interim financial statements were approved for issue by the board (the “Board”) of directors (the “Director”) of the Company on 27 August 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

1 GENERAL INFORMATION (CONTINUED)

Key events

(a) The disposal of 100% equity interest in Shanghai Jin Yun Assets Management Co., Ltd. ("Jin Yun Company")

In October 2013, Shanghai Galaxy Hotel Co., Ltd ("Galaxy Hotel") and Shanghai Jin Jiang Hotel Co., Ltd. ("Jin Jiang Hotel"), two of which are wholly-owned subsidiaries of the Group, established a new subsidiary named Jin Yun Company. Galaxy Hotel contributed capital in forms of cash of RMB23,200,000, property, plant and equipment with carrying amount of RMB66,781,000 and land use rights with carrying amount of RMB16,332,000, and Jin Jiang Hotel contributed capital in forms of cash of RMB800,000. The fair value of related property, plant and equipment and land use right was RMB1,239,128,000. Upon the completion of the capital contribution, Galaxy Hotel and Jin Jiang Hotel held 99% and 1% equity interest in Jin Yun Company.

In November 2013, the Board approved the proposal of the disposal of 100% equity interest in Jin Yun Company. In December 2013, Galaxy Hotel and Jin Jiang Hotel announced information on the official website of Shanghai United Assets and Equity Exchange ("SHUAEE") in connection with the disposal of the 100% equity interest in Jin Yun Company for a price of RMB1,262,468,000 through an open listing process.

On 28 January 2014, an equity transfer agreement was entered into between Galaxy Hotel, Jin Jiang Hotel (the "Transferors") and Shanghai Sheng Yu Assets Management Co., Ltd ("Sheng Yu Company"), pursuant to which the Transferors agreed to transfer the 100% equity interest in Jin Yun Company to Sheng Yu Company for a cash consideration of RMB1,262,468,000. On 27 February 2014, the amendment to the equity transfer agreement was entered into between the Transferors and Sheng Yu Company, pursuant to which the cash consideration was revised from RMB1,262,468,000 to RMB1,225,600,000.

As at 30 June 2014, the Transferors have received 51% of the total consideration amounted to RMB625,056,000 and the transaction has been completed. In July 2014, the Transferors also received the remaining 49% of the total consideration amounted to RMB600,544,000.

(b) The disposal of 90% equity interest in Galaxy Hotel

On 8 April 2014, the Company published the information on the official website of SHUAEE in relation to the transfer of 90% equity interest in Galaxy Hotel, a wholly-owned subsidiary of the Group, through an open listing process.

On 9 May 2014, the equity transfer agreement (the "Equity Transfer Agreement") entered into by the Company and Shanghai Sheng Pu Investment Management Co., Ltd. ("Sheng Pu Investment"), pursuant to which the Company agreed to transfer its 90% equity interest in Galaxy Hotel to Sheng Pu Investment at a cash consideration of RMB759,020,000. As at 30 June 2014, the Company received 30% of the total consideration amounted to RMB227,706,000 and the transaction was not completed.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

1 GENERAL INFORMATION (CONTINUED)**Key events (continued)***(c) The disposal of 57% equity interest in Shanghai New Garden Hotel*

On 27 May 2014, the Company and Jin Jiang International Northern Company Limited (“Jin Jiang International Northern”, a wholly-owned subsidiary of Jin Jiang International) entered into an asset transaction contract (the “Asset Transaction Contract”), pursuant to which the Company agreed to transfer its 57% interest in Shanghai New Garden Hotel, a joint venture of the Company, to Jin Jiang International Northern Company for a cash consideration of RMB14,674,000 by way of negotiated assignment through SHUAEE. Upon completion of the Asset Transaction Contract, the Company ceases to hold any interest in Shanghai New Garden Hotel and Shanghai New Garden Hotel is no longer a joint venture of the Company. As at 30 June 2014, the transaction was completed. In July 2014, the Company received the total consideration of RMB14,674,000.

(d) The proposed private placing of shares by Shanghai Jin Jiang International Hotels Development Company Limited (“Jin Jiang Hotels Development”)

On 13 June 2014, a resolution on the proposed private placing was considered and approved by the board of Jin Jiang Hotels Development, a subsidiary of the Company, which is a joint stock limited company established in PRC with its A shares and B shares listed on the Shanghai Stock Exchange. On the same day, the Company, Jin Jiang Hotels Development and Hony (Shanghai) Equity Interest Investment Fund Centre (Limited Partnership) (“Hony Investment Fund”) entered into the “Conditional Private Placing Share Subscription Agreement” (the “Share Subscription Agreement”). Pursuant to the said resolution and the Share Subscription Agreement, Jin Jiang Hotels Development proposed to conduct a private placing of 201,277,000 A shares at an issue price of RMB15.08 with a nominal value of RMB1.00 per share to Hony Investment Fund and the Company. Hony Investment Fund and the Company will be issued 100,000,000 shares and 101,277,000 shares, respectively. The Company’s interest in Jin Jiang Hotels Development as a percentage of Jin Jiang Hotels Development’s total issued share capital will be maintained at 50.32% before and after the completion of the private placing of shares by Jin Jiang Hotels Development. The private placing is intended to raise total proceeds of not more than RMB3,035,257,000.

In June 2014, Jin Jiang Hotels Development received the “Reply on the Approval of the Private Placing of Shares by Shanghai Jin Jiang International Hotels Development Company Limited (Hu Guo Zi Wei Chan Quan 2014 No. 152)” from Shanghai SASAC, pursuant to which the proposed private placing of shares by Jin Jiang Hotels Development was approved in principle.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

As at 30 June 2014, the Group’s current liabilities exceeded its current assets by RMB130,193,000. Its current liabilities as at 30 June 2014 included the current borrowing of Jin Jiang Hotels Development amounted to RMB1,000,000,000 to pay the cash consideration and repay the borrowing for the business combination of Smart Hotels Management Company Limited (“Smart Hotels”). Jin Jiang International has agreed to provide all necessary financial support to Jin Jiang Hotels Development to meet its debts and commitments as they fall due to at least within the coming twelve months.

As disclosed in Note 1(d), Jin Jiang Hotels Development has proposed the private placing, which is intended to raise total proceeds of not more than RMB3,035,257,000. As at 27 August 2014, the proposed private placing of shares by Jin Jiang Hotels Development is subject to approval of the Ministry of Commerce of PRC and sanction by the China Securities Regulatory Commission (“CSRC”).

As a result, the Directors believe that the Group will be able to meet its debts and commitments as they fall due at least within the coming twelve months and accordingly have prepared the unaudited condensed consolidated interim financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2013, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Standards, amendments and interpretations to existing standards effective in 2014 but not material impact to the Group:

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014
Amendment to HKAS 36	Impairment of assets	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:**

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
Annual improvements 2012	Affect the following standards	1 July 2014
	<ul style="list-style-type: none"> • HKFRS 2, 'Share-based payment' • HKFRS 3, 'Business combinations' and consequential amendments to HKFRS 9, 'Financial instruments', HKAS 37, 'Provisions, contingent liabilities and contingent assets', and HKAS 39, 'Financial instruments — Recognition and measurement' • HKFRS 8, 'Operating segments' • HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' • HKAS 24, 'Related Party Disclosures' 	
Annual improvements 2013	Affect the following standards	1 July 2014
	<ul style="list-style-type: none"> • HKFRS 3, 'Business combinations' • HKFRS 13, 'Fair value measurement' • HKAS 40, 'Investment property' 	
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	1 January 2016
HKFRS 15	Revenue from contracts from customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

4 ESTIMATES

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013.

There have been no material changes in the risk management department or in any material risk management policies since 31 December 2013.

(b) Fair value estimation

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

5 FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Fair value estimation (continued)**

The fair value measurements by level of the fair value measurement hierarchy were as follows:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2014				
Available-for-sale financial assets				
— Equity securities	1,356,646	—	125,989	1,482,635
— Debenture securities	—	124,176	—	124,176
Financial assets at fair value through profit or loss				
— Equity securities	544	—	—	544
— Debenture securities	100,676	—	—	100,676
	1,457,866	124,176	125,989	1,708,031
As at 31 December 2013				
Available-for-sale financial assets				
— Equity securities	1,618,915	—	125,989	1,744,904
— Debenture securities	—	121,780	—	121,780
Financial assets at fair value through profit or loss				
— Equity securities	662	—	—	662
— Convertible bond	80,000	—	—	80,000
	1,699,577	121,780	125,989	1,947,346

For the six months ended 30 June 2014, there were no material changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2014, there were no reclassifications of financial assets.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair value estimation (continued)

Fair value measurements using quoted prices (Level 1)

The Group's investments in equity securities in level 1 mainly comprise investments in shares which are listed on Shanghai Stock Exchange and Shenzhen Stock Exchange in Mainland China. The fair values of the listed securities are determined based on the quoted market prices at the balance sheet date.

Valuation techniques used to derive fair value (Level 2)

The Group's investments in debenture securities in level 2 are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debenture securities of the counterparties.

Fair value measurements using significant unobservable inputs (Level 3)

For the Group's investments in equity securities in level 3 that are not publicly traded, the Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. In connection with the investments in these equity securities, the Group adopts income approaches. The income approach adopts a discounted cash flow method to assess the fair value of the available-for-sale financial assets. Under this methodology, fair value is determined by discounting the projected cash flow of the investee companies to present worth based on profit and cash flows forecast and other relevant information provided by the investee companies.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the six months ended 30 June 2014.

In preparing the unaudited consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

6 TURNOVER AND SEGMENT INFORMATION

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

The executive committee assesses the performance according to six main business segments as follows:

- (1) Full Service Hotels: ownership, operation and management of full service hotels;
- (2) Select Service Hotels: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels owned by other parties;
- (3) Food and Restaurants: operation of fast food or upscale restaurants, moon cake production and related investments;
- (4) Passenger Transportation Vehicles and Logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;
- (5) Travel Agency: provision of travel agency and related services; and
- (6) Other Operations: intra-group financial services, training and education, and corporate function.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover

The Group's revenue which represents turnover for the six months ended 30 June 2014 is as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Full Service Hotels	927,309	1,082,860
— Accommodation revenue	419,967	484,591
— Food and beverage sales	304,754	396,734
— Rendering of ancillary services	51,384	56,530
— Rental revenue	91,034	90,084
— Sales of hotel supplies	13,392	8,506
— Hotel management	46,778	46,415
Select Service Hotels	1,239,579	1,081,835
— Accommodation revenue	910,452	758,030
— Food and beverage sales	84,372	97,312
— Rendering of ancillary services	21,032	15,902
— Rental revenue	16,713	13,825
— Sales of hotel supplies	13,763	16,610
— Hotel management, franchise and reservation distribution fee	150,561	141,915
— Revenue under customer royalty programme	42,686	38,241
Food and Restaurants	172,995	160,733
Passenger Transportation Vehicles and Logistics	1,050,484	1,013,095
— Vehicle operating	603,390	604,169
— Trading of automobile	377,063	339,147
— Refrigerated logistics	58,406	58,330
— Others	11,625	11,449
Travel Agency	884,631	881,701
— Travel agency	866,786	864,003
— Others	17,845	17,698
Other Operations	47,780	50,115
	4,322,778	4,270,339

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 for the six months ended 30 June 2014 (30 June 2013: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

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

The segment results for the six months ended 30 June 2014 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 6(a))	927,309	1,239,579	172,995	1,050,484	884,631	47,780	4,322,778
Inter-segment sales	5,887	965	1,966	2,320	23	18,289	29,450
Total gross segment sales	933,196	1,240,544	174,961	1,052,804	884,654	66,069	4,352,228
Profit for the period	262,587	92,620	33,256	122,665	38,419	67,502	617,049
Other income (note 13)	1,168,980	14,576	28,342	23,709	40,996	107,246	1,383,849
Including: interest income (note 13)	38,484	529	47	5,891	4,131	503	49,585
Depreciation of property, plant and equipment (note 7)	(105,576)	(176,315)	(4,176)	(116,857)	(3,636)	(1,909)	(408,469)
Depreciation of investment properties (note 7)	(815)	—	—	(256)	(2,070)	—	(3,141)
Amortization of land use rights (note 7)	(8,860)	(12,414)	—	(670)	—	(297)	(22,241)
Amortization of intangible assets (note 7)	(2,032)	(4,495)	(697)	—	(257)	(45)	(7,526)
Reversal of impairment of trade receivables, prepayments and other receivables (note 14)	157	103	—	—	—	—	260
Reversal of inventories write-down (note 14)	26	—	—	—	—	—	26
Finance costs	(55,445)	(686)	—	(1,568)	—	(26,661)	(84,360)
Share of results of joint ventures and associates	(142)	—	25,014	63,497	(1,429)	1,161	88,101
Income tax expense (note 15)	(184,213)	(40,388)	(799)	(19,968)	(4,690)	(16,587)	(266,645)
Capital expenditure	2,234	181,512	1,841	209,611	5,331	770	401,299

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment results for the six months ended 30 June 2013 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 6(a))	1,082,860	1,081,835	160,733	1,013,095	881,701	50,115	4,270,339
Inter-segment sales	5,630	2,029	2,773	1,665	718	16,194	29,009
Total gross segment sales	1,088,490	1,083,864	163,506	1,014,760	882,419	66,309	4,299,348
Profit for the period	288	118,496	2,558	114,971	32,916	32,261	301,490
Other income (note 13)	14,065	12,710	57,579	18,897	36,001	72,473	211,725
Including: interest income (note 13)	1,192	561	83	4,578	3,478	692	10,584
Depreciation of property, plant and equipment (note 7)	(142,693)	(137,902)	(4,593)	(124,743)	(2,802)	(4,787)	(417,520)
Depreciation of investment properties (note 7)	(78)	—	—	(256)	(2,074)	—	(2,408)
Amortization of land use rights (note 7)	(23,895)	(3,668)	(51)	(670)	—	(400)	(28,684)
Amortization of intangible assets (note 7)	(2,696)	(4,272)	(568)	—	(257)	(169)	(7,962)
Reversal of impairment of trade receivables, prepayments and other receivables (note 14)	10,385	—	—	—	1	—	10,386
Reversal of inventories write-down (note 14)	29	—	—	—	—	—	29
Finance costs	(38,706)	(1,593)	(74)	(1,080)	—	(8,994)	(50,447)
Share of results of joint ventures and associates	(7,274)	—	(34,434)	53,311	(6,945)	1,231	5,889
Income tax expense (note 15)	(4,818)	(39,581)	(582)	(20,063)	(6,051)	(14,278)	(85,373)
Capital expenditure	35,196	1,969,520	6,429	243,713	4,488	450	2,259,796

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

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

The segment assets as at 30 June 2014 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
Segment assets	4,867,538	5,832,072	143,135	2,739,922	1,410,180	3,327,246	18,320,093
Investments in joint ventures	1,030,763	—	—	354,194	—	1,790	1,386,747
Investments in associates	50,872	—	155,809	302,823	14,491	8,196	532,191
Total assets	5,949,173	5,832,072	298,944	3,396,939	1,424,671	3,337,232	20,239,031

The segment assets as at 31 December 2013 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
Segment assets	5,256,099	5,857,803	148,252	2,581,219	1,297,743	4,744,658	19,885,774
Investments in joint ventures	1,029,252	—	—	365,049	—	17,857	1,412,158
Investments in associates	47,230	—	133,667	334,322	15,921	7,035	538,175
Total assets	6,332,581	5,857,803	281,919	3,280,590	1,313,664	4,769,550	21,836,107

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

Other income in the segment of "Full Service Hotels" for the six months ended 30 June 2014 mainly includes a gain on disposal of a subsidiary of RMB1,109,652,000 (for the six months ended 30 June 2013: nil). Administrative expensed in the segment of "Full Service Hotels" for the six months ended 30 June 2014 includes the employee benefit expense of RMB690,780,000 (note 14) for termination plan, early retirement plan and redundant employee plan for hotel renovation (for the six months ended 30 June 2013: nil).

Unallocated costs which mainly represent corporate expenses are included in the segment of "Other Operations". Other income in the segment of "Other Operations" for the six months ended 30 June 2014 mainly includes gains on disposal of available-for-sale financial assets of RMB82,198,000 (for the six months ended 30 June 2013: RMB40,069,000).

Segment assets consist of all assets except for investments in joint ventures and investments in associates. They also include goodwill recognised arising from acquisition of subsidiaries relating to the respective segments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 7), land use rights (note 7) and intangible assets (note 7) including additions resulting from acquisition through business combination and prepayment for capital expenditure.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

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

	Property, plant and equipment	Investment properties	Land use rights	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2014	13,057,652	313,684	2,331,084	511,780
Additions	399,612	—	—	1,687
Transferred to non-current assets held for sale (note 9)	(169,482)	—	(13,897)	(13)
Disposals	(147,478)	—	—	—
At 30 June 2014	13,140,304	313,684	2,317,187	513,454
At 1 January 2013	13,207,162	256,786	2,157,657	451,401
Additions resulting from acquisition through business combination	1,764,617	—	—	52,288
Additions	437,941	—	—	4,950
Transfer	7,557	(7,557)	—	—
Disposals	(228,763)	—	—	—
At 30 June 2013	15,188,514	249,229	2,157,657	508,639
Accumulated depreciation, amortization and impairment				
At 1 January 2014	(5,983,546)	(85,796)	(300,800)	(80,125)
Depreciation and amortization charge for the period (note 14)	(408,469)	(3,141)	(22,241)	(7,526)
Transferred to non-current assets held for sale (note 9)	118,480	—	3,098	10
Disposals	130,107	—	—	—
At 30 June 2014	(6,143,428)	(88,937)	(319,943)	(87,641)
At 1 January 2013	(6,180,712)	(70,977)	(290,238)	(64,982)
Depreciation and amortization charge for the period (note 14)	(417,520)	(2,408)	(28,684)	(7,962)
Transfer	(2,369)	2,369	—	—
Disposals	208,030	—	—	—
At 30 June 2013	(6,392,571)	(71,016)	(318,922)	(72,944)
Net book amount				
At 30 June 2014	6,996,876	224,747	1,997,244	425,813
At 30 June 2013	8,795,943	178,213	1,838,735	435,695

The fair value of the investment properties is approximately RMB882,499,000 (31 December 2013: approximately RMB882,499,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables	369,884	277,227
Less: provision for impairment of trade receivables	(7,728)	(7,876)
Trade receivables — net	362,156	269,351
Amounts due from related parties (note 19(b))	762,498	743,328
Prepayments and deposits	379,049	285,686
Accrual rental revenue	26,458	23,752
Dividends receivable	51,936	—
Value-added tax (“VAT”) recoverable	21,690	22,592
Prepayments for acquisition of non-controlling interests	—	11,369
Other receivables	67,442	60,425
Less: provision for impairment of amounts due from related parties and other receivables	(4,783)	(4,591)
Prepayments and other receivables - net	1,304,290	1,142,561
	1,666,446	1,411,912
Less: non-current portion of trade receivables, prepayments and other receivables	(113,165)	(106,127)
Current portion of trade receivables, prepayments and other receivables	1,553,281	1,305,785
Non-current portion of trade receivables, prepayments and other receivables:		
Amounts due from related parties	17,947	—
Prepayments and deposits	60,810	73,579
Accrual rental revenue	26,458	23,752
Other receivables	7,950	8,796
	113,165	106,127

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
0 to 3 months	341,600	255,472
3 months to 1 year	22,583	15,385
Over 1 year	5,701	6,370
	369,884	277,227

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

9 NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

As disclosed in Note 1(b), the assets and liabilities of Galaxy Hotel to be disposed were remeasured at the lower of carrying amount and fair value less cost to sell as at 30 June 2014.

The major classes of assets and liabilities of the Galaxy Hotel as follow:

	At 30 June 2014 RMB'000
Assets classified as held for sale:	
— Property, plant and equipment	51,002
— Land use rights	10,799
— Intangible assets	3
— Deferred income tax assets	1
— Inventories	768
— Trade receivables, prepayments and other receivables (a)	608,478
— Cash and cash equivalents	149
Total assets	671,200
Liabilities directly associated with assets classified as held for sale (b):	
— Trade and other payables	(43,749)
— Income taxes payable	(9,176)
Total liabilities	(52,925)
Total net assets	618,275

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

9 NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

- (a) As at 30 June 2014, the balance mainly included the remaining 49% consideration of the disposal of 99% equity interest in Jin Yun Company by Galaxy Hotel amounted to RMB594,538,000 and the related interest receivables resulted from the remaining consideration amounted to RMB11,525,000.
- (b) As at 30 June 2014, Galaxy Hotel's dividend payable to the Company amounted to RMB542,000,000 has been eliminated in the consolidated interim balance sheet, and was not included in the liabilities directly associated with assets classified as held for sale.

Non-current assets held for sale as at 31 December 2013:

As disclosed in Note 1(a), in November 2013, the Board approved the proposal of the disposal of 100% equity interest in Jin Yun Company. In December 2013, Galaxy Hotel and Jin Jiang Hotel announced information on the official website of SHUAAE in connection with the disposal of the 100% equity interest in Jin Yun Company for a price of RMB1,262,468,000 through an open listing process. The net assets of Jin Yun Company with carrying amount of RMB107,113,000, including property, plant and equipment with carrying amount of RMB66,781,000 and land use rights with carrying amount of RMB16,332,000, were classified as non-current assets held for sale as current assets in the consolidated balance sheet of the Group as at 31 December 2013.

10 RESERVES

	Other reserves					Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve (ii) RMB'000	Merger reserve (iii) RMB'000	Available- for- sales financial assets (iv) RMB'000	Currency translation differences RMB'000			
At 31 December 2013	2,043,808	541,275	(2,886,243)	584,767	(14,515)	269,092	1,730,422	1,999,514
Profit for the period	—	—	—	—	—	—	421,511	421,511
Fair value changes on available-for-sale financial assets-gross	—	—	—	(56,072)	—	(56,072)	—	(56,072)
Transfer of fair value changes on disposal of available-for-sale financial assets-gross	—	—	—	(46,571)	—	(46,571)	—	(46,571)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	—	25,660	—	25,660	—	25,660
Dividends declared (note 17)	—	—	—	—	—	—	(250,470)	(250,470)
Acquisition of equity interests in a subsidiary from non-controlling interests	(2,197)	—	—	—	—	(2,197)	—	(2,197)
Currency translation differences	—	—	—	—	5,887	5,887	—	5,887
At 30 June 2014	2,041,611	541,275	(2,886,243)	507,784	(8,628)	195,799	1,901,463	2,097,262

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

10 RESERVES (CONTINUED)

	Other reserves							Retained earnings RMB'000	Total RMB'000
	Capital surplus (i) RMB'000	Statutory and discretionary surplus reserve		Available-for-sales financial assets (iv) RMB'000	Currency translation differences RMB'000	Total RMB'000			
		(ii) RMB'000	Merger reserve (iii) RMB'000						
At 31 December 2012	1,981,072	470,871	(2,886,243)	671,316	(14,661)	222,355	1,524,034	1,746,389	
Profit for the period	—	—	—	—	—	—	130,806	130,806	
Fair value changes on available-for-sale financial assets-gross	—	—	—	(144,556)	—	(144,556)	—	(144,556)	
Transfer of fair value changes on disposal of available-for-sale financial assets-gross	—	—	—	(29,703)	—	(29,703)	—	(29,703)	
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	—	—	43,565	—	43,565	—	43,565	
Dividends declared (note 17)	—	—	—	—	—	—	(166,980)	(166,980)	
Currency translation differences	—	—	—	—	(1,269)	(1,269)	—	(1,269)	
At 30 June 2013	1,981,072	470,871	(2,886,243)	540,622	(15,930)	90,392	1,487,860	1,578,252	

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

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

The transfer to statutory and discretionary reserves must be made before distribution of dividends to shareholders. These reserves shall only be used to make good previous years' losses, to expand production operations, or to increase the capital of the Company. The Company may transfer the statutory surplus reserve into share capital, provided that the balance of the statutory surplus reserve after such transfer is not less than 25% of the registered capital.

(iii) Merger reserve represents the net effect arising from the application of merger accounting for business combinations resulting from transactions among entities under common control. It includes (1) the paid-in capital of certain subsidiaries, which were transferred to the Group in the Reorganisation and Acquisition, and their retained earnings/(accumulated losses) before acquisitions by Jin Jiang International, which were credited/(debited) to merger reserve and (2) the considerations and other settlements paid by the Group in the Reorganisation and Acquisition to obtain the interests in these subsidiaries, which were debited to merger reserve.

(iv) Reserve on available-for-sale financial assets represents the changes in fair value, net of tax, on available-for-sale financial assets through equity.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

11 TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables	489,236	461,382
Employee benefits payables (a)	1,075,222	451,018
Advances from customers	690,149	631,727
Amounts due to related parties (note 19(b))	586,418	2,282,204
Payables for purchases of property, plant and equipment, and intangible assets	370,587	402,901
Deposits from lessees and constructors	278,157	318,566
Advance for the transaction of a subsidiary to be disposed (note 1(b))	227,706	—
Other tax payables	155,195	164,684
Dividend payable to non-controlling interests	121,997	17,906
Accrued expenses	98,355	92,528
Deferred government grants	30,247	33,685
Payable for deferred consideration of business combination	9,796	21,662
Notes payable	2,889	17,286
Interests payable	8,517	16,768
Deferred revenue for customer royalty programme	3,688	984
Other payables	69,586	64,251
	4,217,745	4,977,552
Less: non-current portion of trade and other payables	(593,166)	(210,725)
Current portion of trade and other payables	3,624,579	4,766,827
Non-current portion of trade and other payables:		
Employee benefits payables	534,835	92,510
Deferred government grants	27,231	29,079
Payables for purchases of property, plant and equipment, and intangible assets	20,747	66,895
Deferred revenue for customer royalty programme	3,688	984
Other payables	6,665	21,257
	593,166	210,725

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

11 TRADE AND OTHER PAYABLES (CONTINUED)

- (a) The balance as at 30 June 2014 included the employee benefits payables of RMB611,302,000 incurred for termination plan, early retirement plan, and redundant employee plan for hotel renovation in the first half of 2014 (note 14).

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
0 to 3 months	416,007	380,098
3 months to 1 year	68,561	76,508
Over 1 year	4,668	4,776
	489,236	461,382

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

12 BORROWINGS

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured (a)	67,435	79,016
Bank borrowings — unsecured	1,491,331	1,592,332
Borrowings from related parties (note 19(b))	—	304,845
Finance lease liabilities	22,303	23,588
	1,581,069	1,999,781
Less: current portion of long-term secured bank borrowings	(67,435)	(12,194)
current portion of long-term unsecured bank borrowings	(1,056,943)	(273,437)
current portion of long-term finance lease liabilities	(1,945)	(2,491)
	454,746	1,711,659
Borrowings included in current liabilities:		
Bank borrowings — secured (b)&(c)	34,151	14,634
Bank borrowings — unsecured	1,504,664	1,493,907
Borrowings from related parties (note 19(b))	100,000	348,000
Other borrowings — unsecured	5,000	5,000
Current portion of long-term secured bank borrowings (a)	67,435	12,194
Current portion of long-term unsecured bank borrowings	1,056,943	273,437
Current portion of long-term finance lease liabilities	1,945	2,491
	2,770,138	2,149,663

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

12 BORROWINGS (CONTINUED)

As at 30 June 2014, the secured bank borrowings included:

- (a) Bank borrowings of USD10,960,000, equivalent to RMB67,435,000 (31 December 2013: USD12,960,000, equivalent to RMB79,016,000), which were guaranteed by Jin Jiang International;
- (b) Bank borrowings of RMB24,151,000 (31 December 2013: RMB14,634,000), which were guaranteed by a non-controlling interest of a subsidiary;
- (c) Bank borrowings of RMB10,000,000 (31 December 2013: nil), which were jointly guaranteed by the parent company and the non-controlling interest of a subsidiary.

Finance lease liabilities with carrying amount of RMB22,303,000 (2013: RMB23,588,000) are effectively secured as the rights to the leased assets with carrying amount of RMB19,934,000 (2013: RMB21,110,000) revert to the lessor in the event of default.

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
At beginning of the period	3,861,322	1,994,916
Proceeds from borrowings	1,764,692	2,144,753
Repayments of borrowings	(2,407,569)	(737,025)
Additions resulting from finance leases	—	3,705
Payments of finance leases	(1,285)	(1,349)
Foreign exchange loss/(gain)	7,724	(9,394)
At end of the period	3,224,884	3,395,606

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

13 OTHER INCOME

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Gain on disposal of investments in a subsidiary	1,109,652	—
Dividend income	83,244	99,614
— Unlisted equity investments	38,497	58,261
— Listed equity investments	44,747	41,353
Interest income	49,585	10,584
Government grants income (a)	20,548	29,406
Gain on disposal of available-for-sale financial assets	94,432	55,546
Gain on disposal of a joint venture	14,836	—
Gain on disposal of property, plant and equipment	5,040	9,525
Gain on disposal of financial assets at fair value through profit or loss	2,387	2
Others	4,125	7,048
	1,383,849	211,725

- (a) Government grants income mainly represents fiscal subsidies granted by local governments to the Group without unfulfilled conditions.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

14 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Employee benefit expenses	1,849,301	1,096,997
— Employee benefit expenses for in-service employees	1,158,521	1,096,997
— Termination benefits (a)	92,990	—
— Early retirement welfare (b)	540,000	—
— Long-term employee benefits for the redundant employees during hotel renovations (c)	57,790	—
Cost of travel agency	783,399	782,890
Cost of inventories sold	701,927	698,954
Depreciation of property, plant and equipment (note 7)	408,469	417,520
Utility cost and consumables	328,683	325,176
Operating leases — land and buildings	201,188	199,324
Business tax, property tax, VAT through a simplified method and other tax surcharges	171,310	173,504
Repairs and maintenance	49,105	48,010
Advertising cost	37,662	12,747
Amortisation of land use rights (note 7)	22,241	28,684
Commission paid to travel agency	15,335	21,385
Laundry costs	12,413	13,792
Telecommunication expenses	9,037	9,921
Transportation expenses	8,742	8,944
Amortisation of intangible assets (note 7)	7,526	7,962
Entertainment expenses	4,895	6,410
Auditors' remuneration	4,809	3,940
Depreciation of investment properties (note 7)	3,141	2,408
Transaction cost in business combination	—	2,900
Reversal of inventories write-down	(26)	(29)
Reversal of impairment of trade receivables, prepayments, and other receivables	(260)	(10,386)
Others	158,895	177,074
	4,777,792	4,028,127

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

14 EXPENSES BY NATURE (CONTINUED)

(a) Termination benefits

In the first half of 2014, the Group announced a series of detailed formal plan (the "Termination Plan") to offer certain current redundant employees termination benefits to encourage voluntary redundancy. Under the Termination Plan, the Group made the cash payment of compensation to these employees who accepted the termination offer in the first half of 2014.

(b) Early retirement welfare

In the first half of 2014, the Group announced a series of detailed formal plan (the "Early Retirement Plan") to early retire certain current redundant employees without possibility of withdrawal. Under the Early Retirement Plan, the Group is obliged to make monthly payment of wages, salaries and social welfare to these early retired employees from the date of early retirement to the regulated retirement date.

(c) Long-term employee benefits for the redundant employees during hotel renovations

Since the first half of 2014, certain hotels under the Group have stopped or will stop operations to implement renovation of the whole hotel properties for certain periods. The Group announced a series of detailed formal plan (the "Redundant Employee Plan for Hotel Renovation") and the Group is obliged to make monthly payment of wages, salaries and social welfare to these redundant employees during the renovation period. The Redundant Employee Plan for Hotel Renovation is without possibility of withdrawal.

15 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current tax:		
Mainland China current income tax ("CIT")	32,407	100,578
Deferred tax:		
Mainland China deferred income tax	234,238	(15,205)
	266,645	85,373

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the six months ended 30 June 2014 (the six months ended 30 June 2013: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiary incorporated in Hong Kong for the six months ended 30 June 2014 (the six months ended 30 June 2013: 16.5%). For the six months ended 30 June 2014, the Group's subsidiary incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax (the six months ended 30 June 2013: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

16 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
Profit attributable to shareholders of the Company (RMB'000)	421,511	130,806
Weighted average number of ordinary shares in issue (thousands)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	7.57	2.35

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

17 DIVIDENDS

The final dividend for the year 2013 of RMB4.5 cents (2012 final dividend: RMB3.0 cents) per share, totalling RMB250,470,000 (2012 final dividend: RMB166,980,000) was paid subsequently in July and August 2014. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013 interim dividend: nil).

18 COMMITMENTS**(a) Capital commitments**

Capital expenditure at 30 June 2014 but not yet incurred is as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Acquisition of property, plant and equipment	40,533	63,438

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognised and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2014 is disclosed in note 6(a) and note 14, respectively.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

18 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Not later than 1 year	164,256	183,729
Later than 1 year and not later than 5 years	462,488	494,230
Later than 5 years	587,143	613,815
	1,213,887	1,291,774

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Not later than 1 year	475,332	360,584
Later than 1 year and not later than 5 years	1,849,021	1,426,686
Later than 5 years	3,414,009	2,478,760
	5,738,362	4,266,030

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

As at 30 June 2014, the Company held a 30% equity interest in Chengdu Jinhe with carrying amount of nil under equity method.

Pursuant to an agreement signed between a third party (the "Purchaser") and the Company on 28 January 2010, the Company will dispose all its 30% equity interest in Chengdu Jinhe to the Purchaser, at a consideration of RMB17,760,000. Pursuant to a further agreement signed between the Purchaser and the Company on 10 May 2013, the Purchaser committed to pay the consideration of RMB17,760,000 and the interests for late payment of RMB1,450,000 before 31 December 2013. The purchaser did not pay the consideration and the interests for late payment, and the transaction was not completed as at 27 August 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

19 SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Related party transactions**

The Group had the following significant related party transactions during six months ended 30 June 2014:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Transactions with Jin Jiang International		
— Provision of other services	1,199	1,043
— Interest income received	544	589
— Provision of food and beverage services	65	398
— Provision of training services	63	63
— Sales of hotel supplies	61	98
— Provision of hotel services	16	43
— Provision of vehicle operating services	3	161
	1,951	2,395
— Interest expenses paid	2,880	8,065
— Rental expenses paid	6,314	4,228
— Receipt of food and beverage services paid	289	242
	9,483	12,535

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Transactions with subsidiaries, joint ventures and associates of Jin Jiang International		
— Provision of hotel services	9,441	8,340
— Provision of other services	3,515	1,349
— Rental income received	2,042	2,339
— Sales of hotel supplies	417	3,378
— Provision of vehicle operating services	303	854
	15,718	16,260
— Rental expenses paid	11,992	12,220
— Receipt of other services	4,019	3,279
— Purchase of food and beverage	1,588	2,159
— Interest expenses paid	1,226	1,511
	18,825	19,169
Transactions with joint ventures of the Group		
— Interest income received	13,867	13,845
— Management fees received	1,697	1,715
— Sales of vehicles	1,332	1,707
— Sales of hotel supplies	—	302
	16,896	17,569
— Interest expenses paid	2,287	2,939
— Rental expenses paid	596	670
— Receipt of other services	245	239
	3,128	3,848

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Transaction with associates of the Group		
— Rental income received	1,903	1,863
— Management fees received	956	1,030
— Interest income received	666	588
— Sales of vehicles	415	341
— Provision of hotel services	40	44
	3,980	3,866
— Purchase of property, plant and equipment	47,763	12,623
— Purchase of goods	700	3,361
— Receipt of maintenance services	—	498
— Rental expenses paid	329	314
— Interest expenses paid	50	165
— Receipt of travel services	47	46
	48,889	17,007

(b) Amount due from/to related parties

	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Amounts due from related parties (note 8)		
— Joint ventures of the Group (i)	627,303	302,898
— Associates of the Group (ii)	92,834	33,515
— Subsidiaries, joint ventures and associates of Jin Jiang International	27,385	6,604
— Jin Jiang International	14,976	400,311
	762,498	743,328

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Amount due from/to related parties (continued)**

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Amounts due to related parties (note 11)		
— Subsidiaries, joint ventures and associates of Jin Jiang International (iii)	(284,496)	(321,408)
— Joint ventures of the Group (iv)	(158,349)	(190,753)
— Jin Jiang International (v)	(95,619)	(1,708,985)
— Associates of the Group (vi)	(47,954)	(61,058)
	(586,418)	(2,282,204)
Borrowings from related parties (note 12)		
— A subsidiary of Jin Jiang International (vii)	(100,000)	(404,845)
— Jin Jiang International (viii)	—	(248,000)
	(100,000)	(652,845)
Loan commitments		
— Joint ventures of the Group	244,500	254,500
— Associates of the Group	2,000	52,000
— Jin Jiang International	—	100,000
	246,500	406,500
Financial guarantees provided to related parties		
— Joint ventures of the Group	849,090	841,557
— Associates of the Group	4,000	4,000
	853,090	845,557

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Amount due from/to related parties (continued)**

- (i) The balance includes secured loans to a joint venture of RMB475,000,000 as at 30 June 2014 (31 December 2013: RMB245,500,000) with effective interest rate of 5.10% (31 December 2013: 5.80%) per annum which was guaranteed by its properties, an unsecured loan to a joint venture of RMB10,000,000 as at 30 June 2014 (31 December 2013: RMB10,000,000) with effective interest rate of 5.97% (31 December 2013: 5.97%) per annum which was guaranteed by a subsidiary of the Group.
- (ii) The balance includes secured loans to an associate of the Group of RMB56,000,000 as at 30 June 2014 (31 December 2013: RMB16,000,000) with effective interest rate of 6.15% (31 December 2013: 6.15%) per annum which were guaranteed by its properties. Another unsecured loan to an associate of the Group of RMB4,500,000 as at 31 December 2013 with effective interest rate of 6.00% was repaid by an associate.
- (iii) The balance includes deposits from subsidiaries of Jin Jiang International of RMB273,530,000 as at 30 June 2014 (31 December 2013: RMB303,621,000) with effective interest rate of 2.96% (31 December 2013: 2.80%) per annum.
- (iv) The balance includes deposits from joint ventures of the Group of RMB121,090,000 as at 30 June 2014 (31 December 2013: RMB159,549,000) with effective interest rate of 3.99% (31 December 2013: 3.65%) per annum.
- (v) The balance includes deposits from Jin Jiang International of RMB66,558,000 as at 30 June 2014 (31 December 2013: RMB1,683,102,000) with effective interest rate of 0.39% (31 December 2013: 0.39%) per annum.
- (vi) The balance includes deposits from associates of the Group of RMB869,000 as at 30 June 2014 (31 December 2013: RMB15,216,000) with effective interest rate of 0.39% (31 December 2013: 1.93%) per annum.
- (vii) The balance includes an unsecured borrowing from a subsidiary of Jin Jiang International of RMB100,000,000 as at 30 June 2014 (31 December 2013: RMB404,845,000) with effective interest rate of 5.40% (31 December 2013: 3.25%) per annum.
- (viii) An unsecured borrowings from Jin Jiang International of RMB248,000,000 as at 31 December 2013 with effective interest rate of 5.44% was repaid by Jin Jiang International.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salary and other allowances	1,270	1,155
Discretionary bonus	168	181
Retirement scheme contributions	237	211
	1,675	1,547

20 SUBSEQUENT EVENTS

Further to the information disclosed in Note 1(d), on 2 July 2014, Jin Jiang Hotels Development convened its first extraordinary general meeting in 2014, at which the resolutions for the proposed private placing of shares and the entering into of the “conditional private placing share subscription agreement” were considered and approved.

On 9 July 2014, Jin Jiang Hotels Development received the “CSRC Notice of Acceptance of Application for Administrative Approval” (No.140806) issued by CSRC.

The proposed private placing of shares by Jin Jiang Hotels Development is subject to approval of the Ministry of Commerce of PRC and sanction by CSRC. As at 27 August 2014, Jin Jiang Hotels Development hasn't received the related approval or sanction and the transaction was not completed.

