THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shanghai Jin Jiang International Hotels (Group) Company Limited***, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Shanghai Jin Jiang International Hotels (Group) Company Limited*

上海錦江國際酒店(集團)股份有限公司

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

(Stock Code: 02006)

MAJOR TRANSACTION ACQUISITION OF 81.0034% EQUITY INTEREST IN KEYSTONE LODGING HOLDINGS LTD.

Financial advisor to the Company

Deloitte & Touche Corporate Finance Limited

* *The Company is registered as a non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) under its Chinese name and the English name "Shanghai Jin Jiang International Hotels (Group) Company Limited".*

23 October 2015

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2014 Loan Agreement"	the facility agreement entered into between the relevant subsidiaries of the Target Company and an overseas syndicate led by, among others, Taipei Fubon Commercial Bank Co., Ltd., Cathay United Bank, Co., Ltd. and Nomura International (Hong Kong) Limited with a loan facility of US$300,000,000 as well as the related agreements and documents thereunder
"2015 EBITDA"	the EBITDA of the Target Company based on the audited consolidated financial statements for the 12 months ending 31 December 2015
"7 Days Group"	7 Days Group Holdings Limited and its subsidiaries
"Acquisition"	the acquisition of an aggregate of up to 81.0034% of the Target Shares by Jin Jiang Hotels Development from the Vendors pursuant to the Acquisition Agreements
"Acquisition Agreements"	the Majority Shareholders' SPA and/or the Minority Shareholders' SPA (as the case may be)
"Adjustment Reports"	the reports to be provided by the Purchaser to the Vendors within sixty (60) days of the later of (1) the Closing Date; and (2) 31 March 2016 for the calculation of the Final Adjustment and 2015 EBITDA
"Board"	the board of Directors
"Business Day"	a day (which for the purpose of the Acquisition Agreements ends at 5:30 pm) on which banks are open for commercial business in the U.S., the United Kingdom, Hong Kong and the PRC other than Saturdays, Sundays and public holidays in the U.S., the United Kingdom, Hong Kong and the PRC
"Closing"	the closing of the Acquisition
"Closing Adjustment"	the Net Debts calculated based on the management accounts of the Target Company as at the last day of the month immediately preceding the Closing Date and such day is mutually agreed by the Purchaser and the Target Company's Majority Shareholders. In the event that the Purchaser and the Target Company's Majority Shareholders cannot agree on the aforesaid Net Debts before the Closing Date, it represents the Net Debts calculated based on the management accounts of the Target Company as at the last day of the quarter immediately preceding the Closing Date

"Closing Consideration"	the total consideration payable by the Purchaser to each of the Vendors for the purchase of the Target Shares on the Closing Date
"Closing Date"	the date of Closing
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited* (上海錦江國際酒店(集團)股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange
"Directors"	the directors of the Company
"DTCFL"	Deloitte & Touche Corporate Finance Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"EBITDA"	earning before interest, tax, depreciation and amortization and adjusted by other extraordinary items as specified in the Majority Shareholders' SPA (such as share based payments, investment profit/loss, exchange gain/loss and adjustment on the social insurance and housing provident fund amount, etc)
"Enlarged Group"	the Group as enlarged by the Acquisition upon Closing
"Estimated EBITDA"	(i) the EBITDA of the Target Company for the year ended 31 December 2015 estimated based on the management accounts of the Target Company issued before the Closing Date if the Closing Date is on or before 31 January 2016; or (ii) the EBITDA of the Target Company for the year ended 31 December 2015 calculated based on the management accounts of the Target Company for the year ended 31 December 2015 if the Closing Date is on or after 1 February 2016
"Final Adjustment"	the Net Debts calculated based on the consolidated balance sheet (which is accepted as the Adjustment Report used to calculate the Final Adjustments) of the Target Company as at the Closing Date
"Full Service Hotels"	hotels which are based on comprehensive hotel functions and facilities, and provide all-rounded quality services for guests
"GDL"	Groupe du Louvre, a *société par actions simplifiée* incorporated under the laws of France. GDL owns the 100% shareholding interest in Star Eco SAS (a *société par actions simplifiée* incorporated under the laws of France)

"GDL Acquisition"	the acquisition of all shares of GDL by Luxembourg Sailing Investment from Star SDL
"GDL Group"	GDL, Star Eco SAS (a *société par actions simplifiée* incorporated under the laws of France) and Louvre Hotels Group (a *société par actions simplifiée* incorporated under the laws of France) together with its subsidiaries
"GDL Group Receivable"	the outstanding amount due from the GDL Group in respect of certain financial indebtedness to Star SDL and its affiliate net of the cash advanced by the GDL Group to Star SDL and such affiliate as at the date of closing on 27 February 2015
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jin Jiang Hotels Development" or "Purchaser"	上海錦江國際酒店發展股份有限公司 (Shanghai Jin Jiang International Hotels Development Company Limited), which is a joint stock company incorporated in the PRC with limited liability with its A shares and B shares listed on the Shanghai Stock Exchange and a subsidiary of the Company
"Jin Jiang International"	錦江國際(集團)有限公司 (Jin Jiang International Holdings Company Limited), which is the controlling Shareholder and owns a 75% shareholding interest in the issued share capital of the Company
"Latest Practicable Date"	20 October 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
"Luxembourg Sailing Investment"	Sailing Investment Co, S.à.r.l., the purchaser of the GDL Acquisition and a company incorporated under the laws of Luxembourg on 22 January 2015 and indirectly wholly-owned by Jin Jiang Hotels Development
"Majority Shareholders' SPA"	the sale and purchase agreement dated 18 September 2015 entered into among Jin Jiang Hotels Development, the Target Company's Majority Shareholders, Mr. Zheng, Mr. He and the Target Company in relation to the acquisition of up to 66.8775% of the Target Shares by Jin Jiang Hotels Development from the Target Company's Majority Shareholders

"Minority Shareholders' SPA"	the sale and purchase agreements dated 18 September 2015 entered into between Jin Jiang Hotels Development and each of the Target Company's Minority Shareholders in relation to the acquisition of up to, in aggregate, 14.1259% of the Target Shares by Jin Jiang Hotels Development from the Target Company's Minority Shareholders
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules
"Mr. He"	Mr. He Boquan (何伯權先生)
"Mr. Zheng"	Mr. Zheng Nanyan (鄭南雁先生)
"Net Debts"	debts minus cash and cash equivalent of the Target Group and adjusted by other items as specified in the Majority Shareholders' SPA (such as net cash consideration from investment, payables on the social insurance and housing provident fund and deposits on renovation or conversion, etc.)
"percentage ratios"	has the meaning ascribed to such term under the Listing Rules
"PRC"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Valuer"	Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司)
"Reserved EBITDA Adjustment"	the amount to be deposited in the respective escrow account of each Vendor upon the Closing Date after taking into account the Estimated EBITDA
"Retained Shareholders"	Ever Felicitous Limited, Fortune News International Limited and Prototal Enterprises Limited (寶全企業有限公司), together holding the remaining 18.9966% equity interest of the Target Company
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
"Shareholders"	the shareholders of the Company

"Shareholders' Agreement"	the shareholders' agreement in relation to the Target Company dated 18 September 2015 entered into among Jin Jiang Hotels Development, the Retained Shareholders, Mr. Zheng and Mr. He
"Star SDL"	Star SDL Investment Co S.á.r.l., *a société á responsabilité limitée* incorporated under the laws of Luxembourg
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Keystone Lodging Holdings Limited, an exempted company registered in the Cayman Islands
"Target Company's Majority Shareholders"	Prototal Enterprises Limited (寶全企業有限公司), Ever Felicitous Limited, Keystone Asia Holdings Limited, SCC Growth 2010-Peak Holdco, Ltd., Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P., Happy Travel Limited and Happy Boat Lodging Limited
"Target Company's Minority Shareholders"	Jaguar Investment Pte Ltd., Ctrip Investment Holding Ltd., Smartech Resources Limited, Chien Lee and Minjian Shi
"Target Group"	the Target Company and its subsidiaries
"Target Shares"	the equity interest of the Target Company
"Termination Date"	being 6 months from the date of the Acquisition Agreements or a later date as agreed by the Purchaser, the Vendors and the Target Company in writing
"Transfer Percentage"	being the Target Shares to be disposed by each Vendor as a percentage of the total issued Target Shares pursuant to the Acquisition Agreements in respect of each Vendor
"U.S."	the United States of America
"US$"	the United States dollar, the lawful currency of the U.S.
"Valuation Report"	the valuation report on the Target Group prepared by the PRC Valuer dated 18 September 2015
"Vendors"	the Target Company's Majority Shareholders and/or the Target Company's Minority Shareholders (as the case may be)

"Warrantors"	Ever Felicitous Limited, Prototal Enterprises Limited (寶全企業有限公司), Mr. Zheng and Mr. He
"€"	Euro, the lawful currency of the European Union

Shanghai Jin Jiang International Hotels (Group) Company Limited*
上 海 錦 江 國 際 酒 店（集 團）股 份 有 限 公 司

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

(Stock Code: 02006)

Executive Directors:
Mr. Yu Minliang
Ms. Guo Lijuan
Mr. Chen Liming
Mr. Xu Ming
Mr. Zhang Qian
Mr. Zhang Xiaoqiang
Mr. Han Min
Mr. Kang Ming

Independent non-executive Directors:
Mr. Ji Gang
Dr. Rui Mingjie
Dr. Tu Qiyu
Dr. Xu Jianxin
Mr. Xie Hongbing
Dr. He Jianmin

Legal address in the PRC:
Room 316–318
No. 24 Yang Xin Dong Road
Shanghai, the PRC

Principal place 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

23 October 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF 81.0034% EQUITY INTEREST IN KEYSTONE LODGING HOLDINGS LTD.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 8 July 2015, 14 July 2015, 20 July 2015, 27 July 2015, 3 August 2015, 10 August 2015, 17 August 2015, 19 August 2015, 26 August 2015, 2 September 2015, 9 September 2015 and 16 September 2015 in relation to, among other things, a material asset reorganisation of Jin Jiang Hotels

Development and the announcement of the Company dated 18 September 2015 in relation to the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement.

The main purpose of this circular is to provide you with, among other things:

(a) details of the Acquisition Agreements and Shareholders' Agreement as set out in this circular;

(b) the financial information of the Group;

(c) the accountant's report of the Target Group;

(d) the accountant's report of 7 Days Group;

(e) the management discussion and analysis of the Target Group;

(f) the management discussion and analysis of 7 Days Group;

(g) the unaudited pro forma financial information of the Enlarged Group; and

(h) the letters in relation to the profit forecast.

II. ACQUISITION

On 18 September 2015, (i) Jin Jiang Hotels Development, the Target Company's Majority Shareholders, Mr. Zheng, Mr. He and the Target Company entered into the Majority Shareholders' SPA, pursuant to which Jin Jiang Hotels Development has conditionally agreed to acquire and the Target Company's Majority Shareholders have conditionally agreed to sell up to 66.8775% of the Target Shares; (ii) Jin Jiang Hotels Development entered into the Minority Shareholders' SPA with each of the Target Company's Minority Shareholders, pursuant to which Jin Jiang Hotels Development has conditionally agreed to acquire and the Target Company's Minority Shareholders have conditionally agreed to sell up to, in aggregate, 14.1259% of the Target Shares; and (iii) Jin Jiang Hotels Development, the Retained Shareholders, Mr. Zheng and Mr. He entered into the Shareholders' Agreement to govern certain rights of the shareholders of the Target Company and certain matters in relation to the operation and management of the Target Group.

A. The Acquisition Agreements

The major terms of the Acquisition Agreements are summarized below:

Date

18 September 2015

Parties

Majority Shareholders' SPA

Purchaser:	Jin Jiang Hotels Development
Vendors:	Ever Felicitous Limited, Prototal Enterprises Limited (寶全企業有限公司), Happy Boat Lodging Limited, Happy Travel Limited, Keystone Asia Holdings Limited, SCC Growth 2010-Peak Holdco, Ltd., Sequoia Capital Global Growth Fund, L.P. and Sequoia Capital Global Growth Principals Fund, L.P.
Other parties to the transaction:	Mr. Zheng and Mr. He
Target Company:	Keystone Lodging Holdings Limited

Minority Shareholders' SPA

Purchaser:	Jin Jiang Hotels Development
Vendors:	Jaguar Investment Pte Ltd., Ctrip Investment Holding Ltd., Smartech Resources Limited, Chien Lee and Minjian Shi

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Target Company's Majority Shareholders, the Target Company's Minority Shareholders, Mr. Zheng, Mr. He, the Target Company and their respective ultimate beneficial owners are third parties independent of the Group and connected persons of the Group.

Target Assets

Subject to the terms and conditions of the Acquisition Agreements, the Purchaser shall purchase individually (not collectively) from each Vendor, and each Vendor shall individually (not collectively) sell to the Purchaser the following Target Shares free of any encumbrances:

Vendor name	Transfer Percentage
Ever Felicitous Limited	4.1700%
Prototal Enterprises Limited (寶全企業有限公司)	11.0100%
Happy Boat Lodging Limited	2.6682%
Happy Travel Limited	11.2037%
Keystone Asia Holdings Limited	22.1303%
SCC Growth 2010-Peak Holdco, Ltd.	9.4172%
Sequoia Capital Global Growth Fund, L.P.	6.1011%
Sequoia Capital Global Growth Principals Fund, L.P.	0.1770%
Jaguar Investment Pte Ltd.	4.3947%
Ctrip Investment Holding Ltd.	4.0023%
Chien Lee	2.8157%
Minjian Shi	1.8302%
Smartech Resources Limited	1.0830%

The total of the aforementioned Target Shares accounts for 81.0034% of the issued share capital of the Target Company.

Closing Consideration

On the Closing Date, the Closing Consideration payable by the Purchaser to each of the Vendors for the purchase of the Target Shares is (i) the difference between the enterprise value (being the enterprise value of the Target Company of RMB10.8 billion) and the Closing Adjustment; and (ii) multiplied by the Transfer Percentage of the respective Vendor. The Closing Consideration is inclusive of taxes on the transfer of the respective Target Shares.

The contemplated transaction is a cash acquisition, denominated in RMB and is to be paid in the equivalent amount of US$.

Based on the Target Company's audited financial information and the mutual agreement among the parties to the Acquisition, the amount of the Net Debts as of 30 June 2015 is RMB591,326,000.

For illustrative purpose, based on the amount of RMB10,208,674,000, being the difference between the enterprise value of the Target Company and the Net Debts as of 30 June 2015, the aggregate amount payable to the Vendors for the 81.0034% of the equity interest of the Target Company is RMB8,269,373,030. The abovementioned figures are for reference only and the final consideration to be paid to the Vendors shall be determined based on the Final Adjustment and the 2015 EBITDA.

Payment Method

After deducting the corresponding Escrow Amount (as defined below), upon Closing, the Purchaser shall remit the consideration (in an equivalent amount in US$) to each Vendor in a lump sum by electronic transfer into each Vendor's designated account.

"Escrow Amount" means the aggregate amount of the following in respect of each Vendor: (i) the reserved compensation amount (being 10% of the Closing Consideration for Ever Felicitous Limited and Prototal Enterprises Limited (寶全企業有限公司) and 5% of the Closing Consideration for the other Vendors); (ii) the Reserved EBITDA Adjustment (if any); and (iii) the estimated taxes on the transfer of the Target Shares (if any), the amount of which will be remitted by the Purchaser to the respective escrow account of each Vendor on the Closing Date.

The term of the escrow shall be one year following the Closing Date (or any other date as agreed between the Purchaser and the Vendors in writing). Upon expiration of the term, the usable funds in the escrow accounts, namely the Escrow Amounts and the interest accrued thereon minus the following amounts (if any): the adjusted Closing Consideration and payment (for details see the section headed "Price Adjustment Mechanism" below), taxes on the transfer of the Target Shares, the remaining balance of the estimated taxes on the transfer of the Target Shares returned to the respective Vendor, claims and retained funds for outstanding claims, shall be transferred to the accounts designated by each Vendor.

Price Adjustment Mechanism

(1) Adjustment of Closing Consideration

(a) if the Final Adjustment is lower than the Closing Adjustment, the Purchaser shall pay to the respective designated bank account of each Vendor a supplemental consideration equivalent to such difference multiplied by the respective Transfer Percentage within three Business Days of the acknowledgement of the Adjustment Reports;

(b) if the Final Adjustment is higher than the Closing Adjustment, the Vendors and the Purchaser shall instruct the escrow agent to pay an amount equivalent to such difference multiplied by the respective Transfer Percentage to the Purchaser from the Escrow Amount in each escrow account, within three Business Days of the acknowledgement of the Adjustment Reports, pursuant to the Acquisition Agreements and the corresponding escrow agreements;

(c) if the 2015 EBITDA is lower than RMB820 million, each Vendor shall refund the Purchaser an amount equal to the (1) EVA (as defined below); (2) multiplied by the respective Transfer Percentage of the Vendors. The Vendors and the Purchaser shall instruct the escrow agent to pay the corresponding amount to the Purchaser from the Escrow Amount in each escrow account, within three Business Days of the acknowledgement of the Adjustment Reports, pursuant to the Acquisition Agreements and the corresponding escrow agreements; and

(d) after the price adjustment in respect of each Vendor under paragraph (c) above, such Vendor and the Purchaser shall instruct the escrow agent to withdraw from such Vendor's escrow account and pay to such Vendor the difference between the Reserved EBITDA Adjustment of such Vendor and the EVA (as defined below) that should be borne by such Vendor (if any), pursuant to the Acquisition Agreements and the corresponding escrow agreements.

(2) Enterprise Value Adjustment

If and only if 2015 EBITDA is lower than RMB820 million, the parties agree that the aggregate of the Closing Consideration received by the Vendors shall be deducted pursuant to the following formula ("EVA"):

(a) if the 2015 EBITDA is less than RMB820 million but not less than RMB740 million,

$$\text{EVA} = \lfloor[(\text{RMB}820{,}000{,}000 - 2015\ \text{EBITDA}) \times 12] \div 10{,}000\rfloor \times 10{,}000$$

(b) if the 2015 EBITDA is less than RMB740 million but not less than RMB660 million,

EVA = RMB960 million

(c) if the 2015 EBITDA is less than RMB660 million but not less than RMB580 million,

$$\text{EVA} = \lfloor[(\text{RMB}740{,}000{,}000 - 2015\ \text{EBITDA}) \times 12] \div 10{,}000\rfloor \times 10{,}000$$

(d) if the 2015 EBITDA is less than RMB580 million,

EVA = RMB1.92 billion

Note: "⌊" and "⌋" represents symbols for absolute numbers

Further announcement(s) will be made as and when the above adjustment of Closing Consideration and the enterprise value adjustment have been determined.

Basis of Consideration

The Acquisition Agreements were negotiated after arm's length negotiations and on normal commercial terms. The consideration was determined and negotiated in accordance with the market principle such as (i) financial information (such as earnings and net debt position), operations and business of the Target Group; and (ii) other commercial factors and reference such as the future business potential of the Target Group, the long-term strategies and business plans of the Group and the appraised enterprise value of the Target Group.

Financing Arrangement

The source of the funds for the contemplated transaction shall be bank loans and internal resources.

Closing Conditions

Closing of the Majority Shareholders' SPA is subject to satisfaction (or waiver) of a series of closing conditions, including but not limited to:

(1) Purchaser Closing Conditions

The obligations of the Purchaser to consummate the Closing are subject to the fulfilment or the waiver by the Purchaser on or prior to the Closing of each of the following conditions:

(i) Warrantors warranties: the warranties made by the Warrantors as contained in the Majority Shareholders' SPA shall be true and accurate on the date of the Majority Shareholders' SPA and on the Closing Date (if such warranties are expressly made on any other date, they shall be true and accurate on such other date) except the breaches of the said warranties that have not caused material adverse effects under the Majority Shareholders' SPA;

(ii) Vendors warranties: the warranties made by the Vendors as contained in the Majority Shareholders' SPA shall be true and accurate on the date of the Majority Shareholders' SPA and on the Closing Date (if such warranties are expressly made on any other date, they shall be true and accurate on such other date) except the breaches of the said warranties that have not materially affect the capability of the relevant Vendors of performing their obligations thereunder;

(iii) Target Company performance: the Target Company shall, in all material aspects, have performed and complied with all the agreements, obligations and conditions contained in the Majority Shareholders' SPA that are required to be performed or complied with thereby on or before the Closing;

(iv) Vendors performance: each Vendor shall, in all material aspects, have performed and complied with all the agreements, obligations and conditions contained in the Majority Shareholders' SPA that are required to be performed or complied with thereby on or before the Closing;

(v) Target Company compliance certificate: Mr. Zheng, on behalf of the Warrantors and the Target Company, shall deliver to the Purchaser at the Closing a certificate stating that the conditions specified in respect of the Warrantors and the Target Company in the Majority Shareholders' SPA have been fulfilled;

(vi) Vendors compliance certificates: a director representative of each Vendor, on behalf of such Vendor, shall deliver to the Purchaser at the Closing a certificate stating that the conditions specified in respect of such Vendor in the Majority Shareholders' SPA have been fulfilled;

(vii) restated articles of association of the Target Company: the current articles of association of the Target Company shall have been duly amended and restated, effective from the Closing Date;

(viii) opinions of the Target Company's PRC counsel, the Target Company's Cayman Islands counsel and the Vendor's counsel: the Purchaser shall have received from each of the PRC counsel for the Target Company, the Cayman Islands counsel for the Target Company and each counsel of each Vendor, an opinion dated as of the Closing Date, substantially in the form specified in the Majority Shareholders' SPA;

(ix) shareholders related agreement: the relevant parties, including the Vendors, shall have executed the termination agreement with respect to the existing shareholders agreement of the Target Company, and the termination agreement shall become effective from the Closing Date;

(x) company incentive plan: the Purchaser shall have received evidence reasonably satisfactory to it that the Target Company has cleared all of its incentive plans;

(xi) completion of restructuring: the Purchaser shall have received evidence reasonably satisfactory to it that the restructuring plan of the Target Group as set out in the Majority Shareholders' SPA has been completed;

(xii) appointment of directors: the boards of directors of the Target Company shall consist of Mr. Zheng and two persons appointed by the Purchaser (provided that the Purchaser shall inform the Target Company of the appointment at least 15 Business Days before the Closing Date), effective as of the Closing Date;

(xiii) resignations or removal of directors: Mr. He, Mr. ZHANG Chi, Mr. LIU Xing and Mr. LIN Xiao shall have tendered their resignations or have been removed effective as of the Closing Date; and the Purchaser shall have received true and complete copies of such resignations or removals;

(xiv) internal approvals of the Target Company and the Vendors: the Purchaser shall have received from the Target Company and the Vendors of their internal resolutions approving the transactions under the Majority Shareholders' SPA and other transaction documents;

(xv) third-party consents: the Target Company or the relevant members of the Target Group shall have received the third-party consents as listed in the Majority Shareholders' SPA;

(xvi) release of control by agreement: the relevant de facto control agreements entered into by and between Shenzhen Dian Xing Tian Xia Science & Technology Co Ltd. (深圳市點行天下科技有限公司) and Guangzhou Chujian Culture Communications Co Ltd (廣州初見文化傳播有限公司), Shenzhen Chujian Information Technology Co Ltd (深圳市初見信息科技有限公司) and other relevant parties have been released. The equity holding arrangement between 7 Days Hotels (Shenzhen) Co Ltd (七天酒店(深圳)有限公司) and YAO Linli in respect of Shanghai 7 Days Investment Management Co Ltd (上海七天投資管理有限公司) has been released. The Target Group has not entered into any new de facto control agreement, equity holding agreement or any similar relationship with any other entity;

(xvii) arrangement of mid- to up-scale brand JVs: in respect of Portofino Holdings Limited, Lavande Holdings Limited, Coffetel Holdings Limited, Mora Holdings Limited, Xana Hotelle Holdings Limited, Zmax Holdings Limited, Supersonic Holdings Limited, Albar (HK) Limited, H12 (HK) Limited and Wowqu Holdings Limited (collectively, "JVs"), the Purchaser shall have received evidence reasonably satisfactory to it that the following matters have been completed:

(a) pursuant to the respective shareholders agreement, articles of association or relevant documents of the relevant JVs, valid as of the date of the Majority Shareholders' SPA, the JVs with employee stock option plan or similar plans have respectively issued 5% of its shares to Mr. Zheng, with the shareholding of other shareholders diluted in proportion;

(b) Mr. Zheng undertakes in writing that the 5% of the shares held by him in the JV(s) pursuant to the Majority Shareholders' SPA will be distributed among the management of the relevant JVs in accordance with the respective board resolution of the JV(s);

(c) each shareholder of each of the JVs, other than the Target Group and Mr. Zheng, undertakes in writing that (i) it shall not exercise the right, if any, to convert the equities in the JV into shares of the Target Company within the earlier of (a) one year from the Closing Date; and (b) from the Closing Date until 31 March 2017; (ii) when it converts the equities in the JV into shares of the Target Company, the enterprise value of the JV shall be based on the then EBITDA of the JV, with details to be provided in the agreement then executed; and (iii) the other provisions under the shareholders agreement of the JV shall continue to be effective.

(2) Vendors Conditions

The obligations of the Vendors to consummate the Closing are subject to the fulfilment or waiver by the Vendors on or prior to the Closing of each of the following conditions:

(i) Purchaser warranties: the warranties made by the Purchaser as contained in the Majority Shareholders' SPA shall be true on the date of the Majority Shareholders' SPA and on the Closing Date (if such warranties are expressly made on any other date, they shall be true on such other date) except the breaches of the said warranties that have not materially affect the Purchaser's capability of performing its obligations thereunder; and

(ii) Purchaser performance: the Purchaser shall, in all material aspects, have performed and complied with all of the agreements, obligations and conditions contained in the Majority Shareholders' SPA that are required to be performed or complied with by them on or before the Closing.

(3) Common Conditions

The common conditions for the parties of the Majority Shareholders' SPA to consummate the Closing shall be each of the following conditions being satisfied (save for (3)(iv) below which can be waived) on or before Closing:

(i) shareholders' approval: the Purchaser to obtain the approval in form of resolution of the shareholders' meeting to execute the Majority Shareholders' SPA and other transaction documents, and to perform and complete the transactions under the Majority Shareholders' SPA and other transaction documents;

(ii) governmental authorizations: all of the following governmental or regulator approvals, consents, authorizations or similar approvals required for the transfer of Target Shares and other contemplated transactions under the Majority Shareholders' SPA and other transaction documents shall have been formally secured and be valid at Closing:

(a) the anti-monopoly review of the contemplated transaction by the Anti-monopoly Bureau of the Ministry of Commerce;

(b) the approval/recordal from the National Development and Reform Commission for offshore investment projects by domestic organizations and the transactions contemplated by the Majority Shareholders' SPA;

(c) the recordal of the competent PRC commerce authority for offshore investment projects by domestic organizations and the transactions contemplated by the Majority Shareholders' SPA; and

(d) the approval of the plan of the transactions contemplated by the Majority Shareholders' SPA and recordal of the valuation results in the Valuation Report by the State-Owned Assets Supervision and Administration Commission of Shanghai Municipality or its authorized agency;

(iii) no injunction or command: there is no issuance of any injunction, command or decree in any nature from a court or governmental/regulatory authority of competent jurisdiction, the effect of which is to prevent or prohibit any party to complete the transactions contemplated under the Majority Shareholders' SPA or other transaction documents;

(iv) the Target Company obtaining consents from the lenders under the 2014 Loan Agreement to waive the early repayment obligations of the Target Company under the 2014 Loan Agreement as a result of the transactions contemplated under the Majority Shareholders' SPA. (This condition can be waived by the Target Company's Majority Shareholders within 30 days from the date of the Majority Shareholders' SPA in writing).

The Closing of the Minority Shareholders' SPA shall be completed simultaneously with the Closing of the Majority Shareholders' SPA.

As at the Latest Practicable Date, the closing condition (3)(iv) above has been waived by the Target Company's Majority Shareholders. Given the waiver of the closing condition (3)(iv) above, at Closing, the Purchaser will arrange new loans to the Target Company to repay all the outstanding principal under 2014 Loan Agreement.

Closing

Closing shall take place in Hong Kong, or at such other time or in such other place as agreed in writing by the Purchaser, the Vendors and the Target Company within five Business Days after all of the conditions set forth in the closing conditions pursuant to the Acquisition Agreements are satisfied or such conditions have been waived by the parties with the right to do so.

Termination of the Acquisition Agreements

If Closing has not occurred by the Termination Date, the Purchaser or any of the Vendors may terminate the Acquisition Agreements by giving written notice to each of the other parties. However, if Closing has not occurred by the Termination Date due to a breach of contract by any party, such party shall not have the right to terminate the Acquisition Agreements.

Liabilities for breach under the Majority Shareholders' SPA

If (i) prior to the Termination Date, when the conditions under the Majority Shareholders' SPA have been satisfied or waived by the party or parties that have the right to waive the same, the Purchaser objects to Closing or the Purchaser wilfully or without reasonable reasons refuses to cooperate to complete any of the conditions under the Majority Shareholders' SPA that shall be completed or satisfied by the Purchaser; or (ii) prior to five Business Days of the Termination Date, the approvals by resolution of the shareholders' meeting as set out in paragraph (3)(i) of the section headed "Closing Conditions" or the relevant governmental authorizations as set out in paragraphs (3)(ii)(b) to (3)(ii)(d) of the section headed "Closing Conditions" have not been obtained for any reason (other than the Target Company's Majority Shareholders or the Target Company wilfully or unreasonably declining to be cooperative with the requirement by the Shanghai Stock Exchange); or (iii) prior to five Business Days of the Termination

Date, for reasons attributed solely to the Purchaser, the transactions contemplated thereunder fail to pass the review by the Shanghai Stock Exchange regarding material assets reorganization of listed companies, such that the Closing does not occur, then the Purchaser shall be liable for paying the liquidated damages to the Target Company's Majority Shareholders as compensations for the breaches.

If (i) prior to the Termination Date, when the conditions under the Majority Shareholders' SPA have been satisfied or waived by the party or parties that have the right to waive the same, any of the Target Company's Majority Shareholders objects to Closing or any of the Target Company's Majority Shareholders wilfully or without reasonable reasons refuses to cooperate to complete any of the conditions under the Majority Shareholders' SPA that shall be completed or satisfied by the Target Company's Majority Shareholders; or (ii) prior to five Business Days of the Termination Date, the transactions contemplated thereunder fail to pass the review by the Shanghai Stock Exchange regarding material assets reorganization of listed companies as a result of the refusal of any of the Target Company's Majority Shareholders, without commercially reasonable reasons (which include, without limitation, any circumstances imposing unusual liabilities or burden on the Target Company's Majority Shareholders or having substantial effects on the operation of the Target Company), to cooperate with the requirements by the Shanghai Stock Exchange, such that the Closing does not occur due to this one-sided reason, then the Target Company's Majority Shareholder (the "Default Selling Shareholder") shall be liable for paying liquidated damages to the Purchaser as compensations for the breaches. For avoidance of doubt, if more than one Default Selling Shareholder exists, each of the Default Selling Shareholders shall separately not jointly pay the Purchaser part of the liquidated damages, which shall be equal to the multiple of (i) the total of the liquidated damages; and (ii) the ratio of the number of the Target Shares to be sold by the Default Selling Shareholder to the total number of the Target Shares to be sold by all the Default Selling Shareholders.

Parties of the Majority Shareholders' SPA agree that the liquidated damages mean the aggregate amount of RMB1 billion.

B. The Shareholders' Agreement

The Shareholders' Agreement provides certain rights relating to the shareholders of the Target Company and certain matters relating to the operations and management of the Target Group (e.g. the rights and powers of the shareholders, the composition and rights and powers of the board of directors, and share transfer rights and arrangements). The major terms of the Shareholders' Agreement on the rights to subscribe for or transfer shares are set forth below:

Date

18 September 2015

Parties

Shareholders of the Target Company after the Closing:	Jin Jiang Hotels Development and the Retained Shareholders (i.e. Ever Felicitous Limited, Fortune News International Limited and Prototal Enterprises Limited (寶全企業有限公司))
Other parties to the transaction:	Mr. Zheng and Mr. He Mr. Zheng is the ultimate beneficial owner of Ever Felicitous Limited and Fortune News International Limited, and provides a guarantee for the obligations of Ever Felicitous Limited and Fortune News International Limited under the Shareholders' Agreement and bears joint and several liability therewith. Mr. He is the ultimate beneficial owner of Prototal Enterprises Limited (寶全企業有限公司), and provides a guarantee for the obligations of Prototal Enterprises Limited (寶全企業有限公司) under the Shareholders' Agreement and bears joint and several liability therewith.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Ever Felicitous Limited, Fortune News International Limited, Prototal Enterprises Limited (寶全企業有限公司), Mr. He, Mr. Zheng and their respective ultimate beneficial owners are third parties independent of the Group and connected persons of the Group.

Pre-emptive Subscription Right

Once the shareholders of the Target Company resolve to issue new shares or other securities of the Target Company, the Target Company shall issue the notice to each shareholder of the Target Company, each shareholder of the Target Company shall have the right (but not obligation) to decide at its own discretion whether to subscribe for all or part of the new shares or other securities in proportion to their respective shareholding percentages in the Target Company in accordance with the Shareholders' Agreement.

Share Transfer

Arrangement for the sale of Mr. Zheng's shares

Subject to the lockup period, if Mr. Zheng has the intention to sell all or part of the shares of the Target Company held by him to another party ("Mr. Zheng's Sales Shares"), Mr. He shall have the right to purchase all or part of Mr. Zheng's Sales Shares in accordance with the Shareholders' Agreement; if Mr. He does not or does not fully exercise his right of first refusal, Jin Jiang Hotels Development shall have the right to purchase all or part of Mr. Zheng's Sales Shares in accordance with the Shareholders' Agreement.

Arrangement for the sale of Mr. He's shares

Subject to the lockup period, if Mr. He has the intention to sell all or part of the shares of the Target Company held by him to another party ("Mr. He's Sales Shares"), Mr. Zheng shall have the right to purchase all or part of Mr. He's Sales Shares in accordance with the Shareholders' Agreement; if Mr. Zheng does not or does not fully exercise his right of first refusal, Jin Jiang Hotels Development shall have the right to purchase all or part of Mr. He's Sales Shares in accordance with the Shareholders' Agreement.

Right of first refusal of major shareholders

If any shareholder, other than Jin Jiang Hotels Development, Mr. Zheng or Mr. He, that holds at least 1% of the Target Company has the intention to sell all or part of the shares of the Target Company held by it to another party (the "Sales Shares"), Jin Jiang Hotels Development, Mr. Zheng and Mr. He shall have the right to purchase all or part of the Sales Shares in proportion to their respective shareholdings in the Target Company in accordance with the Shareholders' Agreement.

Jin Jiang Hotels Development's lockup period and drag-along right

Within five years (inclusive) after the Closing Date, Jin Jiang Hotels Development shall not sell all or part of its shares in the Target Company to any party. However, subject to the relevant provisions of the Shareholders' Agreement and on the condition that the share transfer shall not change the position of Jin Jiang Hotels Development as the controller, Jin Jiang Hotels Development may sell all or part of its shares to its related parties.

Jin Jiang Hotels Development shall have the right to sell, after five years after the Closing Date, all of its shares in the Target Company to any potential buyer that has the intention to acquire all of the shares of the Target Company and compulsorily request the other shareholders of the Target Company to sell all of their respective shares to such potential buyer ("Drag-along Right") in accordance with the Shareholders' Agreement, provided that such proposed sales of shares would be a fair deal in good faith and the valuation of the Target Company by the potential buyer at the closing of such sales would not be less than 150% of the adjusted final consideration under the Acquisition Agreements. In this event, Jin Jiang Hotels Developments shall inform the Target Company and the other shareholders of the Target Company in writing that it has decided to exercise the Drag-along Right and compulsorily request the other shareholders to sell all of their shares on the same terms and conditions as the sale by Jin Jiang Hotels Development to the potential buyer.

Mr. Zheng's and Mr. He's tag-along rights

If Jin Jiang Hotels Development intends to sell its shares to any potential buyer (excluding share transfers within the group of Jin Jiang Hotels Development) (a "Potential Buyer"), Mr. Zheng and Mr. He shall each have the right (but not obligation), in accordance with the Shareholders' Agreement, to respectively sell their shares, within the limit of the shares Jin Jiang Hotels Development proposes to sell, to the Potential Buyer on the same terms and conditions as Jin Jiang Hotels Development according to the proportion of Jin Jiang Hotels Development's and the relevant party's shareholdings in the Target Company.

Lockup Period and Put Option

Lockup period

Within one year (inclusive) after the Closing Date, Mr. He shall not sell all or part of his shares in the Target Company to any party ("Mr. He's Lockup Period"). Within one year (inclusive) after the Closing Date, Mr. Zheng shall not sell all or part of his shares in the Target Company to any party ("Mr. Zheng's Lockup Period").

Put Option

Within the three years (inclusive) following the expiration of Mr. He's Lockup Period, Mr. He shall have the right, on one or two occasions, to sell all or part of his shares in the Target Company to Jin Jiang Hotels Development ("Mr. He's Put Option"). The selling price shall be (i) the percentage of the number of shares upon the exercise of Mr. He's Put Option to the total issued Shares of the Target Company at the time of exercise; (ii) multiplied by 12 times of the EBITDA for the previous fiscal year, and calculated on the same basis as those calculated pursuant to the Acquisition Agreements, provided that such selling price is not less than the adjusted price per Target Share calculated pursuant to the Acquisition Agreements. If the financial statements have not been confirmed, the right shall be exercised based on the calculation using the draft financial statements and conduct necessary adjustment upon confirmation of the figures in the financial statements. After receipt of the written notice from Mr. He for the exercise of Mr. He's Put Option, all necessary compliance procedures shall be carried out as soon as possible and Jin Jiang Hotels Development shall pay Mr. He in cash to acquire his shares within 5 to 10 working days after the necessary approval has been obtained.

Within the first year (inclusive) following the expiration of Mr. Zheng's Lockup Period, Mr. Zheng shall have the right, on one occasion, to sell to Jin Jiang Hotels Development 20% of the Target Shares he held on the Closing Date; within the second year (inclusive) following the expiration of Mr. Zheng's Lockup Period, Mr. Zheng shall have the right, on one occasion, to sell to Jin Jiang Hotels Development 30% of the Target Shares he held on the Closing Date; within the fourth year (inclusive) following the expiration of Mr. Zheng's Lockup Period and within the ten working days after the issue of accountant's report for the fourth fiscal year, Mr. Zheng shall have the right, on one occasion, to sell to Jin Jiang Hotels Development not more than 50% of the Target Shares he held on the Closing Date ("Mr. Zheng's Put Option"). The selling price shall be (i) the percentage of the number of shares upon the exercise of Mr. Zheng's Put Option to the total issued Shares of the Target Company at the time of exercise, multiplied by (ii) the multiple derived from dividing Jin Jiang Hotels Development's market capitalisation by Jin Jiang Hotels Development's EBITDA or 12 (whichever is higher), multiplied by (iii) the Target Company's EBITDA for the previous fiscal year and calculated on the same basis as those calculated pursuant to the Acquisition Agreements, provided that such selling price is not less than the adjusted price per Target Share calculated pursuant to the Acquisition Agreements. If the financial statements have not been confirmed, the right shall be exercised based on the calculation using the draft financial statements and necessary adjustment shall be made upon confirmation of the figures in the financial statements. After receipt of the written notice from Mr. Zheng for the exercise of Mr. Zheng's Put Option, all necessary compliance procedures shall be carried out as soon as possible and Jin Jiang Hotels Development shall pay Mr. Zheng in cash to acquire his shares within 5 to 10 working days after the necessary approval has been obtained. When Mr. Zheng exercises his put option for the last time following the expiration of Mr. Zheng's Lockup Period, Mr. Zheng is required to use all of the aforementioned consideration amount to purchase shares of Jin Jiang Hotels Development within twenty working days of receiving the same. The lockup period for the shares of Jin Jiang Hotels Development purchased pursuant to such requirement shall be two years.

The Company will carry out the necessary compliance approval procedures in accordance with the relevant requirements under the Listing Rules when Mr. He and/or Mr. Zheng exercises their respective put options.

III. REASONS FOR AND BENEFIT FOR THE ACQUISITION

The Group is principally engaged in Full Service Hotels operation and management, Select Service Hotel operation and franchising, restaurant operation and other hotel-related businesses.

The Board considers that the reasons and benefit for the Acquisition are as follows:

Strengthening the Group's strategic positioning and continuously advancing the Groups' strategic development plan

The Group will be able to further broaden its strategic geographical presence through the Acquisition. In early 2015, the Group successfully acquired Groupe du Lourve. Groupe du Lourve primarily focused in France and owns over 1,000 hotels across 46 countries in the world. The Group realised its strategic development plan in the international market through such acquisition of Groupe du Lourve. The

Acquisition represents another significant step in facilitating the overall global market development plan of the Group and another strategic move to accomplish the Group's regional development plan. The Target Group's operations cover over 300 cities in the PRC and possesses relatively strong presence in the Southern, Central and Southwest regions of the PRC such as Guangzhou, Shenzhen, Changsha, Wuhan, Nanchang and Chengdu, which is complementary to the Group's regional penetration and further strengthen the geographical presence of the Group in the market.

In respect of the brand portfolio, the Group adapts to the changes in consumer needs, seizes new opportunities associated with Select Service Hotels and continues to enhance the varieties of its brands portfolio in order to improve the competitiveness of the Group's brands. The Acquisition, which can further enhance the brand portfolio of the Group, in particular for the mid-to-high scale Select Service Hotels brands, is a strategic measure for the Group's brand development plan.

The Group would be able to develop the market for the Select Service Hotels in terms of the variety of services and the scope of businesses, and further expand the regional presence, accomplish its brand portfolio, diversify the brand segregation and enrich the brands' connotation. The Group's competitiveness in the market will be enhanced while its market leadership and brand influence will be considerably elevated. The Acquisition represents an important step in the Company's marketing and branding strategies and is significant in its strategic planning.

Further expansion of business scale, elevating industry positioning and maintaining its competitive advantage

The Target Group possesses over 2,200 hotels in operation, representing over 210,000 hotel rooms. Upon completion of the Acquisition, the business scale of the Group will be materially increased, its industry positioning and brand influence will be notably elevated, member base will be expanded and resources for the hotel business will be enriched. The economy of scale for the Group's operation will be enhanced and its leading position in the industry will be further escalated.

Realising integration synergy, increasing revenue and reducing operating costs

The Group will benefit from the synergy from the integration as a result of the Acquisition including the expansion of customer base, increase of revenue and reduction of operating costs due to centralised procurement.

The Target Group currently possesses over 92 million members, majority of which are business and leisure travelers from the PRC and overseas. The membership system is one of the competitive advantages of the Target Group. Besides, the Target Group operates its own direct sale channel with centralised reservation system. The number of members of the Group will be considerably raised and sources of revenue will be increased through the Acquisition.

The Acquisition will also facilitate the reduction of the Group's operating costs. Regarding the supply chain, centralised procurement could be applied in areas such as hotel daily supplies, consumables and renovation material. As such, it is expected that the Group's bargaining power will be strengthen and the procurement costs will be lowered.

Introducing innovative mechanism and catering for the needs of the Group's marketing development

Upon the completion of the Acquisition, the Group will continue to support the development of competitive advantages of the Target Group, in particular, in the brand incubation and operations of its mid- to up-scale Select Service Hotels brands. At the same time, the Group will make use of the innovative mechanism and outstanding corporate culture of the Target Group, in order to support the Group's marketing development and deal with the challenges arisen from the transition and growth of the hotel industry.

The Target Group established a set of innovative and flexible market-based mechanisms to develop new brands for the mid- to up-scale Select Service Hotels segment. It adopts a joint investment and cooperation model, in which the Target Group has the controlling stake while the strategic cooperating partners and management teams holds the remaining interests so as to attract the teams who are insightful regarding consumer needs to jointly develop the brands to satisfy the consumer market with different characteristics and needs.

The Directors (including the independent non-executive Directors) believe that the terms of the Acquisition Agreements are fair and reasonable, on normal commercial terms and in the interests of the Shareholders as a whole.

IV. FINANCIAL EFFECTS TO THE GROUP ARISING FROM THE ACQUISITION

Revenue

Upon Closing, the Target Company became a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Group upon Closing.

Assets and Liabilities

Based on the consolidated financial statements of the Group for the six months ended 30 June 2015, the unaudited net asset value of the Group as at 30 June 2015 was approximately RMB17,182.4 million. Based on the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 30 June 2015 as set out in Appendix VI to this circular, the total assets of the Enlarged Group would be increased by approximately RMB11,501.7 million to approximately RMB53,312.9 million and total liabilities of the Enlarged Group would be increased by approximately RMB13,568.8 million to approximately RMB38,197.6 million. Accordingly, the unaudited net asset value of the Enlarged Group will decrease by approximately RMB2,067.1 million to approximately RMB15,115.3 million.

Financial Leverage

Based on the interim report of the Group for the six months ended 30 June 2015, the gearing ratio (defined as total borrowings over total assets of the Company) was approximately 38.5%. According to the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 30 June 2015 as set out in Appendix VI to this circular, the total borrowings of the Enlarged Group would be approximately RMB24,499.4 million and the total assets of the Enlarged Group would be approximately RMB53,312.9 million, respectively, with the gearing ratio of approximately 46.0%.

Having considered the reasons and benefits of the Acquisition and the financial effects to the Group as a result of the Acquisition, the Board considers the Acquisition is fair and reasonable and in the interests of the Shareholders as a whole.

V. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

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. Nevertheless, with the implementation of policies represented by the document entitled "Certain Opinions on Promoting the Reform and Development of the Tourism Industry" issued by the state council, as well as the stimulating effect of the opening of Shanghai Disneyland, broad prospects for future development still hold out for the PRC's hotel and tourism industry, which will embrace opportunities as well as challenges. With full confidence in its future development, the Group will actively address any challenges and seize any opportunities that might arise.

On 16 February 2015, Luxembourg Sailing Investment entered into the share purchase agreement with Star SDL for the GDL Acquisition. On 27 February 2015, Luxembourg Sailing Investment (as assignee), Star SDL and Star SDL Holding S.à.r.l., the then sole shareholder of Star SDL, (together with Star SDL as assignors) entered into the receivable assignment agreement in relation to the assignment of GDL Group Receivable. On 27 February 2015, the date of completion of the GDL Acquisition and the assignment of the GDL Group Receivable, Luxembourg Sailing Investment paid €1,276,982,372.98 in cash, comprising the price for the share purchase for the GDL Acquisition, the payment of the net value of the GDL Group Receivable and the repayment of the syndicated loan owed by the GDL Group to banks as at the completion date. The aggregate remuneration payable to and benefits in kind receivable by the directors of Luxembourg Sailing Investment has no variation in consequence of the GDL Acquisition. Details of the GDL Acquisition (including the accountant's report) are set out in the circular of the Company dated 26 May 2015 or refer to the hyperlink: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0522/LTN201505221153.pdf.

As a result of the completion of the GDL Acquisition and the entering into of the Acquisition Agreements, the Group will continue the development of its core business by maintaining its market share in the PRC, stepping in the mid- to up-scale hotel segment and drive internationalisation. The Group will seek to improve its management standards and core competitiveness, strengthen its ability in multinational operations to cope with different market segments and leveraging the strategy of setting up international businesses while introducing foreign experiences to the domestic operations.

The Group will seize the opportunity presented by the reform of state-owned assets to enhance its development towards a market-oriented corporation. The Group will advance reforms of its mechanisms and regimes and investigate the innovation and transformation of business models compatible with the age of Internet economy, while optimising its market-based remuneration regime and incentive mechanism. The Group will leverage its strengths in specialisation to integrate the industry chains of hotel, passenger transport logistics and tourism, in a bid to foster a modern tourism service industry chain centered on hotel operations. The Group will continue to improve asset liquidity and adjust the property portfolio to further increase its overall asset return and enterprise value. The construction of functional centres and system platforms will be optimised with the aim of improving quality and enhancing efficiency. Measures in cost reduction and income enhancement will be strengthened and improved, as the Group's marketing network will be expanded through multiple channels, while personnel deployment, staff costs and staff development plans will also be optimised in an effort to expedite the building of a modern human resource management regime compatible with the international business development.

The Group will focus on international business deployment, multinational operations and its vision to build "Jin Jiang Hotel" into a world-class brand name. By strengthening the Group's core competitive strengths in branding, network, human resources and management systems, the Group will strive to develop into a leader in the hotel and tourism industry in the PRC with international competitiveness.

VI. INFORMATION OF THE VENDORS AND THE TARGET GROUP

Information on the Vendors

Prototal Enterprises Limited (寶全企業有限公司)

Prototal Enterprises Limited (寶全企業有限公司), a company incorporated in British Virgin Islands with limited liability, is wholly-owned by Mr. He. Save for the shareholding in the Target Company, Prototal Enterprises Limited (寶全企業有限公司) has no other business activities. Mr. He is the co-chairman of the Target Company.

Ever Felicitous Limited

Ever Felicitous Limited, a company incorporated in British Virgin Islands with limited liability, is owned as to 77.84% by Mr. Zheng, 13.56% by 俞超, 6.78% by 林粵舟 and 1.82% by Mr. Jianxiong Liu. Save for the shareholding in the Target Company, Ever Felicitous Limited has no other business activities. Mr. Zheng is the co-chairman of the Target Company.

Happy Boat Lodging Limited

Happy Boat Lodging Limited, a company incorporated in the Republic of Mauritius, is owned as to 27.02% by Actis China 3 "A", L.P., 25.65% by Actis Emerging Markets 3 "C", L.P, 17.30% by Actis Emerging Markets 3 "A", L.P., 15.76% by Actis China 3 L.P., 6.25% by Actis China 3 "S" L.P., 6.07% by Actis Emerging Markets 3, L.P. and 1.94% by Actis Fund 3 Co-Investment Pool. Save for the shareholding in the Target Company, Happy Boat Lodging Limited has no other business activities.

Happy Travel Limited

Happy Travel Limited, a company incorporated in the Republic of Mauritius, is owned as to 24.31% by Actis China 3 "A", L.P., 23.08% by Actis Emerging Markets 3 "C", L.P., 15.57% by Actis Emerging Markets 3 "A", L.P., 14.18% by Actis China 3 L.P., 8.27% by TravelRolling Investors L.P., 5.63% by Actis China 3 "S", L.P., 5.47% by Actis Emerging Markets 3 L.P., 1.75% by Actis Fund 3 Co-Investment Pool, L.P. and 1.74% by Actis Executive Limited Partnership. Save for the shareholding in the Target Company, Happy Travel Limited has no other business activities.

Keystone Asia Holdings Limited

Keystone Asia Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands, is owned as to 95.34% by Cap III AIV Cayman, L.P and 4.66% by Cap III Co Investment LP Limited and ultimately controlled by CapIII AIV Cayman LP (a private equity fund established by The Carlyle Group). Save for the shareholding in the Target Company, Keystone Asia Holdings Limited has no other business activities.

SCC Growth 2010-Peak Holdco, Ltd.

SCC Growth 2010-Peak Holdco, Ltd, an exempted company with limited liability incorporated in the Cayman Islands, is owned as to 85.53% by Sequoia Capital China Growth 2010 Fund, L.P., 7.37% by Sequoia Capital China Growth 2010 Principals Fund, L.P. and 7.10% by Sequoia Capital China Growth 2010 Partners Fund, L.P.. Sequoia Capital China Growth 2010 Fund L.P., a private fund established by Sequoia Capital, which business is managed by its general partner (i.e. SC China Growth 2010 Management L.P.). SC China Growth 2010 Management L.P., an exempted limited partnership in the Cayman Islands, is principally engaged in the investment in growth enterprises (mainly in the PRC) through special vehicle companies. Save for the shareholding in the Target Company, SCC Growth 2010-Peak Holdco, Ltd. has no other business activities.

Sequoia Capital Global Growth Fund, L.P.

Sequoia Capital Global Growth Fund, L.P. is an exempted limited partnerships incorporated in the Cayman Islands and an investment-oriented limited partnership fund which business is managed by its general partner (i.e. Sequoia Capital Global Growth Fund Management L.P.). Save for the shareholding in the Target Company, Sequoia Capital Global Growth Fund, L.P. has no other business activities.

Sequoia Capital Global Growth Principals Fund, L.P.

Sequoia Capital Global Growth Principals Fund, L.P. is an exempted limited partnerships incorporated in the Cayman Islands and an investment-oriented limited partnership fund which business is managed by its general partner (i.e. Sequoia Capital Global Growth Fund Management L.P.). Save for the equity holding in the Target Company, Sequoia Capital Global Growth Principals Fund, L.P. has no other business activities.

Jaguar Investment Pte Ltd.

Jaguar Investment Pte Ltd., an exempted private company incorporated in Singapore with limited liability, is indirect wholly-owned by the Minister for Finance of the Government of Singapore. Jaguar Investment Pte Ltd. is principally engaged in investment business.

Ctrip Investment Holding Ltd.

Ctrip Investment Holding Ltd., an exempted company with limited liability incorporated in the Cayman Islands, is indirectly wholly-owned by Ctrip.com International Ltd. Ctrip.com International Ltd. is a company listed on NASDAQ. Ctrip Investment Holding Ltd. is principally engaged in equity investment.

Smartech Resources Limited

Smartech Resources Limited, a company incorporated in BVI with limited liability, is wholly-owned by Zhang Qiong. Save for the equity holding in the Target Company, Smartech Resources Limited has no other business activities.

Chien Lee

Mr. Chien Lee is an American.

Minjian Shi

Mr. Minjian Shi is an Australian.

Information on the Target Group

The Target Company is an investment holding company incorporated in the Cayman Islands on 12 December 2012 with limited liability. The Target Group is principally engaged in operating high- to low-end brands in the Select Service Hotels market, including (i) operating economy hotel chains under the brands of 7 Days, Dao Jia Hotel, IU Hotel and π Hotel; and (ii) operating mid- to up-scale Select Service Hotels under brands such as Portofino, Lavande, James Joyce Coffetel, ZMAX Hotel, Xana Hotelle and H12 (through co-investment and cooperation arrangement).

As of 30 June 2015, the Target Group manages and operates more than 2,200 hotels of which over 2,000 hotels are operated under the brand of 7 Days and over 60 hotels are operated in the mid- to up-scale hotel segment in major cities in the PRC. The Target Group also expands the business to overseas market.

The Target Group mainly adopts two operating models: leased and operated hotel operations and franchised and managed operations. Leased and operated hotels are hotels managed and operated by the Target Group under its owned brands in leased properties. The Target Group is responsible for the management, operation, daily maintenance of leased and operated hotels, as well as staff recruitment, training and daily management of the hotels, in order to ensure their normal operation. Leased and operated hotels derive their income mainly from the rents of hotel rooms and the provision of food and beverage. As of 30 June 2015, there are approximately 490 leased and operated hotels under the 7 Days brand and one under H12 brand.

Apart from the leased and operated hotel operation, the Target Group grants the franchisees the rights to use the brands and set up the hotels in accordance with models and conventions acceptable to the Target Group. The franchised and managed hotels are classified into managed franchise hotels and standard franchise hotels according to different management fee payment structure as well as different rights and obligations for the investors and the Target Group. The Target Group would receive basic management fees equivalent to a percentage of the operating revenue in respect of the managed franchise hotel, while the Target Group would receive franchise fees equivalent to an amount agreed in the contracts based on the number of hotel rooms in respect of the standard franchise hotel.

The Target Group would assign management teams to manage the daily operations of the managed franchise hotels, including hotel operation, appointment and termination of employment and financial management. The investor and its authorized representative shall not interfere with the operations of the managed franchise hotels and the managed franchise hotels would bear the staff costs of the management team as its operating expenses. On the other hand, the daily operations, hotel management and staff recruitment of the standard franchise hotel would be undertaken by its relevant investor. The Target Group would be responsible for review and supervision of the operation conditions and environment of the standard franchise hotels in order to ensure compliance with the standard of the Target Group. In addition, the Target Group would provide an internal procurement system to the standard franchise hotels. As of 30 June 2015, the Target Group has approximately 1,790 franchise and managed hotels in operation, among which approximately 1,610 are managed franchise hotels and approximately 180 are standard franchise hotels.

Financial information

Set out below is the consolidated financial information of the Target Group as set out in Appendix II to this circular and prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December	
	2013	**2014**
	(approximately RMB' million)	*(approximately RMB' million)*
Revenue	1,708.9	3,403.7
Profit before taxation	86.4	415.7
Profit after taxation	32.6	267.0

According to the consolidated financial statements of the Target Group as set out in Appendix II to this circular and prepared in accordance with Hong Kong Financial Reporting Standards, as at 30 June 2015, the consolidated net asset of the Target Group was approximately RMB3,310 million.

According to the Valuation Report prepared by the PRC Valuer, the appraised enterprise value of the Target Group was approximately RMB12,274 million and the appraised equity value of the Target Group after deducting minority interest was approximately RMB10,314 million.

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company and the financial results and position of the Target Company will be consolidated into the financial statements of the Company.

VII. IMPLICATIONS UNDER THE LISTING RULES

Written Shareholder's Approval on the Acquisition Agreements and Shareholders' Agreement

As the applicable percentage ratios exceed 25% but are lower than 100%, the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement constitute major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement will be subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Jin Jiang International, which is the controlling Shareholder and directly owns 75% of the issued share capital (or 4,174,500,000 domestic shares) of the Company, does not have any material interest in the Acquisition Agreements and Shareholders' Agreement. No Shareholder (including Jin Jiang International) would be required to abstain from voting at the general meeting of the Company, if convened, to approve the Acquisition Agreements and Shareholders' Agreement.

On 20 October 2015, the Company received the written shareholder's approval on the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement from Jin Jiang International. Pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company is required to be convened to approve the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement.

Information relating to the Profit Forecast

As the Valuation Report was prepared on a discounted cash flow basis under the income approach, under Rule 14.61 of the Listing Rules, any valuation based on discounted cash flows is regarded as a profit forecast. The principal assumptions adopted in the Valuation Report on the Target Group prepared by the PRC Valuer are set out as follows:

(i) Basic assumptions:

(a) Assumption of open market: Open market represents a competitive market with adequately developed and complete market conditions as well as a willing buyer and a willing seller each having, on an equal status, the opportunities and time to obtain sufficient market information, whereby the transaction is conducted on a voluntary, rational (rather than forced) or unrestricted basis on either party of the buyer and the seller.

(b) Assumption of continuous utilisation: As the first step under the assumption, the assets to be assessed including assets being utilised and spare assets should be in use. Then such assets in use are supposed to be utilised continuously according to relevant data and information. In addition to defining the market conditions or environment for the assets to be assessed, the assumption of continuous utilisation places emphasis on the subsistence of assets.

(c) Assumption of going concern: The company to be assessed is assumed to legitimately continue as a going concern based on its existing assets and resource conditions in the foreseeable future, instead of suspension due to various reasons.

(ii) General assumptions:

(a) Unless specified otherwise, the valuation report does not take into account the impact on the assessed value from any abnormal factors including any existing or potential charge, guaranty or special transaction modes.

(b) There is no material change in the relevant prevailing laws and policies, industrial policies or macro-economic situation of the country where the assets to be assessed are located, or in the political, economic or social environment in the location where the valuation object is located, and there is no material adverse impact from other force majeure or unforeseeable factors.

(c) There is no material change in relevant policies including tax and tax rates applicable to the valuation object, and the credit policies, interest rates and exchange rates are basically stable.

(d) According to the valuation purpose, the type of value of the valuation is defined as market value. All price selection standards adopted in the valuation are the price standards and value system effective as at the valuation base date.

(iii) Assumptions under the income approach:

(a) All evidences provided by the company to be assessed, including business contracts, corporate business license, articles of association, executed agreements, audit reports and financial information, are true and valid.

(b) The existing and future management teams of the company to be assessed have exercised and will exercise due diligence, will not involve any material non-compliance events that impact the company's development and revenue generation, and will maintain the existing operation and management model to continue the business as a going concern.

(c) The contracts executed by the company in previous years and the current year are valid and effective and can be performed.

(d) The future forecast in the valuation is a reasonable forward-looking projection based on the existing market conditions, taking no consideration of any material changes or fluctuations in future market such as political turmoil, economic crisis or malignant inflation that are foreseeable at present.

A letter from DTCFL, the financial adviser of the Company, confirming that it is satisfied that the profit forecast has been made by the Directors after due and careful enquiry, is set out in Appendix VII to this circular. A letter from KPMG, the reporting accountant of the Target Group, confirming that it has reviewed the calculations for the profit forecast and the forecast does not involve the adoption of accounting policies, is set out in Appendix VII to this circular.

VIII. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were to be convened for the approval of the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement, the Board would recommend its Shareholders to vote in favour of the resolutions to approve the transactions contemplated under the Acquisition Agreements and Shareholders' Agreement at such general meeting.

IX. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board of
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Kang Ming
Executive Director and Joint Company Secretary

(A) THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the years ended 31 December 2014, 2013 and 2012 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015, together with the accompanying notes to the financial statements, can be found on pages 69 to 212 of the annual report of the Company for the year ended 31 December 2014, pages 73 to 224 of the annual report of the Company for the year ended 31 December 2013, pages 69 to 196 of the annual report of the Company for the year ended 31 December 2012 and pages 28 to 68 of the interim report of the Company for the six months ended 30 June 2015, respectively. Please see below the hyperlinks to the said annual reports and interim report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0430/LTN20150430278.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0430/LTN20140430279.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0430/LTN20130430530.pdf

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0925/LTN20150925740.pdf

(B) INDEBTEDNESS STATEMENT

The Group (excluding the Target Group)

At the close of business on 31 August 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had total borrowings of RMB16,485.8 million as set forth below:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	9,377,197	5,846,129	15,223,326
Bank overdraft	—	75	75
Related party borrowings	—	1,100,000	1,100,000
Finance lease payables	162,437	—	162,437
Total	9,539,634	6,946,204	16,485,838

Among the secured bank borrowings, an amount of RMB9,261.3 million was secured by restricted bank deposit with carrying amount of RMB4,724.0 million, an amount of RMB92.2 million was secured by assets with carrying amount of RMB189.4 million, and the rest of RMB23.7 million was guaranteed by a non-controlling shareholder of a subsidiary of the Group.

Finance lease liabilities of RMB162.4 million was effectively secured by the rights to the leased assets with carrying amount of RMB90.9 million revert to the lessor in the event of default and restricted bank deposit with carrying amount of RMB18.3 million.

As at close of business on 31 August 2015, the Group provided guarantees of RMB891.0 million to the related parties of the Group in respect of these parties' secured borrowings from certain banks.

As at 31 August 2015, GDL, together with its former subsidiary Baccarat Group were accused in a legal action involving the alleged default in accordance with the terms of contracts. The directors of GDL believe, based on legal advice, it is not probable that an outflow of resources embodying economic benefits will be required to settle such obligation.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 August 2015.

The Target Group

Statement of indebtedness as of 31 August 2015 of the Target Group is set out as follows:

	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans	1,821,536	867,300	2,688,836

Notes:

i) The secured bank loans of RMB1,819,314,000 were secured by pledged deposits and guaranteed by certain subsidiaries of Target Group.

ii) The secured bank loans of RMB2,222,000 were secured by mortgage of a building of Target Group.

iii) Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Target Group did not have as at the close of business on 31 August 2015 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

(C) WORKING CAPITAL SUFFICIENCY

The Closing Consideration for the Acquisition will be paid to each of the Vendors upon Closing. Pursuant to the financing arrangement for the Acquisition, The Closing Consideration will be financed by bank loans and internal resources. The Company expects that approximately 70% of the Closing Consideration will be funded through new commercial bank loans and the remaining of the Closing Consideration will be funded by the Company's internal resources.

Having considered the funding requirements for the Acquisition, the Directors of the Company expect that adequate new financing will be available from the following source:

Management of the Jin Jiang Hotels Development, the Purchaser, has been actively negotiating with various financial institutions for new bank loan facilities amounting to approximately RMB5,789 million to finance the Acquisition. As of 23 October 2015, Jin Jiang Hotels Development has obtained letters of intent for these new bank loan facilities issued by the financial institutions. Based on the on-going communications between the management of Jin Jiang Hotels Development and the financial institutions, the Directors believe there are sufficient funding available to pay the cash consideration for the Acquisition.

In light of the above, taking into account all the financial resources currently available to the Enlarged Group, including the internal resources and banking facilities currently available as well as further borrowings currently under negotiation with the financial institutions, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Enlarged Group will be able to obtain sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

(D) MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited annual financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Target Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

23 October 2015

The Directors
Shanghai Jin Jiang International Hotels (Group) Company Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Keystone Lodging Holdings Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Group, for the period from date of incorporation to 31 December 2012, each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Period"), and the explanatory information (the "Financial Information"), for inclusion in the circular issued by Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") dated 23 October 2015 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the Cayman Islands on 12 December 2012 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands.

As at the date of this report, no audited financial statements have been prepared for the Target Company and certain subsidiaries of the Target Group, as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 2(b) of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC").

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Period (the "Underlying Financial Statements") in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for the period from date of incorporation to 31 December 2012 and each of the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the Target Group's financial performance and cash flows for the Relevant Period then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Target Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Target Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section B Note	For the period from date of incorporation to 31 December 2012 *RMB'000*	For the year ended 31 December 2013 *RMB'000*	For the year ended 31 December 2014 *RMB'000*	For the six months ended 30 June 2014 *RMB'000* (unaudited)	For the six months ended 30 June 2015 *RMB'000*
Revenue	3	—	1,708,935	3,403,657	1,613,591	1,660,317
Direct hotel operating costs		—	(1,248,350)	(2,422,283)	(1,198,887)	(1,308,602)
Gross profit		—	460,585	981,374	414,704	351,715
Other net income/(loss)	4	—	134	24,678	5,886	(966)
Selling and marketing expenses		—	(62,730)	(148,049)	(47,895)	(68,772)
Administrative expenses		—	(286,245)	(363,166)	(161,007)	(223,025)
Profit from operations		—	111,744	494,837	211,688	58,952
Finance costs	5(a)	—	(25,362)	(79,090)	(24,789)	(44,340)
Share of losses from associates		—	—	—	—	(15,371)
Profit/(loss) before taxation	5	—	86,382	415,747	186,899	(759)
Income tax	6	—	(53,820)	(148,759)	(61,167)	(27,159)
Profit/(loss) for the year/period		—	32,562	266,988	125,732	(27,918)
Attributable to:						
Shareholders of Target Company		—	36,454	278,284	130,808	(14,848)
Non-controlling interests		—	(3,892)	(11,296)	(5,076)	(13,070)
Profit/(loss) for the year/period		—	32,562	266,988	125,732	(27,918)

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) for the year/period	—	32,562	266,988	125,732	(27,918)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of entities not using Renminbi ("RMB") as functional currency	—	5,238	4,273	(40,586)	1,772
Total comprehensive income for the year/period	—	37,800	271,261	85,146	(26,146)
Total comprehensive income attributable to:					
Shareholders of Target Company	—	41,690	282,522	90,096	(13,063)
Non-controlling interests	—	(3,890)	(11,261)	(4,950)	(13,083)
Total comprehensive income for the year/period	—	37,800	271,261	85,146	(26,146)

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	9	—	1,675,186	1,644,307	1,597,065
Land use right		—	22,808	22,190	21,881
Intangible assets	10	—	2,347,426	2,353,713	2,335,241
Goodwill	11	—	825,870	880,809	893,284
Interest in associates	13	—	—	5,000	1,458,956
Other receivables	15	—	151,118	151,012	173,979
Pledged deposits	16	—	55,639	42,833	42,795
Available-for-sale financial assets		—	—	—	11,500
Deferred tax assets	19(b)	—	83,943	68,906	91,343
		—	5,161,990	5,168,770	6,626,044
Current assets					
Inventories	14	—	40,677	49,085	51,423
Trade and other receivables	15	—	254,789	317,430	289,073
Available-for-sale financial assets		—	40,000	299,659	—
Cash and cash equivalents	16	—	952,022	1,140,090	953,616
		—	1,287,488	1,806,264	1,294,112
Current liabilities					
Trade and other payables	17	—	820,094	947,845	1,050,641
Bank loans	18	—	97,533	91,785	137,556
Current taxation	19(a)	—	28,290	20,105	32,623
		—	945,917	1,059,735	1,220,820
Net current assets		—	341,571	746,529	73,292
Total assets less current liabilities		—	5,503,561	5,915,299	6,699,336
Non-current liabilities					
Trade and other payables	17	—	319,418	332,523	336,776
Bank loans	18	—	639,335	1,686,446	2,470,159
Deferred tax liabilities	19(b)	—	582,635	586,961	582,447
		—	1,541,388	2,605,930	3,389,382
Net assets		—	3,962,173	3,309,369	3,309,954
Equity					
Share capital	21(c)	—	86	86	86
Reserves		—	3,954,198	3,307,770	3,315,463
Total equity attributable to shareholders of the Target Company		—	3,954,284	3,307,856	3,315,549
Non-controlling interests		—	7,889	1,513	(5,595)
Total equity		—	3,962,173	3,309,369	3,309,954

The accompanying notes form part of the Financial Information.

4 STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Section B Note	**2012** *RMB'000*	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*
Non-current assets					
Investments in subsidiaries	12	—	4,140,175	4,210,096	4,227,187
Interest in an associate	13	—	—	—	847,439
		—	4,140,175	4,210,096	5,074,626
Current assets					
Trade and other receivables	15	—	40,448	92,847	90,598
Cash and cash equivalents	16	—	65,712	224,463	223,017
		—	106,160	317,310	313,615
Current liability					
Trade and other payables	17	—	404,424	620,095	1,475,452
Net current liabilities		—	(298,264)	(302,785)	(1,161,837)
Total assets less current liabilities		—	3,841,911	3,907,311	3,912,789
Net assets		—	3,841,911	3,907,311	3,912,789
Equity					
Share capital	21(c)	—	86	86	86
Reserves		—	3,841,825	3,907,225	3,912,703
Total equity		—	3,841,911	3,907,311	3,912,789

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Target Company								
	Share capital	**Share premium**	**Exchange reserve**	**Statutory reserve**	**Capital reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 21(c))	*(note 21(d))*	*(note 21(e))*	*(note 21(f))*	*(note 21(g))*				
At 12 December 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—	—	—	—	—
Changes in equity for 2013									
Profit for the year	—	—	—	—	—	36,454	36,454	(3,892)	32,562
Other comprehensive income	—	—	5,236	—	—	—	5,236	2	5,238
Total comprehensive income	—	—	5,236	—	—	36,454	41,690	(3,890)	37,800
Shares issuance	86	3,910,888	—	—	—	—	3,910,974	—	3,910,974
Equity settled share-based payment	—	—	—	—	2,419	—	2,419	—	2,419
Excess tax benefit related to share-based payment	—	—	—	—	(799)	—	(799)	—	(799)
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(1,122)	(1,122)
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	(1,159)	(1,159)
Capital contributions to subsidiaries from non-controlling interests holders	—	—	—	—	—	—	—	1,227	1,227
Appropriation to statutory reserve	—	—	—	13,764	—	(13,764)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	12,833	12,833
At 31 December 2013	86	3,910,888	5,236	13,764	1,620	22,690	3,954,284	7,889	3,962,173
At 1 January 2014	86	3,910,888	5,236	13,764	1,620	22,690	3,954,284	7,889	3,962,173
Changes in equity for 2014									
Profit for the year	—	—	—	—	—	278,284	278,284	(11,296)	266,988
Other comprehensive income	—	—	4,238	—	—	—	4,238	35	4,273
Total comprehensive income	—	—	4,238	—	—	278,284	282,522	(11,261)	271,261
Equity settled share-based payment	—	—	—	—	54,922	—	54,922	—	54,922
Acquisition of non-controlling interests	—	—	—	—	—	(672)	(672)	(9,944)	(10,616)
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	(2,698)	(2,698)
Capital contributions to subsidiaries from non-controlling interests holders	—	—	—	—	—	—	—	17,527	17,527
Appropriation to statutory reserve	—	—	—	30,104	—	(30,104)	—	—	—
Dividends paid to shareholders (note 21(b))	—	(983,200)	—	—	—	—	(983,200)	—	(983,200)
At 31 December 2014	86	2,927,688	9,474	43,868	56,542	270,198	3,307,856	1,513	3,309,369

	Attributable to shareholders of the Target Company								
	Share capital	Share premium	Exchange reserve	Statutory reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 21(c))	*(note 21(d))*	*(note 21(e))*	*(note 21(f))*	*(note 21(g))*				
At 1 January 2015	86	2,927,688	9,474	43,868	56,542	270,198	3,307,856	1,513	3,309,369
Changes in equity for the six months ended 30 June 2015									
Profit for the period	—	—	—	—	—	(14,848)	(14,848)	(13,070)	(27,918)
Other comprehensive income	—	—	1,785	—	—	—	1,785	(13)	1,772
Total comprehensive income	—	—	1,785	—	—	(14,848)	(13,063)	(13,083)	(26,146)
Equity settled share-based payment	—	—	—	—	20,756	—	20,756	—	20,756
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	(826)	(826)
Capital contributions to subsidiaries from non-controlling interests holders	—	—	—	—	—	—	—	6,801	6,801
At 30 June 2015	86	2,927,688	11,259	43,868	77,298	255,350	3,315,549	(5,595)	3,309,954
(Unaudited)									
At 1 January 2014	86	3,910,888	5,236	13,764	1,620	22,690	3,954,284	7,889	3,962,173
Changes in equity for the four months ended 30 June 2014									
Profit for the period	—	—	—	—	—	130,808	130,808	(5,076)	125,732
Other comprehensive income	—	—	(40,712)	—	—	—	(40,712)	126	(40,586)
Total comprehensive income	—	—	(40,712)	—	—	130,808	90,096	(4,950)	85,146
Equity settled share-based payment	—	—	—	—	30,504	—	30,504	—	30,504
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	(1,305)	(1,305)
Capital contributions to subsidiaries from non-controlling interests holders	—	—	—	—	—	—	—	16,251	16,251
At 30 June 2014	86	3,910,888	(35,476)	13,764	32,124	153,498	4,074,884	17,885	4,092,769

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	For the period from date of incorporation to 31 December 2012 RMB'000	For the year ended 31 December 2013 RMB'000	2014 RMB'000	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Operating activities						
Cash generated from operations	16(b)	—	529,562	1,000,471	431,289	502,297
Tax paid	19(a)	—	(70,880)	(147,038)	(54,846)	(41,592)
Net cash generated from operating activities		—	458,682	853,433	376,443	460,705
Investing activities						
Payment for acquisitions of subsidiaries	12	—	(1,811,311)	(90,740)	—	(1,210)
Payment for acquisitions of non-controlling interests		—	(532)	(9,615)	—	(1,000)
Proceeds from disposal of property, plant and equipment		—	771	9,999	608	9,639
Payment for the purchase of property, plant and equipment		—	(95,248)	(317,050)	(74,261)	(234,419)
Payment for the purchase of intangible assets		—	(15,298)	(4,474)	—	(477)
Interest bearing loans to third parties		—	—	(24,736)	—	(28,490)
Payment for acquisitions of associates		—	—	(5,000)	(3,500)	(1,469,327)
Interest income		—	2,574	24,258	6,282	11,623
(Increase)/decrease in available-for-sale financial assets		—	—	(259,659)	(100,000)	288,159
Net cash used in investing activities		—	(1,919,044)	(677,017)	(170,871)	(1,425,502)
Financing activities						
Proceeds from bank loans		—	755,079	1,778,231	679,572	1,723,196
Repayment of bank borrowings		—	(259,728)	(739,520)	(736,867)	(901,797)
Proceeds from shares issuance	21(c)	—	1,988,471	—	—	—
Dividends paid to the shareholders of the Target Company		—	—	(983,200)	—	—
Interest paid		—	(25,362)	(76,008)	(24,789)	(44,393)
Capital contributions from non-controlling shareholders		—	1,227	17,527	—	6,801
Dividends paid to holders of non-controlling interests		—	(1,159)	(2,698)	(1,305)	(826)
(Increase)/decrease in pledged bank deposits		—	(52,526)	12,806	3,840	—
Net cash generated from/(used in) financing activities		—	2,406,002	7,138	(79,549)	782,981

	Section B Note	For the period from date of incorporation to 31 December 2012 RMB'000	For the year ended 31 December 2013 RMB'000	2014 RMB'000	For the six months ended 30 June 2014 RMB'000 (unaudited)	2015 RMB'000
Net increase/(decrease) in cash and cash equivalents		—	945,640	183,554	126,023	(181,816)
Cash and cash equivalents at 1 January		—	—	952,022	952,022	1,140,090
Effect of foreign exchange rate changes		—	6,382	4,514	(40,900)	(4,658)
Cash and cash equivalents at 31 December/30 June	16	—	952,022	1,140,090	1,037,145	953,616

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Keystone Lodging Holdings Limited (the "Company") was incorporated as a limited liability company in the Cayman Islands on 12 December 2012. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the business of operating high-end, mid-class and economic hotels in the Peoples' Republic of China (the "PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the Relevant Period. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in note 26.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation

The Financial Information comprises the Target Company and its subsidiaries. As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries, which are private limited liability companies. The particulars of these subsidiaries are set out below:

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
7 Days Hotel (Shenzhen) Co., Ltd. 七天酒店(深圳)有限公司 (ii)	05/07/2005	PRC	US$115,000,000	—	100%	Hotel management
Guangzhou 7 Days Hotel Management Co., Ltd. 廣州市七天酒店管理有限公司 (i) (ii)	02/12/2004	PRC	RMB500,000	—	100%	Hotel management
Nanjing 7 Days Saab Hotel Management Co., Ltd. 南京七天薩伯酒店管理有限公司 (i) (ii)	05/04/2007	PRC	RMB500,000	—	100%	Hotel management
Guangzhou 7 Days Hotel Co., Ltd. 廣州七天酒店有限公司 (i) (ii)	14/02/2006	PRC	RMB500,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Guiyang 7 Days Hotel Management Co., Ltd. 貴陽七天酒店管理有限公司 (i) (ii)	05/09/2007	PRC	RMB100,000	—	100%	Hotel management
Fuzhou City Drum Tower District 7 Days Hotel Management Co., Ltd. 福州市鼓樓區七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Guiyang Nanming 7 Days Hotel Management Co. Ltd. 貴陽南明柒天酒店管理有限公司 (i) (ii)	06/03/2008	PRC	RMB200,000	—	100%	Hotel management
Wuhan 7 Days Hotel Management Co., Ltd. 武漢市七天酒店管理有限公司 (i) (ii)	12/02/2007	PRC	RMB100,000	—	100%	Hotel management
Foshan 7 Days Hotel Co., Ltd. 佛山市七天酒店有限公司 (i) (ii)	28/02/2008	PRC	RMB100,000	—	100%	Hotel management
Chengdu 7 Days Hotel Management Co., Ltd. 成都市七天酒店管理有限公司 (i) (ii)	14/06/2007	PRC	RMB5,000,000	—	100%	Hotel management
Tianjin 7 Days Hotel Management Co., Ltd. 天津七天酒店管理有限公司 (i) (ii)	14/12/2007	PRC	RMB100,000	—	100%	Hotel management
Ji'nan 7 Days Hotel Management Co., Ltd. 濟南七天酒店管理有限公司 (i) (ii)	16/01/2008	PRC	RMB100,000	—	100%	Hotel management
Kunming 7 Days Hotel Management Co., Ltd. 昆明七天酒店管理有限公司 (i) (ii)	20/06/2008	PRC	RMB5,000,000	—	100%	Hotel management
Shenyang 7 Days Hotel Management Co., Ltd. 瀋陽七天酒店管理有限公司 (i) (ii)	10/01/2008	PRC	RMB100,000	—	100%	Hotel management
Xi'an 7 Days Hotel Management Co., Ltd. 西安七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Nanjing 7 Days Fasthotel Management Co., Ltd. 南京七天快捷酒店管理有限公司 (i) (ii)	30/10/2008	PRC	RMB1,000,000	—	100%	Hotel management
Hefei 7 Days Hotel Management Co., Ltd. 合肥七天酒店管理有限公司 (i) (ii)	23/09/2008	PRC	RMB100,000	—	100%	Hotel management
Hefei 7 Days Kangwan Hotel Management Co. Ltd. 合肥七天康皖酒店管理有限公司 (i) (ii)	04/06/2013	PRC	RMB100,000	—	100%	Hotel management
Shanghai 7 Days Pinju Hotel Management Co., Ltd. 上海七天品居酒店管理有限公司 (i) (ii)	29/04/2007	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Baichuan 7 Days Investment Management Ltd. 廣州柒天百川投資管理有限公司 (i) (ii)	02/12/2010	PRC	RMB1,000,000	—	100%	Hotel management
Shenzhen Southern China 7 Days Hotel Management Co. Ltd. 深圳華南柒天酒店管理有限公司 (i) (ii)	31/10/2011	PRC	RMB1,000,000	—	100%	Hotel management
Guizhou 7 Days Hechuang Investment Management Co., Ltd 貴州七天合創投資管理有限公司 (i) (ii)	19/01/2011	PRC	RMB1,000,000	—	100%	Hotel management
7 Days Full Seasons Hotel Investment Management (Beijing) Co., Ltd. 七天全季酒店投資管理(北京)有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
7 Days Fasthotel Management (Beijing) Co., Ltd. 七天快捷酒店管理(北京)有限公司 (i) (ii)	24/01/2007	PRC	RMB5,000,000	—	100%	Hotel management
Guangzhou Sairu Software Development Co., Ltd. 廣州賽如軟件開發有限公司 (i) (ii)	02/12/2008	PRC	RMB1,000,000	—	100%	Information technology & software development
Shanghai 7 Days Hotel Management Limited 上海七天酒店管理股份有限公司 (i) (ii)	20/09/2007	PRC	RMB5,000,000	—	100%	Hotel management
Shenzhen Woju Fashion Hotel Management Co., Ltd. 深圳蝸居時尚酒店管理有限公司 (i) (ii)	26/04/2011	PRC	RMB500,000	—	100%	Hotel management
Shanghai Yibai Information Technology Co., Ltd. 上海益佰信息科技有限公司 (i) (ii)	15/08/2013	PRC	RMB500,000	—	100%	Information technology & software development
Beijing 7 Days Yangguang Hotel Management Co., Ltd. 北京七天陽光酒店管理有限公司 (i) (ii)	26/04/2007	PRC	RMB1,000,000	—	100%	Hotel management
Beijing 7 Days Yinxiang Hotel Management Co., Ltd. 北京七天印象酒店管理有限公司 (i) (ii)	25/04/2007	PRC	RMB1,000,000	—	100%	Hotel management
Xiamen 7 Days of Hotel Co., Ltd. 廈門市馨七天酒店有限公司 (i) (ii)	01/07/2009	PRC	RMB1,000,000	—	100%	Hotel management
Guizhou Yijiaju Hotel Management Co., Ltd. 貴州宜家居酒店管理有限公司 (i) (ii)	19/06/2009	PRC	RMB100,000	—	100%	Hotel management
Nanchang 7 Days Hotel Management Co., Ltd. 南昌市七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Zhongke Hotel Business Management Co., Ltd. 廣州眾客酒店企業管理有限公司 (i) (ii)	20/11/2009	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Haoyu Hotel Co., Ltd. 廣州浩宇酒店有限公司 (i) (ii)	22/04/2010	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Saiwen Software Development Co., Ltd. 廣州賽文軟件開發有限公司 (ii)	18/12/2008	PRC	HK$1,500,000	—	100%	Information technology & software development
Guangzhou Saicheng Software Development Co., Ltd. 廣州市賽誠軟件開發有限公司 (ii)	09/01/2012	PRC	HK$300,000	—	100%	Information technology & software development
7 Days Four Seasons Hotels (Guangzhou) Co., Ltd. 七天四季酒店(廣州)有限公司 (ii)	13/08/2010	PRC	RMB242,800,000	—	100%	Hotel management
Hunan Huatian Hotel Management Co., Ltd. 湖南華天之星酒店管理有限公司 (i) (ii)	08/03/2007	PRC	RMB97,000,000	—	100%	Hotel management
Xuzhou Orient Express Hotel Management Co., Ltd. 徐州東方快車酒店管理有限公司 (i) (ii)	09/09/2009	PRC	RMB500,000	—	100%	Hotel management
Hunan Lotus Fasthotel Management Co., Ltd. 湖南荷花快捷酒店管理有限公司 (i) (ii)	09/10/2010	PRC	RMB5,000,000	—	100%	Hotel management
Henan Huatian Hotel Management Co., Ltd. 河南華天之星酒店管理有限公司 (i) (ii)	26/06/2007	PRC	RMB1,000,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Wuhan Huatian Hotel Management Co., Ltd. 武漢華天之星酒店管理有限公司 (i) (ii)	02/09/2008	PRC	RMB1,000,000	—	100%	Hotel management
Beijing Huatian Hotel Management Co., Ltd. 北京華天之星酒店管理有限公司 (i) (ii)	26/11/2007	PRC	RMB1,000,000	—	100%	Hotel management
Nanchang Huatian Hotel Management Co., Ltd. 南昌華天之星酒店管理有限公司 (i) (ii)	22/12/2006	PRC	RMB500,000	—	100%	Hotel management
Plateno Hotel Management (Shenzhen) Co., Ltd. 鉑濤酒店管理(深圳)有限公司	30/12/2013	PRC	US$1,500,000	—	100%	Hotel management
Guangzhou Plateno Culture Communication Co., Ltd. 廣州鉑濤文化傳播有限公司 (i) (ii)	13/01/2015	PRC	RMB500,000	—	100%	Cultural creation art retail
Xana Hotel Management (Guangzhou) Co., Ltd. 希岸酒店管理(廣州)有限公司 (i) (ii)	05/05/2015	PRC	US$1,150,000	—	100%	Hotel management
Mora (Guangzhou) Management Limited 穆拉(廣州)管理有限公司 (i) (ii)	05/06/2015	PRC	US$700,000	—	100%	Restaurant management
Plateno Information Technology (Guangzhou) Co., Ltd. 鉑濤信息技術(廣州)有限公司 (i) (ii)	05/05/2015	PRC	US$5,000,000	—	100%	Information technology & software development
Guangzhou Juyouhui Supply Chain Management Co., Ltd. 廣州聚優匯供應鏈管理有限公司 (i) (ii)	05/05/2015	PRC	US$1,000,000	—	100%	Supply chain management
Huan Peng Hotel Management (Guangzhou) Co., Ltd. 歡朋酒店管理(廣州)有限公司 (i) (ii)	07/04/2015	PRC	US$1,000,000	—	100%	Hotel management
Shenzhen Dianxingtianxia Technology Co., Ltd. 深圳市點行天下科技有限公司 (ii)	26/07/2012	PRC	RMB18,688,500	—	100%	Information technology & software development
Shenzhen Chujian Information Technology Co., Ltd. 深圳市初見信息科技有限公司 (i) (ii)	26/04/2014	PRC	RMB500,000	—	100%	Information technology & software development
Guangzhou Chujian Culture Communication Co., Ltd. 廣州初見文化傳播有限公司 (i) (ii)	09/05/2011	PRC	RMB12,000,000	—	100%	Information technology & software development
Shanghai Boyong Financial Information Service Co., Ltd. 上海鉑湧金融信息服務有限公司 (i) (ii)	13/03/2015	PRC	RMB3,000,000	—	100%	Financial services
Guangzhou 7 Days Qihang Hotel Management Consulting Co., Ltd. 廣州七天啟航酒店管理諮詢有限公司 (i) (ii)	20/05/2015	PRC	RMB1,000,000	—	100%	Hotel management
Plateno Holdings Limited (i)	30/07/2014	Cayman Islands	—	100%	—	Hotel management
Plateno Group Limited (i)	02/08/2013	Cayman Islands	—	—	100%	Hotel management
7 Days Group Holdings Limited	16/03/2012	Cayman Islands	—	—	100%	Hotel management
7 Days Inn Group (HK) Limited	29/11/2007	Hong Kong	—	—	100%	Hotel management
7 Days Inn (HK) Investment Co. Limited	20/08/2009	Hong Kong	—	—	100%	Hotel management
Plateno Financial Holding Limited (i)	24/09/2014	Cayman Islands	—	100%	—	Hotel management
Plateno Financial (HK) Limited (i)	17/10/2014	Hong Kong	—	—	100%	Hotel management
Huan Peng Hotel Management Limited (i)	24/10/2014	Cayman Islands	—	100%	—	Hotel management
Huan Peng Hotel Management (HK) Limited (i)	12/11/2014	Hong Kong	—	—	100%	Hotel management
Chujian Holdings Limited (i)	25/01/2013	Cayman Islands	—	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Chujian Global Limited (i)	28/01/2013	Cayman Islands	—	—	100%	Hotel management
Chujian (HK) Limited (i)	20/01/2012	Hong Kong	—	—	100%	Hotel management
Plateno Supply Chain Management Holding Limited (i)	24/09/2014	Cayman Islands	—	—	100%	Hotel management
Plateno Supply Chain Management (HK) Limited (i)	17/10/2014	Hong Kong	—	—	100%	Hotel management
Plateno Information and Technology Development Holding Limited (i)	24/09/2014	Cayman Islands	—	—	100%	Hotel management
Plateno Information and Technology Development (HK) Limited (i)	17/10/2014	Hong Kong	—	—	100%	Hotel management
Plateno Management Limited (i)	14/08/2013	Cayman Islands	—	—	100%	Hotel management
Plateno Germany Management KG (i)	24/03/2015	Germany	—	—	100%	Hotel management
Plateno Germany Operating Gmbh (i)	21/05/2015	Germany	—	—	100%	Hotel management
Plateno Germany Management Verwaltungs Gmbh (i)	21/05/2015	Germany	—	—	100%	Hotel management
Plateno Management (SEA) Pte Ltd (i)	19/03/2015	Singapore	—	—	100%	Hotel management
Plateno Management (HK) Limited	10/09/2013	Hong Kong	—	—	100%	Hotel management
Supersonic Holdings Limited (i)	21/10/2011	Cayman Islands	—	—	100%	Hotel management
Sunbeam (HK) Limited	01/12/2011	Hong Kong	—	—	100%	Hotel management
Plateno Investment Limited (i)	14/08/2013	Cayman Islands	—	—	100%	Hotel management
Xana Hotelle Holdings Limited (i)	23/09/2014	Cayman Islands	—	—	100%	Hotel management
Xana Hotelle (HK) Limited (i)	17/10/2014	Hong Kong	—	—	100%	Hotel management
Mora Holdings Limited (i)	23/09/2014	Cayman Islands	—	—	100%	Hotel management
Mora (HK) Limited (i)	17/10/2014	Hong Kong	—	—	100%	Hotel management
H12 Holdings Limited (i)	18/11/2014	Cayman Islands	—	—	100%	Hotel management
H12 (HK) Limited (i)	21/11/2014	Hong Kong	—	—	100%	Hotel management
Hotel 12 Management GmBH (i)	28/04/2015	Germany	—	—	100%	Hotel management
Wowqu Holdings Limited (i)	05/01/2015	Cayman Islands	—	—	100%	Hotel management
Wowqu (HK) Limited (i)	22/01/2015	Hong Kong	—	—	100%	Hotel management
Shanghai 7 Days Full Seasons Hotel Management Co. Ltd. 上海七天全季酒店管理有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	100%	Hotel management
Chengdu 7 Days Four Seasons Investment Management Ltd 成都七天四季投資管理有限公司 (i) (ii)	02/04/2011	PRC	RMB1,000,000	—	100%	Hotel management
Wuhan 7 Days Four Seasons Investment Development Co., Ltd. 武漢七天四季投資發展有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	51%	Hotel management
Xi'an 7 Days Investment Consulting Co. Ltd. 西安七天投資諮詢有限公司 (i) (ii)	19/03/2012	PRC	RMB1,000,000	—	51%	Hotel management
Shenzhen 7 Days Baoda Hotel Management Co. Ltd. 深圳七天寶達酒店管理有限公司 (i) (ii)	22/03/2007	PRC	RMB1,000,000	—	65%	Hotel management
Shanghai Qijia Hotel Co. Ltd. 上海七嘉酒店有限公司 (i) (ii)	29/04/2007	PRC	RMB1,000,000	—	70%	Hotel management
Beijing 7 Days Four Seasons Hotel Management Co., Ltd. 北京七天四季酒店管理有限公司 (i) (ii)	29/01/2008	PRC	RMB1,000,000	—	70%	Hotel management
Chengdu Four Seasons 7 Days Hotel Management Co., Ltd. 成都四季七天酒店管理有限公司 (i) (ii)	29/09/2010	PRC	RMB1,000,000	—	80%	Hotel management
Sichuan Chi Cheng Kang Tibetan Hotel Management Co., Ltd. 四川省馳程康藏酒店管理有限公司 (i) (ii)	08/07/2014	PRC	RMB998,000	—	99%	Hotel management
Wuhan Boying Washing Co., Ltd. 武漢鉑英洗滌有限責任公司 (i) (ii)	27/06/2014	PRC	RMB7,226,000	—	51%	Hotel Management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Shanghai Kongqian Construction Development Co., Ltd. 上海空前建設發展有限公司 (i) (ii)	27/07/2012	PRC	RMB3,000,000	—	70%	Decoration & Construction
Portofino Hotel Management (Guangzhou) Co., Ltd. 鉑濤菲諾酒店管理(廣州)有限公司 (ii)	21/10/2013	PRC	USD999,973	—	61%	Hotel management
Portofino Hotel (Guangzhou) Co., Ltd. 鉑濤菲諾酒店(廣州)有限公司 (i) (ii)	09/10/2012	PRC	—	—	61%	Hotel management
Lavande Hotel Management (Shenzhen) Co., Ltd. 麗楓舒適酒店管理(深圳)有限公司 (ii)	18/12/2013	PRC	US$1,950,000	—	60%	Hotel management
Coffetel Hotel Management (Shenzhen) Co., Ltd. 喆啡酒店管理(深圳)有限公司 (ii)	17/12/2013	PRC	US$1,350,000	—	60%	Hotel management
ZMAX Hotel Management (Shenzhen) Co., Ltd. 潮漫酒店管理(深圳)有限公司 (ii)	10/12/2013	PRC	US$1,950,000	—	65%	Hotel management
Portofino Holdings Limited (i)	04/12/2012	Cayman Islands	—	—	61%	Hotel management
Happy Time Development Limited (i)	01/03/2012	Cayman Islands	—	—	61%	Hotel management
Portofino (HK) Limited	13/03/2012	Hong Kong	—	—	61%	Hotel management
Lavande Holdings Limited (i)	28/08/2013	Cayman Islands	—	—	60%	Hotel management
Lavande (HK) Limited	10/09/2013	Hong Kong	—	—	60%	Hotel management
Coffetel Holdings Limited (i)	28/08/2013	Cayman Islands	—	—	60%	Hotel management
Coffetel (HK) Limited	10/09/2013	Hong Kong	—	—	60%	Hotel management
ZMAX Holdings Limited (i)	28/08/2013	Cayman Islands	—	—	65%	Hotel management
ZMAX (HK) Limited	10/09/2013	Hong Kong	—	—	65%	Hotel management
Alber (HK) Limited (i)	06/01/2015	Hong Kong	—	—	70%	Hotel management

(i) These entities either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(ii) The official names of these entities are in Chinese. The English translation of the names is for reference only.

Details of the companies comprising the Target Group that are subject to statutory audit during the Relevant Period and the names of the respective auditors are set out below:

Name of companies	Financial Period	Statutory Auditor
7 Days Hotel (Shenzhen) Co., Ltd. 七天酒店(深圳)有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Chengyang Accounting Firm (廣州市成洋會計師事務所)
Guangzhou Saiwen Software Development Co., Ltd. 廣州賽文軟件開發有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Guangzhou Saicheng Software Development Co., Ltd. 廣州市賽誠軟件開發有限公司	For each of the years ended 31 December 2013 and 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)

Name of companies	Financial Period	Statutory Auditor
7 Days Four Seasons Hotels (Guangzhou) Co., Ltd. 七天四季酒店(廣州)有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Chengyang Accounting Firm (廣州市成洋會計師事務所)
Plateno Hotel Management (Shenzhen) Co., Ltd. 鉑濤酒店管理(深圳)有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Portofino Hotel Management (Guangzhou) Co., Ltd. 鉑濤菲諾酒店管理(廣州)有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Lavande Hotel Management (Shenzhen) Co., Ltd. 麗楓舒適酒店管理(深圳)有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Coffetel Hotel Management (Shenzhen) Co., Ltd. 喆啡酒店管理(深圳)有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
ZMAX Hotel Management (Shenzhen) Co., Ltd. 潮漫酒店管理(深圳)有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Shenzhen Dianxingtianxia Technology Co., Ltd. 深圳市點行天下科技有限公司	For the year ended 31 December 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
7 Days Group Holdings Limited	For the year ended 31 December 2012	KPMG
7 Days Inn Group (HK) Limited	For each of the years ended 31 December 2012, 2013 and 2014	CCS & Company
7 Days Inn (HK) Investment Co. Limited	For each of the years ended 31 December 2012, 2013 and 2014	CCS & Company
Plateno Management (HK) Limited	For the year ended 31 December 2014	CCS & Company
Sunbeam (HK) Limited	For each of the years ended 31 December 2012 and 2013	Dexin Accounting Firm Ltd
	For the year ended 31 December 2014	CCS & Company
Portofino (HK) Limited	For the year ended 31 December 2013	Dexin Accounting Firm Ltd
	For the year ended 31 December 2014	CCS & Company
Lavande (HK) Limited	For the year ended 31 December 2014	CCS & Company

Name of companies	Financial Period	Statutory Auditor
Coffetel (HK) Limited	For the year ended 31 December 2014	CCS & Company
ZMAX (HK) Limited	For the year ended 31 December 2014	CCS & Company

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data. It is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 25.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by Target Group. Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether Target Group has power, only substantive rights (held by Target Group and other parties) are considered.

A wholly-owned subsidiary of Target Group, Shenzhen Dianxingtianxia Technology Co., Ltd. (深圳市點行天下科技有限公司 or "Shenzhen Dianxing"), had entered into a series of contractual agreements ("Contractual Arrangements ") with certain individuals who act as nominee equity holders of Guangzhou Chujian Culture Broadcast Co., Ltd and Shenzhen Chujian Information Technology Co., Ltd. (together referred to as the "Chujian PRC Entities") on behalf of Shenzhen Dianxing, which enable Shenzhen Dianxing to:

— exercise effective financial and operational control over Chujian PRC Entities;

— exercise shareholders' voting rights of Chujian PRC Entities;

— receive substantially all of the economic interest and returns generated by Chujian PRC Entities in consideration for the business support, technical and consulting services provided by Shenzhen Dianxing, at Shenzhen Dianxing's discretion;

— obtain an exclusive right to purchase the entire equity interest in Chujian PRC Entities from individual nominee equity holders; and

— obtain a pledge over the entire equity interest of Chujian PRC Entities from individual nominee equity holders as collateral security to guarantee performance of all of the obligations of individual nominee equity holders and Chujian PRC Entities under the Contractual Arrangements.

As a result of the Contractual Arrangements, Target Group has rights to variable returns from its involvement with Chujian PRC Entities, has the ability to affect those returns through its power over Chujian PRC Entities, and is considered to have control over Chujian PRC Entities. Consequently, Chujian PRC Entities are considered to be subsidiaries of Target Group.

However, there are uncertainties regarding the interpretation and application of existing and future PRC laws and regulations which could affect Target Company's ability to exercise control over Chujian PRC Entities, its right to receive substantially all of the economic interest generated by Chujian PRC Entities, and its ability to consolidate the financial results of Chujian PRC Entities into Target Group's consolidated financial statements. The Company believes that, based on the legal opinion obtained from the Company's PRC legal counsel, the Contractual Arrangements are legally binding and enforceable and do not violate current PRC laws and regulations.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests ("NCI") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which Target Group has not agreed any additional terms with the holders of those interests which would result in Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, Target Group can elect to measure any NCI either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. NCI in the results of Target Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the shareholders of the Company.

Changes in Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(f) Associates

An associate is an entity in which Target Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in Target Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(l)). Any acquisition-date excess over cost, Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When Target Group's share of losses exceeds its interest in the associate, Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that Target Group's has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, Target Group's interest is the carrying amount of the investment under the equity method together with Target Group's long-term interests that in substance form part of Target Group's net investment in the associate.

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of Target Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Available for-sale financial assets

Available-for-sale financial assets are initially stated at fair value plus any directly attributable transaction costs. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy set out in note 2(u)(vii). When these financial assets are derecognised or impaired (see note 2(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Leasehold improvements	5–15 years
Building	60 years
Hotel fixtures and equipment	5–10 years
Motor vehicles	5 years
Office equipment and others	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents leasehold improvements under construction or installation and is stated at cost. These costs include interior and exterior decorations, floor and wall coverings and an allocation of interest cost incurred. Construction in progress is transferred to leasehold improvements when the assets are ready for their intended use, at which time depreciation commences.

(j) Intangible assets (other than goodwill)

Other intangible assets that are acquired by Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Franchise contracts	5 years
Favourable lease contracts	2–15 years
Software	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets including brand name are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Land use right

Land use right represents the exclusive right to occupy and use land in the PRC for a specific contractual term. Land use right is carried at cost and charged to general and administrative expenses on a straight-line basis over the term of the land use right of 40 years.

(l) Impairment of assets

(i) Impairment of debt and equity securities and trade and other receivables

Investment in debt and equity securities and trade and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of Target Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where these receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— land use right;

— intangible assets;

— goodwill, and

— investments in subsidiaries and associates in Target Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if necessary) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(l)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(l)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of capitalised assets not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Provision of hotel accommodation services

Revenue from the provision of hotel accommodation services and other related services is recognised when the relevant services are rendered.

(ii) Services to managed hotels

Revenue from managed hotels are recognised when a agreement has been signed and the underlying consulting services have been rendered.

(iii) Sale of goods (including food, beverage, souvenir card and other supplies to managed hotels)

Revenues from sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and value added tax.

(iv) Loyalty programs

Revenue is allocated between the award credits under the loyalty programs and the other components of the sale. The amount allocated to the award credits is deferred, and recognised as revenue when Target Group has fulfilled its obligations to supply the room nights or other products in accordance with the terms of the programs or when it is no longer probable that the award credits under the loyalty programs will be redeemed (see note 17).

(v) Rental income from subleases

Rental income receivable under operating subleases is recognised as other income in equal instalments over the periods covered by the lease term.

(vi) Government grants

Target Group recognises unconditional government grants related to refund of value added tax in profit or loss as other income when the grant becomes receivable.

(vii) Interest income

Interest income are recognised as it accrues using the effective interest method.

(v) Translation of foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Target Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate ruling at the end of the reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Foreign currency differences are generally recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(ii) Foreign operations

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI. Goodwill arising on consolidation of a foreign operation is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the exchange reserve.

(w) Operating lease charges

Where Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Related parties

(a) A person, or a close member of that person's family, is related to Target Group if that person:

(i) has control or joint control over Target Group;

(ii) has significant influence over Target Group; or

(iii) is a member of the key management personnel of Target Group or Target Group's parent.

(b) An entity is related to Target Group if any of the following conditions applies:

(i) The entity and Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either Target Group or an entity related to Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of Target Group that are used to assess the performance and allocate resources.

The chief operating decision maker of Target Group assesses the performance and allocates the resources of Target Group as a whole, as all of Target Group's activities are considered to be primarily dependent on the performance of the economic hotel business in the PRC. Therefore, Target Group's management considers that there is only one operating segment under the requirements of HKFRS 8, Operating Segments. In this regard, no segment information is presented for the Relevant Period.

No geographic information is shown as Target Group's operating profit is largely derived from its business activities in the PRC.

3 REVENUE

The principal activity of the Target Group is hotel operation. The amount of each significant category of revenue is as follows:

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Hotel accommodation	—	1,364,272	2,554,299	1,238,145	1,180,463
Services to managed hotels	—	208,327	509,991	230,505	256,187
Food, beverage and other sales	—	20,880	44,213	19,853	20,913
Souvenir card sales	—	75,911	201,693	87,736	136,466
Sale of goods to managed hotels	—	—	12,445	1,134	21,672
Rental income from properties subleases	—	11,035	24,077	12,806	11,703
Others	—	28,510	56,939	23,412	32,913
	—	1,708,935	3,403,657	1,613,591	1,660,317

4 OTHER NET INCOME/(LOSS)

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	—	2,004	5,050	1,682	501
Interest income	—	2,574	25,258	7,512	10,622
Foreign exchange gain/(loss)	—	1,145	(2,410)	(1,231)	(12,111)
(Loss)/gain on disposal of property, plant and equipment	—	(5,589)	(3,220)	(2,077)	22
	—	134	24,678	5,886	(966)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank loans	—	25,362	79,090	24,789	44,340

(b) Staff costs

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	—	286,677	616,295	283,742	375,060
Contributions to defined contribution retirement plan	—	17,355	32,868	15,859	10,885
Share-based payment expenses	—	5,103	54,922	30,504	20,756
	—	309,135	704,085	330,105	406,701

Staff costs included directors' remuneration (note 7).

Pursuant to the relevant labour rules and regulations in the Peoples' Republic of China (the "PRC"), the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

Target Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating lease charges	—	410,427	789,311	400,246	404,936
Depreciation	—	177,605	358,366	172,200	209,607
Amortisation					
— Intangible assets	—	14,869	31,540	14,841	18,472
— Land use right	—	309	618	309	309
Impairment losses of property, plant and equipment	—	117,985	7,514	—	3,918
Direct hotel operating costs (i)	—	1,248,350	2,422,283	1,198,887	1,308,602
Auditors' remuneration	—	2,778	2,926	1,204	1,739

(i) Direct hotel operating costs include RMB822,773,000, RMB1,622,414,000, RMB801,542,000 (unaudited) and RMB879,590,000 for the year ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 relating to staff cost, operating lease charges, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax expenses in the consolidated statements of profit or loss represent:

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax — PRC income tax					
Provision for PRC income tax	—	57,908	141,131	62,337	56,675
Over-provision in respect of prior years	—	—	(2,278)	(2,278)	(2,565)
	—	57,908	138,853	60,059	54,110
Deferred tax					
Origination and reversal of temporary differences	—	(4,088)	9,906	1,108	(26,951)
Income tax expenses	—	53,820	148,759	61,167	27,159

(b) Reconciliation between income tax expenses and accounting profit/(loss) at applicable tax rates:

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	—	86,382	415,747	186,899	(759)
Notional tax on profit before taxation calculated at the standard tax rates applicable at the jurisdictions concerned	—	21,596	103,937	46,725	(190)
Non-PRC entities not subject to income tax (i)	—	13,680	33,263	11,934	28,397
PRC interest withholding tax	—	—	1,769	1,531	—
Effect of non-deductible expenses	—	6,235	13,271	3,504	2,137
Effect of preferential tax treatments (ii)	—	(393)	(2,556)	(109)	(136)
Effect of tax losses not recognised	—	10,296	7,490	6,540	2,262
Recognition of previously unrecognised tax loss	—	—	(5,618)	(5,618)	(2,725)
Over-provision in prior years	—	—	(2,278)	(2,278)	(2,565)
Others	—	2,406	(519)	(1,062)	(21)
Income tax expenses	—	53,820	148,759	61,167	27,159

(i) Pursuant to the relevant rules and regulations of the Cayman Islands, the Target Company and its subsidiaries incorporated in Cayman Islands are not subject to any income tax in the Cayman Islands.

No provision was made for Hong Kong Profits Tax as the Target Group did not earn any income subject to Hong Kong Profits Tax for the Relevant Period.

(ii) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of Target Group are subject to PRC corporate income tax of 25%, except that a software development company, Guangzhou Seven Software Development Co., Ltd. ("Guangzhou Seven"), was entitled to a tax holiday of a two-year full tax exemption followed by a three-year 50% tax exemption from 2010 to 2014. Guangzhou Seven was exempt from income tax in 2010 and 2011, and is subject to income tax at 12.5% from 2012 to 2014. During 2014, Guangzhou Seven were qualified as an "Advanced and New Technology Enterprise" and entitled to the preferential income tax rate of 15% from 2015 to 2017.

(iii) Under the EIT law and its implementation rules, a withholding tax at 10%, unless reduced by a tax treaty or arrangement, is applied on dividends received by non-PRC-resident corporate investors from PRC-resident enterprises, such as the Company's PRC subsidiaries. Undistributed earnings prior to 1 January 2008 are exempt from withholding tax.

7 DIRECTORS' REMUNERATION

Details of directors' remuneration of the Target Group are disclosed as follows:

	For period from 12 December 2012 to 31 December 2012					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment (iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	—	—	—	—	—
Total	—	—	—	—	—	—

	For the year ended 31 December 2013					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment (iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	1,772	580	5	114	2,471
Lim Meng Ann (ii)	—	—	—	—	—	—
He Boquan (iii)	—	—	—	—	—	—
Eric Zhang (iii)						
Wu Haibing (iii)	—	1,171	500	4	612	2,287
Liu Xing (iii)	—	—	—	—	—	—
Lin Xiao (iv)	—	—	—	—	—	—
Total	—	2,943	1,080	9	726	4,758

	For the year ended 31 December 2014					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment (iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	1,772	513	5	334	2,624
He Boquan (iii)	—	—	—	—	—	—
Eric Zhang (iii)						
Wu Haibing (iii)	—	1,642	477	4	1,154	3,277
Liu Xing (iii)	—	—	—	—	—	—
Lin Xiao (iv)	—	—	—	—	—	—
Total	—	3,414	990	9	1,488	5,901

	For the six months ended 30 June 2015					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contribution	Share-based payment (iii)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	754	—	2	—	756
He Boquan (iii)	—	—	—	—	—	—
Eric Zhang (iii)						
Wu Haibing (iii)	—	777	—	2	689	1,468
Liu Xing (iii)	—	—	—	—	—	—
Lin Xiao (iv)	—	—	—	—	—	—
Total	—	1,531	—	4	689	2,224

	For the six months ended 30 June 2014 (unaudited)					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contribution	Share-based payment (iii)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	869	—	2	24	895
He Boquan (iii)	—	—	—	—	—	—
Eric Zhang (iii)						
Wu Haibing (iii)	—	820	—	2	171	993
Liu Xing (iii)	—	—	—	—	—	—
Lin Xiao (iv)	—	—	—	—	—	—
Total	—	1,689	—	4	195	1,888

(i) The directors were appointed on 12 December 2012.

(ii) Lim Meng Ann were appointed on 5 July 2013 and resigned on 30 July 2013.

(iii) The directors were appointed on 5 July 2013.

(iv) Lin Xiao was appointed on 30 July 2013.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, nil, 2, 2, 2 and 2 were directors of the Target Company for the period from 12 December 2012 to 31 December 2012 and the years ended at 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively whose emoluments are disclosed in note 7. The emoluments in respect of the other individuals with highest emoluments in the period from 12 December 2012 to 31 December 2012 and the years ended at 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 is as follows:

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	—	4,071	5,386	1,887	2,133
Contributions to defined contribution retirement plans	—	41	37	18	24
Equity settled share-based payment expenses	—	1,423	2,494	394	2,967
Total	—	5,535	7,917	2,299	5,124

The emolument of nil, three, three, three and three individuals with the highest emolument for the period from 12 December 2012 to 31 December 2012 and the years ended at 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively is within the following band:

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
HKD					
Nil–1,000,000	—	1	—	2	—
1,000,000–1,500,000	—	—	—	1	1
1,500,000–2,000,000	—	—	—	—	1
2,000,000–2,500,000	—	1	1	—	—
2,500,000–3,000,000	—	—	—	—	—
3,000,000–3,500,000	—	—	1	—	—
3,500,000–4,000,000	—	—	—	—	1
4,000,000–4,500,000	—	1	1	—	—

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Building	Hotel fixtures and equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—	—	—
Acquisition of a subsidiary	1,590,420	—	229,903	235	8,277	48,763	1,877,598
Additions	—	—	46,705	—	—	52,833	99,538
Transfer from construction in progress	66,161	—	11,321	—	7,023	(84,505)	—
Disposals	(5,146)	—	(16,695)	(4)	—	—	(21,845)
At 31 December 2013	1,651,435	—	271,234	231	15,300	17,091	1,955,291
At 1 January 2014	1,651,435	—	271,234	231	15,300	17,091	1,955,291
Additions	—	—	7,201	—	1,693	340,011	348,905
Transfer from construction in progress	201,626	—	49,685	—	2,780	(254,091)	—
Disposals	(102,236)	—	(36,342)	—	—	—	(138,578)
At 31 December 2014	1,750,825	—	291,778	231	19,773	103,011	2,165,618
At 1 January 2015	1,750,825	—	291,778	231	19,773	103,011	2,165,618
Acquisition of a subsidiary	2,310	2,717	—	—	—	—	5,027
Additions	—	—	40,276	—	—	130,597	170,873
Transfer from construction in progress	162,377	—	8,251	—	477	(171,105)	—
Disposals	(16,451)	—	(21,013)	—	—	—	(37,464)
At 30 June 2015	1,899,061	2,717	319,292	231	20,250	62,503	2,304,054
Accumulated depreciation:							
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—	—	—
Charge for the year	144,666	—	32,126	103	710	—	177,605
Written back on disposal	(1,832)	—	(13,650)	(3)	—	—	(15,485)
At 31 December 2013	142,834	—	18,476	100	710	—	162,120
At 1 January 2014	142,834	—	18,476	100	710	—	162,120
Charge for the year	298,314	—	57,868	103	2,081	—	358,366
Written back on disposal	(30,817)	—	(30,828)	—	—	—	(61,645)
At 31 December 2014	410,331	—	45,516	203	2,791	—	458,841
At 1 January 2015	410,331	—	45,516	203	2,791	—	458,841
Charge for the period	177,246	19	31,258	—	1,084	—	209,607
Written back on disposal	(8,039)	—	(16,925)	—	—	—	(24,964)
At 30 June 2015	579,538	19	59,849	203	3,875	—	643,484

	Leasehold improvements *RMB'000*	Building *RMB'000*	Hotel fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Impairment:							
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—	—	—
Additions	117,985	—	—	—	—	—	117,985
At 31 December 2013	117,985	—	—	—	—	—	117,985
At 1 January 2014	117,985	—	—	—	—	—	117,985
Additions	7,514	—	—	—	—	—	7,514
Written back on disposal	(63,029)	—	—	—	—	—	(63,029)
At 31 December 2014	62,470	—	—	—	—	—	62,470
At 1 January 2015	62,470	—	—	—	—	—	62,470
Additions	3,918	—	—	—	—	—	3,918
Written back on disposal	(2,883)	—	—	—	—	—	(2,883)
At 30 June 2015	63,505	—	—	—	—	—	63,505
Net book value:							
At 30 June 2015	1,256,018	2,698	259,443	28	16,375	62,503	1,597,065
At 31 December 2014	1,278,024	—	246,262	28	16,982	103,011	1,644,307
At 31 December 2013	1,390,616	—	252,758	131	14,590	17,091	1,675,186
At 31 December 2012	—	—	—	—	—	—	—

(a) Impairment

During the Relevant Period, Target Group assessed the recoverable amounts of leasehold improvements and hotel fixtures of certain loss-making hotels and as a result the carrying amount of the assets was written down to their recoverable. The estimates of recoverable amount were calculated based on the future cash flows of these loss-making hotels.

10 INTANGIBLE ASSETS

	Brand name	Favourable lease contracts	Franchise contracts	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—
Acquisition of subsidiaries	2,178,933	120,765	62,597	—	2,362,295
At 31 December 2013	2,178,933	120,765	62,597	—	2,362,295
Acquisition of a subsidiary	—	—	—	37,827	37,827
At 31 December 2014 and 30 June 2015	2,178,933	120,765	62,597	37,827	2,400,122
Accumulated amortisation:					
At 1 January 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—
Amortisation	—	8,610	6,259	—	14,869
At 31 December 2013	—	8,610	6,259	—	14,869
Amortisation	—	17,219	12,520	1,801	31,540
At 31 December 2014	—	25,829	18,779	1,801	46,409
Amortisation	—	8,610	6,259	3,603	18,472
At 30 June 2015	—	34,439	25,038	5,404	64,881
Net book value:					
At 31 December 2012	—	—	—	—	—
At 31 December 2013	2,178,933	112,155	56,338	—	2,347,426
At 31 December 2014	2,178,933	94,936	43,818	36,026	2,353,713
At 30 June 2015	2,178,933	86,326	37,559	32,423	2,335,241

11 GOODWILL

A summary of the changes in the carrying amount of goodwill is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
As at 12 December 2012/1 January	—	—	825,870	880,809
Goodwill acquired during the period/year	—	825,870	54,939	12,475
At 31 December/30 June	—	825,870	880,809	893,284

Goodwill acquired through business combination is allocated to the Target Group's cash-generating units (CGU) identified as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
7 Days Group	—	825,870	825,870	825,870
Chujian Group	—	—	54,939	54,939
H12 Hotel	—	—	—	12,475
	—	825,870	880,809	893,284

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions used in the valuations are those regarding the expected changes to selling prices and costs, and discount rates. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rates applied are able to reflect the current market assessments of the time value of money and the risks specific to the CGU.

The Target Group determined the value-in-use by preparing cash flow projections of each of the CGU derived from the most recent financial forecast approved by the management covering a one-year period and extrapolated to cover a period of five more years with an estimated increase in revenue and costs of 3%, 3%, and 3% for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. The rates used to discount the forecast cash flows were 15.61%, 15.61% and 15.61% for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively.

12 INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	—	4,137,755	4,152,754	4,149,089
Capital contribution in respect of employee share-based compensation	—	2,420	57,342	78,098
	—	4,140,175	4,210,096	4,227,187

Investments in subsidiaries are stated at cost and details of the subsidiaries as at the date of this report are set out in note 2(b) of section B.

(a) Acquisition of 7 Days Group

On 28 February 2013, Target Company entered into a merger agreement with various parties ("Merger Agreement") pursuant to which Target Company agreed to acquire 7 Days Group Holdings Limited ("7 Days Group") and its subsidiaries through a merger of its wholly owned subsidiary, Keystone Lodging Acquisition Limited, with and into 7 Days Group, with 7 Days Group continuing as the surviving corporation and a wholly owned subsidiary of Target Company (the "Merger"). The principal activity of 7 Days Group is operating economic hotels in the PRC.

The Merger was approved by the shareholders of 7 Days Group at an extraordinary general meeting held on 26 June 2013, and was subsequently completed on 5 July 2013, following satisfaction or waiver of the conditions set forth in the Merger Agreement. As a result of the Merger, 7 Days Group became a wholly owned subsidiary of Target Company.

Pursuant to the Merger Agreement, Target Company acquired 54.2% of the equity interests of 7 Days Group at the price of US$4.60 per ordinary share. In addition, Target Company issued 67,637,997 shares of US$0.0001 each to shareholders of 7 Days Group in exchange of 45.8% of equity interests of 7 Days Group held by those shareholders elected to roll over its stakes in 7 Days Group. As a result, 7 Days Group became wholly owned subsidiary of Target Company.

The following summarises the recognised amounts of assets acquired and liabilities assumed of 7 Days Group at the date of acquisition:

	Note	*RMB'000*
Consideration transferred		
Cash paid		2,270,972
Fair value of shares issued		1,922,502
		4,193,474
Net assets acquired		
Property, plant and equipment	9	1,877,598
Land use right		23,117
Intangible assets	10	2,362,295
Deferred tax assets	19(b)	86,086
Inventories		38,960
Trade and other receivables		415,644
Cash and cash equivalents		459,661
Available-for-sale financial assets		40,000
Pledged deposits		3,113
Trade and other payables		(1,017,866)
Loan and borrowings		(241,516)
Deferred income		(37,326)
Deferred tax liabilities	19(b)	(588,067)
Current tax payable	19(a)	(41,262)
Net assets acquired		3,380,437

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	4,193,474
Non-controlling interests	12,833
Less: Fair value of identifiable net assets	(3,380,437)
Goodwill *(note 11)*	825,870

The goodwill is attributable mainly to the synergy of the business organisation and net assets recognised.

(b) Acquisition of Chujian Group

On 30 September 2014, Target Group acquired 100% of equity interests of Chujian Holdings Limited with the consideration of US$16 million and obtained the control of Chujian Holdings Limited and its subsidiaries ("Chujian Group"). Chujian Group is principally engaged in the development and operation of mobile applications.

In order to comply with the PRC laws and regulations which prohibit foreign investments in companies that are engaged in mobile internet related business, a subsidiary of Chujian Group, Shenzhen Dianxing, had entered into a series of contractual agreements with certain individuals who act as nominee equity holders of Chujian PRC Entities on behalf of Shenzhen Dianxing. The contractual agreements, including exclusive service agreements, exclusive call option agreements, proxy agreements, equity pledge agreements and spousal consent letters (collectively, the "Contractual Agreements") were entered among

Shenzhen Dianxing, the Chujian PRC Entities and the nominee equity holders of the Chujian PRC Entities. Through the Contractual Agreements, the nominee equity holders have granted all their legal rights including voting rights and disposition rights of their equity interests in the Chujian PRC Entities to Shenzhen Dianxing.

Under the terms of the Contractual Agreements, Shenzhen Dianxing has rights to variable returns from its involvement with the Chujian PRC Entities and has the ability to affect those returns through its power over the Chujian PRC Entities. Accordingly, the financial statements of the Chujian PRC Entities are consolidated in the consolidated financial statements of Chujian Group.

The following summarises the recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

	RMB'000
Consideration transferred	
Cash paid	98,230
Net assets acquired	
Intangible assets	37,827
Cash and cash equivalents	7,491
Trade and other receivables	7,727
Trade and other payables	(297)
Deferred tax liabilities	(9,457)
	43,291

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

Total consideration transferred	98,230
Less: Fair value of identifiable net assets	(43,291)
Goodwill *(note 11)*	54,939

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Chujian Group into Target Group's existing business.

(c) Acquisition of H12 Management GmbH

During the six months ended 30 June 2015, Target Group acquired 100% of equity interests of H12 Management GmbH ("H12 GmbH") with the consideration of €1.35 million. The identifiable net liabilities of H12 GmbH as at the acquisition date was RMB3,284,000 and goodwill equivalent to RMB12,475,000 was recognised for the transaction. H12 GmbH is principally engaged in operating a hotel in Austria.

13 INTEREST IN ASSOCIATES

Target Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	—	5,000	336,419
Goodwill	—	—	—	1,122,537
	—	—	5,000	1,458,956

Target Company

Investment in an associate on the statements of financial position of the Target Company represents investment in 13% of equity interests in eLong, Inc.

(a) The following list contains only the particular of a material associate:

Name of associate	Form of business structure	Place of establishment and operation	Particulars of issued and paid up capital	Target Group/Target Company's effective interest	Principal activity
eLong, Inc.	Incorporated	Cayman Islands/ the PRC	US$909,000	22%/13%	Mobile and online hotel reservations

The following table summarised financial information of Target Group's significant associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Financial Information, are disclosed below:

	30 June 2015
	RMB'000
Gross amounts of the associate	
Current assets	2,272,882
Non-current assets	536,689
Current liabilities	1,333,018
Non-current liabilities	23,165
Equity	1,453,388
Revenue for six months ended 30 June 2015	459,949
Loss and total comprehensive income for six months ended 30 June 2015	(537,066)
Reconciled to the Target Group's interests in the associate	
Gross amounts of net assets of the associate	1,453,388
Group's effective interest	22%
Group's share of net assets of the associate	317,856
Goodwill	1,122,537
Carrying amount in the Financial Information	1,440,393

Shares of eLong, Inc. was listed on the NASDAQ. As at 30 June 2015, the market value of shares of eLong, Inc. held by Target Group with reference to quoted price on NASDAQ was US$136,643,000 (equivalent to RMB835,381,000).

(b) Aggregate information of individually immaterial associates:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the Financial Information	—	—	5,000	18,563
Aggregate amount of Target Group's share of those immaterial associates — Losses for the year/period	—	—	—	(862)

14 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hotel supplies	—	40,677	49,085	51,423

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories utilised	—	87,043	216,584	97,359	130,426

15 TRADE AND OTHER RECEIVABLES

Target Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade receivables	—	23,105	29,550	35,989
Other receivables	—	231,684	287,880	253,084
	—	254,789	317,430	289,073
Non-current				
Other receivables	—	151,118	151,012	173,979
Total	—	405,907	468,442	463,052

All of trade and other receivables, apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

Non-current other receivables represent mainly the prepayments for rental and equipment.

Target Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables	—	40,448	92,847	90,598

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables of the Target Group (which are included in trade and other receivables), based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	—	20,010	27,652	27,812
3 to 6 months	—	2,078	500	6,320
6 to 12 months	—	1,017	685	688
Over 1 year	—	—	713	1,169
	—	23,105	29,550	35,989

Trade debtors are due within 30 to 180 days from the date of billing. All of the trade and bills receivables are expected to be recovered within one year. Further details on the Target Group's credit policy are set out in note 22(a).

(b) Trade receivables that are not impaired:

The ageing analysis of trade receivables of Target Group that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	—	20,010	27,652	27,812
3 to 6 months	—	2,078	500	6,320
6 to 12 months	—	1,017	685	688
Over 1 year	—	—	713	1,169
	—	23,105	29,550	35,989

Target Group do not have any receivables past due. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

16 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

Target Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	—	1,007,661	1,182,923	996,411
Less: Pledged deposits	—	55,639	42,833	42,795
Cash and cash equivalents	—	952,022	1,140,090	953,616

The majority of the cash at bank and on hand are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Target Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	—	65,712	224,463	223,017

(b) Reconciliation of profit before taxation to cash generated from operations:

		For the year ended 31 December			For the six months ended 30 June	
		2012	2013	2014	2014	2015
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation		—	86,382	415,747	186,899	(759)
Adjustments for:						
— Depreciation and amortisation		—	192,783	390,524	187,350	228,388
— Loss/(gain) on disposal of property, plant and equipment	4	—	5,589	3,220	2,077	(22)
— Recognition of impairment loss on property, plant and equipment		—	117,985	7,514	—	3,918
— Provision of other receivables		—	764	3,500	—	—
— Share-based payment expenses		—	5,103	54,922	30,504	20,756
— Interest income	4	—	(2,574)	(25,258)	(7,512)	(10,622)
— Interest expenses	5(a)	—	25,362	79,090	24,789	44,340
— Share of losses of associates		—	—	—	—	15,370
— Foreign exchange (gain)/loss	4	—	(1,145)	2,410	1,231	12,111
Changes in working capital:						
— Increase in inventories		—	(1,717)	(8,408)	(1,263)	(2,297)
— Decrease/(increase) in trade and other receivables		—	8,974	(30,958)	(19,104)	33,008
— Increase in trade and other payables		—	85,029	97,291	17,035	168,115
— Increase/(decrease) in deferred revenue		—	7,027	10,877	9,283	(10,009)
Cash generated from operations		—	529,562	1,000,471	431,289	502,297

17 TRADE AND OTHER PAYABLES

Target Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade creditors	—	207,669	233,718	220,224
Other payables and accrued charges	—	325,504	365,989	376,162
Advances received from customers	—	254,897	300,087	416,554
Provisions (i)	—	5,636	10,786	10,443
Deferred income (ii)	—	26,388	37,265	27,258
	—	820,094	947,845	1,050,641
Non-current				
Trade and other payables	—	319,418	332,523	336,776
Total	—	1,139,512	1,280,368	1,387,417

(i) Provisions were made for legal cases related to hotels of Target Group based on the its interpretation of the underlying facts, taking into account the range of possible outcomes of the legal process, which were supported by independent legal advice.

(ii) Target Group recognises deferred revenue for customer loyalty programs and sales incentive of electronic coupons based on the estimated amount of redemption that will be utilised by customers.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	—	207,669	233,718	220,224

Other payables and accrued charges mainly include accrued staff costs and benefits, accrued sales rebates to customers and other tax payables.

Target Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Amounts due to subsidiaries	—	404,424	620,095	1,475,452

18 BANK LOANS

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Group's bank loans were repayable as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	97,533	91,785	137,556
After 1 year but within 2 years	—	131,851	183,570	223,112
After 2 years but within 5 years	—	507,484	1,502,876	2,247,047
	—	639,335	1,686,446	2,470,159
Total	—	736,868	1,778,231	2,607,715

At 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Group's bank loans were secured as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured	—	705,024	1,778,231	1,740,415
Unsecured	—	31,844	—	867,300
Total	—	736,868	1,778,231	2,607,715

Notes:

(i) As of 31 December 2013 and 2014 and 30 June 2015, a bank loan of RMB705,024,000, RMB1,778,231,000 and RMB1,738,261,000 of Target Group was secured by pledged deposits and guaranteed by certain subsidiaries of Target Group.

(ii) As of 30 June 2015, a bank loan of RMB2,154,000 was secured by mortgage of a building with carrying value of RMB2,698,000 of Target Group.

(iii) As of 31 December 2013 and 2014 and 30 June 2015, one of Target Group's banking facilities are subject to the fulfilment of covenants relating to certain financial condition, which are commonly found in lending arrangements with financial institutions. If Target Group were to breach the covenants, the drawn down facilities would become payable on demand. Target Group regularly monitors its compliance with these covenants. As of 30 June 2015, none of the covenants relating to drawn down facilities had been breached.

19 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 12 December 2012/1 January	—	—	28,290	20,105
Acquisition of subsidiaries	—	41,262	—	—
Provision for PRC income tax	—	57,908	138,853	54,110
PRC income tax paid	—	(70,880)	(147,038)	(41,592)
	—	28,290	20,105	32,623

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Intangible assets	Provision and accruals	Property, plant and equipment	Unused tax losses	Unrealised profit	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 12 December 2012, 31 December 2012 and 1 January 2013	—	—	—	—	—	—	—
Acquisition of subsidiaries	(584,532)	45,581	8,398	32,722	—	(4,150)	(501,981)
Credited/(charged) to profit or loss	3,385	(15,037)	26,888	(11,555)	—	407	4,088
Additions recognised directly in equity	—	(799)	—	—	—	—	(799)
At 31 December 2013 and 1 January 2014	(581,147)	29,745	35,286	21,167	—	(3,743)	(498,692)
Acquisition of a subsidiary	(9,457)	—	—	—	—	—	(9,457)
Credited/(charged) to profit or loss	7,222	(4,458)	(14,886)	1,815	794	(393)	(9,906)
At 31 December 2014 and 1 January 2015	(583,382)	25,287	20,400	22,982	794	(4,136)	(518,055)
Credited/(charged) to profit or loss	4,286	(1,718)	(362)	24,604	141	—	26,951
At 30 June 2015	(579,096)	23,569	20,038	47,586	935	(4,136)	(491,104)

The deferred taxation is recognised on the consolidated statements of financial position as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets recognised on the consolidated statements of financial position	—	83,943	68,906	91,343
Deferred tax liabilities recognised on the consolidated statements of financial position	—	(582,635)	(586,961)	(582,447)
	—	(498,692)	(518,055)	(491,104)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), as of 31 December 2013 and 2014 and 30 June 2015, Target Group has not recognised deferred tax assets in respect of unused tax losses of RMB78,839,000, RMB86,326,000 and RMB84,476,000 and other temporary differences of RMB6,682,000, RMB15,007,000 and RMB15,007,000, respectively. Target Group determined that it was not probable that these tax losses can be utilised in the foreseeable future. As of 30 June 2015, unused tax losses of RMB2,978,000, RMB22,283,000, RMB34,519,000, RMB7,546,000, RMB7,966,000 and RMB9,185,000 will expire in 2015, 2016, 2017, 2018, 2019 and 2020, respectively, if unused.

(d) Deferred tax liabilities not recognised:

As of 31 December 2013 and 2014 and 30 June 2015, the undistributed earnings of Target Group's PRC subsidiaries amounted to RMB706,745,000, RMB1,129,822,000 and RMB1,296,720,000. No deferred tax liabilities were recognised in respect of the PRC dividend withholding tax that would be payable on the distribution of the undistributed profits as Target Group's controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

20 SHARE OPTION PROGRAM

Target Company adopted two share option schemes on 5 July 2013 ("7 Days Plan") and 1 November 2013 ("Keystone Plan") respectively. Each option entitles the option holders to subscribe one ordinary share of Target Company. Options will lapse when the grantee ceases to be an employee of Target Group for reasons other than death, ill-health or retirements.

(a) 7 Days Plan

On 5 July 2013, upon the completion of the Merger (see note 12(a)), the employee share options previously granted by 7 Days Group with vesting date in excess of one year after the Merger's effective time were cancelled and exchanged with the options to purchase Target Company's shares pursuant to the terms set forth in the Merger Agreement.

The unvested options granted by 7 Days Group with vesting date in excess of one year after the Merger effective time were converted into options to purchase the same number of ordinary shares of the Target Company, with the same vesting schedule, exercise price and other key terms of original options. The holder may elect to settle those options in cash in the amount of the excess of merger consideration (US$4.60) over the exercise price or receive the shares of Target Company.

(i) The terms and conditions of the grants under 7 Days Plan are as follows:

Date of grant	Number of instruments	Vesting	Contractual life
		Number of months of service from modification date	*Number of months from modification date*
5 July 2013	248,895	14	50
	14,850	19	58
	337,875	19	62
	247,500	26	72
	703,125	24	73
	372,875	25	74
	1,925,120		

25% of the share options granted under 7 Days Plan by Target Company shall vest and become exercisable ranging from ten months to twelve months after the grant dates and the remaining 75% of the share options shall vest over the following three years in six equal installments. The unvested options will be forfeited when employee elects to terminate employment relationship with Target Group.

(ii) Fair value of share options and assumptions adopted:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

	Awards granted in 2013
Fair value at grant date *(RMB)*	12.97–20.21
Share value at grant date *(RMB)*	28.42
Exercise price *(RMB)*	17.65–23.42
Expected volatility (weighted average)	47.67%
Expected dividend yield	0%
Risk-free (weighted average) interest rate	1.78%
Option life (weighted average)	5.6 years

(iii) Cancelation of the 7 Days Plan

On 30 April 2014, 7 Days Group entered into an agreement of release with option holders under 7 Days Plan. According to the agreement of release, the option holders under 7 Days Plan would receive cash in the amount of the excess of merger consideration (US$4.60) over the exercise price in lieu of having options to purchase certain ordinary shares of Target Company (the "Release"). As a result of the Release, the option holders under 7 Days Plan would receive cash settlement with pre-determined amounts upon vesting conditions met and the 7 Days Plan was cancelled accordingly. The cancelation of unvested options resulted in an acceleration of vesting and the unrecognised compensation cost of RMB3,017,000 has been immediately recognised in profit or loss for the year ended 31 December 2014.

(iv) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December			
	2014		2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	US$	*'000*	*US$*	*'000*
Options at the 1 January 2014/5 July 2013	$3.20	1,906	$3.21	1,925
Forfeited during the year	$3.47	(187)	$3.79	(19)
Settlement during the year	$3.46	(170)	—	—
Cancelled during the year	$3.15	(1,549)	—	—
Outstanding at the end of the year	—	—	$3.20	1,906
Exercisable at the end of the year	—	—	—	—

The options outstanding at 31 December 2013 had an exercise price in the range of US$2.86 to US$3.79 and a weighted-average remaining contractual life of 5.43 years.

(b) Keystone Plan

Target Company adopted the Keystone Plan on 1 November 2013 whereby the board of directors of the Company is authorised, at its discretion, to grant options to the directors and employees of Target Group to subscribe for ordinary shares of the Company.

During the year ended 31 December 2013 and six months ended 30 June 2015, Target Company granted 4,335,000 and 1,525,000 share options to certain directors and employees at a consideration of US$1 for each grantee. The exercise price of these share options was USD$4.6 per share, and the aggregate fair value of these share options amounted to RMB131,737,000. The options vest after one year to five years from the date of grant and are then exercisable on or before 1 March 2025.

(i) The terms and conditions of the grants under Keystone Plan are as follows:

Date granted	Number of instruments	Vesting condition	Contractual life
1 November 2013	4,335,000	9–50 months' service from grant date	122 months from grant date
1 March 2015	1,525,000	12–54 months' service from grant date	128 months from grant date
	5,860,000		

(ii) The number of share options are as follows:

	Period ended 30 June 2015	**Year ended 31 December 2014**	**2013**
	Number of options	**Number of options**	**Number of options**
	'000	*'000*	*'000*
Outstanding at the beginning of the period/year	3,805,000	4,335,000	—
Granted during the period/year	1,525,000	—	4,335,000
Forfeited during the period/year	—	530,000	—
Outstanding at the end of the period/year	5,330,000	3,805,000	4,335,000
Exercisable at the end of the period/year	—	—	—

The outstanding options are not yet exercisable by 30 June 2015.

(iii) Fair value of share options and assumptions:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

	Options granted in 2015	**Options granted in 2013**
Fair value at grant date *(RMB)*	30.05–34.44	17.78–20.87
Share value at grant date *(RMB)*	50.36	34.19
Exercise price *(RMB)*	28.30	28.26
Expected volatility (weighted average)	54.38%	52.24%
Expected dividend yield	0%	0%
Risk-free (weighted average) interest rate	2.06%	2.70%
Option life (weighted average)	10.00 years	10.00 years

Target Company estimates the expected volatility based on the historical volatility of Target Company and the historical volatilities of comparable publicly traded companies engaged in a similar industry. Target Company uses historical data to estimate employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the Relevant Period are set out below:

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*
At 12 December 2012 and 31 December 2012	—	—	—	—	—	—
Profit and other comprehensive income for the year	—	—	—	(48,319)	(23,163)	(71,482)
Share issuance	86	3,910,888	—	—	—	3,910,974
Equity settled share-based payment	—	—	2,419	—	—	2,419
At 31 December 2013 and 1 January 2014	86	3,910,888	2,419	(48,319)	(23,163)	3,841,911
Profit and other comprehensive income for the year	—	—	—	13,789	979,889	993,678
Equity settled share-based payment	—	—	54,922	—	—	54,922
Dividends approved and paid	—	(983,200)	—	—	—	(983,200)
At 31 December 2014 and 1 January 2015	86	2,927,688	57,341	(34,530)	956,726	3,907,311
Loss and other comprehensive income for the period	—	—	—	(3,390)	(11,888)	(15,278)
Equity settled share-based payment	—	—	20,756	—	—	20,756
At 30 June 2015	86	2,927,688	78,097	(37,920)	944,838	3,912,789

(b) Dividends

Dividends payable to shareholders of the Target Company, approved and paid during the Relevant Period:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends approved and paid during 2014 of US\$1.15 per share	—	—	983,200	—

(c) Share capital

Authorised shares of the Company

	No. of shares	Amount
		US\$'000
Ordinary share of US\$0.0001 each	500,000,000	50

Issued and fully paid share capital

	No. of shares	Amount	Amount
		US\$	*RMB*
Issued at 12 December 2012 and as at 31 December 2012	2	—	—
Issued during the year ended 31 December 2013	138,507,560	13,851	85,560
As at 31 December 2013 and 2014 and 30 June 2015	138,507,562	13,851	85,560

(d) Share premium

The application of the share premium account is governed by the Companies Law (2012 Revision) of the Cayman Islands.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries not using RMB as functional currency. The reserve is dealt with in accordance with the accounting policy set out in note 2(v).

(f) Statutory reserve

Pursuant to the articles of association of Target Group's PRC subsidiaries, appropriations to the PRC statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC, until the PRC statutory reserves was equal to 50% of the entity's registered capital. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(g) Capital reserve

The capital reserve represented the portion of the grant date fair value of unexercised share options granted to employees of the Target Company that has been recognised in accordance with the accounting policy adopted for share-based payments.

(h) Distributability of reserves

At 31 December 2012, 2013 and 2014 and 30 June 2015, the aggregate amounts of reserve available for distribution to shareholders of the Target Company were nil, RMB3,839,406,000, RMB3,849,884,000, RMB3,834,606,000, respectively.

(i) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined total bank loans and other borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the Relevant Period, the Target Group's strategy was to maintain the capital in order to cover any debt position.

The adjusted debt-to-equity ratios at 31 December 2012, 2013 and 2014 and 30 June 2015 are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans — Current	—	97,533	91,785	137,556
Bank loans — Non-current	—	639,335	1,686,446	2,470,159
Total bank loans	—	736,868	1,778,231	2,607,715
Less: Cash and cash equivalents	—	952,022	1,140,090	953,616
Adjusted net debt	—	(215,154)	638,141	1,654,099
Total equity	—	3,962,173	3,309,369	3,309,954
Adjusted net debt-to-equity ratio	—	n/a	19%	50%

Except for covenants relating to bank loans of the Target Group as disclosed in note 18, neither the Target Company nor its subsidiaries are subject to externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and foreign currency risks arises in normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The trade receivables are due from banks relating to payments settled by customers' debit and credit cards, which are usually settled within 3 to 7 Days from the date of card payment. In respect of trade and other receivables, individual credit evaluations are performed on all POS machine providers. These evaluations focus on the financial ability and public reputation of the provider and take into account information specific to the customer as well as pertaining to the economic environment in which the provider operates. Normally, The Target Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each provider rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.6% and 0.6% of the total trade and other receivables was due from the Group's largest debtor and had been settled within one week after balance sheet date.

The maximum exposure to credit risk is represented by the carrying amount of the asset in the consolidated statements of financial position after deducting any impairment allowance. The Target Group does not provide any guarantees which would expose the Target Group to credit risk.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Target Company's board when the borrowings exceed certain predetermined levels of authority. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the date of statements of financial positions of the Target Group's and the Target Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of statements of financial position and the earliest date the Target Group and the Target Company can be required to pay):

Target Group

	31 December 2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	127,218	660,068	—	787,286	736,868
Trade and other payables	820,094	319,418	—	1,139,512	1,139,512
Total	947,312	979,486	—	1,926,798	1,876,380

	31 December 2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	163,894	1,930,659	—	2,094,553	1,778,231
Trade and other payables	947,845	332,523	—	1,280,368	1,280,368
Total	1,111,739	2,263,182	—	3,374,921	3,058,599

	30 June 2015				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	207,349	2,632,503	—	2,839,852	2,607,715
Trade and other payables	1,050,641	336,776	—	1,387,417	1,387,417
Total	1,257,990	2,969,279	—	4,227,269	3,995,132

(c) Interest rate risk

The Target Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates expose the Target Group to cash flow interest rate risk. The Target Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of Target Group's interest bearing borrowings at the end of the reporting period.

	2015		2014		2013	
	Effective interest rates	**Amount**	**Effective interest rates**	**Amount**	**Effective interest rates**	**Amount**
		RMB'000		*RMB'000*		*RMB'000*
Fixed rate borrowings:						
Bank loans	3.00%	867,300	—	—	6.46%	31,844
Variable rate borrowings:	LIBOR +		2.74% –		3.99% –	
Bank loans	3.75%	1,740,415	4.23%	1,778,231	4.02%	705,024
Total borrowings		2,607,715		1,778,231		736,868
Fixed rate borrowings as a percentage of total borrowings		33.26%		0%		4.32%

(ii) Sensitivity analysis

At 30 June 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased Target Group's profit after taxation and retained profits for the six months ended 30 June 2015 by approximately RMB13,053,000.

The sensitivity analysis above indicates the instantaneous change in Target Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by Target Group which expose Target Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by Target Group at the end of the reporting period, the impact on Target Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Target Group is exposed to currency risk primarily through assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars.

(i) Exposure to currency risk

The following table details Target Group's exposure at the after the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into Target Group's presentation currency is excluded.

	30 June 2015		31 December 2014		31 December 2013	
	HKD	*USD*	*HKD*	*USD*	*HKD*	*USD*
Cash and cash equivalents	1,002	8,932	116	—	117	—
Net exposure	1,002	8,932	116	—	117	—

(ii) Sensitivity analysis

The following table indicates the instantaneous change in Target Group's profit after tax and retained profits that would arise if foreign exchange rates to which Target Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	30 June 2015		31 December 2014		31 December 2013	
	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profit	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profit	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax and retained profit
United States Dollars	1%	(67)	1%	—	1%	—
Hong Kong Dollars	1%	8	1%	1	1%	1

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of Target Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by Target Group which expose Target Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within Target Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into Target Group's presentation currency.

23 COMMITMENTS

(a) Capital commitments of the Target Group outstanding at respective date of the consolidated statements of financial position not provided for in the Financial Information were as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	—	69,308	149,683	100,493

(b) At respective date of the consolidated statements of financial position, the total future minimum lease prepayments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	645,616	585,272	600,318
After 1 year but within 5 years	—	2,937,599	2,803,463	2,685,600
After 5 years	—	2,721,099	2,137,237	1,795,818
	—	6,304,314	5,525,972	5,081,736

The lease did not include any contingent rentals.

24 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Period, the directors are of the view that related parties of the Target Group include the following individuals/companies:

Name of related party	Relationship with the Target Group
Mr. Zheng Nanyan (鄭南雁)	Director of Target Company
Guangzhou Betterwood Information Technology Co., Ltd. (廣州市百達屋信息科技有限公司) (i)	Controlled by Mr. Zheng Nanyan
Chujian Group (ii)	Previously controlled by Mr. Zheng Nanyan
Ganzi Holy Land Shambhala Tourism Investment Co., Ltd. (甘孜州聖地香巴拉旅遊投資有限公司) (i)	Associate of Target Group since 26 March 2014
eLong, Inc.	Associate of Target Group since 22 May 2015

(i) The official names of these companies are in Chinese. The English translation of the names is for reference only.

(ii) Chujian Group was not a related party of Target Group since the acquisition completed (note 12(b)) on 30 September 2014.

(a) Key management personnel compensation

Key management personnel compensation comprised:

	For the period from date of incorporation to 31 December	For the year ended 31 December		For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	—	6,765	12,019	4,904	6,122
Contribution to defined retirement plans	—	77	172	73	114
Equity settled share-based payment expenses	—	2,149	3,982	589	3,656
	—	8,991	16,173	5,566	9,892

(b) Transactions with related parties

During the Relevant Period, the Target Group entered into the following material related party transactions:

	For the period from date of incorporation to 31 December 2012	For the year ended 31 December 2013	2014	For the six months ended 30 June 2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue:					
eLong, Inc.	—	—	—	—	543
Guangzhou Betterwood Information Technology Co., Ltd.	—	—	38	—	2,253
	—	—	38	—	2,796
Borrowings to related parties:					
Ganzi Holy Land Shambhala Tourism Investment Co., Ltd.	—	—	3,500	1,950	3,358
Commission paid to:					
Chujian Group	—	4,131	—	—	—
eLong, Inc.	—	—	—	—	1,243
Guangzhou Betterwood Information Technology Co., Ltd.	—	1,455	1,726	1,722	591
	—	5,586	1,726	1,722	1,834

(c) Balances with related parties

Amounts due from related parties

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guangzhou Betterwood Information Technology Co., Ltd.	—	—	7,024	9,222
Ganzi Holy Land Shambhala Tourism Investment Co., Ltd.	—	—	—	3,358
eLong, Inc.	—	—	—	303
Total	—	—	7,024	12,883

The outstanding balances with the related party are unsecured, interest free and have no fixed repayment terms.

25 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Target Group's accounting policies, the key sources of estimation uncertainty are as follows:

(a) Litigation provisions

As explained in note 17(i), Target Group made provisions for its ongoing lawsuits based on Target Group's interpretation of the underlying facts of individual case and the view of independent legal counsel. As the outcome of the lawsuits is subject to ruling of courts, it is possible that the current estimation of losses is not indicative of future compensations that Target Group has to pay in respect of those lawsuits. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Impairment

If circumstances indicate that the net book value of property, plant and equipment, goodwill, intangible assets, investments and land use right may not be recoverable, these assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Target Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price, material costs and amount of operating costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including sales volume, expected changes to selling prices and operating costs, and discount rate.

In addition, the Target Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Target Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Depreciation and amortisation

Property, plant and equipment, land use right and intangible assets are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Target Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Target Group's historical experience with similar assets and taking into account upgrading and improvement work performed, anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Deferred tax assets

Deferred tax assets arising from deductible temporary differences and tax losses are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of this report, the HKICPA has issued a number of amendments, and new standards which are not yet effective for the Relevant Period and which have not been adopted in this Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
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 amortisation*	1 January 2016
Amendments to HKAS 27, Equity method in separate financial statements	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

The Target Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Target Group's results of operations and financial position.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries comprising the Target Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the 7 Days' reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

23 October 2015

The Directors
Shanghai Jin Jiang International Hotels (Group) Company Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to 7 Days Group Holdings Limited ("7 Days") and its subsidiaries (hereinafter collectively referred to as the "7 Days Group") comprising the consolidated statements of financial position of 7 Days Group and the statements of financial position of 7 Days as at 31 December 2012, 2013 and 2014 and 30 June 2015, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of 7 Days Group, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the "Relevant Period") together with the explanatory notes thereto (the "Financial Information"), for inclusion in the circular issued by Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") dated 23 October 2015 (the "Circular") in connection with the proposed acquisition of Keystone Lodging Holdings Company by the Company.

7 Days was incorporated in the Cayman Islands on 25 October 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands.

As at the date of this report, no audited financial statements have been prepared for certain subsidiaries of 7 Days Group, as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising 7 Days Group have adopted 31 December as their financial year end date. Details of the companies comprising 7 Days Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 2(b) of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China ("PRC").

The directors of 7 Days have prepared the consolidated financial statements of 7 Days Group for the Relevant Period (the "Underlying Financial Statements") in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of 7 Days for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of 7 Days are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules and for such internal control as the directors of 7 Days determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of 7 Days, its subsidiaries or 7 Days Group in respect of any period subsequent to 30 June 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of 7 Days Group and 7 Days as at 31 December 2012, 2013 and 2014 and 30 June 2015 and 7 Days Group's financial performance and cash flows for the Relevant Period then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the 7 Days Group comprising the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2014, together with the notes thereto (the "Corresponding Financial Information"), for which the directors of the 7 Days are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the 7 Days are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (unaudited)	2015 RMB'000
Revenue	3	2,726,798	3,210,987	3,375,734	1,606,339	1,647,617
Direct hotel operating costs	5(c)	(2,206,596)	(2,450,615)	(2,414,765)	(1,192,063)	(1,296,233)
Gross profit		520,202	760,372	960,969	414,276	351,384
Other net income/(loss)	4	10,957	2,147	22,160	4,100	(2,313)
Selling and marketing expenses		(82,116)	(99,652)	(132,716)	(41,848)	(60,986)
Administrative expenses		(200,657)	(363,472)	(276,770)	(133,878)	(142,077)
Profit from operations		248,386	299,395	573,643	242,650	146,008
Finance costs	5(a)	(21,459)	(34,243)	(52,510)	(24,789)	(132)
Profit before taxation	5	226,927	265,152	521,133	217,861	145,876
Income tax	6	(72,432)	(94,415)	(165,316)	(68,944)	(46,698)
Profit for the year/period		154,495	170,737	355,817	148,917	99,178
Attributable to:						
Shareholders of 7 Days		171,362	174,607	357,410	148,431	100,592
Non-controlling interests		(16,867)	(3,870)	(1,593)	486	(1,414)
Profit for the year/period		154,495	170,737	355,817	148,917	99,178

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period	154,495	170,737	355,817	148,917	99,178
Other comprehensive income for the year/period:					
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC") which may be reclassified subsequently to profit or loss	(1,051)	(5,652)	878	1,414	(324)
Total comprehensive income for the year/period	153,444	165,085	356,695	150,331	98,854
Total comprehensive income attributable to:					
Shareholders of 7 Days	170,311	168,955	358,288	149,845	100,268
Non-controlling interests	(16,867)	(3,870)	(1,593)	486	(1,414)
Total comprehensive income for the year/period	153,444	165,085	356,695	150,331	98,854

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	As at 30 June 2015 RMB'000
Non-current assets					
Property, plant and equipment	9	1,970,763	1,674,527	1,640,556	1,583,051
Land use right		23,426	22,808	22,190	21,881
Intangible assets	10	26,221	22,016	15,093	13,235
Goodwill	11	61,041	61,041	60,346	60,346
Trade and other receivables	14	161,912	151,118	150,961	173,454
Pledged deposits		—	55,639	—	—
Deferred tax assets	18	73,616	79,218	52,635	58,867
		2,316,979	2,066,367	1,941,781	1,910,834
Current assets					
Inventories	13	56,591	40,677	49,001	51,226
Trade and other receivables	14	266,080	633,280	902,460	1,051,330
Available-for-sale financial assets		—	40,000	299,659	—
Pledged deposits		3,443	—	—	—
Cash and cash equivalents	15	378,809	884,496	868,570	608,279
		704,923	1,598,453	2,119,690	1,710,835
Current liabilities					
Trade and other payables	16	826,748	817,901	1,545,653	972,641
Bank loans	17	130,015	97,533	—	—
Current tax payable	18	25,617	28,222	18,778	30,724
		982,380	943,656	1,564,431	1,003,365
Net current (liabilities)/assets		(277,457)	654,797	555,259	707,470
Total assets less current liabilities		2,039,522	2,721,164	2,497,040	2,618,304
Non-current liabilities					
Trade and other payables	16	284,185	297,205	313,128	316,216
Bank loans	17	122,133	639,335	—	—
Deferred tax liabilities	18	7,527	5,356	5,725	5,117
		413,845	941,896	318,853	321,333
Net assets		1,625,677	1,779,268	2,178,187	2,296,971
Equity					
Share capital	20	141,317	—	—	—
Treasury shares		(67,137)	—	—	—
Reserves		1,574,422	1,791,482	2,196,171	2,317,195
Total equity attributable to shareholders of 7 Days		1,648,602	1,791,482	2,196,171	2,317,195
Non-controlling interests		(22,925)	(12,214)	(17,984)	(20,224)
Total equity		1,625,677	1,779,268	2,178,187	2,296,971

The accompanying notes form part of the Financial Information.

4 STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2012	2013	2014	2015
	Section B Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investments in subsidiaries	*12*	882,250	833,386	840,586	839,965
Trade and other receivables	*14*	67	153,077	—	—
		882,317	986,463	840,586	839,965
Current assets					
Trade and other receivables	*14*	394,232	614,080	228,031	970,067
Cash and cash equivalents	*15*	55,012	329,785	153,781	52,756
Available-for-sale financial assets		—	—	119,659	—
		449,244	943,865	501,471	1,022,823
Current liabilities					
Trade and other payables	*16*	11,199	5,440	156,183	690,015
Bank loans	*17*	—	73,162	—	—
		11,199	78,602	156,183	690,015
Net current assets		438,045	865,263	345,288	332,808
Total assets less current liabilities		1,320,362	1,851,726	1,185,874	1,172,773
Non-current liabilities					
Trade and other payables	*16*	5,727	—	—	—
Bank loans	*17*	—	631,861	—	—
		5,727	631,861	—	—
Net assets		1,314,635	1,219,865	1,185,874	1,172,773
Equity					
Share capital	*20*	141,317	—	—	—
Treasury stock		(67,137)	—	—	—
Reserves		1,240,455	1,219,865	1,185,874	1,172,773
Total equity		1,314,635	1,219,865	1,185,874	1,172,773

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to shareholders of 7 Days									
		Share capital	Treasury stock	Share premium	Exchange reserve	Statutory reserve	Other reserves	Accumulated losses	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2012		141,080	—	1,494,215	330	21,050	139,221	(274,584)	1,521,312	(10,353)	1,510,959
Changes in equity for 2012:											
Profit for the year		—	—	—	—	—	—	171,362	171,362	(16,867)	154,495
Other comprehensive income		—	—	—	(1,051)	—	—	—	(1,051)	—	(1,051)
Total comprehensive income		—	—	—	(1,051)	—	—	171,362	170,311	(16,867)	153,444
Appropriation to statutory reserve		—	—	—	—	4,187	—	(4,187)	—	—	—
Treasury stocks acquired		—	(67,137)	—	—	—	—	—	(67,137)	—	(67,137)
Exercise of share option		237	—	3,385	—	—	—	—	3,622	—	3,622
Equity settled share-based payment		—	—	—	—	—	27,127	—	27,127	—	27,127
Excess tax benefit related to share-based payment		—	—	—	—	—	421	—	421	—	421
Acquisition of non-controlling interests		—	—	—	—	—	—	(7,054)	(7,054)	7,162	108
Dividends paid by subsidiaries to non-controlling interests holders		—	—	—	—	—	—	—	—	(2,867)	(2,867)
Balance at 31 December 2012		141,317	(67,137)	1,497,600	(721)	25,237	166,769	(114,463)	1,648,602	(22,925)	1,625,677
Balance at 1 January 2013		141,317	(67,137)	1,497,600	(721)	25,237	166,769	(114,463)	1,648,602	(22,925)	1,625,677
Changes in equity for 2013:											
Profit for the year		—	—	—	—	—	—	174,607	174,607	(3,870)	170,737
Other comprehensive income		—	—	—	(5,652)	—	—	—	(5,652)	—	(5,652)
Total comprehensive income		—	—	—	(5,652)	—	—	174,607	168,955	(3,870)	165,085
Appropriation to statutory reserve		—	—	—	—	13,764	—	(13,764)	—	—	—
Exercise of share option		457	—	10,950	—	—	—	—	11,407	—	11,407
Equity settled share-based payment		—	—	—	—	—	17,971	—	17,971	—	17,971
Excess tax benefit related to share-based payment		—	—	—	—	—	(799)	—	(799)	—	(799)
Acquisition of non-controlling interests		—	—	—	—	—	—	(17,504)	(17,504)	16,382	(1,122)
Dividends paid by subsidiaries to non-controlling interests holders		—	—	—	—	—	—	—	—	(1,801)	(1,801)
Cancellation of shares during privatisation		(141,774)	67,137	(1,508,550)	—	—	—	—	(1,583,187)	—	(1,583,187)
Modification of share option program		—	—	—	—	—	(45,146)	—	(45,146)	—	(45,146)
Capitalisation		—	—	1,583,657	—	—	—	—	1,583,657	—	1,583,657
Disposal of subsidiaries	*21*	—	—	—	—	—	7,526	—	7,526	—	7,526
Balance at 31 December 2013		—	—	1,583,657	(6,373)	39,001	146,321	28,876	1,791,482	(12,214)	1,779,268

	Attributable to shareholders of 7 Days									
	Share capital	Treasury shares	Share premium	Exchange reserve	Statutory reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2014	—	—	1,583,657	(6,373)	39,001	146,321	28,876	1,791,482	(12,214)	1,779,268
Changes in equity for 2014:										
Profit for the year	—	—	—	—	—	—	357,410	357,410	(1,593)	355,817
Other comprehensive income	—	—	—	878	—	—	—	878	—	878
Total comprehensive income	—	—	—	878	—	—	357,410	358,288	(1,593)	356,695
Appropriation to statutory reserve	—	—	—	—	30,104	—	(30,104)	—	—	—
Equity settled share-based payment	—	—	—	—	—	54,922	—	54,922	—	54,922
Acquisition of non-controlling interests	—	—	—	—	—	—	(8,521)	(8,521)	(1,479)	(10,000)
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	—	(2,698)	(2,698)
Balance at 31 December 2014	—	—	1,583,657	(5,495)	69,105	201,243	347,661	2,196,171	(17,984)	2,178,187
Balance at 1 January 2015	—	—	1,583,657	(5,495)	69,105	201,243	347,661	2,196,171	(17,984)	2,178,187
Changes in equity for 2015:										
Profit for the period	—	—	—	—	—	—	100,592	100,592	(1,414)	99,178
Other comprehensive income	—	—	—	(324)	—	—	—	(324)	—	(324)
Total comprehensive income	—	—	—	(324)	—	—	100,592	100,268	(1,414)	98,854
Equity settled share-based payment	—	—	—	—	—	20,756	—	20,756	—	20,756
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	—	(826)	(826)
Balance at 30 June 2015	—	—	1,583,657	(5,819)	69,105	221,999	448,253	2,317,195	(20,224)	2,296,971
(unaudited)										
Balance at 1 January 2014	—	—	1,583,657	(6,373)	39,001	146,321	28,876	1,791,482	(12,214)	1,779,268
Changes in equity for 2014:										
Profit for the period	—	—	—	—	—	—	148,431	148,431	486	148,917
Other comprehensive income	—	—	—	1,414	—	—	—	1,414	—	1,414
Total comprehensive income	—	—	—	1,414	—	—	148,431	149,845	486	150,331
Equity settled share-based payment	—	—	—	—	—	30,504	—	30,504	—	30,504
Acquisition of non-controlling interests	—	—	—	—	—	—	314	314	(314)	—
Dividends paid by subsidiaries to non-controlling interests holders	—	—	—	—	—	—	—	—	(1,305)	(1,305)
Balance at 30 June 2014	—	—	1,583,657	(4,959)	39,001	176,825	177,621	1,972,145	(13,347)	1,958,798

The accompanying notes form part of the Financial Information.

6 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Six months ended 30 June 2014 RMB'000 (Unaudited)	2015 RMB'000
Cash generated from operating activities	*15*	673,517	882,038	1,024,490	459,223	543,503
Taxes paid	*18*	(87,447)	(100,832)	(146,878)	(54,846)	(41,592)
Net cash generated from operating activities		586,070	781,206	877,612	404,377	501,911
Cash flows from investing activities						
Payment for acquisition of property, plant and equipment		(546,222)	(330,028)	(311,511)	(73,136)	(230,858)
Proceeds from disposal of property, plant and equipment		—	1,130	8,504	585	9,046
Net cash outflow from disposal of subsidiary	*21*	—	(1,502)	—	—	—
Interest received		7,887	4,544	20,479	7,236	10,042
(Increase)/decrease in available-for-sale financial assets		10,000	(40,000)	(259,659)	(100,000)	299,659
Acquisition of non-controlling interests		(600)	(300)	(10,000)	—	—
Net cash (used in)/generated from investing activities		(528,935)	(366,156)	(552,187)	(165,315)	87,889
Cash flows from financing activities						
Advance to related parties		—	(618,669)	(310,191)	(222,479)	(821,184)
Advance from related parties		—	238,860	771,479	19,790	611
Borrowings to related parties		—	—	(28,509)	(20,500)	(15,358)
Proceeds from exercise of share options		3,696	14,498	—	—	—
Proceeds from bank loans		326,691	754,486	—	—	—
Repayment of bank loans		(409,981)	(259,728)	(736,867)	(77,619)	—
Repayment of borrowings from related parties		(636)	(577)	19,770	—	—
Payment for treasury shares		(66,759)	—	—	—	—
Interests paid		(21,459)	(34,243)	(52,510)	(24,789)	(132)
Capital contributions to subsidiaries from non-controlling interests holders		708	—	—	—	—
Dividends paid by subsidiaries to non-controlling interests holders		(2,867)	(1,801)	(2,698)	(1,305)	(826)
Net cash (used in)/generated from financing activities		(170,607)	92,826	(339,526)	(326,902)	(836,889)
Net (decrease)/increase in cash and cash equivalents		(113,472)	507,876	(14,101)	(87,840)	(247,089)
Cash and cash equivalents at 1 January		493,256	378,809	884,496	884,496	868,570
Effect of foreign exchange rate changes		(975)	(2,189)	(1,825)	184	(13,202)
Cash and cash equivalents at 31 December/30 June		378,809	884,496	868,570	796,840	608,279

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

(a) Reporting entity

7 Days Group Holdings Limited was incorporated as a limited liability company in the Cayman Islands on 25 October 2004. 7 Days Group are principally engaged in the business of operating economy hotels in the PRC.

(b) Listing and privatisation

7 Days completed its initial public offering ("IPO") of 11,615,000 American depositary shares on the New York Stock Exchange ("NYSE"), each representing three ordinary shares, on 25 November 2009.

On 28 February 2013, 7 Days entered into a definitive agreement and plan of merger ("Merger Agreement") with various parties pursuant to which Keystone Lodging Holdings Limited ("Keystone") agreed to acquire 7 Days through the merger of its wholly owned acquisition subsidiary, Keystone Lodging Acquisition Limited, with and into 7 Days, with 7 Days continuing as the surviving corporation and a wholly owned subsidiary of Keystone (the "Merger"). The Merger was approved by the shareholders of 7 Days at an extraordinary general meeting held on 26 June 2013, and was subsequently completed on 5 July 2013, following satisfaction or waiver of the conditions set forth in the Merger Agreement. As a result of the Merger, 7 Days ceased to be a listed company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and related Interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). A summary of the significant accounting policies adopted by 7 Days Group is set out below.

(b) Basis of preparation

The Financial Information comprises the 7 Days and its subsidiaries. As at the date of this report, the 7 Days has direct or indirect interests in the following subsidiaries, which are private limited liability companies. The particulars of these subsidiaries are set out below:

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
7 Days Hotel (Shenzhen) Co., Ltd. 七天酒店(深圳)有限公司 (ii)	05/07/2005	PRC	US$115,000,000	—	100%	Hotel management
Guangzhou 7 Days Hotel Management Co., Ltd. 廣州市七天酒店管理有限公司 (i) (ii)	02/12/2004	PRC	RMB500,000	—	100%	Hotel management
Nanjing 7 Days Saab Hotel Management Co., Ltd. 南京七天薩伯酒店管理有限公司 (i) (ii)	05/04/2007	PRC	RMB500,000	—	100%	Hotel management
Guangzhou 7 Days Hotel Co., Ltd. 廣州七天酒店有限公司 (i) (ii)	14/02/2006	PRC	RMB500,000	—	100%	Hotel management
Guiyang 7 Days Hotel Management Co., Ltd. 貴陽七天酒店管理有限公司 (i) (ii)	05/09/2007	PRC	RMB100,000	—	100%	Hotel management
Fuzhou City Drum Tower District 7 Days Hotel Management Co., Ltd. 福州市鼓樓區七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Guiyang Nanming 7 Days Hotel Management Co. Ltd. 貴陽南明柒天酒店管理有限公司 (i) (ii)	06/03/2008	PRC	RMB200,000	—	100%	Hotel management
Wuhan 7 Days Hotel Management Co., Ltd. 武漢市七天酒店管理有限公司 (i) (ii)	12/02/2007	PRC	RMB100,000	—	100%	Hotel management
Foshan 7 Days Hotel Co., Ltd. 佛山市七天酒店有限公司 (i) (ii)	28/02/2008	PRC	RMB100,000	—	100%	Hotel management
Chengdu 7 Days Hotel Management Co., Ltd. 成都市七天酒店管理有限公司 (i) (ii)	14/06/2007	PRC	RMB5,000,000	—	100%	Hotel management
Tianjin 7 Days Hotel Management Co., Ltd. 天津七天酒店管理有限公司 (i) (ii)	14/12/2007	PRC	RMB100,000	—	100%	Hotel management
Ji'nan 7 Days Hotel Management Co., Ltd. 濟南七天酒店管理有限公司 (i) (ii)	16/01/2008	PRC	RMB100,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Kunming 7 Days Hotel Management Co., Ltd. 昆明七天酒店管理有限公司 (i) (ii)	20/06/2008	PRC	RMB5,000,000	—	100%	Hotel management
Shenyang 7 Days Hotel Management Co., Ltd. 瀋陽七天酒店管理有限公司 (i) (ii)	10/01/2008	PRC	RMB100,000	—	100%	Hotel management
Xi'an 7 Days Hotel Management Co., Ltd. 西安七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Nanjing 7 Days Fasthotel Management Co., Ltd. 南京七天快捷酒店管理有限公司 (i) (ii)	30/10/2008	PRC	RMB1,000,000	—	100%	Hotel management
Hefei 7 Days Hotel Management Co., Ltd. 合肥七天酒店管理有限公司 (i) (ii)	23/09/2008	PRC	RMB100,000	—	100%	Hotel management
Hefei 7 Days Kangwan Hotel Management Co. Ltd. 合肥七天康皖酒店管理有限公司 (ii)	04/06/2013	PRC	RMB100,000	—	100%	Hotel management
Shanghai 7 Days Pinju Hotel Management Co., Ltd. 上海七天品居酒店管理有限公司 (i) (ii)	29/04/2007	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Baichuan 7 Days Investment Management Ltd. 廣州柒天百川投資管理有限公司 (i) (ii)	02/12/2010	PRC	RMB1,000,000	—	100%	Hotel management
Shenzhen Southern China 7 Days Hotel Management Co. Ltd. 深圳華南柒天酒店管理有限公司 (i) (ii)	31/10/2011	PRC	RMB1,000,000	—	100%	Hotel management
Guizhou 7 Days Hechuang Investment Management Co., Ltd. 貴州七天合創投資管理有限公司 (i) (ii)	19/01/2011	PRC	RMB1,000,000	—	100%	Hotel management
7 Days Full Seasons Hotel Investment Management (Beijing) Co., Ltd. 七天全季酒店投資管理(北京)有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
7 Days Fasthotel Management (Beijing) Co., Ltd. 七天快捷酒店管理(北京)有限公司 (i) (ii)	24/01/2007	PRC	RMB5,000,000	—	100%	Hotel management
Guangzhou Sairu Software Development Co., Ltd. 廣州賽如軟件開發有限公司 (i) (ii)	02/12/2008	PRC	RMB1,000,000	—	100%	Information technology & software development
Shanghai 7 Days Hotel Management Limited 上海七天酒店管理股份有限公司 (i) (ii)	20/09/2007	PRC	RMB5,000,000	—	100%	Hotel management
Shenzhen Woju Fashion Hotel Management Co., Ltd. 深圳蝸居時尚酒店管理有限公司 (i) (ii)	26/04/2011	PRC	RMB500,000	—	100%	Hotel management
Shanghai Yibai Information Technology Co., Ltd. 上海益佰信息科技有限公司 (i) (ii)	15/08/2013	PRC	RMB500,000	—	100%	Information technology & software development
Beijing 7 Days Yangguang Hotel Management Co., Ltd. 北京七天陽光酒店管理有限公司 (i) (ii)	26/04/2007	PRC	RMB1,000,000	—	100%	Hotel management
Beijing 7 Days Yinxiang Hotel Management Co., Ltd. 北京七天印象酒店管理有限公司 (i) (ii)	25/04/2007	PRC	RMB1,000,000	—	100%	Hotel management
Xiamen 7 Days of Hotel Co., Ltd. 廈門市馨七天酒店有限公司 (i) (ii)	01/07/2009	PRC	RMB1,000,000	—	100%	Hotel management
Guizhou Yijiaju Hotel Management Co., Ltd. 貴州宜家居酒店管理有限公司 (i) (ii)	19/06/2009	PRC	RMB100,000	—	100%	Hotel management
Nanchang 7 Days Hotel Management Co., Ltd. 南昌市七天酒店管理有限公司 (i) (ii)	19/10/2007	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Zhongke Hotel Business Management Co., Ltd. 廣州眾客酒店企業管理有限公司 (i) (ii)	20/11/2009	PRC	RMB100,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Guangzhou Haoyu Hotel Co., Ltd. 廣州浩宇酒店有限公司 (i) (ii)	22/04/2010	PRC	RMB100,000	—	100%	Hotel management
Guangzhou Saiwen Software Development Co., Ltd. 廣州賽文軟件開發有限公司 (ii)	18/12/2008	PRC	HK$1,500,000	—	100%	Information technology & software development
Guangzhou Saicheng Software Development Co., Ltd. 廣州市賽誠軟件開發有限公司 (ii)	09/01/2012	PRC	HK$300,000	—	100%	Information technology & software development
7 Days Four Seasons Hotels (Guangzhou) Co., Ltd. 七天四季酒店(廣州)有限公司 (ii)	13/08/2010	PRC	RMB242,800,000	—	100%	Hotel management
Hunan Huatian Hotel Management Co., Ltd. 湖南華天之星酒店管理有限公司 (i) (ii)	08/03/2007	PRC	RMB97,000,000	—	100%	Hotel management
Xuzhou Orient Express Hotel Management Co., Ltd. 徐州東方快車酒店管理有限公司 (i) (ii)	09/09/2009	PRC	RMB500,000	—	100%	Hotel management
Hunan Lotus Fasthotel Management Co., Ltd. 湖南荷花快捷酒店管理有限公司 (i) (ii)	09/10/2010	PRC	RMB5,000,000	—	100%	Hotel management
Henan Huatian Hotel Management Co., Ltd. 河南華天之星酒店管理有限公司 (i) (ii)	26/06/2007	PRC	RMB1,000,000	—	100%	Hotel management
Wuhan Huatian Hotel Management Co., Ltd. 武漢華天之星酒店管理有限公司 (i) (ii)	02/09/2008	PRC	RMB1,000,000	—	100%	Hotel management
Beijing Huatian Hotel Management Co., Ltd. (北京華天之星酒店管理有限公司) (i) (ii)	26/11/2007	PRC	RMB1,000,000	—	100%	Hotel management
Nanchang Huatian Hotel Management Co., Ltd. (南昌華天之星酒店管理有限公司) (i) (ii)	22/12/2006	PRC	RMB500,000	—	100%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest		Principal activities
				Direct	Indirect	
Guangzhou 7 Days Qihang Hotel Management Consulting Co., Ltd. 廣州七天啟航酒店管理諮詢有限公司 (i) (ii)	20/05/2015	PRC	RMB1,000,000	—	100%	Hotel management
7 Days Group Holdings Limited	16/03/2012	Cayman Islands	—	—	100%	Hotel management
7 Days Inn Group (HK) Limited	29/11/2007	Hong Kong	—	—	100%	Hotel management
7 Days Inn (HK) Investment Co. Limited	20/08/2009	Hong Kong	—	—	100%	Hotel management
Supersonic Holdings Limited (i)	21/10/2011	Cayman Islands	—	—	100%	Hotel management
Sunbeam (HK) Limited	01/12/2011	Hong Kong	—	—	100%	Hotel management
Shanghai 7 Days Full Seasons Hotel Management Co. Ltd. 上海七天全季酒店管理有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	100%	Hotel management
Chengdu 7 Days Four Seasons Investment Management Ltd. 成都七天四季投資管理有限公司 (i) (ii)	02/04/2011	PRC	RMB1,000,000	—	100%	Hotel management
Wuhan 7 Days Four Seasons Investment Development Co., Ltd. 武漢七天四季投資發展有限公司 (i) (ii)	24/01/2011	PRC	RMB1,000,000	—	51%	Hotel management
Xi'an 7 Days Investment Consulting Co. Ltd. 西安七天投資諮詢有限公司 (i) (ii)	19/03/2012	PRC	RMB1,000,000	—	51%	Hotel management
Shenzhen 7 Days Baoda Hotel Management Co. Ltd. 深圳七天寶達酒店管理有限公司 (i) (ii)	22/03/2007	PRC	RMB1,000,000	—	65%	Hotel management
Shanghai Qijia Hotel Co. Ltd. 上海七嘉酒店有限公司 (i) (ii)	29/04/2007	PRC	RMB1,000,000	—	70%	Hotel management
Beijing 7 Days Four Seasons Hotel Management Co., Ltd. 北京七天四季酒店管理有限公司 (i) (ii)	29/01/2008	PRC	RMB1,000,000	—	70%	Hotel management

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest Direct	Indirect	Principal activities
Chengdu Four Seasons 7 Days Hotel Management Co., Ltd. 成都四季七天酒店管理有限公司 (i)(ii)	29/09/2010	PRC	RMB1,000,000	—	80%	Hotel management

(i) *These entities either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.*

(ii) The official names of these entities are in Chinese. The English translation of the names is for reference only.

Details of the companies comprising the 7 Days Group that are subject to statutory audit during the Relevant Period and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
7 Days Hotel (Shenzhen) Co., Ltd. 七天酒店(深圳)有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Chengyang Accounting Firm (廣州市成洋會計師事務所)
Guangzhou Saiwen Software Development Co., Ltd. 廣州賽文軟件開發有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
Guangzhou Saicheng Software Development Co., Ltd. 廣州市賽誠軟件開發有限公司	For each of the years ended 31 December 2013 and 2014	Guangzhou Junyang Accounting Firm Ltd (廣州君楊會計師事務所有限公司)
7 Days Four Seasons Hotels (Guangzhou) Co., Ltd. 七天四季酒店(廣州)有限公司	For the year ended 31 December 2012	Guangzhou Mingtong Accounting Ltd (廣州明通會計師事務所有限公司)
	For each of the years ended 31 December 2013 and 2014	Guangzhou Chengyang Accounting Firm (廣州市成洋會計師事務所)
7 Days Group Holdings Limited	For the year ended 31 December 2012	KPMG

Name of company	Financial period	Statutory auditors
7 Days Inn Group (HK) Limited	For each of the years ended 31 December 2012, 2013 and 2014	CCS & Company
7 Days Inn (HK) Investment Co. Limited	For each of the years ended 31 December 2012, 2013 and 2014	CCS & Company
Sunbeam (HK) Limited	For each of the years ended 31 December 2012 and 2013	Dexin Accounting Firm Ltd
	For the year ended 31 December 2014	CCS & Company

(c) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except the available-for-sale financial assets are stated at their fair value as explained in accounting policy set out in note 2(g).

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 25.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by 7 Days Group. 7 Days Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether 7 Days Group has power, only substantive rights (held by 7 Days Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests ("NCI") represent the equity in a subsidiary not attributable directly or indirectly to 7 Days, and in respect of which 7 Days Group has not agreed any additional terms with the holders of those interests which would result in 7 Days Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, 7 Days Group can elect to measure any NCI either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of 7 Days. NCI in the results of 7 Days Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of 7 Days.

Changes in 7 Days Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When 7 Days Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(a) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of 7 Days Group's previously held equity interests in the acquiree; over

(b) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (b) is greater than (a), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Available for-sale financial assets

Available-for-sale financial assets are initially stated at fair value plus any directly attributable transaction costs. Interest income from these financial assets is recognised using the effective interest method in profit or loss in accordance with the policy set out in note 2(u)(vii). When these financial assets are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

(h) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Leasehold improvements	5–15 years
Hotel fixtures and equipment	5–10 years
Motor vehicles	5 years
Office equipment and others	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents leasehold improvements under construction or installation and is stated at cost. These costs include interior and exterior decorations, floor and wall coverings and an allocation of interest cost incurred. Construction in progress is transferred to leasehold improvements when the assets are ready for their intended use, at which time depreciation commences.

(i) Intangible assets (other than goodwill)

Other intangible assets consist of favorable lease contracts and a brand name which was acquired in business combinations and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(k)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The brand name is amortised on a straight-line basis over the estimated useful life of 5 years. The favourable lease contracts are amortised on a straight-line basis over the remaining lease period after acquisition, ranging from 4 to 16 years.

Amortisation methods, useful lives and residual values are reviewed annually.

(j) Land use right

Land use right represents the exclusive right to occupy and use land in the PRC for a specific contractual term. Land use right is carried at cost and charged to general and administrative expenses on a straight-line basis over the term of the land use right of 40 years.

(k) Impairment of assets

(i) Impairment of debt securities and trade and other receivables

Investment in debt securities and trade and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of 7 Days Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where these receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale debt securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When 7 Days Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— Land use right;

— intangible assets;

— goodwill; and

— investments in subsidiaries in statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if necessary) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(k)(i)).

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are cancelled, the treasury shares are net off against the share capital and share premium.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if 7 Days Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of capitalized assets not yet recognised as an expense.

(iii) Share-based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share-based payment awards, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share-based payment awards. Any changes in the liability are recognised in profit or loss.

When there is a modification of the terms and conditions of an award of equity instruments, 7 Days Group measures the pre-modification and post-modification fair value of the equity instruments as of the modification date and recognises the incremental value as compensation cost over the remaining service period.

When there is a settlement of equity-settled share-based payment awards, the payment made to the employee is accounted for as a deduction from equity. A settlement of equity instruments not vested is accounted for as accelerated vesting, and therefore the amount that would otherwise have been recognised in the original remaining service period is recognised immediately. For the payment made exceeds the fair value of the equity instruments on repurchase date, the excess is recognised as an expense.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, 7 Days Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if 7 Days Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, 7 Days Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when 7 Days Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to 7 Days Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Provision of hotel accommodation services and other related services

Revenue from the provision of hotel accommodation services and other related services is recognised when the relevant services are rendered.

(ii) Sales of food, beverage and souvenir card

Revenues from food, beverage and souvenir card sales are recognised when the significant risks and rewards of ownership have been paid by and transferred to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and value added tax.

(iii) Services to managed hotels

Revenues from managed hotels and commission income are recognised when the agreement has been signed and the underlying goods or services have been delivered or rendered.

(iv) Loyalty programs

Revenue is allocated between the award credits under the loyalty programs and the other components of the sale. The amount allocated to the award credits is deferred, and recognised as revenue when 7 Days Group has fulfilled its obligations to supply the room nights or other products in accordance with the terms of the programs or when it is no longer probable that the award credits under the loyalty programs will be redeemed (see note 16).

(v) Rental income from subleases

Rental income receivable under operating subleases is recognised as other income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(vi) Government grants

7 Days Group recognises an unconditional government grant related to refund of value added tax in profit or loss as other income when the grant becomes receivable.

(vii) Interest income

Interest income are recognised as it accrues using the effective interest method.

(v) Translation of foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Foreign currency differences are generally recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Renminbi at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Renminbi at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the exchange reserve.

(w) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Related parties

(i) A person, or a close member of that person's family, is related to 7 Days Group if that person:

(a) has control or joint control over 7 Days Group;

(b) has significant influence over 7 Days Group; or

(c) is a member of the key management personnel of 7 Days Group or 7 Days Group's parent.

(ii) An entity is related to 7 Days Group if any of the following conditions applies:

(a) The entity and 7 Days Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either 7 Days Group or an entity related to 7 Days Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 REVENUE

The principle activity of the 7 Days Group is hotel operation. The amount of each significant category of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Hotel accommodation	2,302,101	2,610,186	2,550,411	1,238,145	1,180,458
Services to managed hotels	277,691	375,077	484,944	223,253	248,692
Food, beverage and other sales	46,055	39,982	44,192	19,853	20,905
Souvenir card sales	58,805	121,605	201,651	87,736	136,339
Sales of goods to managed hotels	—	—	12,445	1,134	21,672
Rental income from properties subleases	17,328	21,679	24,077	12,806	11,673
Others	24,818	42,458	58,014	23,412	27,878
	2,726,798	3,210,987	3,375,734	1,606,339	1,647,617

4 OTHER NET INCOME/(LOSS)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants	3,684	2,004	5,050	1,682	501
Interest income	7,887	4,544	20,479	7,236	10,042
Foreign exchange gain/(loss)	77	3,637	(2,703)	(1,231)	(12,878)
(Loss)/gain on disposal of property, plant and equipment	(691)	(8,038)	(666)	(3,587)	22
	10,957	2,147	22,160	4,100	(2,313)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interests on bank loans	23,284	34,278	52,510	24,789	132
Less: Interest expenses capitalised into property, plant and equipment	(1,825)	(35)	—	—	—
	21,459	34,243	52,510	24,789	132

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other benefits	444,912	540,920	574,731	272,287	313,979
Contributions to defined contribution retirement plan	25,984	29,735	31,261	14,399	10,601
Share-based payment expenses	27,127	17,971	54,922	30,504	20,756
	498,023	588,626	660,914	317,190	345,336

Pursuant to the relevant labour rules and regulations in the Peoples' Republic of China (the "PRC"), the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

7 Days Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating lease charges	730,822	802,875	787,636	399,584	403,191
Depreciation	319,303	356,390	355,174	172,043	207,289
Amortisation	4,823	4,823	4,454	2,242	2,167
Direct hotel operating costs #	2,206,596	2,450,615	2,414,765	1,192,063	1,296,233
Impairment of property, plant and equipment	11,500	138,318	7,514	—	3,918
Auditors' remuneration	6,511	2,752	2,896	480	1,764

Direct hotel operating costs include RMB1,447,308,000, RMB1,629,281,000, RMB1,616,396,000, RMB800,141,000 and RMB869,153,000 for the year ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively relating to staff costs, depreciation and amortisation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX

(a) Income tax expense in the consolidated statements of profit or loss represent:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
PRC income tax:					
Current tax					
Provision for the year	85,946	103,615	139,349	62,244	52,414
Under/(over) -provision in respect of prior years	1,588	(178)	(1,915)	(1,915)	1,124
	87,534	103,437	137,434	60,329	53,538
Deferred tax					
Origination and reversal of temporary differences	(15,102)	(9,022)	27,882	8,615	(6,840)
Income tax expenses	72,432	94,415	165,316	68,944	46,698

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	226,927	265,152	521,133	217,861	145,876
Notional tax on profit before taxation calculated at the standard tax rates applicable at the jurisdictions concerned	56,732	66,288	130,284	54,465	36,469
Non-PRC entities not subject to income tax (i)	(1,294)	11,661	22,956	11,608	8,029
Effect of non-deductible expenses	18,583	9,873	11,815	3,504	1,675
Effect of preferential tax treatments (ii)	(2,997)	(1,569)	(2,605)	(109)	(136)
Effect of tax losses not recognised	7,203	11,131	7,490	6,540	2,262
Recognition of previously unrecognised tax losses	(8,462)	(625)	(5,618)	(5,618)	(2,725)
PRC interest withholding tax	1,079	399	1,769	1,531	—
Under/(over)-provision in prior years	1,588	(178)	(1,915)	(1,915)	1,124
Others	—	(2,565)	1,140	(1,062)	—
Income tax expenses	72,432	94,415	165,316	68,944	46,698

(i) Pursuant to the relevant rules and regulations of the Cayman Islands, 7 Days and its subsidiaries incorporated in Cayman Islands are not subject to any income tax in the Cayman Islands.

No provision was made for Hong Kong Profits Tax as the 7 Days Group did not earn any income subject to Hong Kong Profits Tax for the Relevant Period.

(ii) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of 7 Days Group are subject to PRC corporate income tax of 25%, except that a software development company, Guangzhou Seven Software Development Co., Ltd. ("Guangzhou Seven"), was entitled to a tax holiday of a two-year full tax exemption followed by a three-year 50% tax exemption from 2010 to 2014. Guangzhou Seven was exempt from income tax in 2010 and 2011, and is subject to income tax at 12.5% from 2012 to 2014. During 2014, Guangzhou Seven were qualified as an "Advanced and New Technology Enterprise" and entitled to the preferential income tax rate of 15% from 2015 to 2017.

(iii) Under the EIT law and its implementation rules, a withholding tax at 10%, unless reduced by a tax treaty or arrangement, is applied on dividends received by non-PRC-resident corporate investors from PRC-resident enterprises, such as the Company's PRC subsidiaries. Undistributed earnings prior to 1 January 2008 are exempt from withholding tax.

7 DIRECTORS' REMUNERATION

Details of directors' remuneration of the 7 Days Group are disclosed as follows:

	For year ended 31 December 2012					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment(iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	1,542	—	4	236	1,782
Lim Meng Ann	—	—	—	—	—	—
He Boquan	—	—	—	—	—	—
Jeffrey Perlman	—	—	—	—	—	—
Seng Tan Wee	—	—	—	—	—	—
Dai Bin	—	—	—	—	—	—
Wu Tao	—	—	—	—	—	—
Total	—	1,542	—	4	236	1,782

	For the year ended 31 December 2013					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment(iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	632	—	5	114	751
Lim Meng Ann (i)	—	—	—	—	—	—
He Boquan (ii)	—	—	—	—	—	—
Eric Zhang (ii)	—	—	—	—	—	
Wu Haibing (ii)	—	1,171	—	4	612	1,787
Liu Xing (ii)	—	—	—	—	—	—
Lin Xiao (iii)	—	—	—	—	—	—
Total	—	1,803	—	9	726	2,538

	For the year ended 31 December 2014					
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Retirement scheme contribution**	**Share-based payment(iii)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	668	—	5	29	702
He Boquan	—	—	—	—	—	—
Eric Zhang	—	—	—	—	—	—
Wu Haibing	—	1,174	—	4	287	1,465
Liu Xing	—	—	—	—	—	—
Lin Xiao	—	—	—	—	—	—
Total	—	1,842	—	9	316	2,167

	For the six months ended 30 June 2015					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contribution	Share-based payment(iii)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	202	—	2	—	204
He Boquan	—	—	—	—	—	—
Eric Zhang	—	—	—	—	—	—
Wu Haibing	—	543	—	2	77	622
Liu Xing	—	—	—	—	—	—
Lin Xiao	—	—	—	—	—	—
Total	—	745	—	4	77	826

	For the six months ended 30 June 2014 (unaudited)					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contribution	Share-based payment(iii)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zheng Nanyan	—	317	—	2	24	343
He Boquan	—	—	—	—	—	—
Eric Zhang	—	—	—	—	—	—
Wu Haibing	—	586	—	2	171	759
Liu Xing	—	—	—	—	—	—
Lin Xiao	—	—	—	—	—	—
Total	—	903	—	4	195	1,102

(i) Lim Meng Ann were appointed on 5 July 2013 and resigned on 30 July 2013.

(ii) The directors were appointed on 5 July 2013.

(iii) Lin Xiao was appointed on 30 July 2013.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one was the director of 7 Days for the years ended at 31 December 2012 and two were directors of 7 Days for the years ended at 31 December 2013, 2014 and the six months ended 30 June 2014 and 2015 respectively whose emoluments are disclosed in note 7. The emoluments in respect of the other four in the years ended at 31 December 2012 and the other three individuals in the years ended at 31 December 2013, 2014 and the six months ended 30 June 2014 and 2015 is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	3,166	1,607	1,608	794	660
Contributions to defined contribution retirement plans	17	15	26	7	10
Equity settled share-based payment expenses	1,593	1,423	672	394	188
Total	4,776	3,045	2,306	1,195	858

The emolument of four, three, three, three and three individuals with the highest emolument for the years ended at 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively is within the following band:

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil–1,000,000	1	1	2	3	3
1,000,000–1,500,000	1	1	1	—	—
1,500,000–2,000,000	1	—	—	—	—
2,000,000–2,500,000	1	1	—	—	—

9 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Hotel fixtures and equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2012	2,032,427	304,388	550	1,456	35,223	2,374,044
Additions	103,383	107,746	—	941	390,671	602,741
Transfer from construction in progress	385,029	—	—	—	(385,029)	—
Disposals	(6,100)	(13,338)	—	—	—	(19,438)
At 31 December 2012	2,514,739	398,796	550	2,397	40,865	2,957,347
At 1 January 2013	2,514,739	398,796	550	2,397	40,865	2,957,347
Additions	—	68,161	—	—	140,294	208,455
Transfer from construction in progress	137,471	13,046	—	13,711	(164,228)	—
Disposals	(12,559)	(27,544)	(4)	—	—	(40,107)
Disposal of subsidiaries (a)	(2,069)	(45)	—	—	—	(2,114)
At 31 December 2013	2,637,582	452,414	546	16,108	16,931	3,123,581
At 1 January 2014	2,637,582	452,414	546	16,108	16,931	3,123,581
Additions	83,229	6,662	—	1,693	254,339	345,923
Transfer from construction in progress	118,382	49,685	—	2,780	(170,847)	—
Disposals	(102,236)	(36,342)	—	—	—	(138,578)
At 31 December 2014	2,736,957	472,419	546	20,581	100,423	3,330,926
At 1 January 2015	2,736,957	472,419	546	20,581	100,423	3,330,926
Additions	5,101	39,625	—	—	118,000	162,726
Transfer from construction in progress	156,036	—	—	477	(156,513)	—
Disposals	(15,860)	(21,010)	—	—	—	(36,870)
At 30 June 2015	2,882,234	491,034	546	21,058	61,910	3,456,782

	Leasehold improvements *RMB'000*	Hotel fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2012	537,857	115,983	214	28	—	654,082
Charge for the year	263,400	55,468	101	334	—	319,303
Written back on disposal	(4,554)	(12,278)	—	—	—	(16,832)
At 31 December 2012	796,703	159,173	315	362	—	956,553
At 1 January 2013	796,703	159,173	315	362	—	956,553
Charge for the year	292,465	62,666	103	1,156	—	356,390
Written back on disposal	(5,507)	(22,070)	(3)	—	—	(27,580)
Disposal of subsidiaries (a)	(391)	(8)	—	—	—	(399)
At 31 December 2013	1,083,270	199,761	415	1,518	—	1,284,964
At 1 January 2014	1,083,270	199,761	415	1,518	—	1,284,964
Charge for the year	298,505	54,485	103	2,081	—	355,174
Written back on disposal	(30,817)	(27,526)	—	—	—	(58,343)
At 31 December 2014	1,350,958	226,720	518	3,599	—	1,581,795
At 1 January 2015	1,350,958	226,720	518	3,599	—	1,581,795
Charge for the period	175,682	30,523	—	1,084	—	207,289
Written back on disposal	(8,039)	(16,924)	—	—	—	(24,963)
At 30 June 2015	1,518,601	240,319	518	4,683	—	1,764,121

	Leasehold improvements *RMB'000*	Hotel fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Impairment:						
At 1 January 2012	18,531	—	—	—	—	18,531
Additions	11,500	—	—	—	—	11,500
At 31 December 2012	30,031	—	—	—	—	30,031
At 1 January 2013	30,031	—	—	—	—	30,031
Additions	138,318	—	—	—	—	138,318
Written back on disposal	(4,259)	—	—	—	—	(4,259)
At 31 December 2013	164,090	—	—	—	—	164,090
At 1 January 2014	164,090	—	—	—	—	164,090
Additions	7,514	—	—	—	—	7,514
Written back on disposal	(63,029)	—	—	—	—	(63,029)
At 31 December 2014	108,575	—	—	—	—	108,575
At 1 January 2015	108,575	—	—	—	—	108,575
Additions	3,918	—	—	—	—	3,918
Written back on disposal	(2,883)	—	—	—	—	(2,883)
At 30 June 2015	109,610	—	—	—	—	109,610
Net book value:						
At 30 June 2015	1,254,023	250,715	28	16,375	61,910	1,583,051
At 31 December 2014	1,277,424	245,699	28	16,982	100,423	1,640,556
At 31 December 2013	1,390,222	252,653	131	14,590	16,931	1,674,527
At 31 December 2012	1,688,005	239,623	235	2,035	40,865	1,970,763

(a) Disposal of subsidiaries

On 8 November 2013, Portofino Holdings Limited and its subsidiaries previously held by 7 Days Group were transferred to Plateno Investment Limited. Net book value of the property, plant and equipment disposed were RMB1,715,000 (note 21).

(b) Impairment

During the Relevant Period, 7 Days Group assessed the recoverable amounts of leasehold improvements and hotel fixtures of certain loss-making hotels and as a result the carrying amount of the assets was written down to their recoverable. The estimates of recoverable amount were calculated based on the future cash flows of these loss-making hotels.

10 INTANGIBLE ASSETS

	Favourable lease contract	Brand name	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2012, 31 December 2012, 31 December 2013	24,924	5,626	30,550
Disposals	(4,057)	(251)	(4,308)
At 31 December 2014 and 30 June 2015	20,867	5,375	26,242
Accumulated amortisation:			
At 1 January 2012	90	34	124
Charge for the year	3,080	1,125	4,205
At 31 December 2012	3,170	1,159	4,329
Charge for the year	3,080	1,125	4,205
At 31 December 2013	6,250	2,284	8,534
Charge for the year	2,761	1,075	3,836
Write off for the year	(1,221)	—	(1,221)
At 31 December 2014	7,790	3,359	11,149
Charge for the period	1,321	537	1,858
Net book value:			
At 30 June 2015	9,111	3,896	13,007
At 30 June 2015	11,756	1,479	13,235
At 31 December 2014	13,077	2,016	15,093
At 31 December 2013	18,674	3,342	22,016
At 31 December 2012	21,754	4,467	26,221

11 GOODWILL

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in business combinations, which are not individually identified and separately recognised.

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hotel business	61,041	61,041	60,346	60,346

Impairment tests for cash-generating units containing goodwill

The impairment tests of goodwill has been performed on the operation segment level as 7 Days Group identify the synergy from business combination was beneficial to the whole operating segment and can not be separated.

7 Days performs its annual impairment review of goodwill during the Relevant Period, and when a triggering event occurs between annual impairment tests. No impairment of goodwill was recognised during Relevant Period.

12 INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	882,250	833,386	840,586	839,965

Investments in subsidiaries are stated at cost and details of the subsidiaries as at the date of this report are set out in note 2(b) of section B.

13 INVENTORIES

(a) Inventories in the consolidated statements of financial positions comprise:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hotel supplies	56,591	40,677	49,001	51,226

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories utilised	135,112	134,017	216,584	97,359	130,426

14 TRADE AND OTHER RECEIVABLES

7 Days Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade receivables	17,015	23,105	28,322	35,989
Other receivables	249,065	610,175	874,138	1,015,341
	266,080	633,280	902,460	1,051,330
Non-current				
Other receivables	161,912	151,118	150,961	173,454
Total	427,992	784,398	1,053,421	1,224,784

7 Days

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Other receivables	394,232	614,080	228,031	970,067
Non-current				
Other receivables	67	153,077	—	—
Total	394,299	767,157	228,031	970,067

(a) Ageing analysis

As of 31 December 2012, 2013 and 2014 and 30 June 2015, the aging analysis of trade receivables (which are net of allowance for doubtful debts) base on the invoice date is as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	17,015	20,010	26,424	28,967
3 to 6 months	—	2,078	500	5,165
6 to 12 months	—	1,017	685	688
Over 1 year	—	—	713	1,169
	17,015	23,105	28,322	35,989

Trade debtors are due within 90 days from the date of billing. Further details on 7 Days Group's credit policy are set out in note 22(a).

(b) Impairment losses

The movements in the allowance for impairment in respect of trade and other receivables during the year/period are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	5,700	5,700	7,774	—
Recognised	—	2,074	—	—
Written off	—	—	(7,774)	—
Balance at 31 December/30 June	5,700	7,774	—	—

7 Days Group's other receivables related to a legal claim against the seller of an asset amounted RMB5,700,000 and RMB7,060,000 as at 31 December 2012 and 2013 was individually determined to be fully impaired. The individually impaired receivables related to the defendant that was in financial difficulties and management assessed that the receivables was not expected to be recovered. Consequently, specific allowances for doubtful debts RMB5,700,000 and RMB7,060,000 was recognised as at 31 December 2012 and 2013.

Based on experience, except for the above amounts that the debtor was unable to repay the outstanding balance, 7 Days Group believes that no impairment allowance is necessary in respect of other receivables.

(c) Trade debtors that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	17,015	23,105	28,322	35,989

15 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

7 Days Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	4,960	8,868	5,405	5,820
Cash at bank	373,849	875,628	863,165	602,459
	378,809	884,496	868,570	608,279

7 Days

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	55,012	329,785	153,781	52,756

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended 31 December			Six months ended 30 June	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities						
Profit before taxation		226,927	265,152	521,133	217,861	145,876
Adjustments for:						
Depreciation	*5(c)*	319,303	356,390	355,174	172,043	207,289
Amortisation	*5(c)*	4,823	4,823	4,454	2,242	2,167
Impairment losses on property, plant and equipment	*5(c)*	11,500	138,318	7,514	—	3,918
Loss/(gain) on disposal of property and equipment	*4*	691	8,038	666	3,587	(22)
Interest income	*4*	(7,887)	(4,544)	(20,479)	(7,236)	(10,042)
Interest expense	*5(a)*	21,459	34,243	52,510	24,789	132
Foreign exchange (gain)/ loss	*4*	(77)	(3,637)	2,703	1,230	12,878
Share-based payment expenses	*5(b)*	27,127	17,971	54,922	30,504	20,756
Changes in:						
Pledged deposits		16,409	(52,196)	55,639	55,639	—
Trade and other receivables		(74,970)	9,187	(26,547)	(50,017)	53,525
Inventories		(9,220)	15,914	(8,324)	(1,263)	(2,225)
Trade and other payables		131,137	98,070	14,248	561	119,258
Deferred income		6,295	(5,691)	10,877	9,283	(10,007)
Cash generated from operating activities		673,517	882,038	1,024,490	459,223	543,503

16 TRADE AND OTHER PAYABLES

7 Days Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade creditors	300,240	207,669	233,699	217,512
Other payables and accrued charges	425,650	481,065	984,265	335,356
Advances received from customers	67,408	97,143	279,638	382,072
Provision (i)	1,371	5,636	10,786	10,443
Deferred income (ii)	32,079	26,388	37,265	27,258
	826,748	817,901	1,545,653	972,641
Non-current				
Trade and other payables	278,458	297,205	313,128	316,216
Deferred income	5,727	—	—	—
Total	1,110,933	1,115,106	1,858,781	1,288,857

(i) Provisions were made for legal cases related to hotels of 7 Days Group based on the its interpretation of the underlying facts, taking into account the range of possible outcomes of the legal process, which were supported by independent legal advice.

(ii) 7 Days Group recognises deferred revenue for customer loyalty programs and sales incentive of electronic coupons based on the estimated amount of redemption that will be utilised by customers.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month or on demand	300,240	207,669	233,699	217,512

Other creditors and accrued charges mainly include accrued staff costs and benefits, accrued sales rebates to customers and other tax payables.

7 Days

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Amounts due to related parties	11,199	5,440	119,334	690,015
Amounts due to third parties	—	—	36,849	—
	11,199	5,440	156,183	690,015
Non-current				
Deferred income	5,727	—	—	—
Total	16,926	5,440	156,183	690,015

17 BANK LOANS

At 31 December 2012, 2013 and 2014 and 30 June 2015, 7 Days and 7 Days Group's bank loans were repayable as follows:

7 Days Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	130,015	97,533	—	—
After 1 year but within 2 years	88,710	131,851	—	—
After 2 year but within 5 years	33,423	507,484	—	—
	122,133	639,335	—	—
	252,148	736,868	—	—

7 Days

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	73,162	—	—
After 1 year but within 2 years	—	124,377	—	—
After 2 year but within 5 years	—	507,484	—	—
	—	631,861	—	—
	—	705,023	—	—

At 31 December 2012, 2013 and 2014 and 30 June 2015, 7 Days Group's bank loans were secured as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Secured	—	631,861	—	—
Unsecured	122,133	7,474	—	—
	122,133	639,335	—	—
Current:				
Secured	—	73,163	—	—
Unsecured	130,015	24,370	—	—
	130,015	97,533	—	—
	252,148	736,868	—	—

18 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	25,530	25,617	28,222	18,778
Provision for PRC income tax (Note 6(a))	87,534	103,437	137,434	53,538
PRC income tax paid	(87,447)	(100,832)	(146,878)	(41,592)
At 31 December/30 June	25,617	28,222	18,778	30,724

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Intangible assets	Provision and accruals	Equity-settled share-based payment	Property, plant and equipment	Tax losses	Unrealised profit	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	(5,631)	29,633	3,608	3,005	22,371	—	(2,420)	50,566
Charged/(credited) to profit or loss	882	1,050	1,891	1,909	10,443	—	(1,073)	15,102
Additions recognised directly in equity	—	—	421	—	—	—	—	421
At 31 December 2012	(4,749)	30,683	5,920	4,914	32,814	—	(3,493)	66,089
At 1 January 2013	(4,749)	30,683	5,920	4,914	32,814	—	(3,493)	66,089
Charged/(credited) to profit or loss	882	(4,802)	(2,924)	30,372	(14,255)	—	(251)	9,022
Additions recognised directly in equity	—	—	(799)	—	—	—	—	(799)
Disposal of subsidiaries	—	(12)	—	—	(438)	—	—	(450)
At 31 December 2013	(3,867)	25,869	2,197	35,286	18,121	—	(3,744)	73,862
At 1 January 2014	(3,867)	25,869	2,197	35,286	18,121	—	(3,744)	73,862
Charged/(credited) to profit or loss	791	(5,773)	—	(14,886)	(8,417)	794	(391)	(27,882)
Disposal	930	—	—	—	—	—	—	930
At 31 December 2014	(2,146)	20,096	2,197	20,400	9,704	794	(4,135)	46,910
At 1 January 2015	(2,146)	20,096	2,197	20,400	9,704	794	(4,135)	46,910
Charged/(credited) to profit or loss	379	(2,859)	—	(362)	9,541	141	—	6,840
At 30 June 2015	(1,767)	17,237	2,197	20,038	19,245	935	(4,135)	53,750

The deferred taxation is recognised on the consolidated statements of financial position as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets recognised on the consolidated statements of financial position	73,616	79,218	52,635	58,867
Deferred tax liabilities recognised on the consolidated statements of financial position	(7,527)	(5,356)	(5,725)	(5,117)
	66,089	73,862	46,910	53,750

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), as of 31 December 2013 and 2014 and 30 June 2015, 7 Days Group has not recognised deferred tax assets in respect of unused tax losses of RMB78,839,000, RMB86,326,000 and RMB84,476,000 and other temporary differences of RMB6,682,000, RMB15,007,000 and RMB15,007,000, respectively. 7 Days Group determined that it was not probable that these tax losses can be utilised in the foreseeable future. As of 30 June 2015, unused tax losses of RMB2,978,000, RMB22,283,000, RMB34,519,000, RMB7,546,000, RMB7,966,000 and RMB9,185,000 will expire in 2015, 2016, 2017, 2018, 2019 and 2020, respectively, if unused.

(d) Deferred tax liabilities not recognised:

As of 31 December 2013 and 2014 and 30 June 2015, the undistributed earnings of 7 Days Group's PRC subsidiaries amounted to RMB706,745,000, RMB1,129,822,000 and RMB1,296,720,000. No deferred tax liabilities were recognised in respect of the PRC dividend withholding tax that would be payable on the distribution of the undistributed profits as 7 Days Group's controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

19 SHARE OPTION PROGRAM

(a) 7 Days Plan

On 20 December 2007, 7 Days' Board of Directors approved and adopted an employee share incentive plan, which was subsequently amended and restated on 15 August 2009 and 21 October 2010, respectively (the "7 Days Plan"). Under the Plan, the directors may, at their discretion, grant options to the directors and employees of 7 Days Group (each a "Grantee") to subscribe for ordinary shares of 7 Days. Prior to 2012, 7 Days granted 12,321,387 share options to employees with contractual terms ranging from 6.8 to 10.3 years under 7 Days Plan.

During 2012, 7 Days granted 2,474,600 share options to certain management employees with contractual terms of 7 years. The exercise price of these share options ranges from US$2.86 to US$2.99 per share, and the aggregate fair value of these share options amounted to RMB24,973,000.

On 5 July 2013, upon the completion of the Merger (see note 1(b)), the employee share options previously granted under the 7 Days Plan were cancelled with cash or exchange of Keystone's shares pursuant to the terms set forth in the Merger Agreement:

— a vested 7 Days option or unvested 7 Days option that will vest within one year after the merger effective time, i.e. before 5 July 2014, shall be settled with cash. 7 Days had settled of unvested options that will vest within one year in July 2013 and recognised it as a deduction from equity. The settlement of unvested options resulted in an acceleration of vesting and the unrecognised compensation cost of RMB3,484,000 has been recognised to profit or loss immediately.

— an unvested 7 Days option that will not vest within one year after the Merger effective time is in exchange of an option to purchase same number of ordinary shares of Keystone, with the same vesting schedule, exercise price and other key terms of original options. The holder may elect to settle those options in cash in the amount of the excess of merger consideration (US$4.60) over the exercise price or receive the shares of Keystone. 7 Days had designated the new options as a replacement of 7 Days' options and determined the incremental compensation cost of RMB4.25

million for the modification by comparing the fair value of the modified award to the fair value of the original award measured immediately before the Merger, and recognised such incremental compensation cost ratably over the remaining vesting period of the award.

(i) The terms and conditions of the grants are as follows:

Date granted	Number of instruments	Vesting Number of months of service from modification date	Contractual life Number of months from modification date
5 July 2013	248,895	14	50
	14,850	19	58
	337,875	19	62
	247,500	26	72
	703,125	24	73
	372,875	25	74
	1,925,120		

The share options granted by 7 Days have the same vesting term, which is 25% of the share options granted shall vest and become exercisable ranging from ten months to twelve months after the grant dates and the remaining 75% of the share options shall vest over the following three years in six equal installments. The unvested options will be forfeited when employee elects to terminate employment relationship with 7 Days Group.

(ii) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	US$	*'000*	*US$*	*'000*	*US$*	*'000*	*US$*	*'000*	*US$*	*'000*
Outstanding at the beginning of the year/period	$3.45	7,033	$3.34	8,495	$3.20	1,906	$3.20	1,906	—	—
Granted during the year/period	$2.94	2,475	—	—	—	—	—	—	—	—
Exercise during the year/period	$1.91	(301)	$3.12	(586)	—	—	—	—	—	—
Forfeit during the year/period	$3.63	(712)	$3.49	(788)	$3.47	(187)	$3.47	(187)	—	—
Settle during the year/period	—	—	$3.39	(5,215)	$3.46	(170)	$3.46	(170)	—	—
Cancelled during the year/period	—	—	—	—	$3.15	(1,549)	$3.15	(1,549)	—	—
Outstanding at the end of the year/period	$3.34	8,495	$3.20	1,906	—	—	—	—	—	—
Exercisable at the end of the year/period	—	—	—	—	—	—	—	—	—	—

The options outstanding at 31 December 2012 and 2013 had an exercise price in the range of US$0.13 to US$4.16 and US$2.86 to US$3.79 respectively. Weighted-average remaining contractual life at 31 December 2012 and 2013 was 5.63 years and 5.43 years.

The weighted average share price at the date of exercise for shares options exercised during the years ended 31 December 2012 and 2013 were US$3.95 and US$4.46 respectively.

(iii) Fair value of share options and assumptions adopted:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

	Awards modified in 2013	**Awards granted in 2012**
Fair value at grant date *(RMB)*	12.97–20.21	9.51–11.12
Share price at grant date *(RMB)*	28.42	18.68–20.84
Exercise price *(RMB)*	17.65–23.42	18.09–18.87
Expected volatility (weighted average)	47.67%	53.27%
Expected dividend yield	0%	0%
Risk-free (weighted average) interest rate	1.78%	0.95%
Option life (weighted average)	5.6 years	7.70 years

7 Days estimates the expected volatility based on the historical volatility of 7 Days and the historical volatilities of comparable publicly traded companies engaged in a similar industry. 7 Days uses historical data to estimate employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

(iv) Cancelation of the 7 Days Plan

On 30 April 2014, 7 Days Group entered into an agreement of release with option holders under 7 Days Plan. According to the agreement of release, the option holders under 7 Days Plan would receive cash in the amount of the excess of merger consideration (US$4.60) over the exercise price in lieu of having options to purchase certain ordinary shares of Keystone (the "Release"). As a result of the Release, the option holders under 7 Days Plan would receive cash settlement with pre-determined amounts upon vesting conditions met and the 7 Days Plan was cancelled accordingly. The cancelation of unvested options resulted in an acceleration of vesting and the unrecognised compensation cost of RMB3,017,000 has been immediately recognised in profit or loss for the year ended 31 December 2014.

(b) Keystone Plan

On 1 November 2013, Keystone adopted a share option scheme ("Keystone Plan"), which entitled the option holders to subscribe one ordinary share of Keystone. Options will lapse when the grantee ceases to be an employee of Keystone and its subsidiaries for reasons other than death, ill-health or retirements.

During the year ended 31 December 2013 and six months ended 30 June 2015, Keystone granted 4,335,000 and 1,525,000 share options to certain directors and employees of 7 Days Group at a consideration of US$1 for each grantee. The exercise price of these share options was USD$4.6 per share, and the aggregate fair value of these share options amounted to RMB131,737,000. The options vest after one year to five years from the date of grant and are then exercisable on or before 1 March 2025.

(i) The terms and conditions of the grants to employees of 7 Days Group under Keystone Plan are as follows:

Date granted	Number of instruments	Vesting condition	Contractual life
1 November 2013	4,335,000	9–50 months' service from grant date	122 months from grant date
1 March 2015	1,525,000	12–54 months' service from grant date	128 months from grant date
	5,860,000		

(ii) The number of share options are as follows:

	Period ended 30 June 2015	Year ended 31 December 2014	2013
	Number of options '000	*Number of options '000*	*Number of options '000*
Outstanding at the beginning of the year/period	3,805,000	4,335,000	—
Granted during the year/period	1,525,000	—	4,335,000
Forfeited during the year/period	—	(530,000)	—
Outstanding at the end of the year/period	5,330,000	3,805,000	4,335,000
Exercisable at the end of the year/period	—	—	—

The outstanding options are not yet exercisable by 30 June 2015.

(iii) Fair value of share options and assumptions:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

	Options granted in 2015	Options granted in 2013
Fair value at grant date *(RMB)*	30.05–34.44	17.78–20.87
Share value at grant date *(RMB)*	50.36	34.19
Exercise price *(RMB)*	28.30	28.26
Expected volatility (weighted average)	54.38%	52.24%
Expected dividend yield	0%	0%
Risk-free (weighted average) interest rate	2.06%	2.70%
Option life (weighted average)	10.00 years	10.00 years

Keystone estimates the expected volatility based on the historical volatility of Keystone and the historical volatilities of comparable publicly traded companies engaged in a similar industry. Keystone uses historical data to estimate employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each components of 7 Days Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the 7 Days Company's individual components of equity between the beginning and the end of the Relevant Period are set out below:

	Share capital	Share premium	Capital reserve	Exchange reserve	Treasury stock	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011 and 1 January 2012	141,080	1,494,210	132,280	(128,950)	(67,137)	(289,371)	1,282,112
Profit or loss and other comprehensive income for the year	—	—	—	(2,758)	—	4,532	1774
Equity settled share-based payment	—	—	27,127	—	—	—	27,127
Exercise of share option	237	3,385	—	—	—	—	3,622
At 31 December 2012 and 1 January 2013	141,317	1,497,595	159,407	(131,708)	(67,137)	(284,839)	1,314,635
Profit or loss and other comprehensive income for the year	—	—	—	(34,167)	—	(45,305)	(79,472)
Reclassification of cash components due to privatisation	—	—	(45,146)	—	—	—	(45,146)
Equity settled share-based payment	—	—	17,971	—	—	—	17,971
Exercise of share option	457	10,950	—	—	—	—	11,407
Cancellation of shares during privatisation	(141,774)	(1,508,550)	—	—	67,137	—	(1,583,187)
Capitalisation after privatisation	—	1,583,657	—	—	—	—	1,583,657
At 31 December 2013 and 1 January 2014	—	1,583,652	132,232	(165,875)	—	(330,144)	1,219,865
Profit or loss and other comprehensive income for the year	—	—	—	4,155	—	(42,805)	(38,650)
Equity settled share-based payment	—	—	4,659	—	—	—	4,659
At 31 December 2014 and 1 January 2015	—	1,583,652	136,891	(161,720)	—	(372,949)	1,185,874
Profit or loss and other comprehensive income for the period	—	—	—	(943)	—	(12,158)	(13,101)
At 30 June 2015	—	1,583,652	136,891	(162,663)	—	(385,107)	1,172,773

(b) Share Capital

Authorised, issued and fully paid share capital

Authorised:

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	No. of shares	*Amount US$*	*No. of shares*	*Amount US$*	*No. of shares*	*Amount US$*	*No. of shares*	*Amount US$*
Ordinary shares of US$0.125 each	225,000,000	28,125,000	400,000	50,000	400,000	50,000	400,000	50,000

Ordinary shares issued and fully paid:

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	No. of shares	*No. of shares*	*No. of shares*	*No. of shares*
At 1 January	149,931,935	150,233,153	2	2
Shares issued under share option scheme	301,218	585,819	—	—
Shares cancelled during privatisation	—	(150,818,972)	—	—
Capitalisation after privatisation	—	2	—	—
	150,233,153	2	2	2

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	Amount US$	*Amount RMB*	*Amount US$*	*Amount RMB*	*Amount US$*	*Amount RMB*	*Amount US$*	*Amount RMB*
At 1 January	18,865,242	141,080,465	18,902,894	141,317,430	—	1	—	1
Shares issued under share option scheme	37,652	236,965	73,228	456,663	—	—	—	—
Shares cancelled during privatisation	—	—	(18,976,122)	(141,774,093)	—	—	—	—
Capitalisation after privatisation	—	—	—	1	—	—	—	—
	18,902,894	141,317,430	—	1	—	1	—	1

Holders of these shares are entitled to dividends and to one vote per share at general meetings of 7 Days.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside the PRC.

(d) Statutory reserves

Pursuant to the articles of association of 7 Days Group's PRC subsidiaries, appropriations to the PRC statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC, until the PRC statutory reserves was equal to 50% of the entity's registered capital. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Other reserves

Other reserves comprise the following:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity settled share-based payment transactions (i)	159,404	132,229	187,151	207,907
Excess tax benefit recognised in relation to share-based payment transactions	7,365	6,566	6,566	6,566
Disposal to immediate holding company as an distribution (ii)	—	7,526	7,526	7,526
	166,769	146,321	201,243	221,999

(i) The equity share-based payment transactions represent the cumulative value of the equity-settled share options granted to employees recognised in accordance with the accounting policy adopted for equity-settled share-based payments.

(ii) Net liabilities of the subsidiaries transferred to immediate holding company of 7 Days Group were recognised in other reserves.

(f) Equity movement in relation to privatisation of 7 Days

Ordinary shares of 7 Days with par value of US$0.125 per each share, issued and outstanding immediately prior to 5 July 2013, were cancelled in consideration of US$4.60 per each share on 5 July 2013. On the same date, 7 Days cancelled its share option program and each option granted by 7 Days as of the day that is outstanding and unexercised, whether or not vested or exercisable with cash or exchange of the Keystone's shares option plan pursuant to the terms set forth in the Merger Agreement. (Note 19)

On 5 July 2013, 2 ordinary shares of US$0.125 each were issued at par value to the 7 Days' immediate holding company, Plateno Group Limited, by way of capitalisation of RMB1,583,657,000 from the 7 Days's payables to Plateno Group Limited.

(g) Capital management

7 Days Group's primary objectives when managing capital are to safeguard 7 Days Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

7 Days Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

7 Days Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose, 7 Days Group defines net debt as bank loans, less cash and cash equivalents and pledged deposits. Adjusted capital comprises all components of equity.

The adjusted debt-to-equity ratios at 31 December 2012, 2013 and 2014 and 30 June 2015 are as follows:

		As at 31 December			As at 30 June
		2012	**2013**	**2014**	**2015**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total bank loans	*17*	252,148	736,868	—	—
Less: Cash and cash equivalents	*15*	(378,809)	(884,496)	(868,570)	(608,279)
Pledged deposits		(3,443)	(55,639)	—	—
Adjusted net debt		(130,104)	(203,267)	(868,570)	(608,279)
Total equity		1,625,677	1,779,268	2,178,187	2,296,971
Adjusted net debt-to-capital ratio		Not applicable	Not applicable	Not applicable	Not applicable

Neither 7 Days nor any of its subsidiaries are subject to externally imposed capital requirements.

21 DISPOSAL OF SUBSIDIARIES

On 8 November 2013, 100% equity interests of Portofino Holdings Limited and its subsidiaries held by 7 Days Group were transferred at nil consideration to Plateno Investment Limited. Both of 7 Days Group and Plateno Investment Limited are controlled by Keystone.

Financial statement items of Portofino Holdings Limited were deemed as distributed to Plateno Investment Limited by 7 Days Group as of the date of disposal based on their book value.

The disposal of Portofino Holdings Limited and its subsidiaries had the following effect on 7 Days Group's assets and liabilities:

	Note	Carrying values upon disposal *RMB'000*
Cash and cash equivalents		1,502
Deferred tax assets	*18(b)*	450
Property, plant and equipment	*9(a)*	1,715
Other payables		(11,193)
Net liabilities		(7,526)
Net cash outflow in respect of disposal of subsidiaries		(1,502)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of 7 Days Group's business. 7 Days Group's exposure to these risks and the financial risk management policies and practices used by 7 Days Group to manage these risks are described below.

(a) Credit risk

7 Days Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The trade receivables are due from banks relating to payments settled by customers' debit and credit cards, which are usually settled within 3 to 7 days from the date of card payment. In respect of trade and other receivables, individual credit evaluations are performed on all POS machine providers. These evaluations focus on the financial ability and public reputation of the provider and take into account information specific to the customer as well as pertaining to the economic environment in which the provider operates. Normally, 7 Days Group does not obtain collateral from customers.

The 7 Days Group's exposure to credit risk is influenced mainly by the individual characteristics of each provider rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.2% and 0.2% of the total trade and other receivables was due from the Group's largest debtor and had been settled within one week after balance sheet date.

(b) Liquidity risk

Individual operating entities within the 7 Days Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the 7 Days Company's board when the borrowings exceed certain predetermined levels of authority. The 7 Days Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of 7 Days Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date 7 Days Group can be required to pay:

	As at 31 December 2012 **Contractual undiscounted cash outflow/(inflow)**				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	143,784	93,618	34,303	271,705	252,148
Trade and other payables	794,669	278,458	—	1,073,127	1,073,127
	938,453	372,076	34,303	1,344,832	1,325,275

	As at 31 December 2013 **Contractual undiscounted cash outflow/(inflow)**				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	127,218	156,233	503,835	787,286	736,868
Trade and other payables	791,513	297,205	—	1,088,718	1,088,718
	918,731	453,438	503,835	1,876,004	1,825,586

	As at 31 December 2014 **Contractual undiscounted cash outflow/(inflow)**				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	1,508,388	313,128	—	1,821,516	1,821,516

	As at 30 June 2015 **Contractual undiscounted cash outflow/(inflow)**				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	945,383	316,216	—	1,261,599	1,261,599

(c) Interest rate risk

7 Days Group's interest rate risk arises primarily from banks loans. Borrowings issued at variable rates and at fixed rates expose 7 Days Group to cash flow interest rate risk and fair value interest rate risk respectively. 7 Days Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of 7 Days Group's interest bearing borrowings at the end of the reporting period.

	As at 31 December			
	2012		2013	
	Effective rates	*Amount '000*	*Effective rates*	*Amount '000*
Fixed rate borrowings:				
Bank loans	5.88%–7.32%	89,500	6.46%	31,844
Variable rate borrowings				
Bank loans	5.60%–7.98%	162,648	3.99%–4.02%	705,024
Total borrowings		252,148		736,868
Fixed rate borrowings as a percentage of total borrowings		35%		4%

(ii) Sensitivity analysis

At 31 December 2012 and 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased 7 Days Group's profit after taxation and retained profits by approximately RMB1,220,000 and RMB5,288,000 respectively.

No interests bearing bank borrowings was obtained by 7 Days Group as at 31 December 2014 and 2015.

(d) Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. 7 Days Group is exposed to currency risk primarily through assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars.

(i) Exposure to currency risk

The following table details 7 Days Group's exposure at the after the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting period. Difference resulting from the translation of the financial statements of foreign operations into 7 Days Group's presentation currency is excluded.

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	Amount HK$'000	*Amount US$'000*	*Amount HK$'000*	*Amount US$'000*	*Amount HK$'000*	*Amount US$'000*	*Amount HK$'000*	*Amount US$'000*
Trade and other receivables	—	3,839	—	517,956	—	—	—	—
Cash and cash equivalents	288	66,982	477	285,142	147	—	477	—
Bank loans	—	—	—	(705,024)	—	—	—	—
Trade and other payables	—	(8,780)	(2)	(3,850)	—	—	—	—
Net exposure	288	62,041	475	94,224	147	—	477	—

(ii) Sensitivity analysis

The following table indicates the instantaneous change in 7 Days Group's profit after tax and retained profits that would arise if foreign exchange rates to which 7 Days Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December						As at 30 June	
	2012		2013		2014		2015	
	Increase/ (decrease) in foreign exchange rate	*Effect on profit after tax and retained profit '000*	*Increase/ (decrease) in foreign exchange rate*	*Effect on profit after tax and retained profit '000*	*Increase/ (decrease) in foreign exchange rate*	*Effect on profit after tax and retained profit '000*	*Increase/ (decrease) in foreign exchange rate*	*Effect on profit after tax and retained profit '000*
United States Dollars	1%	465	1%	707	1%	—	1%	—
Hong Kong Dollars	1%	2	1%	4	1%	1	1%	4

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of 7 Days Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by 7 Days Group which expose 7 Days Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within 7 Days Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into 7 Days Group's presentation currency. The analysis is performed on the same basis throughout the Relevant Period.

23 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2012, 2013 and 2014 and 30 June 2015 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	43,858	69,308	149,683	100,493

(b) Operating lease commitments

At 31 December the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	635,740	645,616	585,272	600,318
After 1 year but within 5 years	3,065,479	2,937,599	2,803,463	2,685,600
After 5 years	3,341,072	2,721,099	2,137,237	1,795,818
Total	7,042,291	6,304,314	5,525,972	5,081,736

24 MATERIAL RELATED PARTY TRANSACTIONS

During the Relevant Period, the directors are of the view that related parties of 7 Days Group include the following individuals/companies:

Name of related party	Relationship with 7 Days Group
Keystone Lodging Holdings Limited	Ultimate holding company
Mr. Zheng Nanyan (鄭南雁)	Executive Director of 7 Days
Guangzhou Betterwood Information Technology Co., Ltd. (廣州市百達屋信息科技有限公司)(i)	Controlled by Mr. Zheng Nanyan
Chujian Group	Fellow subsidiary
Plateno Group Limited	Fellow subsidiary
Plateno Investment Limited	Fellow subsidiary
Plateno Management Limited	Fellow subsidiary
Plateno Management (HK) Limited	Fellow subsidiary
Alber Hotel Management (Guangzhou) Co., Ltd. (安珀酒店管理(廣州)有限公司)(i)	Fellow subsidiary
Portofino Hotel Management (Guangzhou) Co., Ltd. (鉑濤菲諾酒店管理(廣州)有限公司)(i)	Fellow subsidiary
Plateno Hotel Management (Shenzhen) Co., Ltd. (鉑濤酒店管理(深圳)有限公司)(i)	Fellow subsidiary
ZMAX Hotel Management (Shenzhen) Co., Ltd. (潮漫酒店管理(深圳)有限公司)(i)	Fellow subsidiary
Huan Peng Hotel Management (Guangzhou) Co., Ltd. (歡朋酒店管理(廣州)有限公司)(i)	Fellow subsidiary
Lavande Hotel Management (Shenzhen) Co., Ltd. (麗楓舒適酒店管理(深圳)有限公司)(i)	Fellow subsidiary
Mora (Guangzhou) Management Limited (穆拉(廣州)管理有限公司)(i)	Fellow subsidiary
Xana Hotel Management (Guangzhou) Co., Ltd. (希岸酒店管理(廣州)有限公司)(i)	Fellow subsidiary
Coffetel Hotel Management (Shenzhen) Co., Ltd. (喆啡酒店管理(深圳)有限公司)(i)	Fellow subsidiary
eLong, Inc.	Associate of holding company since 22 May 2015
Ganzi Holy Land Shambhala Tourism Investment Co., Ltd. (甘孜州聖地香巴拉旅遊投資有限公司)(i)	Associate of holding company since 26 March 2014

(i) The official names of these companies are in Chinese. The English translation of the names is for reference only.

(a) Transactions

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Commission paid/payable to					
Chujian Group	3,597	9,721	1,988	2,537	8,220
Reocar (Guangzhou) Zuche Co., Ltd.	—	50	—	—	—
Guangzhou Betterwood Information Technology Co., Ltd.	—	1,455	1,726	1,722	591
eLong, Inc.	—	—	—	—	1,243
Total	3,597	11,226	3,714	4,259	10,054
Advances made to related parties:					
Plateno Group Limited	—	137	78,439	—	799,451
Plateno Investment Limited	—	19,542	—	—	—
Plateno Management Limited	—	89	—	—	—
Keystone Lodging Holdings Limited	—	598,901	217,464	218,665	—
Plateno Hotel Management (Shenzhen) Co., Ltd.	—	—	5,796	3,814	12,155
Xana Hotel Management (Guangzhou) Co., Ltd.	—	—	2,601	—	4,572
Alber Hotel Management (Guangzhou) Co., Ltd.	—	—	—	—	1,674
Mora (Guangzhou) Management Limited	—	—	—	—	1,801
Coffetel Holdings Limited	—	—	—	—	1,531
Huan Peng Hotel Management (Guangzhou) Co., Ltd.	—	—	1,887	—	—
Portofino Hotel Management (Guangzhou) Co., Ltd.	—	—	4,004	—	—
	—	618,669	310,191	222,479	821,184
Advances received from related parties:					
Plateno Investment Limited	—	1,081	—	—	611
Plateno Group Limited	—	—	703,708	—	—
Keystone Lodging Holdings Limited	—	237,779	40,437	—	—
Portofino Hotel Management (Guangzhou) Co., Ltd.	—	—	—	1,300	—
Lavande Hotel Management (Shenzhen) Co., Ltd.	—	—	5,835	5,575	—
Coffetel Hotel Management (Shenzhen) Co., Ltd.	—	—	8,744	6,666	—
ZMAX Hotel Management (Shenzhen) Co., Ltd.	—	—	8,187	6,249	—
Portofino Holdings Limited	—	—	3,036	—	—
Coffetel Holdings Limited	—	—	1,532	—	—
	—	238,860	771,479	19,790	611
Borrowings to related parties:					
Ganzi Holy Land Shambhala Tourism Investment Co., Ltd.	—	—	—	—	3,358
ZMAX Hotel Management (Shenzhen) Co., Ltd.	—	—	—	5,000	5,000
Coffetel Hotel Management (Shenzhen) Co., Ltd.	—	—	4,000	4,000	—
Lavande Hotel Management (Shenzhen) Co., Ltd.	—	—	5,000	5,000	—
Portofino Hotel Management (Guangzhou) Co., Ltd.	—	—	6,000	3,000	—
Plateno Hotel Management (Shenzhen) Co., Ltd.	—	—	13,509	3,500	7,500
Shanghai Yibai Information Technology Co., Ltd.	—	—	11,490	—	—
	—	—	39,999	20,500	15,858

(b) Balances with related parties

As at the end of the reporting period, 7 Days Group had the following balances with related parties:

(i) Trade and other receivables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Keystone Lodging Holdings Limited	—	361,122	579,895	579,383
Plateno Group Limited	—	137	—	154,872
Plateno Investment Limited	—	19,542	69	—
Alber Hotel Management (Guangzhou) Co., Ltd.	—	—	566	2,134
Portofino Hotel Management (Guangzhou) Co., Ltd.	—	—	6,051	6,051
Plateno Hotel Management (Shenzhen) Co., Ltd.	—	—	16,245	29,364
ZMAX Hotel Management (Shenzhen) Co., Ltd.	—	—	5,341	5,019
Huan Peng Hotel Management (Guangzhou) Co., Ltd.	—	—	1,087	1,314
Mora (Guangzhou) Management Limited	—	—	963	2,365
Xana Hotel Management (Guangzhou) Co., Ltd.	—	—	1,429	5,327
Coffetel Hotel Management (Shenzhen) Co., Ltd.	—	—	1,545	—
Guangzhou Betterwood Information Technology Co., Ltd.	—	—	4	2,216
Ganzi Holy Land Shambhala Tourism Investment Co.,Ltd.	—	—	—	3,358
	—	380,801	613,195	791,403

(ii) Trade and other payables

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related				
Chujian Group	2,601	—	1,988	1,199
Plateno Group Limited	—	—	625,131	—
Plateno Investment Limited	—	—	—	543
Portofino Holdings Limited	—	—	2,182	2,303
Coffetel Holdings Limited	—	—	1,466	—
Non-trade related				
Plateno Investment Limited	—	1,081	—	—

The amounts due from/(to) related parties are unsecured, interest free and have no fixed terms of repayment.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term employee benefits	4,708	3,411	3,449	1,697	1,405
Contribution to retirement benefit plan	21	23	35	11	14
Share-based payments	1,829	2,149	989	589	264
	6,558	5,583	4,473	2,297	1,683

Total remuneration is included in "staff costs" (Note 5(b)).

25 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying 7 Days Group's accounting policies, the key sources of estimation uncertainty are as follows:

(a) Litigation provisions

As explained in note 16(i), 7 Days Group made provisions for its ongoing lawsuits based on 7 Days Group's interpretation of the underlying facts of individual case and the view of independent legal counsel. As the outcome of the lawsuits are subject to ruling of courts, it is possible that the current estimation of losses is not indicative of future compensations that 7 Days Group has to pay in respect of those lawsuits. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Impairment of assets

In considering the impairment losses that may be required for certain property, plant and equipment, land use right, non-current financial assets and prepayment for machinery, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. 7 Days Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the Relevant Period and which have not been adopted in this Financial Information. These include the following which may be relevant to 7 Days Group.

	Effective for accounting periods beginning on or after
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 amortisation*	1 January 2016
Amendments to HKAS 27, Equity method in separate financial statements	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

7 Days Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the 7 Days' results of operations and financial position.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by 7 Days Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis on the Target Group for the six months period ended 30 June 2015 and 2014 and for the years ended 31 December 2014 and 2013 (the "**Reporting Period**").

BUSINESS REVIEW

The Target Group is a leading hotel chain operated under 13 brands (through leased and operated hotel operations or franchised and managed operations) in China and is also expanding its business to Southeast Asia, Europe and other overseas markets. The Target Group acquired 7 Days Group Holdings Limited, a leading national economy hotel chain based in China in July 2013. After the acquisition, the Target Group continues to grow through leased and operated hotel operations and franchised and managed operations. In the meantime, the Target Group also expands its business targeting different customer groups through launching other new brands.

The Target Group is principally engaged in operating high- to low-end brands in the Select Service Hotels market, including (i) operating economy hotel chains under the brands of 7 Days, Dao Jia Hotel, IU Hotel and π Hotel; and (ii) operating mid- to up-scale Select Service Hotels under brands such as Portofino, Lavande, James Joyce Coffetel, ZMAX Hotel, Xana Hotelle and H12 (through co-investment and cooperation arrangement).

During the Reporting Period, the Target Group has achieved revenue of approximately RMB1,660.3 million and RMB1,613.6 million for the six months ended 30 June 2015 and 2014, respectively and RMB3,403.7 million and RMB1,708.9 million for the years ended 31 December 2014 and 2013 respectively. The Target Group incurred loss after tax of RMB27.9 million for the six months ended 30 June 2015 and achieved profit after tax of RMB125.7 million, RMB267.0 million and RMB32.6 million for the period of six months ended 30 June 2014, and years ended 31 December 2014 and 2013, respectively.

As of 30 June 2015, the Target Group had approximately 490 leased and operated hotels under the 7 Days brand and one under H12 brand, and approximately 1,790 franchised and managed hotels in operation, among which approximately 1,610 were managed franchise hotels and approximately 180 were standard franchise hotels. The hotels of the Target Group are situated in over 300 cities primarily in the PRC and possesses relatively strong presence in the Southern, Central and Southwest regions of the PRC. The Target Group also implements a membership loyalty program with over 80 million members.

The average daily rate (**ADR**), occupancy rate (**OR**) and revenue per available room (**RevPAR**) of the Target Group's hotels during the Reporting Period were as follows:

	Period of six months ended 30 June 2015			Year ended 31 December 2014			Year ended 31 December 2013		
	OR	*ADR* *RMB*	*RevPAR* *RMB*	*OR*	*ADR* *RMB*	*RevPAR* *RMB*	*OR*	*ADR* *RMB*	*RevPAR* *RMB*
Economy Hotel — leased and operated	82.4%	154.4	127.2	80.0%	170.3	136.3	81.5%	168.2	137.0
Economy Hotel — franchised and managed	79.6%	144.1	114.7	79.5%	155.6	123.7	80.3%	158.9	127.7
Mid- to up-scale hotels — franchised and managed	70.3%	241.4	169.7	66.7%	328.7	219.4	—	—	—
Total	80.0%	148.5	118.9	79.5%	161.2	128.2	80.7%	162.3	131.0

FINANCIAL REVIEW

Revenue

The Target Group primarily reviews its businesses under two business lines, which are (i) leased and operated hotel operations, and (ii) franchised and managed operations. Revenue from leased and operated hotel operations is primarily generated from provision of hotel accommodation service and souvenir card sales, while revenue from franchised and managed operations is mainly generated from provision of service to managed hotels and sharing of revenue from the sales of souvenir card from franchised and managed operations.

The Target Group's financial information during the Reporting Period are set out as follows:

	Period of six months ended 30 June 2015		Period of six months ended 30 June 2014		Year ended 31 December 2014		Year ended 31 December 2013	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Hotel accommodation	1,180,463	71.1	1,238,145	76.7	2,554,299	75.0	1,364,272	79.8
Services to managed hotels	256,187	15.4	230,505	14.3	509,991	15.0	208,327	12.2
Food, beverage and other sales	20,913	1.3	19,853	1.2	44,213	1.3	20,880	1.2
Souvenir card sales	136,466	8.2	87,736	5.4	201,693	5.9	75,911	4.4
Sale of goods to managed hotels	21,672	1.3	1,134	0.1	12,445	0.4	—	—
Rental income from properties subleases	11,703	0.7	12,806	0.8	24,077	0.7	11,035	0.7
Others	32,913	2.0	23,412	1.5	56,939	1.7	28,510	1.7
Total	1,660,317	100.0	1,613,591	100.0	3,403,657	100.0	1,708,935	100.0

Hotel accommodation revenue

Hotel accommodation revenue represents hotel room rents generated from leased and operated hotel operations.

Hotel accommodation revenue were approximately RMB1,180.5 million, representing approximately 71.1% of the total revenue of the Target Group and RMB1,238.1 million, representing approximately 76.7% of the total revenue of the Target Group for the period of six months ended 30 June 2015 and 2014 respectively. The decrease of 4.7% was primarily due to the promotional discount of hotel rooms from January to April 2015.

Hotel accommodation revenue were RMB2,554.3 million, representing approximately 75.0% of the total revenue of the Target Group and RMB1,364.3 million, representing approximately 79.8% of the total revenue of the Target Group for the year ended 31 December 2014 and 2013 respectively. The increase of 87.2% was primarily due to only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013.

Services to managed hotels

Revenue from the provision of services to managed hotels represents the franchise fees, management fees and other relevant charges in respect of the franchised and managed operations.

Revenue from the provision of services to managed hotels were approximately RMB256.2 million, representing approximately 15.4% of the total revenue of the Target Group and RMB230.5 million, representing approximately 14.3% of the total revenue of the Target Group for the period of six months ended 30 June 2015 and 2014 respectively. The increase of 11.1% was mainly attributed to the increasing number of franchised and managed hotel. The number of franchised and managed hotels as at 30 June 2015 was approximately 1,790.

Revenue from the provision of services to managed hotels were approximately RMB510.0 million, representing approximately 15.0% of the total revenue of the Target Group and RMB208.3 million, representing approximately 12.2% of the total revenue of the Target Group for the year ended 31 December 2014 and 2013 respectively. The increase of 144.8% were mainly due to only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013 and the increasing number of franchised and managed hotels.

Souvenir card sales

Souvenir card sales represents the sales of souvenir card from leased and operated hotel operations and sharing of revenue from the sales of souvenir card from franchised and managed operations.

Souvenir card sales were approximately RMB136.5 million, representing approximately 8.2% of the total revenue of the Target Group and RMB87.7 million, representing approximately 5.4% of the total revenue of the Target Group for the period of six months ended 30 June 2015 and 2014 respectively. The increase of 55.5% was mainly due to the Target Group's active promotion of souvenir card and the upgraded membership package with higher principle value for the year ended 31 December 2014 which enhance the competitiveness of the souvenir card as well as the sales revenue.

Souvenir card sales were approximately RMB201.7 million, representing approximately 5.9% of the total revenue of the Target Group and RMB75.9 million, representing approximately 4.4% of the total revenue of the Target Group for the year ended 31 December 2014 and 2013 respectively. The increase of 165.7% were primarily due to only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013 and aforementioned active promotion of souvenir card during the year ended 31 December 2014.

Food, beverage and other sales

Food, beverage and other sales represents catering service provided to the customers from the leased and operated hotel operations.

Sales of goods to managed hotels

Sales of goods to managed hotels represents the sales of merchandise and hotel supplies to franchised and managed hotels.

Rental income from properties sublease

Rental income from properties sublease represents rental income received under operating sublease from the use of leased assets.

Others

Others represents miscellaneous income from ancillary services provided to customers.

Direct hotel operating costs

Direct hotel operating costs mainly comprised of the staff cost such as salaries, wages, other benefits and contributions to retirement plans, rental expense, utilities expense, repairs and maintenance expense, depreciation and amortisation, purchase of raw materials and supplies of food and beverages and hotel merchandises.

Direct hotel operating costs for the period of six months ended 30 June 2015 was approximately RMB1,308.6 million, representing an increase of approximately 9.2% from the same period in 2014. The increase was mainly attributable to salary increments as a result of economic growth; the increase in depreciation costs and the increase in amortisation of fabric as a result of the renovations and conversion of the leased and operated hotels; the increase of cost of sale of goods to managed hotels which is a new revenue stream launched in the second half of 2014.

Direct hotel operating costs for the year ended 31 December 2014 was approximately RMB2,422.3 million, representing an increase of approximately 94.0% from the same period in 2013. The increase was mainly attributable to (i) only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013; (ii) salary increments as a result of economic growth and (iii) cost of sale of goods to managed hotel which is a new revenue stream launched in the second half of 2014.

Other net income

Other net income mainly comprised of government grants, interest income, foreign exchange gain or loss and loss or gain on disposal of property, plant and equipment.

Other net loss for the period of six months ended 30 June 2015 was approximately RMB1.0 million while other net income for the period of six months ended 30 June 2014 was approximately RMB5.9 million. The fluctuation of 116.4% was mainly attributable to the increasing foreign exchange loss attributable to the receivables denominated in USD resulting in an aggregate other net loss for the period of six months ended 30 June 2015.

Other net income for the year ended 31 December 2014 was approximately RMB24.7 million, representing an increase of approximately 18,316% from the same period in 2013. The increase was mainly attributable to the increase of interest income generated from the available for sales financial assets amounting to RMB300 million as at 31 December 2014.

Selling and marketing expenses

Selling and marketing expenses mainly comprised of staff cost, promotion and advertising expense and sales commission.

Selling and marketing expenses for the period of six months ended 30 June 2015 was approximately RMB68.8 million, representing an increase of approximately 43.6% from the same period in 2014. The increase was mainly attributable to the increase of headcounts and staff remuneration in order to support the Group's expansion, launch of new brands and placing more resources in promoting the Target Group's brands.

Selling and marketing expenses for the year ended 31 December 2014 was approximately RMB148.0 million, representing an increase of approximately 136.0% from the same period in 2013. The increase was mainly attributable to only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013 and the increase of headcounts and staff remuneration as a result of Group's expansion and the launch of new brands.

Administrative expenses

Administrative expenses mainly comprised of staff costs, intermediary payments and fees (including consulting, auditing and legal fees), depreciation expense, share option expense, travel expense, impairment loss and other general and administrative expense.

Administrative expenses for the period of six months ended 30 June 2015 was approximately RMB223.0 million, representing an increase of approximately 38.5% from the same period in 2014. The increase was mainly attributable to the increase of staff costs in order to support the Target Group's expansion and launch of new brands and the increase of consulting and related fee paid in relations to the setting up of new companies for the new brands of the Target Group, such as legal related costs for the co-investment and cooperation arrangement for the new brands and hotels and costs of registration of trademarks and other maintenance costs for intellectual properties in the PRC and overseas and the consultation on license application for online channel operations.

Administrative expenses for the year ended 31 December 2014 was approximately RMB363.2 million, representing an increase of approximately 26.9% from the same period in 2013. The increase was mainly attributable to only around 6 months of operation of 7 Days Group Holdings Limited consolidated into the Target Group after the acquisition for the year ended 31 December 2013 and the increase in staff costs to support the launch of new brands partially offset by the decrease of impairment loss for the leasehold improvements. During the year ended 31 December 2013, the Target Group revised the operation strategy to focus on franchised and managed operations instead of the leased and operated operations and recognised an impairment loss for the related leasehold improvements.

Finance costs

Finance costs mainly comprised of borrowing costs from secured and unsecured bank loans less interest expense capitalised into construction in progress.

Finance costs for the period of six months ended 30 June 2015 was approximately RMB44.3 million, representing an increase of approximately 78.9% from the same period in 2014. The increase was mainly attributable to the finance cost of the syndicated loan of US$300 million in late 2014.

Finance costs for the year ended 31 December 2014 was approximately RMB79.1 million, representing an increase of approximately 211.8% from the same period in 2013. The increase was mainly attributable to the increase of unsecured loan. The total borrowings of the Target Group has increased from approximately RMB736.9 million as at 31 December 2013 to RMB1,778.2 million as at 31 December 2014 representing an increase of approximately 141.3%.

Share of losses from associates

Share of losses from associates for the period of six months ended 30 June 2015 were approximately RMB15.4 million and as a result of share of loss from investment in eLong, Inc.

Income tax expenses

Income tax expenses for the period of six months ended 30 June 2015 was approximately RMB27.2 million, representing a decrease of approximately 55.6% from the same period in 2014. The decrease was mainly attributable to the decrease of taxable profits of the Target Group partially offset by the increase of profit arising from non-PRC entities not subject to income tax.

Income tax expenses for the year ended 31 December 2014 was approximately RMB148.8 million, representing an increase of approximately 176.4% from the same period in 2013. The increase was mainly attributable to the increase of taxable profits of the Target Group and the increase of profit arising from non-PRC entities not subject to income tax partially offset by the increase of recognition of previously unrecognised tax loss and the over-provision in prior years.

GROUP DEBTS AND FINANCIAL RESOURCES

Borrowings and Pledge of Assets

As at 30 June 2015 and 31 December 2014 and 2013, the Target Group's borrowings included the followings:

	At 30 June	At 31 December	
	2015	2014	2013
	RMB'000	*RMB'000*	*RMB '000*
Bank loans — secured	1,740,415	1,778,231	705,024
Bank loans — unsecured	867,300	—	31,844
Total	2,607,715	1,778,231	736,868

At 30 June 2015 and 31 December 2013 and 2014 and, the Target Group's bank loans were repayable as follows:

	At 30 June	At 31 December	
	2015	2014	2013
	RMB'000	*RMB'000*	*RMB '000*
Within 1 year or on demand	137,556	91,785	97,533
After 1 year but within 2 years	223,112	183,570	131,851
After 2 years but within 5 years	2,247,047	1,502,876	507,484
Total	2,607,715	1,778,231	736,868

The carrying amounts of the Target Group's borrowings are denominated in the following currencies:

	At 30 June	At 31 December	
	2015	2014	2013
	RMB'000	*RMB'000*	*RMB '000*
USD	1,600,705	1,778,231	705,024
RMB	1,004,856	—	31,844
EUR	2,154	—	—
Total	2,607,715	1,778,231	736,868

The breakdown of the Target Group's borrowings by rate structure at respective balance sheet dates were as follows:

	At 30 June	At 31 December	
	2015	2014	2013
	RMB'000	*RMB'000*	*RMB '000*
Fixed rate	867,300	—	31,844
Variable rate	1,740,415	1,778,231	705,024
Total	2,607,715	1,778,231	736,868

The interest rate profile of the Target Group's interest bearing borrowings at respective balance sheet dates were as follows:

	At 30 June	At 31 December	
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB '000*
Fixed rate	3%	—	6.46%
Variable rate	LIBOR + 3.75%	2.74% – 4.23%	3.99% – 4.02%

As of 30 June 2015 and 31 December 2014 and 2013, a bank loan of approximately RMB1,738.3 million, RMB1,778.2 million and RMB705.0 million of Target Group was secured by pledged deposits and guaranteed by certain subsidiaries of Target Group.

As of 30 June 2015, a bank loan of approximately RMB2.2 million was secured by mortgage of a building with carrying value of approximately RMB2.7 million of Target Group.

As of 30 June 2015, 31 December 2014 and 2013, one of Target Group's banking facilities are subject to the fulfilment of covenants relating to certain financial condition, which are commonly found in lending arrangements with financial institutions. If Target Group were to breach the covenants, the drawn down facilities would become payable on demand. Target Group regularly monitors its compliance with these covenants. As of 30 June 2015, none of the covenants relating to drawn down facilities had been breached.

Funding and Treasury Policies

Cash and cash equivalent as at 30 June 2015, 31 December 2014 and 2013 amounted to approximately RMB953.6 million, RMB1,140.1 million and RMB952.0 million respectively.

The funding for the operations of the Target Group were mainly supported by cash flow from its operations and borrowings. The Target Group will review its budget and available cash for materials acquisitions and investments and seek for debt financing to support its funding in the coming years.

Liquidity Risk, Interest Rate Risk and Currency Risk Management

Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Target Group's board when the borrowing exceed certain predetermined levels of authority. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Details of the liquidity exposure are set out in the note 22 (b) of Accountant's Report of the Target Group in Appendix II to this circular.

Interest rate risk

The Target Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates expose the Target Group to cash flow interest rate risk. Details of the interest rate profile and sensitivity analysis are set out in the note 22 (c) of Accountant's Report of the Target Group in Appendix II to this circular.

The Target Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. Management monitors the Target Group's exposure on ongoing basis and considers hedging cash flow interest rate risk should the need arise.

Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. Target Group is exposed to currency risk primarily through assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars. Details of the exposure to currency risk and sensitivity analysis are set out in note 22 (d) of Accountant's Report of the Target Group in Appendix II to this circular.

The Target Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

The average number of employees of the Target Group during the period ended 30 June 2015 and the year ended 31 December 2014 and 2013 are 39,412, 36,070 and 32,949, respectively. The remuneration for the employees of the Target Group comprised basic salaries, wages and other benefits, discretionary bonus, contributions to defined contribution retirement plan and share-based payment according to their respective level and experience. The total staff costs (including director's remuneration) of the Target Group for the period ended 30 June 2015, 30 June 2014 and the year ended 31 December 2014 and 2013 are approximately RMB406.7 million, RMB330.1 million, RMB704.1 million and RMB309.1 million, respectively.

Pension retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the

Schemes based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

Target Group has no other obligations for payments of retirement and other postretirement benefits of employees other than the contributions described above.

Share option program

Target Company adopted two share option schemes on 5 July 2013 ("**7 Days Plan**") and 1 November 2013 ("**Keystone Plan**") respectively. Each option entitles the option holders to subscribe one ordinary share of Target Company. Options will lapse when the grantee ceases to be an employee of Target Group for reasons other than death, ill-health or retirements.

(a) 7 Days Plan

On 5 July 2013, upon the completion of the merger of the Target Company and 7 Days Group Holdings Limited, the employee share options previously granted by 7 Days Group Holdings Limited with vesting date in excess of one year after the merger's effective time were cancelled and exchanged with the options to purchase Target Company's shares pursuant to the terms set forth in the merger agreement.

On 30 April 2014, 7 Days Group Holdings Limited entered into an agreement of release with option holders under 7 Days Plan. According to the agreement of release, the option holders under 7 Days Plan would receive cash in the amount of the excess of merger consideration (US$4.60) over the exercise price in lieu of having options to purchase certain ordinary shares of Target Company (the "**Release**"). As a result of the Release, the option holders under 7 Days Plan would receive cash settlement with pre-determined amounts upon vesting conditions met and the 7 Days Plan was cancelled accordingly. The cancelation of unvested options resulted in an acceleration of vesting and the unrecognised compensation cost of RMB3,017,000 has been immediately recognised in profit or loss for the year ended 31 December 2014.

(b) Keystone Plan

Target Company adopted the Keystone Plan on 1 November 2013 whereby the board of directors of the Target Company is authorised, at its discretion, to grant options to the directors and employees of Target Group to subscribe for ordinary shares of the Company.

During the year ended 31 December 2013 and the period of six months ended 30 June 2015, Target Company granted 4,335,000 and 1,525,000 share options to certain directors and employees at a consideration of US$1 for each grantee. The exercise price of these share options was US$4.6 per share, and the aggregate fair value of these share options amounted to RMB131,737,000. The options vest after one year to five years from the date of grant and are then exercisable on or before 1 March 2025.

Other details of the 7 Days Plan and Keystone Plan are set out in the note 20 of Accountant's Report of the Target Group in Appendix II to this circular.

During the Reporting Period, the Target Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and frontline professionals at their relevant seniority in order to perform their duties and responsibilities, such as induction training for experienced hotel managers, internal promotion training, new employee orientation, management learning and training, and other conventional training. Meanwhile, the Target Group has provided competitive remuneration for staff which encourages them to commit themselves and serve customers wholeheartedly.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

(a) Acquisition of 7 Days Group

On 28 February 2013, Target Company entered into a merger agreement with various parties pursuant to which Target Company agreed to acquire 7 Days Group through a merger of its wholly owned subsidiary, Keystone Lodging Acquisition Limited, with and into 7 Days Group Holdings Limited, with 7 Days Group Holdings Limited continuing as the surviving corporation and a wholly owned subsidiary of Target Company. The principal activity of 7 Days Group Holdings Limited is operating economic hotels in the PRC.

The merger was approved by the shareholders of 7 Days Group Holdings Limited at an extraordinary general meeting held on 26 June 2013, and was subsequently completed on 5 July 2013, following satisfaction or waiver of the conditions set forth in the merger agreement. As a result of the merger, 7 Days Group Holdings Limited became a wholly owned subsidiary of Target Company.

Details of the performance of 7 Days Group Holdings Limited are set out in the Accountant's Report of 7 Days Group in Appendix III.

(b) Acquisition of Chujian Group

On 30 September 2014, Target Group acquired 100% of equity interests of Chujian Holdings Limited with the consideration of US$16 million and obtained the control of Chujian Holdings Limited and its subsidiaries ("**Chujian Group**"). Chujian Group is principally engaged in the development and operation of mobile applications.

(c) Acquisition of H12 Management GmbH

During the six months ended 30 June 2015, Target Group acquired 100% of equity interests of H12 Management GmbH ("**H12 GmbH**") with the consideration of €1.35 million. The identifiable net liabilities of H12 GmbH as at the acquisition date was RMB3,284,000 and goodwill equivalent to RMB12,475,000 was recognised for the transaction. H12 GmbH is principally engaged in operating a hotel in Austria.

(d) Investment in eLong, Inc.

The Target Group also has the investment of 13% equity interests in eLong, Inc. in May 2015. Shares of eLong, Inc. was listed on the NASDAQ. As at 30 June 2015, the market value of shares of eLong, Inc. held by Target Group with reference to quoted price on NASDAQ was US$136,643,000 (equivalent to RMB835,381,000).

GEARING RATIO

The gearing ratio of the Target Group as at 30 June 2015, 31 December 2014 and 2013 are as follows:

	At 30 June	At 31 December	
	2015	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB '000*
Total borrowings	2,607,715	1,778,231	736,868
Total assets	7,920,156	6,975,034	6,449,478
Gearing ratios	32.9%	25.5%	11.4%

PROVISIONS AND PLEDGE OF ASSETS

Provisions

As at 30 June 2015, 31 December 2014 and 2013, provisions amounted to RMB10.4 million, RMB10.8 million and RMB5.6 million were made for legal cases related to hotels of the Target Group based on its interpretation of the underlying facts, taking into account the range of possible outcomes of the legal process, which were supported by independent legal advice.

Pledge of assets

Deposits amounting to approximately RMB42.8 million, RMB42.8 million and RMB55.6 million were pledged to secure certain bank borrowings as at 30 June 2015, 31 December 2014 and 2013.

COMMITMENTS

Capital commitments of the Target Group outstanding at respective date of the consolidated statements of financial position not provided for in the financial information were as follows:

	At 30 June	At 31 December		
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	100,493	149,683	69,308	—

CORPORATE STRATEGIES OF THE TARGET GROUP (INCLUDING 7 DAYS GROUP) AND OUTLOOK FOR FUTURE DEVELOPMENT

The Target Group has been successful in operating Select Services Hotels through leased and operated hotel operations and franchised and managed operations in the PRC.

The Target Group has reviewed and revised the strategy from time to time in order to achieve the sustainable growth. Despite the fact that uncertainties may exist in the economy of the PRC, the Target Group has continued to strive for developing the franchised and managed operations for its high-to low-end brands rather than the leased and operated hotel operations. The Target Group also expands the hotel business to other overseas market in order to grow as an international player in the hotel industry. Management of the Target Group expect that the Target Group could leverage existing resources and competitive advantage to expand its franchised and managed operations and develop new brands by way of co-investment and cooperation arrangement.

The acquisition of the Target Group will help the Group and the Target Group to achieve mutual complementarity and synergy and increase the competitive advance in the world's hotel industry. The Target Group and the Group believe that the acquisition is a meaningful step and beneficial to both parties. The Group and the Target Group look forward to scaling new heights and achieving new milestones through ongoing and future development.

Set out below is the management discussion and analysis on the 7 Days Group Holdings Limited and its subsidiaries (collectively, the "**7 Days Group**") for the six months period ended 30 June 2015 and 2014 and for the years ended 31 December 2014, 2013 and 2012 (the "**Reporting Period**").

BUSINESS REVIEW

The 7 Days Group is a renowned economy hotel chain through leased and operated hotel operations and franchised and managed operations based in the PRC. The 7 Days Group continued to grow since the first hotel was established under the brand 7 Days Inn in 2005 and expanded to other major cities in the PRC. In 2009, being a PRC hospitality group listed on the New York Stock Exchange, 7 Days Group marked a key milestone in its development. In 2013, the 7 Days Group was privatised by a group of investors led by the Vendors as a strategic move and was wholly-owned by the Target Group since then.

During the Reporting Period, the 7 Days Group has achieved revenue of approximately RMB1,647.6 million and RMB1,606.3 million for the six months ended 30 June 2015 and 2014 respectively and RMB3,375.7 million, RMB3,211.0 million and RMB2,726.8 million for the years ended 31 December 2014, 2013 and 2012, respectively. The 7 Days Group achieved net income after tax of approximately RMB99.2 million, RMB148.9 million, RMB355.8, RMB170.7 and RMB154.5 million for the period of six months ended 30 June 2015 and 2014, years ended 31 December 2014, 2013 and 2012, respectively.

The average daily rate (ADR), occupancy rate (OR) and revenue per available room (RevPAR) of the 7 Days Group's hotels during the Reporting Period were as follows:

	Period of six months ended 30 June 2015			Year ended 31 December 2014			Year ended 31 December 2013			Year ended 31 December 2012		
	OR	*ADR RMB*	*RevPAR RMB*	*OR*	*ADR RMB*	*RevPAR RMB*	*OR*	*ADR RMB*	*RevPAR RMB*	*OR*	*ADR RMB*	*RevPAR RMB*
Leased and operated	82.4%	154.4	127.2	80.0%	170.3	136.3	81.5%	168.2	137.0	82.9%	167.0	138.3
Franchised and managed	79.6%	144.1	114.7	79.5%	155.6	123.7	80.3%	158.9	127.7	80.3%	158.0	126.9
Total	80.3%	146.9	118.1	79.7%	160.0	127.5	80.7%	162.3	131.0	81.3%	161.7	131.5

FINANCIAL REVIEW

Revenue

The 7 Days Group primarily reviews its businesses under two business lines, which are (i) leased and operated hotel operations, and (ii) franchised and managed operations. Revenue from leased and operated hotel operations is primarily generated from provision of hotel accommodation service and souvenir card sales, while revenue from franchised and managed operations is mainly generated from provision of service to managed hotels and sharing of revenue from the sales of souvenir card from franchised and managed operations souvenir card sales.

The 7 Days Group's financial information during the Reporting Period are set out as follows:

	Period of six months ended 30 June 2015		Period of six months ended 30 June 2014		Year ended 31 December 2014		Year ended 31 December 2013		Year ended 31 December 2012	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Hotel accommodation	1,180,458	71.6	1,238,145	77.1	2,550,411	75.6	2,610,186	81.3	2,302,101	84.4
Services to managed hotels	248,692	15.1	223,253	13.9	484,944	14.4	375,077	11.7	277,691	10.2
Food, beverage and other sales	20,905	1.3	19,853	1.2	44,192	1.3	39,982	1.2	46,055	1.7
Souvenir card sales	136,339	8.3	87,736	5.5	201,651	6.0	121,605	3.8	58,805	2.2
Sale of goods to managed hotels	21,672	1.3	1,134	0.1	12,445	0.4	—	—	—	—
Rental income from properties subleases	11,673	0.7	12,806	0.8	24,077	0.7	21,679	0.7	17,328	0.6
Others	27,878	1.7	23,412	1.5	58,014	1.7	42,458	1.3	24,818	0.9
Total	1,647,617	100.0	1,606,339	100.0	3,375,734	100.0	3,210,987	100.0	2,726,798	100.0

Hotel accommodation revenue

Hotel accommodation revenue represents hotel room rents generated from leased and operated hotel operations.

Hotel accommodation revenue were approximately RMB1,180.5 million, representing approximately 71.6% of the total revenue of the 7 Days Group and approximately RMB1,238.1 million, representing approximately 77.1% of the total revenue of the 7 Days Group for the period of six months ended 30 June 2015 and 2014 respectively. The decrease of approximately 4.7% was primarily due to the promotional discount of hotel rooms from January to April 2015.

Hotel accommodation revenue were approximately RMB2,550.4 million, representing approximately 75.6% of the total revenue of the 7 Days Group for the year ended 31 December 2014 and a decrease of approximately 2.3% as compared to the same period in 2013. The mild decrease was mainly due to the decrease of OR from approximately 81.5% to 80.0% affected by the economy, partially offset by the increase of ADR from approximately RMB168.2 to RMB170.3 respectively.

Hotel accommodation revenue were approximately RMB2,610.2 million, representing approximately 81.3% of the total revenue of the 7 Days Group and approximately RMB2,302.1 million, representing approximately 84.4% of the total revenue of the 7 Days Group for the year ended 31 December 2013 and 2012 respectively. The increase of approximately 13.4% was mainly due to the opening of 17 leased and operated hotels and the increase of ADR from approximately RMB167.0 to RMB168.2, partially offset by the decrease of OR from approximately 82.9% to 81.5% due to the economy environment.

Services to managed hotels

Revenue from the provision of services to managed hotels represents the franchise fees, management fees and other relevant charges in respect of the franchised and managed operations.

Revenue from the provision of services to managed hotels were approximately RMB248.7 million, representing approximately 15.1% of the total revenue of the 7 Days Group and approximately RMB223.3 million, representing approximately 13.9% of the total revenue of the 7 Days Group for the period of six months ended 30 June 2015 and 2014 respectively. The increase of approximately 11.4% was mainly attributed to the increasing number of franchised and managed hotel.

Revenue from the provision of services to managed hotels were approximately RMB484.9 million, representing approximately 14.4% of the total revenue of the 7 Days Group for the year ended 31 December 2014 and an increase of approximately 29.3% as compared to the same period in 2013. The increase was mainly due to the increasing number of franchised and managed hotels during the year ended 31 December 2014.

Revenue from the provision of services to managed hotels were approximately RMB375.1 million, representing approximately 11.7% of the total revenue of the 7 Days Group and RMB277.7 million, representing approximately 10.2% of the total revenue of the 7 Days Group for the year ended 31 December 2013 and 2012 respectively. The increase of approximately 35.1% was mainly due to the increasing number of franchised and managed hotels during the year ended 31 December 2013.

Souvenir card sales

Souvenir card sales represents the sales of souvenir card from leased and operated hotel operations and sharing of revenue from the sales of souvenir card from franchised and managed operations.

Souvenir card sales were approximately RMB136.3 million, representing approximately 8.3% of the total revenue of the 7 Days Group and RMB87.7 million, representing approximately 5.5% of the total revenue of the 7 Days Group for the period of six months ended 30 June 2015 and 2014 respectively. The increase of 55.4% was mainly due to the 7 Days Group's active promotion of souvenir card and the upgraded membership package with higher principle value for the year ended 31 December 2014 which enhance the competitiveness of the souvenir card as well as the sales revenue.

Souvenir card sales were approximately RMB201.7 million, representing approximately 6.0% of the total revenue of the 7 Days Group for the year ended 31 December 2014 and an increase of approximately 65.8% as compared to the same period in 2013. The increase was primarily due to the aforementioned active promotion of souvenir card during the year ended 31 December 2014.

Souvenir card sales were approximately RMB121.6 million, representing approximately 3.8% of the total revenue of the 7 Days Group and RMB58.8 million, representing approximately 2.2% of the total revenue of the 7 Days Group for the year ended 31 December 2013 and 2012 respectively. The increase of approximately 106.8% was mainly due to expansion of the 7 Days Group and active promotion of souvenir card during the year ended 31 December 2013.

Food, beverage and other sales

Food, beverage and other sales represents catering service provided to the customers from the leased and operated hotel operations.

Sales of goods to managed hotels

Sales of goods to managed hotels represents the sales of merchandise and hotel supplies to franchised and managed hotels.

Rental income from properties sublease

Rental income from properties sublease represents rental income received under operating sublease from the use of leased assets.

Others

Others represents miscellaneous income from ancillary services provided to customers.

Direct hotel operating costs

Direct hotel operating costs mainly comprised of the staff costs such as salaries, wages, other benefits and contributions to retirement plans, depreciation and amortisation, operating lease charges, utilities expense, repairs and maintenance expense, purchase of raw materials and supplies of food and beverages and hotel merchandises.

Direct hotel operating costs for the period of six months ended 30 June 2015 was approximately RMB1,296.2 million, representing an increase of approximately 8.7% from the same period in 2014. The increase was mainly attributable to salary increments as a result of economic growth; the increase in depreciation costs and the increase in amortisation of fabric as a result of the renovations and conversion of the leased and operated hotels; the increase of cost of sale of goods to managed hotels as a result of the increase in the number of franchised and managed hotels.

Direct hotel operating costs for the year ended 31 December 2014 was approximately RMB2,414.8 million, representing a decrease of approximately 1.5% from the same period in 2013. The mild decrease was mainly attributable to the improvement of operating efficiency resulting from the acquisition of 7 Days Group by the Target Group during the year ended 31 December 2013 partially offset by the salary increments as a result of economic growth and the cost of sale of goods to managed hotel incurred during the year ended 31 December 2014.

Direct hotel operating costs for the year ended 31 December 2013 was approximately RMB2,450.6 million, representing an increase of approximately 11.1% from the same period in 2012. The increase was primarily due to the expansion of the hotel chain networks for the leased and operated hotels over the PRC, resulting in an increase of headcounts and salary, depreciation expense and rental expense.

Other net income

Other net income mainly comprised of government grants, interest income, foreign exchange gain or loss and loss or gain on disposal of property, plant and equipment.

Other net loss for the period of six months ended 30 June 2015 was approximately RMB2.3 million, while other net income for the period of six months ended 30 June 2014 was approximately RMB4.1 million. The fluctuation was mainly attributable to the increase of foreign exchange loss in relation to the receivables denominated in USD, partially offset by the increase of interest income and the decrease of loss on disposal of property, plant and equipment resulting in an aggregate other net loss for the period of six months ended 30 June 2015.

Other net income for the year ended 31 December 2014 was approximately RMB22.2 million, representing an increase of approximately 932.1% from the same period in 2013. The increase was mainly attributable to the increase of interest income generated from the available for sales financial assets amounting to approximately RMB300 million as at 31 December 2014.

Other net income for the year ended 31 December 2013 was approximately RMB2.1 million, representing a decrease of approximately 80.4% from the same period in 2012. The decrease was primarily attributable to the increase of loss on disposal of property, plant and equipment. The Target Group including 7 Days Group revised the operation strategy to focus on franchised and managed operations instead of the leased and operated operations and dispose relevant property, plant and equipment.

Selling and marketing expenses

Selling and marketing expenses mainly comprised of staff cost, promotion and advertising expense and sales commission.

Selling and marketing expenses for the period of six months ended 30 June 2015 was approximately RMB61.0 million, representing an increase of approximately 45.7% from the same period in 2014. The increase was mainly attributable to the increase of headcount and staff remuneration in order to support the 7 Days Group's expansion and placing more resources in promoting 7 Days Group's brands.

Selling and marketing expenses for the year ended 31 December 2014 was approximately RMB132.7 million, representing an increase of approximately 33.2% from the same period in 2013. The increase was mainly attributable to the same underlying reasons in relation to the 7 Days Group's expansion and promoting 7 Days Group's brands.

Selling and marketing expenses for the year ended 31 December 2013 was approximately RMB99.7 million, representing an increase of approximately 21.4% from the same period in 2012. The increase was mainly attributable to the increase of sales commission to promote 7 Days Group's brands.

Administrative expenses

Administrative expenses mainly comprised of staff costs, intermediary payments and fees (including consulting, auditing and legal fees), depreciation expense, share option expense, travel expense, impairment loss and other general and administrative expense.

Administrative expenses for the period of six months ended 30 June 2015 was approximately RMB142.1 million, representing an increase of approximately 6.1% from the same period in 2014. The increase was mainly attributable to the increase of consulting and related fee paid in relation to the consultation on license application for online channel operations and overseas.

Administrative expenses for the year ended 31 December 2014 was approximately RMB276.8 million, representing a decrease of approximately 23.9% from the same period in 2013. The decrease was mainly attributable to the decrease of impairment loss for the leasehold improvements and the decrease of consulting fee during the year ended 31 December 2014. During the year ended 31 December 2013, the Target Group revised the operation strategy to focus on franchised and managed operations instead of the leased and operated operations and recognised an impairment loss for the related leasehold improvements. Meanwhile, the 7 Days Group was privatised and delisted on New York Stock Exchange resulting in a larger amount of consulting fee paid to the professionals during the year ended 31 December 2013.

Administrative expenses for the year ended 31 December 2013 was approximately RMB363.5 million, representing an increase of approximately 81.1% from the same period in 2012. The increase was mainly attributable to the increase of aforementioned impairment loss for the leasehold improvements.

Finance costs

Finance costs mainly comprised of borrowing costs from secured and unsecured bank loans less interest expense capitalised into property, plant and equipment.

Finance costs for the period of six months ended 30 June 2015 was approximately RMB0.1 million, representing a decrease of approximately 99.5% from the same period in 2014. The decrease was mainly attributable to the bank loan amounting to RMB77.6 million fully repaid during the period of six months ended 30 June 2014.

Finance costs for the year ended 31 December 2014 was approximately RMB52.5 million, representing an increase of approximately 53.3% from the same period in 2013. The increase was mainly attributable to the higher bank interest expense during the year ended 31 December 2014.

Finance costs for the year ended 31 December 2013 was approximately RMB34.2 million, representing an increase of approximately 59.6% from the same period in 2012. The increase was mainly attributable to the increase of bank loan in order to finance the 7 Days Group's expansion. The bank loan of the 7 Days Group has increased from approximately RMB252.1 million as at 31 December 2012 to RMB736.9 million as at 31 December 2013.

Income tax expenses

Income tax expenses for the period of six months ended 30 June 2015 was approximately RMB46.7 million, representing a decrease of approximately 32.3% from the same period in 2014. The decrease was mainly attributable to the decrease of taxable profits of the 7 Days Group and less tax losses recognised.

Income tax expenses for the year ended 31 December 2014 was approximately RMB165.3 million, representing an increase of approximately 75.1% from the same period in 2013. The increase was mainly attributable to the increase of taxable profits of the 7 Days Group.

Income tax expenses for the year ended 31 December 2013 was approximately RMB94.4 million, representing an increase of approximately 30.3% from the same period in 2012. The increase was mainly attributable to the increase of taxable profits of the 7 Days Group and the increase of non-PRC entities not subject to income tax, partially offset by the decrease of non-deductible expenses.

GROUP DEBTS AND FINANCIAL RESOURCES

Borrowings and Pledge of Assets

As at 30 June 2015, 31 December 2014, 2013 and 2012, the 7 Days Group's borrowings included the followings:

	At 30 June	At 31 December		
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Bank loans — secured	—	—	705,024	—
Bank loans — unsecured	—	—	31,844	252,148
Total	—	—	736,868	252,148

As at 30 June 2015, 31 December 2014, 2013 and 2012, the 7 Days Group's bank loans were repayable as follows:

	At 30 June	At 31 December		
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Within one year	—	—	97,533	130,015
After 1 year but within 2 years	—	—	131,851	88,710
After 2 year but within 5 years	—	—	507,484	33,423
Total	—	—	736,868	252,148

The breakdown of the 7 Days Group's borrowings by rate structure at respective balance sheet dates were as follows:

	At 30 June	At 31 December		
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Fixed rate	—	—	31,844	89,500
Variable rate	—	—	705,024	162,648
Total	—	—	736,868	252,148

The interest rate profile of the 7 Days Group's interest bearing borrowings at respective balance sheet dates were as follows:

	At 30 June	At 31 December		
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Fixed rate	—	—	6.46%	5.88%–7.32%
Variable rate	—	—	3.99%–4.02%	5.60%–7.98%

As of 31 December 2013, a bank loan of approximately RMB705.0 million of 7 Days Group secured by pledged deposits was guaranteed by certain subsidiaries of 7 Days Group, of which Portofino Holdings Limited and its subsidiaries of Happy Time Development Limited and Portofino (HK) Limited were transferred to immediate holding company of 7 Days Group on 8 November 2013.

As of 31 December 2013, one of 7 Days Group's banking facilities are subject to the fulfilment of covenants relating to certain financial condition, which are commonly found in lending arrangements with financial institutions. If 7 Days Group were to breach the covenants, the drawn down facilities would become payable on demand. 7 Days Group regularly monitors its compliance with these covenants. As of 31 December 2013, none of the covenants relating to drawn down facilities had been breached.

Funding and Treasury Policies

Cash and cash equivalent as at 30 June 2015, 31 December 2014, 2013 and 2012 amounted to approximately RMB608.3 million, RMB868.6 million, RMB884.5 million and RMB378.8 million respectively.

The funding for the operations of the 7 Days Group were mainly supported by cash flow from its operations and borrowings. The 7 Days Group will review its budget and available cash for materials acquisitions and investments and seek for debt financing to support its funding in the coming years.

Liquidity Risk, Interest Rate Risk and Currency Risk Management

Liquidity risk

Individual operating entities within the 7 Days Group are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the 7 Days Group's board when the borrowing exceed certain predetermined levels of authority.

Liquidity risk is the risk that 7 Days Group will not be able to meet its financial obligations as they fall due. The 7 Days Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Details of the liquidity exposure are set out in the note 22(b) of Accountant's Report of the 7 Days Group in Appendix III to this circular.

Interest rate risk

The 7 Days Group's interest rate risk arises primarily from the bank borrowings. Borrowings issued at variable rates and at fixed rates expose the 7 Days Group to cash flow interest rate risk and fair value interest rate risk respectively. Details of the interest rate profile and sensitivity analysis are set out in the note 22(c) of Accountant's Report of the 7 Days Group in Appendix III to this circular.

The 7 Days Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. Management monitors the 7 Days Group's exposure on ongoing basis and considers hedging cash flow interest rate risk should the need arise.

Currency risk

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. The 7 Days Group is exposed to currency risk primarily through assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars. Details of the exposure to currency risk and sensitivity analysis are set out in note 22 (d) of Accountant's Report of the 7 Days Group in Appendix III to this circular.

The 7 Days Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

The average number of employees of the 7 Days Group during the period ended 30 June 2015 and the year ended 31 December 2014, 2013 and 2012 are 35,986, 35,043, 31,328 and 28,764, respectively. The remuneration for the employees of the 7 Days Group comprised basic salaries, wages and other benefits, discretionary bonus, contributions to defined contribution retirement plan and share-based payment according to their respective level and experience. The total staff costs (including director's remuneration) of the 7 Days Group for the period ended 30 June 2015, 30 June 2014 and the year ended 31 December 2014, 2013 and 2012 are approximately RMB345.3 million, RMB317.2 million, RMB660.9 million, RMB588.6 million and RMB498.0 million, respectively.

Pension retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

Share option program

(a) 7 Days Plan

On 20 December 2007, board of directors of 7 Days Group Holdings Limited approved and adopted an employee share incentive plan, which was subsequently amended and restated on 15 August 2009 and 21 October 2010, respectively (the "**7 Days Plan**"). Under the Plan, the directors may, at their discretion, grant options to the directors and employees of 7 Days Group Holdings Limited (each a "**Grantee**") to subscribe for ordinary shares of 7 Days Group Holdings Limited.

Prior to 2012, 7 Days granted 12,321,387 share options to employees with contractual terms ranging from 6.8 to 10.3 years under 7 Days Plan.

During 2012, 7 Days granted 2,474,600 share options to certain management employees with contractual terms of 7 years. The exercise price of these share options ranges from US$2.86 to US$2.99 per share, and the aggregate fair value of these share options amounted to RMB24,973,000.

On 5 July 2013, upon the completion of the merger of the Target Company and 7 Days Group Holdings Limited, the employee share options previously granted under the 7 Days Plan were cancelled with cash or exchange of Keystone's shares pursuant to the terms set forth in the relevant merger agreement.

On 30 April 2014, 7 Days Group Holdings Limited entered into an agreement of release with option holders under 7 Days Plan. According to the agreement of release, the option holders under 7 Days Plan would receive cash in the amount of the excess of merger consideration (US$4.60) over the exercise price in lieu of having options to purchase certain ordinary shares of Target Company (the "**Release**"). As a result of the Release, the option holders under 7 Days Plan would receive cash settlement with pre-determined amounts upon vesting conditions met and the 7 Days Plan was cancelled accordingly. The cancelation of unvested options resulted in an acceleration of vesting and the unrecognised compensation cost of RMB3,017,000 has been immediately recognised in profit or loss for the year ended 31 December 2014.

(b) Keystone Plan

On 1 November 2013, Keystone adopted a share option scheme ("**Keystone Plan**"), which entitled the option holders to subscribe one ordinary share of Keystone. Options will lapse when the grantee ceases to be an employee of Keystone and its subsidiaries for reasons other than death, ill-health or retirements.

During the year ended 31 December 2013 and six months ended 30 June 2015, Keystone granted 4,335,000 and 1,525,000 share options to certain directors and employees of 7 Days Group at a consideration of US$1 for each grantee. The exercise price of these share options was US$4.6 per share, and the aggregate fair value of these share options amounted to RMB131,737,000. The options vest after one year to five years from the date of grant and are then exercisable on or before 1 March 2025.

Other details of the 7 Days Plan and Keystone Plan are set out in the note 19 of Accountant's Report of the 7 Days Group in Appendix III to this circular.

During the Reporting Period, the 7 Days Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and frontline professionals at their relevant seniority in order to perform their duties and responsibilities, such as induction training for experienced hotel managers, internal promotion training, new employee orientation, management learning and training, and other conventional training. Meanwhile, the 7 Days Group has provided competitive remuneration for staff which encourages them to commit themselves and serve customers wholeheartedly.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL

Disposal of subsidiaries

On 8 November 2013, 100% equity interests of Portofino Holdings Limited and its subsidiaries held by 7 Days Group were transferred at nil consideration to Plateno Investment Limited. Both of 7 Days Group and Plateno Investment Limited are controlled by Keystone. Financial statement items of Portofino Holdings Limited were deemed as distributed to Plateno Investment Limited by 7 Days Group as of the date of disposal based on their book value.

The 7 Days Group does not have any significant investments or material acquisitions during the Reporting Period.

GEARING RATIO

The gearing ratio of the 7 Days Group as at 30 June 2015, 31 December 2014, 2013 and 2012 are as follows:

	At 30 June	At 31 December		
	2015	**2014**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Total borrowings	—	—	736,868	252,148
Total assets	3,621,669	4,061,471	3,664,820	3,021,902
Gearing ratios	0.0%	0.0%	20.1%	8.3%

PROVISIONS AND PLEDGE OF ASSETS

Provisions

As at 30 June 2015, 31 December 2014, 2013 and 2012, provisions amounted to approximately RMB10.4 million, RMB10.8 million, RMB5.6 million and RMB1.4 million were made for legal cases related to hotels of the Target Group based on its interpretation of the underlying facts, taking into account the range of possible outcomes of the legal process, which were supported by independent legal advice.

Pledge of assets

Deposits amounting to approximately RMB55.6 million and RMB3.4 million were pledged to secure certain bank borrowings as at 31 December 2013 and 2012 respectively.

COMMITMENTS

Capital commitments outstanding at 30 June 2015, 31 December 2014, 2013 and 2012 not provided for in the financial statements were as follows:

	At 30 June	At 31 December		
	2015	**2014**	**2013**	**2012**
	RMB'000	*RMB'000*	*RMB '000*	*RMB '000*
Contracted for	100,493	149,683	69,308	43,858

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from PricewaterhouseCoopers, Certified Public Accountants, regarding the unaudited proforma financial information of the Enlarged Group.

pwc 羅兵咸永道

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF SHANGHAI JIN JIANG INTERNATIONAL HOTELS (GROUP) COMPANY LIMITED,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (collectively the "Group") and Keystone Lodging Holdings Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages VI-4 to VI-11 of the Company's circular dated 23 October 2015, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages VI-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2015 as if the Transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2015, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 23 October 2015

The following is an illustrative Unaudited Pro Forma Financial Information which presents the statement of assets and liabilities of the Enlarged Group, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition, as if the Acquisition had taken place on 30 June 2015.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2015, where appropriate, or as at any future dates.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published interim report of the Group for the six months ended 30 June 2015.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2015

		Pro forma adjustments			
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2015	**Audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2015**	**Other pro forma adjustments**		**Unaudited pro forma statement of assets and liabilities of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1	*Note 1*		*Note 2*	
ASSETS					
Non-current assets					
Goodwill	4,114,007	893,284	4,625,907	(b)	9,633,198
Property, plant and equipment	10,669,498	1,597,065	1,260	(b)	12,267,823
Investment properties	218,802	—	—		218,802
Land use rights	1,933,299	21,881	81,948	(b)	2,037,128
Intangible assets	2,432,727	2,335,241	1,379,704	(b)	6,147,672
Investments in joint ventures	1,767,791	—	—		1,767,791
Investments in associates	597,254	1,458,956	—		2,056,210
Available-for-sale financial assets	5,254,564	11,500	—		5,266,064
Deferred income tax assets	577,195	91,343	—		668,538
Trade receivables, prepayments and other receivables	140,298	173,979	—		314,277
Restricted bank deposit	3,778,848	42,795	—		3,821,643
	31,484,283	6,626,044	6,088,819		44,199,146
Current assets					
Financial assets at fair value through profit or loss	122,963	—	—		122,963
Available-for-sale financial assets	293,987	—	—		293,987
Inventories	185,877	51,423	—		237,300
Trade receivables, prepayments and other receivables	2,221,948	289,073	—		2,511,021
Prepaid income tax	37,860	—	—		37,860
Restricted cash and bank deposits with maturities ranging from 3 months to 12 months	1,346,575	—	—		1,346,575
Cash and cash equivalents	6,117,701	953,616	(2,507,256)	(a)(c)(d)	4,564,061
	10,326,911	1,294,112	(2,507,256)		9,113,767
Total assets	41,811,194	7,920,156	3,581,563		53,312,913

	Pro forma adjustments				
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2015	**Audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2015**	**Other pro forma adjustments**		**Unaudited pro forma statement of assets and liabilities of the Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*
	Note 1	*Note 1*		*Note 2*	
LIABILITIES					
Non-current liabilities					
Borrowings	10,911,670	2,470,159	4,099,295	(c) (f)	17,481,124
Deferred income tax liabilities	2,519,256	582,447	365,728	(b)	3,467,431
Trade payables, provisions and other payables	919,407	336,776	—		1,256,183
Other financial liability	—	—	2,804,331	(e)	2,804,331
	14,350,333	3,389,382	7,269,354		25,009,069
Current liabilities					
Financial liabilities at fair value through profit or loss	5,495	—	—		5,495
Borrowings	5,191,463	137,556	1,689,266	(c) (f)	7,018,285
Income tax payable	207,890	32,623	—		240,513
Dividend payable to shareholders of the Company	278,300	—	—		278,300
Trade payables, provisions and other payables	4,595,319	1,050,641	—		5,645,960
	10,278,467	1,220,820	1,689,266		13,188,553
Total liabilities	24,628,800	4,610,202	8,958,620		38,197,622
Net assets	17,182,394	3,309,954	(5,377,057)		15,115,291

NOTES TO UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2015

1. The statement of assets and liabilities of the Group as at 30 June 2015 is extracted from the unaudited condensed consolidated financial statements of the Group as at 30 June 2015 as incorporated by reference in Appendix I to this circular. For the purpose of the presentation of the unaudited pro forma financial information in connection of the Acquisition, the goodwill as at 30 June 2015 is separately presented out of the intangible assets.

   The statement of assets and liabilities of the Target Group as at 30 June 2015 is extracted from the accountant's report of the Target Group as set out in Appendix II of this circular.

2. The other pro forma adjustments reflect the following:

	Reference to notes below						
	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**Total**
Goodwill	—	4,625,907	—	—	—	—	4,625,907
Property, plant and equipment	—	1,260	—	—	—	—	1,260
Land use rights	—	81,948	—	—	—	—	81,948
Intangible assets	—	1,379,704	—	—	—	—	1,379,704
Cash and cash equivalents	(8,269,373)	—	5,788,561	(26,444)	—	—	(2,507,256)
Deferred income tax liabilities	—	365,728	—	—	—	—	365,728
Other financial liability	—	—	—	—	2,804,331	—	2,804,331
Borrowings — non current	—	—	5,700,000	—	—	(1,600,705)	4,099,295
Borrowings — current	—	—	88,561	—	—	1,600,705	1,689,266

a. on 19 September 2015, the Vendors, the Retained Shareholders, the Target Company and Shanghai Jin Jiang International Hotels Development Company Limited (the "Purchaser"), a subsidiary of the Company, entered into the Share Purchase Agreements pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 81.0034% of the equity interest of the Target Company at a total cash consideration of RMB8,269,373,000.

   Pursuant to the Share Purchase Agreements, the consideration will be adjusted in accordance with the price adjustment mechanism of Closing Consideration Adjustment and Enterprise Value Adjustment as disclosed under the heading "Price Adjustment Mechanism" in this circular. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors do not take into account the price adjustment mechanism which may impact the final consideration of the Acquisition.

b. The adjustment reflects the financial effects of the Acquisition with the adoption of acquisition method in accordance with HKFRS 3.

   For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the identifiable assets and liabilities owned by the Target Group with reference to the valuation prepared by an independent valuer (the "Valuation").

The fair values of the identifiable assets and liabilities of the Target Group, their corresponding carrying amounts in the books of the Target Group and goodwill recognized are as follows:

	Fair value	Carrying amount
	RMB'000	*RMB'000*
Non-current assets		
Goodwill	—	893,284
Property, plant and equipment	1,598,325	1,597,065
Land use rights	103,829	21,881
Intangible assets	3,714,945	2,335,241
Investments in associates	1,458,956	1,458,956
Deferred income tax assets	91,343	91,343
Trade receivables, prepayments and other receivables	173,979	173,979
Restricted bank deposit	42,795	42,795
Available-for-sale financial assets	11,500	11,500
Current assets		
Inventories	51,423	51,423
Trade receivables, prepayments and other receivables	289,073	289,073
Cash and cash equivalents	953,616	953,616
Non-current liabilities		
Borrowings	(2,470,159)	(2,470,159)
Deferred income tax liabilities	(948,175)	(582,447)
Trade payables, provisions and other payables	(336,776)	(336,776)
Current liabilities		
Trade payables, provisions and other payables	(1,050,641)	(1,050,641)
Income tax payable	(32,623)	(32,623)
Borrowings	(137,556)	(137,556)
Net assets	3,513,854	3,309,954
Less: Non-controlling interests	(118,567)	5,595
Identifiable net assets attributable to the shareholders of Target Company	3,395,287	3,315,549
Less: Identifiable net assets attributable to the Retained Shareholders of Target Company	(645,105)	(629,954)
Identifiable net assets acquired by the Group	2,750,182	2,685,595
Cash consideration for acquisition of 81.0034% equity interests in the Target Group	8,269,373	
Less: Identifiable net assets acquired by the Group	(2,750,182)	
Goodwill	5,519,191	

The details of the fair value adjustments are as follow:

	Property, plant and equipment	Land use rights	Intangible assets	Deferred income tax liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value	1,598,325	103,829	3,714,945	948,175
Less: carrying amount	(1,597,065)	(21,881)	(2,335,241)	(582,447)
Fair value adjustment	1,260	81,948	1,379,704	365,728

With reference to the Valuation, the fair value of property, plant and equipment is RMB1,598,325,000. The fair value is determined by the present value of the profits attributable to these assets through the adoption of replacement cost method.

With reference to the Valuation, the fair value of the land use right is RMB103,829,000. The fair value is determined by the present value of the profits attributable to the land use rights through the adoption of market comparison method.

With reference to the Valuation, the fair value of the intangible assets is RMB3,714,945,000 which mainly represents the fair value of the brands, favorable lease contracts, franchise contracts, client relationship and software amounting to RMB2,814,540,000, RMB179,672,000, RMB470,620,000, RMB217,690,000 and RMB32,423,000 respectively. The fair value of the brands, favorable lease contracts is determined by the present value of the profits attributable to them through the adoption of royalty saving method and cost saving method, respectively. The fair value of the franchise contracts and client relationship is determined by the present value of the profits attributable to them through the adoption of multiple period excessive earning method.

The adjustment on deferred income tax liabilities of approximately RMB365,728,000 are determined based on the difference between the fair values of property, plant and equipment, land use rights and intangible assets of approximately RMB1,598,325,000, RMB103,829,000 and RMB3,714,945,000 respectively and their carrying amounts of approximately RMB1,597,065,000, RMB21,881,000 and RMB2,335,241,000 respectively, by applying the Target Group's income tax rate of 25%.

The goodwill of approximately RMB5,519,191,000 represents the excess of fair value of the equity consideration amounting to RMB8,269,373,000 over the fair value of the net identifiable assets acquired amounting to approximately RMB2,750,182,000. The details of goodwill adjustments are as follow:

	RMB'000
Goodwill recorded in the Acquisition	5,519,191
Less: goodwill recognised in connection with the previous acquisitions made by the Target Group	(893,284)
	4,625,907

The Directors confirm that consistent accounting policies and assumptions have been applied for the purpose of assessing impairment of goodwill and other intangible assets under HKAS 36 "Impairment of Assets" ("HKAS 36"), and consider that no provision for impairment of the Target Group's goodwill and other intangible assets is required after considering the nature, prospects, financial condition and business risks of the Target Group.

The Directors confirm that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of goodwill and other intangible assets in subsequent reporting periods in accordance with the requirements under HKAS 36.

Since the fair values of the net identifiable assets of the Target Group as at the completion date may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the goodwill may be different from the amount presented above.

c. The adjustment represents the parts of consideration of RMB5,788,561,000 for the Acquisition, which the Group intends to satisfy payment by debt financing, as may be arranged by the Board. As at the Latest Practicable Date, the Group has obtained letters of intent for these bank loan facilities issued by the financial institutions. Accordingly, long-term borrowings of RMB5,700,000,000 and short-term borrowings of RMB88,561,000 are recognised to reflect the consideration paid to the seller by debt financing.

d. The adjustment represents the estimated professional fees and other transaction costs of approximately RMB26,444,000 directly attributable to the Acquisition.

e. On 18 September 2015, the Retained Shareholders and the Purchaser entered into the Shareholders Agreement pursuant to which the Retained Shareholders had got a put option on the Target Group's shares which obliges the Purchaser to purchase all or part of those shares by cash.

Pursuant to the Shareholders Agreement, Mr. He, one of the Retained Shareholders, has the right to sell all or part of his shares in the Target Company held on the closing date within the three years following the expiration of a one year lockup period after the closing date of the Acquisition. Mr. Zheng, another one of the Retained Shareholders, has the right to sell 20%, 30% and 50% of his shares in the Target Company held on the closing date within the first year, the second year and the fourth year following the expiration of a one year lockup period after the closing date of the Acquisition, respectively. The consideration will be calculated in accordance with the formula as disclosed under the heading "Lockup Period and Put Option" in this circular.

The put option is classified as a financial liability against equity at recognition and will be measured at amortization cost subsequently. For the purpose of this Unaudited Pro Forma Financial Information, the Company estimated that as at June 30, 2015, the present value of the financial liability is RMB2,804,331,000. The amount is calculated based on the estimated redemption amount and the discount rate of 11.1% which is the weighted average cost of capital of the Target Group.

f. One of the Target Group's banking facilities (the "existing bank facility") which has covenant that the Vendor should keep its control over the Target Group. Pursuant to the loan facility agreement, such facility would be cancelled and all outstanding borrowings in connection with such facility should become immediately due and payable if the Vendors substantially lose the control of the Target Group.

Pursuant to the Share Purchase Agreements, the Target Group should apply for the consents from the bank to waive the early repayment obligations under the facility agreements before the completion of the Acquisition.

If the Target Group unable to obtain such waiver, the Purchaser should help the Target Group to apply for a new bank facility to refinance the existing bank facility and the bank borrowings under existing bank facility will be due and payable immediately.

As at the Latest Practicable Date, the Target Group had confirmed that they unable to obtain the waiver from the lenders under the existing bank facility agreement. Therefore, non-current borrowings amounting to RMB1,600,705,000 should be reclassified to current borrowings due to the Acquisition.

g. As disclosed in the accountant's report as set out in Appendix II to this circular, the Target Group adopted the Keystone Plan (the "Share Option Program") on 1 November 2013 and granted certain options to the directors and employees of the Target Group to subscribe for ordinary shares of the Target Group in 1 November 2013 and 1 March 2015. These options were classified as equity-settled share-based payment as at 30 June 2015.

   Pursuant to the Share Purchase Agreements, the Vendors have assumed the obligations to settle the Target Group's obligations in connection with these options before the completion of the Acquisition. Since the Vendors have assumed such obligations, the Directors are of the view that the settlement of the Share Option Program would not have financial impact on the unaudited pro forma statement of assets and liabilities of the Enlarged Group.

h. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group or the Target Group entered into subsequent to 30 June 2015.

i. The actual amounts of the adjustment were determined on the completion date of the Acquisitions, which may be different from the amounts presented in this Unaudited Pro Forma Financial Information and such differences may be material.

The following is the text of a report received from the Target Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

23 October 2015

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF KEYSTONE LODGING HOLDINGS LIMITED

TO THE BOARD OF DIRECTORS OF SHANGHAI JIN JIANG INTERNATIONAL HOTELS (GROUP) COMPANY LIMITED

We refer to the discounted future cash flows on which the business valuation ("the Valuation") dated 18 September 2015 prepared by Orient Appraisal Co., Ltd. in respect of the appraisal of the fair value of Keystone Lodging Holdings Limited ("the Target Company") as at 30 June 2015 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Responsibilities

The directors of Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Directors") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Keystone Lodging Holdings Limited or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong

Deloitte.
德勤

23 October 2015

The Board of Directors
Shanghai Jin Jiang International Hotels (Group) Company Limited
Room 316–318
No. 24 Yang Xin Dong Road
Shanghai, the PRC

Dear Sirs,

Shanghai Jin Jiang International Hotels (Group) Company Limited (the "Company") and its subsidiaries (collectively, the "Group")
Cash flow forecast in connection with the valuation of Keystone Lodging Holdings Limited (the "Valuation")

We refer to the valuation report (the "**Valuation Report**") prepared by Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) (the "**PRC Valuer**") in relation to the valuation of the enterprise value of Keystone Lodging Holdings Limited (the "**Target Company**") dated 18 September 2015. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the circular of the Company dated 23 October 2015.

The Valuation Report, which has been prepared on a discounted cash flow basis under the income approach, is regarded as a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules. This letter is issued for the purpose of reporting solely to you in compliance with the requirement under Rule 14.62(3) of the Listing Rules and for no other purpose. We are not reporting on the arithmetical calculations of the Forecast or the Valuation, nor the adoption of accounting policies thereof. Our work does not constitute any valuation of the Target Company. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We, as financial advisers to the Company in relation to the Acquisition, have discussed with the Directors, the management of the Target Company and the PRC Valuer for the information and documents which formed part of the bases and assumptions upon which the Forecast has been prepared, for which you as the Directors are solely responsible. We have also considered the letter from KPMG dated 23 October 2015 addressed to yourselves as set out in this Appendix regarding the calculations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We have noted that no accounting policies of the Company has been adopted in the preparation of the Forecast. The Forecast is based on a number of bases and assumptions. As the relevant assumptions are related to future events which may or may not occur, the actual financial performance of the businesses of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the PRC Valuer, for which the PRC Valuer and the Company are responsible, we are satisfied that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited
Connie Ho
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, none of the Directors, chief executives or supervisors of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company which are 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 he or she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are 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 of the Company to the same extent as it applies to the Directors).

As at the Latest Practicable Date, Mr. Yu Minliang (executive Director) is the chairman of Jin Jiang International, Ms. Guo Lijuan (executive Director) is the president and a director of Jin Jiang International, Mr. Chen Liming (executive Director) is a vice president of Jin Jiang International, Mr. Xu Ming (executive Director) is a vice president of Jin Jiang International and Mr. Zhang Qian (executive Director) is a vice president of Jin Jiang International. Jin Jiang International is a company having, as at the Latest Practicable Date, an interest or short position in the Company's shares and underlying shares 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.

Interests in Shares or Underlying Shares or Debentures of Associated Corporations

As at the Latest Practicable Date, one Director, namely Mr. Yu Minliang, held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares in Jin Jiang Hotels Development	Nature of interests	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0024%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives or supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO), which are 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 executives or supervisors of the Company is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which are 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 of the Company to the same extent as it applies to the Directors).

3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company has entered into any service contract with any member of the Enlarged Group which is not expiring or terminable by such member of the Enlarged Group within one year without any payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the business of the Enlarged Group) which competes or is likely to compete either directly or indirectly with the business of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

5. INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(i) a stand-by letter of credit issuing agreement dated 25 September 2013 entered into between the Company and Industrial and Commercial Bank of China Limited Shanghai Branch ("ICBC Shanghai") regarding the issuance of the stand-by letter of credit to be issued by ICBC Shanghai to Industrial and Commercial Bank of China Limited New York Branch ("ICBC New York") and a stand-by letter of credit issuing agreement dated 25 September 2013 entered into between the Company and ICBC Shanghai regarding the issuance of the stand-by letter of credit to be issued by ICBC Shanghai to ICBC New York;

(ii) an equity transfer agreement dated 1 November 2013 entered into between the Company and 上海錦江國際投資管理有限公司 (Jin Jiang International Investment and Management Co., Ltd.) ("Jin Jiang International Investment") regarding the transfer of 45% equity interest in Shanghai Hua Ting Hotel and Towers Company Limited to Jin Jiang International Investment at a cash consideration of RMB901,302,638.46 and a guarantee agreement dated 1 November 2013 entered into among the Company, Jin Jiang International Investment and Jin Jiang International regarding the guarantee provided by Jin Jiang International in respect of Jin Jiang International Investment's payment obligation;

(iii) a shares sale agreement dated 19 December 2013 entered into between LHG (as seller) and H2M (as purchaser) regarding the transfer of 13,499 shares (par value of €15,275) in CLORA, partnership (*société en nom collectif*) having a share capital of €206,219, with a registered office located in Chelles, 77500, rue du Chateau Gaillard, registered under the number 420 832 339, RCS Meaux to H2M at a cash consideration of €1,166,562.96;

(iv) a receivable assignments agreement dated 19 December 2013 entered into between LHG and H2M regarding the assignments of a receivable held by LHG against its subsidiary, CLORA to H2M at a cash consideration of €1,561,682.22; this assignment relates to the assignments of shares entered into as of the same date between LHG and H2M pursuant to which H2M has purchased from LHG all the shares of CLORA (please refer to paragraph (iii) above);

(v) an equity transfer agreement dated 28 January 2014 entered into among Shanghai Galaxy Hotel Co., Ltd. ("Galaxy Hotel"), Shanghai Jin Jiang Hotel Co., Ltd. ("Jin Jiang Hotel") and Shanghai Sheng Yu Assets Management Co., Ltd. ("Sheng Yu Company") regarding the transfer of 100% equity interest in Shanghai Jin Yun Assets Management Co., Ltd. to Sheng Yu Company at a cash consideration of RMB1,262,467,806.00 and a guarantee agreement dated 28 January 2014 entered into among Galaxy Hotel, Jin Jiang Hotel, Sheng Yu Company and Yang Guang Co., Ltd. ("Yang Guang Company") regarding the guarantee provided by Yang Guang Company in respect of the payment obligation of Sheng Yu Company;

(vi) a real estate sale agreement dated 30 January 2014 entered into between LHG (as seller) and Généfim (as purchaser) regarding the transfer to Généfim of a real property consisting in land, constructions and equipment located 9 rue Albert Walter, ZAC rue Saint Denis Basilique, Ilot 7 (cadastral reference: "Section AL n° 334 lieudit "9 rue Albert Walter") at a cash consideration of €3,900,000;

(vii) a real estate sale agreement dated 31 January 2014 entered into between LHG (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim located in Avignon (Vaucluse) 84140 60 Rue du Bon Vent, Zone de la Cristole, Route de Marseille, Monfavet (cadastral reference: "Section AL n° 304 and Section 312, lieudit "60 rue du Bon Vent) consisting of a hotel building operated as a 3-star hotel under the CAMPANILE brand with 41 rooms including a housing building with a reception room, toilet bloc, washroom, a restaurant/breakfast room, kitchen, seminary room, 44 parking lots, garden and a terrace at a cash consideration of €1,033,579;

(viii) a real estate sale agreement dated 31 January 2014 entered into between SNC Invest Hotels Fougeres Eysines (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim located in Fougeres (Ille-et-Vilaine) 35300 28 Route d'Ernée (cadastral reference: Section AL n° 282, lieudit "28 Route d'Ernée") consisting of a hotel building operated as a 3-star hotel under the CAMPANILE brand, with 48 rooms, 2 "housing" (logements) including a hosting building with a reception room, toilet bloc, washroom, a restaurant/breakfast room, kitchen, seminary room, TV room, 47 parking lots, a garden and a terrace at a cash consideration of €1,074,988;

(ix) a real estate sale agreement dated 31 January 2014 entered into between LHG (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim consisting in a land in Vitrolles (Bouches du Rhône, 13127, 708 Route de la Seds, Le Griffon (cadastral references: Section AN, n°05, lieudit le Griffon and Section AN, n°06, lieudit le Griffon), a building for hotel use operated under the CAMPANILE brand as a 3-star hotel and a restaurant, located 708 Route de la

Seds, Le Griffon, with a main building with a restaurant, meeting room, TV room, etc, 2 housing buildings with 1 floor and 40 rooms, 36 parking lots, a garden and a terrace at a cash consideration of €1,425,308;

(x) a real estate sale agreement dated 31 January 2014 entered into between Gestion Hotels Pontarlier Strasbourg Saintes (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim located in Pontalier (Doubs) 25300 4 Rue Donnet-Zedel, ZAC des Grands Planchants (cadastral reference: BK n° 197, lieudit "4 rue Donnet-Zedel") consisting of a hotel building operated as a 3-star hotel under the CAMPANILE brand, with 46 rooms, 2 "housings" (logements), including a housing building reception room, a restaurant/ breakfast room, kitchen, seminary room, TV room, 70 parking lots, a garden and a terrace at a cash consideration of €1,021,088;

(xi) a real estate sale agreement dated 31 January 2014 entered into between Gestion Hotels De Vichy (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim located in Bellerive-sur-Allier (Allier) 03700 74 Avenue de Vichy (cadastral references: Section AE n° 0046 lieudit "Pré des Rauches," Section AE n° 0285 lieudit "Pré des Rauches," Section AE n° 0288 lieudit "74 Avenue de Vichy," Section AE n° 0292 lieudit "11 Impasse de la rue Golf") consisting of a hotel building operated as a 3-star hotel under the CAMPANILE brand, with 46 rooms, 2 "housings" (logements), including a hosting building with a reception room, a washroom, a restaurant/breakfast room, kitchen, seminary room, TV room, technical area, 50 parking lots, a garden and a terrace at a cash consideration of €1,015,603;

(xii) a real estate sale agreement dated 31 January 2014 entered into between Invest Hotels Sept 91 (as seller) and Genefim (as purchaser) regarding the transfer of a real estate to Genefim located in Sauvigny-le-Bois (Yonne) 89200 La Cerce RN6 (cadastral references: Section ZP n° 115, Section ZP n° 84, lieudit "La Cerce RN6") consisting of a hotel building operated under the brand "Première classe" with 71 rooms including a reception, breakfast room, technical area, 3 washing rooms, 75 parking lots, a garden and a terrace at a cash consideration of €1,630,371;

(xiii) a receivable assignment agreement dated 31 January 2014 entered into between RAP (as seller) and Gyrfalcon Capital Sàrl (as purchaser) (in the presence of LHG) regarding the assignment of a receivable to Gyrfalcon Capital Sàrl at a cash consideration of €1,127,246;

The assigned receivable was held by RAP against Hotel Gril Bureau de Moirans as a result of operations via its shareholder current account of the seller in Hotel Gril Bureau de Moirans and, as the case may be the termination of a cash pooling agreement entered into between the seller and Hotel Gril Bureau de Moirans.

This assignment of receivable is related to (i) a share sale agreement entered into on the same date between LHG as seller and BAHO as purchaser, BAHO and its subsidiary JUGAVAD having acquired on the same date 100% of the shares of Hotel Gril Bureau de Moirans and (ii) a protocol entered into on 16 September

2013 between RAP and Gyrfalcon Capital Sàrl pursuant to which RAP committed to sell to BAHO, simultaneously with the sale to BAHO of the shares of Hotel Gril Bureau de Moirans, the assigned receivable mentioned above — RAP having replaced BAHO with respect to the above obligations.

(xiv) a share purchase agreement dated 31 January 2014 entered into between Envergure Participations and RAP (as sellers) and BAHO, and JUGAVAD (as purchasers) regarding the transfer of 100% of shares of Gestion Hotels Mulhouse Morschwiller (a company located in Morschwiller Le Bas (68790-1 rue de la source, registered with the Mulhouse trade and companies registry under the number 350 281 929) to JUGAVAD (100 shares, i.e. 0.5%) and BAHO (19,900 shares, i.e. 99.5%) at a cash consideration of €2,161,200;

(xv) a real estate sale agreement dated 31 January 2014 entered into between LHG (as seller) and Genefim (as purchaser) regarding the transfer of real estate to Genefim located in Brive-la-Gaillarde (Corrèze) 19100 Avenue du Général Pouyade (cadastral references: Section EW n° 332, lieudit "Rue Armand Sourie") consisting of a hotel building operated under the brand "Première classe" with 59 rooms and one "housing" (logement) including a hosting building/breakfast room, a breakfast preparation area, restrooms, technical area, washing rooms, 60 parking lots, a garden and a terrace at a cash consideration of €1,231,070;

(xvi) a share purchase agreement dated 20 February 2015 entered into between GDL (as seller), Star Investment I Sàrl (as purchaser) and Star SDL Investment Co Sàrl (for the purpose of limited provisions of the contract, i.e. "payment" and "representations and warranties") regarding the transfer of 66.62% of the shares composing the share capital of Baccarat SA (a French SA having its registered office located rue des Cristalleries, 54120 Baccarat, France and registered with the commercial registry of Nancy under the number 760 800 060) to Star Investment I Sàrl at a cash consideration of €77,477,820;

(xvii) a receivable assignment agreement dated 20 February 2015 entered into between GDL (as seller), Star Investment I Sàrl (as purchaser) and Star SDL Investment Co Sàrl (for the purpose of limited provisions of the contract, i.e. "purchase price" and "representations and warranties") regarding the transfer of the current shareholder account of GDL in Baccarat to SDL Investment I S.à.r.l at a consideration of €5,137,344.56;

(xviii) an equity transfer agreement dated 9 May 2014 (the "Galaxy Hotel Equity Transfer Agreement") entered into between the Company and Shanghai Sheng Pu Investment Management Co., Ltd. ("Sheng Pu Investment") regarding the transfer of 90% equity interest in Galaxy Hotel to Sheng Pu Investment at a cash consideration of RMB759,020,404.34 and the letter of guarantee dated 9 May 2014 entered into among the Company, Sheng Pu Investment and Yang Guang Company regarding the guarantee provided by Yang Guang Company in respect of the payment obligations of Sheng Pu Investment;

(xix) an asset transaction contract dated 27 May 2014 entered into between the Company and Jin Jiang International Northern Company Limited ("Jin Jiang International Northern Company") regarding the transfer of 57% interest in Shanghai New Garden Hotel to Jin Jiang International Northern Company for a cash consideration of RMB14,674,477.24;

(xx) the share purchase agreement dated 30 September 2014 by and among FortuNews Holdings Limited, Sequoia Capital 2010 CV Holdco, Ltd (each as a seller) and Plateno Group Limited ("Plateno"), a subsidiary of the Target Group (as the purchaser) in relation to the purchase of a total of 305,215,000 ordinary shares of Chujian Holdings Limited for a consideration of US$16,000,000;

(xxi) the put option agreement dated 3 November 2014 entered into between Star SDL (as beneficiary) and Jin Jiang International Investment (as offeror), as amended by the amendment agreement No. 1 entered into between Star SDL and Luxembourg Sailing Investment dated 13 February 2015 in relation to the put option granted by Jin Jiang International Investment in favour of Star SDL with respect of the acquisition of all the shares of GDL by Luxembourg Sailing Investment from Star SDL pursuant to the GDL Share Purchase Agreement (as defined hereunder) and the assignment of the GDL Group Receivable by Star SDL to Luxembourg Sailing Investment pursuant to the Receivable Assignment Agreement (as defined hereunder);

(xxii) the share purchase agreement (the "GDL Share Purchase Agreement") dated 16 February 2015 entered into between Luxembourg Sailing Investment and Star SDL in relation to the acquisition of all the shares of GDL by Luxembourg Sailing Investment from Star SDL and the assignment of the GDL Group Receivable by Star SDL to Luxembourg Sailing Investment;

(xxiii) the receivable assignment agreement (the "Receivable Assignment Agreement") dated 27 February 2015 entered into among Star SDL, Star SDL Holdings S.à.r.l. (together with Star SDL as assignors) and Luxembourg Sailing Investment (as assignee) in relation to the GDL Group Receivable;

(xxiv) the closing escrow agreement dated 27 February 2015 entered into among Star SDL (as vendor), Luxembourg Sailing Investment (as purchaser) and Maitre Nicolas Baum (as escrow agent) in relation to the acquisition of all the shares of GDL by Luxembourg Sailing Investment from Star SDL and the assignment of the GDL Group Receivable by Star SDL to Luxembourg Sailing Investment;

(xxv) the share purchase agreement dated 27 February 2015, together with its side letter, entered into between Walter Junger ("Junger"), the sole owner of Hotel 12 Management GmbH and H12 (HK) Limited, a subsidiary of the Target Group (as the purchaser) in relation to the acquisition of 95% of the shares of Hotel 12 Management GmbH by H12 (HK) Limited for a consideration of €1,350,000;

(xxvi) the share purchase agreement dated 22 May 2015 entered into by and among Expedia, Inc., Expedia Asia Pacific — Alpha Limited (as the seller), Ctrip.Com International, Ltd., C-Travel International Limited, Luxuriant Holdings Limited, the Target Company and Plateno (each as a purchaser) in relation to the purchase of a total of 17,290,943 ordinary shares and 28,550,704 high-vote ordinary shares of eLong, Inc. (the "Transferred Shares") for a consideration of US$670,879,680, among which Plateno agreed to purchase 2,577,354 ordinary shares and 4,255,712 high-vote ordinary shares of the Transferred Shares for a consideration of US$100,000,000;

(xxvii) the settlement agreement dated 29 May 2015 to amend the Galaxy Hotel Equity Transfer Agreement. Pursuant to the settlement agreement, upon completion of the settlement agreement and the Galaxy Hotel Equity Transfer Agreement, the shareholding percentage of the Company and its subsidiaries in Galaxy Hotel shall decrease from 100% to 50% and Galaxy Hotel shall cease to be a subsidiary of the Company, and the consideration shall be RMB421,678,002.41 (other than the first two instalments of consideration which have been paid, the remaining balance of the consideration is RMB34,577,596.20);

(xxviii) the Acquisition Agreements; and

(xxix) the Shareholders' Agreement.

8. MISCELLANEOUS

(a) One of the joint company secretaries of the Company is Mr. Kang Ming. Mr. Kang is a senior accountant. He graduated from the Shanghai University of Finance and Economic with a master's degree in economics. He was previously the board secretary of Jin Jiang Hotels Development. According to a confirmation letter received from the Stock Exchange on 14 December 2009, Mr. Kang had complied with the requirements for company secretaries set out in the Listing Rules. The other joint company secretary of the Company is Ms. Mok Ming Wai. Ms. Mok is a director of KCS Hong Kong Limited and has over 15 years of experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The legal address of the Company in the PRC is Room 316–318, No. 24 Yang Xin Dong Road, Shanghai, the PRC and the principal place of business of the Company in the PRC is 26/F., Union Building, No. 100 Yan'an East Road, Shanghai, the PRC. The Hong Kong H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. QUALIFICATIONS OF EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

Name	Qualifications
PricewaterhouseCoopers	certified public accountants
KPMG	certified public accountants
DTCFL	a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

PricewaterhouseCoopers, KPMG and DTCFL have given and have not withdrawn their respective written consent to the issue of this circular with the inclusion of their respective letter and reference to their respective name in the form and context in which they respectively appear.

10. INTERESTS OF EXPERTS

As at the Latest Practicable Date, each of PricewaterhouseCoopers, KPMG and DTCFL:

(a) was not interested in any shareholding in any member of the Enlarged Group nor did they have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shareholding in any member of the Enlarged Group; and

(b) did not have any direct or indirect interest in any assets which have been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for a period of 14 days (excluding Saturdays, Sundays and public holidays) from the date of this circular:

(i) articles of association of the Company;

(ii) the material contracts as referred to in the paragraph headed "Material Contracts" in this Appendix;

(iii) the accountant's report of the Target Group, the text of which is set out in Appendix II to this circular;

(iv) the accountant's report of 7 Days Group, the text of which is set out in Appendix III to this circular;

(v) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix VI to this circular;

(vi) the letter from DTCFL, the financial adviser of the Company, relating to the profit forecast, the text of which is set out in Appendix VII to this circular;

(vii) the letter from KPMG, the reporting accountant of the Target Group, relating to the discounted future cash flows, the text of which is set out in Appendix VII to this circular;

(viii) the annual reports of the Company for the two financial years ended 31 December 2013 and 2014 respectively;

(ix) the written consents as referred to in the paragraph headed "Consents of Experts" in this Appendix;

(x) the circular of the Company dated 26 May 2015 in relation to, among other things, the GDL Acquisition and the assignment of GDL Group Receivable; and

(xi) this circular.