



Shanghai Jin Jiang International Hotels (Group) Company Limited

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

Stock Code : 02006



Interim Report 2016

Global Hotel Deployment



China
Number of hotels: **5,167**

Europe
Number of hotels: **1,024**

Africa
Number of hotels: **60**

Asia (except China)
Number of hotels: **127**

Americas
Number of hotels: **47**

Total
Number of hotels: **6,425**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Yu Minliang (*Chairman*)
 Ms. Guo Lijuan (*Vice Chairman*)
 Mr. Chen Liming (*Vice Chairman*)
 Mr. Zhang Qian
 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

SUPERVISORS

Mr. Wang Guoxing
(Chairman of Supervisory Committee)
 Mr. Ma Mingju
 Mr. Zhou Qiquan
 Ms. Zhou Yi
 Mr. Chen Yinghao
 Mr. He Yichi

EXECUTIVE COMMITTEE

Ms. Guo Lijuan (*Chairman*)
 Mr. Chen Liming (*Vice Chairman*)
 Mr. Zhang Qian
 Mr. Han Min

AUDIT COMMITTEE

Dr. Xu Jianxin (*Chairman*)
 Mr. Ji Gang
 Dr. He Jianmin

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Ji Gang (*Chairman*)
 Ms. Guo Lijuan
 Mr. Xie Hongbing

STRATEGIC INVESTMENT COMMITTEE

Ms. Guo Lijuan (*Chairman*)
 Mr. Han Min
 Dr. Rui Mingjie

AUTHORIZED REPRESENTATIVES

Ms. Guo Lijuan
 Mr. Kang Ming

JOINT COMPANY SECRETARIES

Mr. Kang Ming
 Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Dr. Ai Gengyun

INTERNATIONAL AUDITOR

PricewaterhouseCoopers

PRC AUDITOR

PricewaterhouseCoopers
 Zhong Tian LLP

LEGAL ADVISERS

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

As to PRC law:
 King & Wood Mallesons

CHINESE NAME OF THE COMPANY

上海錦江國際酒店（集團）股份有限公司

ENGLISH NAME OF THE COMPANY

Shanghai Jin Jiang International
 Hotels (Group) Company Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy & Mather

PRINCIPAL BANKERS

Industrial and Commercial Bank of
 China
 Bank of China

LEGAL ADDRESS

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

PRINCIPAL PLACES OF BUSINESS IN THE PRC

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

PRINCIPAL PLACES OF BUSINESS IN HONG KONG

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

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

Main Board of The Stock Exchange
 of Hong Kong Limited (the "Stock
 Exchange")

Abbreviation of H Shares:
 JINJIANG HOTELS 錦江酒店
 Stock code: 02006

Website: www.jinjianghotels.com.cn
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INFORMATION ON HOTELS OF THE GROUP

INFORMATION ON HOTEL PROJECTS

	Full Service Hotels		Select Service Hotels		Total	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
China	128	38,349	5,039	471,446	5,167	509,795
Asia (other than China)	—	—	127	18,000	127	18,000
Europe	—	—	1,024	73,494	1,024	73,494
America	5	1,614	42	7,676	47	9,290
Africa	—	—	60	8,705	60	8,705
Total	133	39,963	6,292	579,321	6,425	619,284

As at 30 June 2016, the Group owned or managed 6,425 hotels with a total of 619,284 guest rooms located in 63 countries around the world, including 5,167 hotels in operation or under development with a total of 509,795 guest rooms owned or managed in China.

STATISTICS OF ALL HOTELS

All hotels (As at 30 June 2016)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms

Hotel Category

Full Service Hotels										
— 5-star Luxury Hotels	5	2,267	7	2,554	62	20,311	—	—	74	25,132
— 4-star Luxury Hotels	10	3,479	2	665	42	9,550	—	—	54	13,694
Sub-total	15	5,746	9	3,219	104	29,861	—	—	128	38,826
Commercial Hotels	2	271	—	—	3	866	—	—	5	1,137
Total Number of Full Service Hotels	17	6,017	9	3,219	107	30,727	—	—	133	39,963
Select Service Hotels										
— Jin Jiang Metropolo	310	43,171	—	—	—	—	1,058	115,888	1,368	159,059
— GDL	281	21,445	—	—	—	—	960	86,744	1,241	108,189
— Plateno Group	492	50,830	—	—	—	—	3,191	261,243	3,683	312,073
Total Number of Select Service Hotels	1,083	115,446	—	—	—	—	5,209	463,875	6,292	579,321
Total	1,100	121,463	9	3,219	107	30,727	5,209	463,875	6,425	619,284

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS IN OPERATION

In operation (As at 30 June 2016)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms	Number of hotels	Total number of rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury Hotels	5	2,267	7	2,554	43	15,055	–	–	55	19,876
– 4-star Luxury Hotels	10	3,479	2	665	34	7,673	–	–	46	11,817
Sub-total	15	5,746	9	3,219	77	22,728	–	–	101	31,693
Commercial Hotels	2	271	–	–	3	866	–	–	5	1,137
Total Number of Full Service Hotels	17	6,017	9	3,219	80	23,594	–	–	106	32,830
Select Service Hotels										
– Jin Jiang Metropolo	282	38,885	–	–	–	–	820	92,037	1,102	130,922
– GDL	280	21,322	–	–	–	–	903	77,961	1,183	99,283
– Plateno Group	482	49,884	–	–	–	–	2,312	191,648	2,794	241,532
Total Number of Select Service Hotels	1,044	110,091	–	–	–	–	4,035	361,646	5,079	471,737
Total	1,061	116,108	9	3,219	80	23,594	4,035	361,646	5,185	504,567

INFORMATION ON HOTELS OF THE GROUP

STATISTICS OF HOTELS UNDER DEVELOPMENT

Under development (As at 30 June 2016)	Hotels in which the Group held hotel interests and managed by the Group		Hotels in which the Group held hotel interests but managed by third parties		Hotels owned by third parties but managed by the Group		Hotels owned by third parties but operated under franchises granted by the Group		Total number of hotels	
	Total		Total		Total		Total		Total	
	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms	Number of hotels	number of rooms
Hotel Category										
Full Service Hotels										
– 5-star Luxury Hotels	–	–	–	–	19	5,256	–	–	19	5,256
– 4-star Luxury Hotels	–	–	–	–	8	1,877	–	–	8	1,877
Sub-total	–	–	–	–	27	7,133	–	–	27	7,133
Commercial Hotels	–	–	–	–	–	–	–	–	–	–
Total Number of Full Service Hotels	–	–	–	–	27	7,133	–	–	27	7,133
Select Service Hotels										
– Jin Jiang Metropolo	28	4,286	–	–	–	–	238	23,851	266	28,137
– GDL	1	123	–	–	–	–	57	8,783	58	8,906
– Plateno Group	10	946	–	–	–	–	879	69,595	889	70,541
Total Number of Select Service Hotels	39	5,355	–	–	–	–	1,174	102,229	1,213	107,584
Total	39	5,355	–	–	27	7,133	1,174	102,229	1,240	114,717

OPERATIONAL STATISTICS

	January to June 2016	January to June 2015
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	70%	69%
— 4-star Luxury Hotels	68%	68%
Select Service Hotels		
— Jin Jiang Metropolo	74%	76%
— GDL	59%	—
— Plateno Group	82%	—
Average Room Rate (RMB per room)		
Full Service Hotels		
— 5-star Luxury Hotels	853	847
— 4-star Luxury Hotels	525	515
Select Service Hotels		
— Jin Jiang Metropolo	184	180
— GDL (EUR/room)	58	—
— Plateno Group	149	—
RevPAR (RMB per room)		
Full Service Hotels		
— 5-star Luxury Hotels	598	582
— 4-star Luxury Hotels	355	350
Select Service Hotels		
— Jin Jiang Metropolo	136	137
— GDL (EUR/room)	35	—
— Plateno Group	122	—

Notes:

- The policy of “replacing business tax with VAT” has become applicable to domestic servicing industries in China with effect from May 2016. Hence, figures for the average room rate and RevPAR are no longer tax inclusive. If compared on the same basis, there would have been further growth in the average room rate and RevPAR for 2016.
- 5-star Luxury Hotels include: Jin Jiang Hotel, Peace Hotel, Wuhan Jin Jiang International Hotel, Beijing Kunlun Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.

OPERATIONAL STATISTICS

3. 4-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel, Shanghai Hotel, Shanghai Jing An Hotel, Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.
4. Amongst Select Service Hotels, hotels operated by Jin Jiang Metropolo included operational data of all operating chain hotels under the brands of: "Jin Jiang Metropolo", "Jin Jiang Inn", "Bestay Hotels Express" and "Jinguang Inn". Hotels operated by GDL included operational data of all operating chain hotels under the four brands of: "Premiere Classe", "Campanile", "Kyriad" and "Golden Tulip". Hotels operated by Plateno Group included operational data of all operating chain hotels under the brands of: "Lavande", "James Joyce Coffetel", "IU", "7 Days Inn" and "Pai".
5. Average occupancy rate of GDL for the period from March 2015 to June 2015 was 64% with average room rate of EUR59 per room and RevPAR of EUR38 per room.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ADR”	room revenue divided by rooms in use
“Audit Committee”	the audit committee of the Company
“Available Rooms”	number of rooms available of each hotel after deducting Permanent House Use
“Baisuicun Restaurants”	Shenzhen Baisuicun Restaurants Chain Co., Ltd. (深圳市百歲村餐飲連鎖有限公司), a limited liability company established in the PRC
“Board”	the board of Directors of the Company
“CG”	CAPITAL GATHERING LLC
“China” or “PRC”	The People’s Republic of China
“Company”	Shanghai Jin Jiang International Hotels (Group) Company Limited
“Director(s)”	the director(s) of the Company
“Finance Company”	Jin Jiang International Finance Company Limited
“Full Service Hotels”	hotels which are based on comprehensive hotel functions and facilities, and provide all-rounded quality services for guests
“Galaxy Hotel”	Shanghai Galaxy Hotel Co., Ltd.
“GDL”	Groupe du Louvre, a société par actions simplifiée incorporated under the laws of France
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the date of incorporation of the Company, those entities and businesses which were consolidated into and operated by the Company upon its establishment
“HAC”	HOTEL ACQUISITION COMPANY, LLC
“IHHC”	INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity established by HAC to hold all retained assets including 5 retained proprietary hotels in the United States and undertake relevant responsibilities
“IHR”	Interstate Hotels & Resorts, Inc.
“IHR Group”	IHR and its subsidiaries
“Jin Jiang Auto Service”	Shanghai Jinjiang Business and Travel Auto Service Co., Ltd.
“Jin Jiang Hotels Development”	Shanghai Jin Jiang International Hotels Development Company Limited
“Jin Jiang Inn”	Jin Jiang Inn Company Limited
“Jin Jiang International”	Jin Jiang International Holdings Company Limited
“Jin Jiang Investment”	Shanghai Jin Jiang International Industrial Investment Company Limited
“Jin Jiang Limousine”	the business limousine segment of Jin Jiang Auto Service

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Jin Jiang Metropolo”	Shanghai Jin Jiang Metropolo Hotel Management Company Limited
“Jin Jiang Taxi”	Jin Jiang Taxi Division of Jin Jiang Auto Service
“Jin Jiang Travel”	Shanghai Jin Jiang International Travel Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Occupancy Rate”	rooms in use divided by Available Rooms for a given period
“Permanent House Use”	guest rooms which have been removed from the rentable inventory for a period longer than six months
“Plateno Group”	Keystone Lodging Holdings Limited and its subsidiaries
“Reporting Period”	the period from 1 January 2016 to 30 June 2016
“RevPAR”	room revenue per Available Room
“RMB”	Renminbi, the lawful currency of the PRC
“Select Service Hotels”	hotels providing guests with basic professional services which are suitable for mass consumption with emphasis on the core function of accommodation
“Star-rating” or “Star-rated”	number of star(s) conferred by the National Tourism Administration of the PRC to a hotel according to the Star-rating Standard Manual and a Star-rated hotel refers to a hotel with Star-rating conferred as mentioned above
“Star-Rating Standard Manual”	the star-rating standard for tourist hotels published by the National Tourism Administration of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“THAYER”	THI V INCA LLC under THAYER HOTEL INVESTORS V-A LP
“Total Number of Rooms”	number of available rooms per hotel
“US\$”	United States Dollars, the lawful currency of the United States
“Vienna Hotels”	Vienna Hotels Group Co., Ltd. (維也納酒店有限公司), a limited liability company established in the PRC
“Wusong Luoji Company”	Shanghai Wusong Luoji Refrigeration Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Amidst a complicated economic landscape and market circumstances during the first half of 2016, the Group focused on its development strategy and made proactive moves to adapt itself to the new normal status of economic development, in resolute adherence to the double-edged approach featuring both the application of capital and excellent operations based on the strategy of global business deployment and multinational operations. Through measures for quality enhancement and increase in efficiency, initiatives in innovation and transformation, reinforcement in reforms and the implementation of the internationalisation strategy, the formation of an internationally reputed hotel group with solid core competitiveness was expedited. We persisted in prudent progress, while improving our mechanism for achieving stable growth and implementing multiple measures to overcome various hurdles, with the primary aim of enhancing the competitiveness of our principal business on all fronts. Our key projects were advancing in a disciplined manner, as new progresses were achieved in various tasks.

During the Reporting Period, the Group realised sales revenue of approximately RMB7,353,627,000, representing an increase of approximately 34.8% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB1,197,075,000, representing a decrease of approximately 9.6% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB552,614,000, representing a decrease of approximately 12.1% as compared to the same period of last year, mainly due to the decrease in return on asset operation as compared to the same period of last year.

As at the end of the Reporting Period, the Group owned or managed over 6,425 hotels throughout the world, with a total number of rooms approximately 620,000 in 63 countries, amongst which approximately 5,167 hotels are owned or managed by the Group in the PRC and are in operation or under construction with a total number of approximately 510,000 rooms.

In September 2015, Jin Jiang Hotels Development entered into an agreement for strategic investments in Plateno Group and completed the transaction in February 2016. Plateno Group has been incorporated into the consolidated financial statements of the Group from March 2016.

In April 2016, Jin Jiang Hotels Development entered into the Vienna Hotels equity transfer agreement and the Baisuicun Restaurants equity transfer agreement with Mr. Huang Deman. The transaction was completed on 1 July 2016, upon which Jin Jiang Hotels Development holds 80% equity interests in each of Vienna Hotels and Baisuicun Restaurants.

The successful completions of the projects of GDL, Plateno Group and Vienna Hotels has driven substantial growth in the size of the Group's hotel operations. In accordance with the principle of "keeping basic elements unchanged, integrating back offices and complementing comparative advantages for co-development", synergies and complementary effects were realised to create more room for global development and multinational operations. The Group advanced various post-acquisition tasks, such as the establishment of a management hierarchy, improvement of systems, platform building, business convergence and integrated development, in a steady and disciplined manner on the basis of the interactive amalgamation of markets, brands, talents and cultures.

In terms of the number of hotel guest rooms in operation, the Group ranked 5th in the global hotel group ranking as published by HOTELS Magazine, the official publication of The International Hotel & Restaurant Association, in July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, pursuant to the equity acquisition agreement between CG, a wholly-owned subsidiary of the Company, and THAYER (as the vendors) and KIHR BUYER, LLC, an independent third party (as the buyer), the buyer shall acquire from the vendors all equity interests in HAC after segregation of the retained assets. The retained assets shall include 5 retained proprietary hotels in the United States (namely, Hilton Arlington, Hilton Durham, Hilton Seelbach, Sheraton Columbia and Westin Atlanta Airport), retained proprietary hotel entities and retained joint ventures, etc.. As at 3 May 2016, the closing relating to the disposal of the HAC hotel management business had been completed. With the purchase amount through the transaction received and HAC distribution received, CG has recouped its investment costs and realized partial investment gains. Following the transaction, CG continued to hold the 5 retained proprietary hotels in the United States and other retained assets through IHHC.

During the Reporting Period, the Group further increased the revenue from its principal operations by seizing a range of favourable market opportunities arising from the increase in business conventions and exhibitions in Shanghai and the opening of Shanghai Disneyland.

Full Service Hotels

The business of Full Service Hotels represents one of the major sources of revenue for the Group. During the Reporting Period, operation of Full Service Hotels contributed approximately RMB959,303,000 to the Group's revenue, representing an increase of approximately 3.9% as compared to the same period of last year and accounting for approximately 13.0% of the Group's turnover. Turnover was presented net of tax following the implication of the policy of replacing business tax with VAT for domestic servicing industries in China with effect from May 2016. If compared on the same basis, there would have been further growth in revenue for Full Service Hotels as compared to the same period of last year.

As at 30 June 2016, the Group owned and managed 133 Full Service Hotels, offering approximately 40,000 guest rooms, among which 107 hotels offering approximately 31,000 guest rooms were owned by third parties and managed by the Group.

During the Reporting Period, the Group's Full Service Hotels recorded steady growth in RevPAR. Benefiting from various favourable factors and market opportunities, such as the increasing number of business conventions and exhibitions held in Shanghai and the opening of the Shanghai Disneyland, the high-rated Full Service Hotels in Shanghai in which the Group held equity interests reported a year-on-year increase in RevPAR by approximately 7% (excluding the effect of replacing business tax with VAT). Meanwhile, the Group commenced its operation and management of hotel assets in a steady manner to increase its assets efficiency, while continuing to make progress in asset liquidity, transformation in business model and leased operations of Full Service Hotels. During the Reporting Period, there were notable improvements in hotel efficiency in connection with the block leasing of Great Wall Tower of Holiday Inn Downtown Shanghai, resulting in significant enhancements in the liquidity and financial conditions of hotel assets. Through vigorous efforts in innovation, we achieved notable results in the enhancement of assets efficiency and shareholders' equity in our effort to advance asset mix adjustments and optimise staff allocation. During the Reporting Period, Full Service Hotels in which the Group held equity interests reported a marked year-on-year growth in profit.

Select Service Hotels

The business of Select Service Hotels represents another principal operations of the Group, mainly covering Select Service Hotels operated by Jin Jiang Metropolo, GDL and Plateno Group.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group made a strategic investment to acquire 81.0034% equity interests in Plateno Group and incorporated it into the consolidated financial statements of the Group, driving significant growth in revenue from our Select Service Hotels to approximately RMB4,246,361,000, representing an increase of approximately 79.8% as compared to the same period of last year and accounting for approximately 57.8% of the Group's turnover.

As at the end of the Reporting Period, there were a total of 6,292 contracted Select Service Hotels offering 579,321 guest rooms in aggregate, comprising 1,368 Jin Jiang Metropolo Hotels with a total of 159,059 guest rooms, 1,241 GDL hotels with a total of 108,189 guest rooms and 3,683 hotels under Plateno Group with a total of 312,073 guest rooms. There were 5,079 Select Service Hotels in operation offering a total of 471,737 guest rooms, including 1,102 Jin Jiang Metropolo Hotels in operation with a total of 130,922 guest rooms, 1,183 GDL hotels in operation with a total of 99,283 guest rooms and 2,794 hotels under Plateno Group with a total of 241,532 guest rooms.

As at the end of the Reporting Period, out of the 6,292 contracted Select Service Hotels, there were 67 Jin Jiang Metropolo hotels, 1,164 Jin Jiang Inn hotels, 69 Bestay Hotels Express hotels, 67 Jinguang Inn hotels, 267 Premiere Classe hotels, 382 Campanile hotels, 254 Kyriad hotels, 339 Golden Tulip hotels, 274 Lavande Hotels, 119 James Joyce Coffetels hotels, 167 IU hotels, 2,701 7 Days Inn hotels, 202 Pai hotels and 220 hotels under other brands.

Out of the 5,079 Select Service Hotels in operation, there were 37 Jin Jiang Metropolo hotels, 962 Jin Jiang Inn hotels, 65 Bestay Hotels Express hotels, 38 Jinguang Inn hotels, 264 Premiere Classe hotels, 374 Campanile hotels, 253 Kyriad hotels, 292 Golden Tulip hotels, 121 Lavande hotels, 49 James Joyce Coffetels hotels, 118 IU hotels, 2,335 7 Days Inn hotels, 112 Pai hotels and 59 hotels under other brands.

Out of 5,079 Select Service Hotels in operation, 1,044 were self-managed hotels, accounting for approximately 20%, while 4,035 were franchised hotels, accounting for approximately 80%. Select Service Hotels in operation offered a total of 471,737 guest rooms, including 110,091 rooms or approximately 23% in self-managed hotels in operation and 361,646 rooms or approximately 77% in franchised hotels in operation.

During the Reporting Period, integration progress of the back-office systems of Jin Jiang Metropolo, GDL and Plateno Group was achieved with the support of the IT system to fully realise complementary effects and synergies. Jin Jiang Metropolo advanced its pilot attempts under the performance excellence management model in a steady manner and developed the operating system for the performance excellence management.

Food and Restaurants

During the Reporting Period, the Group reported development of food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels Development, generating revenue of approximately RMB168,344,000, representing a decrease of approximately 2.1% as compared to the same period of last year and accounting for approximately 2.3% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development continued to develop the group catering business, managing 52 group catering restaurants as at the end of the Reporting Period, as compared to 49 at the end of last year. As at 30 June 2016, Shanghai Kentucky Fried Chicken, "New Asia Snacks" and "Shanghai Yoshinoya" had a total of 304, 35 and 9 outlets, respectively. "Chinoise Story" operated 2 feature restaurants.

Jin Jiang Catering Investment Company developed processed food at its research & development centre with input from the national-grade chefs of Jin Jiang Hotel and started to market food products under the Jin Jiang brands to other customers, in addition to direct supply to our hotels.

MANAGEMENT DISCUSSION AND ANALYSIS

Passenger Transportation Vehicles and Logistics

During the Reporting Period, passenger transportation vehicles and logistics business reported an operating revenue of approximately RMB1,144,169,000, representing a growth of approximately 7.5% as compared to the same period of last year and accounting for approximately 15.6% of the Group's turnover.

During the Reporting Period, Jin Jiang Automobile Service Centre (錦江汽車服務中心) actively introduced innovations to its marketing strategy to drive synchronous marketing for its online and offline operations. The four 4S auto sales outlets of the centre sold close to 3,000 new cars during the Reporting Period, representing a growth of approximately 28.2% as compared to the same period of last year, and completed approximately 34,600 car maintenance orders, remaining generally stable as compared to the same period of last year.

During the Reporting Period, Jin Jiang Taxi made reasonable arrangements in regional staff deployment to address characteristics of the business and succeeded in lowering administrative costs, while expediting its recruitment exercise to neutralise the impact of staff turnover. Jin Jiang Limousine completed more than 300 assignments for the reception of national guests for high-profile events, including the G20 meeting for finance ministers and central bank governors and the board of governors meeting of the Bank of International Settlements. We also won the tender for China Unicom's car rental contract as the sole supplier, highlighting ongoing improvements in the quality and effectiveness of our commercial leasing business. Jin Jiang Auto Service continued to expand its core business, as it added more than 40 buses to its business shuttle fleet. At the Shanghai Disneyland Resort, we operated a total of 118 shuttle buses. We received close to 20 international cruises calling at Shanghai and provided services to close to 20 major conference and tournament events.

During the Reporting Period, Shanghai Jin Jiang International Cold Logistics Development Co., Ltd. actively introduced innovative service models and promoted diversified developments with the aim of "reducing costs and increasing profitability", as it endeavoured to curb the decline in profitability amidst austere market conditions. Wusong Luoji Company reported sound growth in profit after securing close to 200 tenants following the completion of an exhibition hall for refrigerated products. Shanghai Xintiantian Cold Logistics Co., Ltd. persisted in the development of its chain catering distribution business and accomplished the target of completing half of its tasks within the first half of the year as it capitalised on opportunities presented by the opening of Shanghai Disneyland to expand its operations. Shanghai Shanghai Food Co., Ltd. (上海尚海食品有限公司) was actively identifying tenants suited to its properties developed and converted from refrigerated warehouses, seeking to develop the site on Wai Ma Lu (外馬路地塊) in a short period of time with minimum capital outlay and turn it into a multi-functional business park for new venture incubation integrating office, exhibition, shopping experience and trade functions under one roof.

MANAGEMENT DISCUSSION AND ANALYSIS

Travel Agency

During the Reporting Period, operating revenue of the travel agency business amounted to approximately RMB799,114,000, representing a decrease of approximately 11.1% as compared to the same period of last year and accounting for approximately 10.9% of the Group's turnover.

During the Reporting Period, Jin Jiang Travel commenced the operation of its travel services business relating to Shanghai Disneyland in a move to develop a new niche for business growth. It organised its affiliated travel agencies to conduct Shanghai Disneyland travel services business as a priority task for the year, making strong efforts in the four areas of negotiation, training, research and development and operation to consolidate the leading position of Jin Jiang Travel among local travel agencies in Shanghai.

During the Reporting Period, Jin Jiang Travel reinforced its technological backup and made new progress in Internet marketing applications. In tandem with changing habits in tourism and retail spending in the Internet era, Jin Jiang Travel increased its investments in technological updating. It enhanced application of the mobile Internet in the production and operations of the enterprise.

During the Reporting Period, Jin Jiang Travel enhanced its market reputation and influence with the aid of multiple platforms and channels. Its affiliated travel agencies participated in the Shanghai World Travel Fair 2016 and conducted concerted marketing in three scenarios: inside and outside the fair, on and off the Internet, before and during the fair. A total of 138 outbound travel routes and more than 60 inbound travel routes were launched during the fair, while our marketing appeal was further enhanced by the experience of one-stop services under the Jin Jiang brands.

During the Reporting Period, Jin Jiang Travel also conducted researches on changes in market demands and actively promoted the innovation of travel agency products. Baffled by political, economic and health incidents in the international community during the first half of 2016, traditional travel tours were facing greater challenges as their profit margin and market shares continued to be squeezed. Based on their own characteristics and strengths, our affiliated travel agencies further expedited the process of innovation and exploration with strong efforts on key areas such as the research and development of new products, the building of premium brands, and the opening and amalgamation of different channels.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's financial information during the Reporting Period as compared to the same period in 2015 is set out as follows:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	RMB in million	% of turnover	RMB in million	% of turnover
Full Service Hotels	959.3	13.0%	923.6	16.9%
Select Service Hotels — managed and operated by Jin Jiang Metropolo	1,331.0	18.1%	1,295.4	23.7%
Select Service Hotels — managed and operated by GDL	1,712.7	23.3%	1,066.9	19.6%
Select Service Hotels — managed and operated by Plateno Group	1,202.7	16.4%	—	—
Food and Restaurants	168.3	2.3%	172.0	3.2%
Passenger Transportation Vehicles and Logistics	1,144.2	15.6%	1,063.9	19.5%
Travel Agency	799.1	10.9%	898.5	16.5%
Other Operations	36.3	0.4%	34.6	0.6%
Total	7,353.6	100.0%	5,454.9	100.0%

Full Service Hotels

The following table sets out the percentage of contribution from the Group's Full Service Hotels segment and different types of business to the Group's turnover for the Reporting Period and the same period in 2015:

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	RMB in million	% of turnover	RMB in million	% of turnover
— Accommodation revenue	452.7	47.2%	447.1	48.4%
— Food and beverage sales	279.3	29.1%	291.5	31.6%
— Rendering of ancillary services	48.5	5.1%	50.2	5.4%
— Rental revenue	93.9	9.8%	86.6	9.4%
— Sales of hotel supplies	3.3	0.3%	4.3	0.5%
— Hotel management	81.6	8.5%	43.9	4.7%
Total	959.3	100.0%	923.6	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Accommodation revenue

Accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the rooms of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB452,748,000, representing an increase of approximately 1.3% or approximately RMB5,641,000 as compared to the same period in 2015. The aforesaid change mainly reflected a year-on-year growth in ADR and occupancy rate attributable to the Group's implementation of a range of measures to enhance income by capitalising on favourable factors and market opportunities, such as the increasing number of conventions and exhibitions held in Shanghai and the opening of the Shanghai Disneyland. Accommodation revenue was also affected by the replacement of business tax with VAT.

Food and beverage sales

Food and beverage sales in the Group's hotels comprised catering for wedding banquets and conferences, room catering services for guests and other sales in restaurants and bars in the hotels. During the Reporting Period, the food and beverage sales in Full Service Hotels amounted to approximately RMB279,334,000, representing a decrease of approximately 4.2% or approximately RMB12,166,000 from the same period of last year. The aforesaid change mainly reflected the ongoing impact of social sentiments which had a significant bearing on revenue from food and beverage sales of Full Service Hotels derived from banquets and conferences. Meanwhile, food and beverage sales were also affected by the conversion of certain restaurants into leased operations as part of the Group's initiative to optimise its asset mix and the replacement of business tax with VAT.

Rendering of ancillary services

Revenue from rendering ancillary services was mainly generated from gift shops, entertainment, laundry services and other guest services. During the Reporting Period, revenue from the rendering of ancillary services amounted to approximately RMB48,499,000, representing a decrease of approximately 3.5% or RMB1,741,000 from the same period of last year.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for catering, retail, exhibition and other purposes, as well as the outsourced leasing of certain restaurant venues. During the Reporting Period, rental revenue amounted to approximately RMB93,844,000, representing a year-on-year increase of approximately 8.4% or approximately RMB7,239,000, which was driven mainly by the year-on-year increase in rental revenue of approximately RMB11,035,000 following the lease of the wholesale leasing of Great Wall Tower of Holiday Inn Downtown Shanghai.

Sales of hotel supplies

Turnover from sales of guest supplies and hotel products decreased by approximately RMB968,000 as compared to the same period of last year, which was mainly attributable to adjustments in the business model of the supplies company to transform from a merchandise supplier to a system platform service provider.

MANAGEMENT DISCUSSION AND ANALYSIS

Hotel management

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not controlled by the Group. Revenue of hotel management amounted to approximately RMB81,558,000 during the Reporting Period, representing an increase of approximately 85.9% or RMB37,680,000 as compared to the same period of last year. The increase was mainly attributable to the recognition of property management fee income amounting to approximately RMB35,473,000 by subsidiary property companies of the Northern Company. There was a slight year-on-year growth in hotel management fee income from hotel management projects with more balanced demand and supply of hotels amidst the slowdown in domestic macro-economic growth.

Select Service Hotels — managed and operated by Jin Jiang Metropolo

The revenue of Select Service Hotels managed and operated by Jin Jiang Metropolo for the Reporting Period amounted to approximately RMB1,330,950,000, representing an increase of approximately RMB35,581,000 or approximately 2.7% as compared to the same period of last year, which was mainly attributable, on top of additional revenue from new directly-operated hotels and additional revenue from hotels re-opened after renovation, to revenue from upfront franchise fee of approximately RMB25,030,000 representing a year-on-year increase of approximately 12.4%, revenue from ongoing franchise fee of approximately RMB102,750,000 representing a year-on-year increase of approximately 12.6%, and revenue from central room reservation channels of approximately RMB25,570,000 representing a year-on-year decrease of approximately 2.2%.

Select Service Hotels — managed and operated by GDL

Revenue from Select Service Hotels managed and operated by GDL for the Reporting Period amounted to approximately RMB1,712,733,000, representing an increase of approximately RMB645,809,000 or 60.5% as compared to the same period of last year. The growth mainly reflected 2 more months of consolidated revenue for first half of 2016 as compared to the same period of last year, as GDL has been included in the Group's consolidated financial statements as from 28 February 2015.

Select Service Hotels — managed and operated by Plateno Group

The Group has incorporated Plateno Group into its consolidated financial statements as from March 2016. Revenue from newly added hotels managed and operated by Plateno Group amounted to approximately RMB1,202,678,000 for the period from March to June 2016.

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司) ("Jin Ya Catering"), Shanghai Jin Jiang International Food Catering Management Co., Ltd., Jing An Bakery Holding Company Limited, Shanghai Jin Jiang International Catering Investment Co., Ltd., Chinese Story, Shanghai Jinzhu Catering Management Co., Ltd. and Shanghai New Asia Food Company Limited. During the Reporting Period, total sales from the food and restaurants segment amounted to approximately RMB168,344,000, representing a decrease of approximately RMB3,687,000 or approximately 2.1% as compared to the same period of last year. The decrease in food and restaurants revenue for the Reporting Period primarily reflected the decline in operating revenue as a result of the downsizing of outlets by Jin Ya Catering (operating 35 chain restaurants during the Reporting Period versus 47 for the same period of last year). Meanwhile, growth was sustained in the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd. (managing 52 group catering restaurants during the Reporting Period versus 48 for the same period of last year).

MANAGEMENT DISCUSSION AND ANALYSIS

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB1,144,169,000, representing an increase of approximately 7.5% or approximately RMB80,231,000 as compared to the same period of last year. The increase was mainly attributable to the increase in revenue from auto and related trading businesses.

Travel Agency

During the Reporting Period, the revenue of travel agency was approximately RMB799,114,000, representing a decrease of approximately 11.1% or approximately RMB99,400,000 as compared to the same period of last year. The decrease was mainly attributable to the decrease in outbound travels under the negative impact of material contingent events, such as the terrorist attacks in Europe and the earthquake in Kyushu, Japan.

Other Operations

In addition, the Group is also engaged in other business, including the provision of financial services via Finance Company and the provision of training services by Shanghai Jin Jiang International Management Institute. During the Reporting Period, revenue of other operations was approximately RMB36,336,000, representing an increase of approximately 5.4% as compared to the same period of last year, which was mainly attributable to an increase in interest income from borrowings to related parties of Finance Company.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB5,749,845,000 (same period in 2015: approximately RMB4,273,075,000), representing an increase of approximately 34.6% as compared to the same period of last year. The increase was mainly attributable to the increase in cost of sales resulting from the addition of Select Service Hotels under Plateno Group. Excluding this factor, cost of sales would have increased by approximately 11.9% as compared to the same period of last year, which was mainly attributable to the business expansion of Select Service Hotels managed and operated by Jin Jiang Metropolo and GDL.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB1,603,782,000 for the Reporting Period, representing an increase of approximately RMB421,997,000 or approximately 35.7% as compared to the same period of last year.

Other Income and Gain

Other income and gain for the Reporting Period amounted to approximately RMB861,548,000 (same period in 2015: approximately RMB1,183,170,000), representing a decrease of approximately 27.2% as compared to the same period of last year. The decrease was mainly attributable to a pre-tax investment gain of approximately RMB313,929,000 on the disposal of HAC hotel management business during the Reporting Period versus a pre-tax investment gain of approximately RMB716,702,000 on transfer of equity interests in Galaxy Hotel for the same period in 2015, as well as gain of approximately RMB248,871,000 (same period in 2015: approximately RMB194,897,000) on the disposal of available-for-sale financial assets, such as Changjiang Securities Company Limited and Shanghai Yuyuan Tourist Mart Co. Ltd. in the Reporting Period. Dividend received by the Group during the Reporting Period was approximately RMB140,685,000 (same period in 2015: approximately RMB96,467,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Marketing Expenses

Selling and marketing expenses comprise primarily labor costs, travel agent commissions and advertising fees, which amounted to approximately RMB442,349,000 during the Reporting Period (same period in 2015: approximately RMB289,321,000), representing an increase of approximately 52.9% as compared to the same period of last year. The increase was mainly attributable to the increase in selling and marketing expenses resulting from the addition of Select Service Hotel chains under Plateno Group. Excluding this factor, selling and marketing expenses would have increased by approximately 36.9% as compared to the same period of last year, which was mainly attributable to the business expansion of Select Service Hotels managed and operated by Jin Jiang Metropolo and GDL, and the increase in cost as a result of stronger advertising and promotion efforts by GDL.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB772,947,000 (same period in 2015: approximately RMB637,266,000), representing an increase of approximately 21.3% as compared to the same period of last year, which was mainly attributable to the increase in administrative expenses resulting from the addition of Select Service Hotel chains under Plateno Group. Excluding this factor, administrative expenses would have increased by 1.3% as compared to the same period of last year.

Other Expenses and Losses

Other expenses and losses consisted primarily of bank charges, losses from the disposal of property, plant and equipment and losses from the impairment of available-for-sale financial assets. During the Reporting Period, other expenses and other losses amounted to approximately RMB52,959,000 (same period in 2015: approximately RMB113,688,000), representing a decrease of approximately RMB60,729,000 as compared to the same period of last year. The decrease was mainly attributable to the combined effect of losses from the impairment of available-for-sale financial assets amounting to approximately RMB84,614,000 for the same period of last year and other expenses and other losses in connection with newly added Select Service Hotel chain businesses under Plateno Group and GDL.

Finance Costs — Net

Finance costs — net comprises interest expenses in respect of the Group's bank borrowings and exchange to gain or loss after deduction of the interest income of the relevant pledged deposits. During the Reporting Period, finance costs — net was approximately RMB283,786,000 (same period in 2015: approximately RMB202,571,000), representing an increase of approximately 40.1% as compared to the same period of last year. The increase was mainly attributable to the combined effect of loan interest expenses arising from the acquisition of Plateno Group during the Reporting Period and 2 more months of loan interest expenses in connection with the acquisition of GDL as compared to the same period of last year.

Share of Results of Joint Ventures and Associates

Operating results of joint ventures and associates mainly comprised share of results of joint ventures including IHHC, Beijing Kunlun Hotel, Jin Jiang Tomson Hotel and JHJ Transportation, and of associates including Shanghai Kentucky Fried Chicken Company Limited, Shanghai Yangtze Hotel Limited, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport and China Oriental International Travel & Transport Co., Ltd. Share of results of joint ventures and associates for the Reporting Period was approximately RMB164,501,000 (same period in 2015: approximately RMB93,623,000), which was mainly attributable to the increase in the attributable operating results of Shanghai Kentucky Fried Chicken Company Limited by RMB31,884,000 and the increase in the operating results of IHHC by RMB49,306,000 as compared to the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

The effective tax rate for the Reporting Period was approximately 22.8% (same period in 2015: approximately 26.6%). The lower effective tax rate was mainly attributable to the increase in the Group's dividend income and share of results of joint ventures and associates for the period as compared to last year.

Net Profit

As a result of the factors described above, net profit for the Reporting Period attributable to shareholders of the Company decreased by approximately RMB76,388,000 or approximately 12.1% to approximately RMB552,614,000 (same period in 2015: approximately RMB629,002,000), which was mainly attributable to a decrease in return on asset operation as compared to the same period of last year.

Borrowings and Pledge of Assets

As at 30 June 2016, the borrowings included:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	14,507,630	9,229,321
Bank borrowings — unsecured	1,860,972	2,006,014
Finance lease liabilities	177,323	178,251
	16,545,925	11,413,586
Less: current portion of long-term secured bank borrowings	(2,859,438)	(5,613)
current portion of long-term unsecured bank borrowings	(116,046)	(260,675)
current portion of long-term finance lease	(11,156)	(12,094)
	13,559,285	11,135,204
Borrowings included in current liabilities:		
Bank borrowings — secured	1,906,993	23,668
Bank borrowings — unsecured	10,581,887	4,848,039
Borrowings from related parties	250,000	100,000
Current portion of long-term secured bank borrowings	2,859,438	5,613
Current portion of long-term unsecured bank borrowings	116,046	260,675
Current portion of long-term finance lease	11,156	12,094
	15,725,520	5,250,089

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2016, the secured bank borrowings included:

- (a) Bank borrowings of EUR1,289,484,000, equivalent to RMB9,509,943,000 (31 December 2015: EUR1,289,305,000, equivalent to RMB9,147,876,000), which were pledged by the bank deposits RMB4,723,560,000 and the ownership of a subsidiary, and guaranteed by Jin Jiang International;
- (b) Bank borrowings of Polish Zloty ("PLN") 48,946,000, equivalent to RMB77,687,000 (31 December 2015: PLN48,946,000, equivalent to RMB81,445,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;
- (c) Bank borrowings of RMB33,668,000 (31 December 2015: RMB23,668,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group;
- (d) Bank borrowings of RMB8,000,000 (31 December 2015: nil), which were jointly guaranteed by the shareholders of a subsidiary of the Group;
- (e) Bank borrowings of RMB1,865,325,000 (31 December 2015: nil), which were pledged by the non-controlling equity interests of a subsidiary of the Group and guaranteed by Jin Jiang International; and
- (f) Bank borrowings of RMB4,920,000,000 (31 December 2015: nil), which were pledged by the equity interests in a subsidiary of the Group.

GEARING RATIO

The Group's gearing ratio, calculated as total borrowings divided by total assets, increase from 38.8% as at 31 December 2015 to 50.6% as at 30 June 2016. The increase in gearing ratio was mainly attributable to new loans incurred in connection with the Group's acquisition of Plateno Group.

TREASURY MANAGEMENT AND INTEREST RATE RISK MANAGEMENT

Cash and cash equivalents as at 30 June 2016 and 31 December 2015 amounted to approximately RMB8,274,833,000 and RMB5,040,230,000, respectively, providing generally sufficient cash flow.

Finance Company, a subsidiary of the Company, acts as a non-bank financial institution within the Group that centralises available cash resources of the Group's subsidiaries, joint ventures and associates. Funding and financing requirements of the Group members were fulfilled through self-operated loans and entrusted loans, resulting in lower financing costs and greater efficiency in fund application. In addition, Finance Company also leverages its expertise to provide consultation services in relation to external financing of the Group's subsidiaries, with a view to optimising external financing plans and their costs.

During the Reporting Period, the Group was not subject to the risk of significant exchange rate volatility. The Group managed risks associated with its foreign currency debt mainly through natural hedging by foreign currency assets denominated in the same currencies and the application of bank financial instruments to lock in risk exposures.

MANAGEMENT DISCUSSION AND ANALYSIS

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets held by the Group included 73,500,000 shares in Changjiang Securities Company Limited (000783.SZ), 42,973,976 shares in Bank of Communications Co., Ltd. (601328.SH), 13,068,422 shares in Yu Yuan Trade Mart (600655.SH), 27,885,975 shares in Pudong Development Bank Co., Ltd (600000.SH), 61,782,364 shares in Guotai Jun'an (601211.SH) and 13,031,877 shares in Shenwan Hongyuan (000166.SZ).

HUMAN RESOURCES

As at the end of the Reporting Period, the total number of employees of the companies which consolidated into the Group's financial statements was approximately 46,700.

During the Reporting Period, the Group adjusted its human resources structure for optimising position establishment and staff allocation, further enhancing its commercialization.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in global economic recovery, slowdown in domestic macro-economic growth, structural oversupply in the hotel industry and the rapid development of information technology relating to the Mobile Internet will continue to affect the development of the Group's principal business. Nevertheless, with the implementation of policies represented by the documents entitled "Certain Opinions on Promoting the Reform and Development of the Tourism Industry" and "Several Opinions on Further Promoting Tourism Investment and Spending" 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 China's hotel and tourism industry. As such, the Group will actively seize any opportunities that might arise and address any challenges.

The Group will adopt a philosophy of development emphasising innovation, coordination, eco-friendliness and sharing in line with the "13th Five Year Plan" planning, step up with the development of its core business and drive internationalisation through worldwide marketing of the "Jin Jiang" brand. The synergies of our international acquisitions will be brought into full play with the proper handover of the operations of acquired companies. We will seek to improve our management standard and core competitiveness by learning from the expertise and experience of our foreign partners and leveraging the strategy of setting up international businesses while introducing foreign experiences to the domestic operations. We will also further advance our domestic as well as international business deployment to strengthen our ability in multinational operations.

The Group will seize the opportunity presented by the reform of state-owned assets to enhance its development towards a market-oriented corporation. We will advance reforms of our mechanisms and regimes and investigate the innovation and transformation of business and service models compatible with the age of Internet economy, while optimising our market-based remuneration regime and restraint and incentive mechanism. We will leverage our 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 and a common economic platform. We will continue to improve asset liquidity and adjust our property portfolio to further increase our overall asset return and enterprise value. We will seek improvements in quality and efficiency based on the principle of excellence in operations. Measures in cost reduction and income enhancement will be strengthened and improved on a continued basis, while our marketing network will be expanded through multiple channels. Efforts to develop an international team will be expedited in order to build a modern human resource management regime compatible with our international business development.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSEQUENT EVENTS

(1) Private placing of A shares by a subsidiary

On 8 July 2016, Jin Jiang Hotels Development received the “Reply of Approval relating to Permission for the Private Placing of Shares by Shanghai Jin Jiang International Hotels Development Company Limited” issued by the China Securities Regulatory Commission. Net proceeds from the private placing amounting to RMB4,506,283,900 were received on 27 July 2016. The private placing was duly completed with the publication of the “Report on the Issue of A Shares by way of Private Placing” by Jin Jiang Hotels Development on 5 August 2016.

(2) Changes in Directors, Supervisors and senior management and proposed amendments to the articles of association

At the Board meeting of the Company held on 27 July 2016, the Board announced the changes in certain positions of the Directors, Supervisors and senior management and proposed certain amendments to the articles of association of the Company. For details, please refer to the announcement of the Company dated 27 July 2016 and page 26 of this interim report.

INTERIM DIVIDEND

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

OTHER INFORMATION

INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS

As at 30 June 2016, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

INTERESTS IN SHARES OR UNDERLYING SHARES OR DEBENTURES OF ASSOCIATED CORPORATIONS

As at 30 June 2016, Director Mr. Yu Minliang held the following number of shares in Jin Jiang Hotels Development:

Name	Number of shares held in Jin Jiang Hotels Development	Nature of interest	Capacity	Percentage in total share capital of Jin Jiang Hotels Development
Yu Minliang	14,305	Long position	Beneficial owner	0.0018%

Save as disclosed above, as at 30 June 2016, none of the Directors, chief executive or Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, chief executive or Supervisors of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

As at 30 June 2016, so far as the Directors are aware, the following persons (other than a Director, chief executive or Supervisor of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/ underlying shares held	Capacity	Percentage in the relevant class of share capital	Percentage in total share capital
Jin Jiang International	Domestic shares	4,174,500,000 (long position)	Beneficial owner	100%	75%
Kwok Hoi Hing	H shares	153,092,000 (long position)	Beneficial owner	11.00%	2.75%
Morgan Stanley	H shares	76,498,000 (long position)	Interest of controlled corporation (<i>Note 1</i>)	5.49%	1.37%
	H shares	8,214,000 (short position)	Interest of controlled corporation (<i>Note 1</i>)	0.59%	0.15%

Note:

- (1) As shown in the form of disclosure of shareholders' interests submitted by Morgan Stanley on 4 July 2016 (the date of relevant event set out in the form was 30 June 2016), Morgan Stanley held a long position of 76,498,000 H shares and a short position of 8,214,000 H shares of the Company in aggregate through its controlled corporations.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2016, no other person had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the Company's register pursuant to section 336 of the SFO.

AUDIT COMMITTEE

The Company has established the Audit Committee, the principal duty of which is to review the financial reporting procedures, risk management and internal control systems of the Company. The Audit Committee of the fourth session of the Board comprises three independent non-executive Directors, namely, Dr. Xu Jianxin (chairman), Mr. Ji Gang and Dr. He Jianmin.

The Audit Committee held meetings on 24 March 2016 and 26 August 2016 respectively. The consolidated financial statements for the year ended 31 December 2015 and the unaudited condensed consolidated interim financial statements as at 30 June 2016 of the Group were respectively reviewed at such meetings. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group as at 30 June 2016 and agreed with the accounting treatment adopted by the Company.

OTHER INFORMATION

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Pursuant to the resolutions of the fourth meeting of the fourth session of the Board held on 27 July 2016, the Board comprises twelve Directors, six of them are executive Directors, namely Mr. Yu Minliang (chairman), Ms. Guo Lijuan (vice chairman), Mr. Chen Liming (vice chairman), Mr. Zhang Qian (chief executive officer), Mr. Han Min and Mr. Kang Ming; and six of them are independent non-executive Directors, namely Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin. Mr. Xu Ming and Mr. Zhang Xiaoqiang ceased to be Directors with effect from 27 July 2016.

Pursuant to the resolutions of the second meeting of the fourth session of the supervisory committee of the Company held on 27 July 2016, the supervisory committee of the Company comprises six Supervisors, namely Mr. Wang Guoxing (chairman of the supervisory committee), Mr. Ma Mingju, Mr. Zhou Qiquan, Ms. Zhou Yi, Mr. Chen Yinghao and Mr. He Yichi. Ms. Zhang Wei and Ms. Liu Chenjian ceased to be Supervisors with effect from 27 July 2016.

To enhance the Board's management and decision-making over material matters of the Company, the Company has established an executive committee under the fourth session of the Board. The executive committee shall be accountable to the Board and shall perform its duties pursuant to the authorization and resolutions of the Board. The executive committee of the fourth session of the Board comprises Ms. Guo Lijuan (chairman), Mr. Chen Liming (vice chairman), Mr. Zhang Qian and Mr. Han Min.

The resolutions of the fourth meeting of the fourth session of the Board approved the appointment of the following senior management: Mr. Zhang Qian as the chief executive officer, Ms. Yin Yanhong as the chief financial officer and the financial controller, Ms. Zhou Wei as the chief investment officer, Ms. Zhang Wei as a vice president, Mr. Kang Ming as a vice president, the chief secretary of the Board, the Board secretary and joint company secretary, Mr. Xia Li as a vice president, and Dr. Ai Gengyun as the qualified accountant.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as the Company's code regarding Directors' and Supervisors' securities transactions. Every Director and Supervisor at the time of appointment was given a copy of the Model Code. The Company confirms, having made specific enquiries with all Directors and Supervisors, that during the Reporting Period, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code.

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

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

By Order of the Board

Yu Minliang

Chairman

30 August 2016

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2016

	Note	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	12,230,835	10,985,979
Investment properties	7	309,925	215,759
Land use rights	7	1,981,620	1,904,781
Intangible assets	7	16,737,706	6,771,108
Investments in joint ventures		1,325,161	1,550,497
Investments in associates		710,779	685,266
Available-for-sale financial assets		3,458,252	4,079,267
Deferred income tax assets		643,866	551,689
Trade receivables, prepayments and other receivables	8	1,044,189	265,640
Restricted cash		3,320,592	3,778,848
Bank deposits with maturities over 12 months		—	236,000
		41,762,925	31,024,834
Current assets			
Financial assets at fair value through profit or loss		66,381	137,795
Available-for-sale financial assets		633,882	272,976
Inventories		227,495	196,108
Trade receivables, prepayments and other receivables	8	3,541,397	2,331,692
Restricted cash		1,638,517	1,114,888
Bank deposits with maturities over 3 months		1,698,331	2,146,138
Cash and cash equivalents		8,274,833	5,040,230
		16,080,836	11,239,827
Total assets		57,843,761	42,264,661

UNAUDITED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2016

	Note	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital		5,566,000	5,566,000
Reserves		3,608,968	3,724,896
		9,174,968	9,290,896
Non-controlling interests		8,089,454	7,457,333
Total equity		17,264,422	16,748,229
LIABILITIES			
Non-current liabilities			
Borrowings	10	13,559,285	11,135,204
Deferred income tax liabilities		2,998,059	2,229,689
Trade and other payables	9	1,264,424	1,135,670
		17,821,768	14,500,563
Current liabilities			
Borrowings	10	15,725,520	5,250,089
Derivative financial instruments		7,732	6,360
Income tax payable		214,649	236,131
Dividend payable to shareholders of the Company	15	361,790	—
Trade and other payables	9	6,447,880	5,523,289
		22,757,571	11,015,869
Total liabilities		40,579,339	25,516,432
Total equity and liabilities		57,843,761	42,264,661

The notes on pages 35 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	6(a)	7,353,627	5,454,860
Cost of sales	12	(5,749,845)	(4,273,075)
Gross profit		1,603,782	1,181,785
Other income and gain	11	861,548	1,183,170
Selling and marketing expenses	12	(442,349)	(289,321)
Administrative expenses	12	(772,947)	(637,266)
Other expenses and losses		(52,959)	(113,688)
Operating profit		1,197,075	1,324,680
Finance income		90,442	—
Finance costs		(374,228)	(202,571)
Finance costs — net		(283,786)	(202,571)
Share of results of joint ventures and associates		164,501	93,623
Profit before income tax		1,077,790	1,215,732
Income tax expense	13	(245,724)	(323,039)
Profit for the period		832,066	892,693
Attributable to:			
— Shareholders of the Company		552,614	629,002
— Non-controlling interests		279,452	263,691
		832,066	892,693
Earnings per share for profit attributable to shareholders of the Company for the period (expressed in RMB cents per share)			
— basic and diluted	14	9.93	11.30

The notes on pages 35 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Profit for the period	832,066	892,693
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurements on the net defined benefit liabilities	(4,475)	(855)
<i>Items that may be subsequently reclassified to profit or loss</i>		
Fair value changes on available-for-sale financial assets — gross	(634,951)	1,883,033
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	(248,468)	(172,600)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	227,615	(427,538)
Cash flow hedges — net of tax	(729)	1,377
Currency translation differences	(489)	550
Total other comprehensive income for the period	(661,497)	1,283,967
Total comprehensive income for the period	170,569	2,176,660
Attributable to:		
— Shareholders of the Company	245,862	1,102,728
— Non-controlling interests	(75,293)	1,073,932
	170,569	2,176,660

The notes on pages 35 to 64 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total Equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2016	5,566,000	1,157,393	2,567,503	9,290,896	7,457,333	16,748,229
Comprehensive income:						
Profit for the period	—	—	552,614	552,614	279,452	832,066
Other comprehensive income:						
Remeasurements on the net defined benefit liabilities	—	(2,252)	—	(2,252)	(2,223)	(4,475)
Fair value changes on available-for-sale financial assets — gross	—	(282,178)	—	(282,178)	(352,773)	(634,951)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(126,182)	—	(126,182)	(122,286)	(248,468)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	105,570	—	105,570	122,045	227,615
Cash flow hedges — net of tax	—	(367)	—	(367)	(362)	(729)
Currency translation differences	—	(1,343)	—	(1,343)	854	(489)
Total other comprehensive income	—	(306,752)	—	(306,752)	(354,745)	(661,497)
Total comprehensive income	—	(306,752)	552,614	245,862	(75,293)	170,569
Transaction with owners:						
Dividends to non-controlling interests	—	—	—	—	(327,258)	(327,258)
Dividends declared (note 15)	—	—	(361,790)	(361,790)	—	(361,790)
Capital Contribution from a non-controlling interest	—	—	—	—	22,739	22,739
Non-controlling interest arising from business combination (note 17)	—	—	—	—	1,011,933	1,011,933
Total transactions with owners	—	—	(361,790)	(361,790)	707,414	345,624
Balance at 30 June 2016	5,566,000	850,641	2,758,327	9,174,968	8,089,454	17,264,422

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Attributable to shareholders of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Balance at 1 January 2015	5,566,000	1,033,256	2,020,036	8,619,292	6,757,006	15,376,298
Comprehensive income:						
Profit for the period	—	—	629,002	629,002	263,691	892,693
Other comprehensive income:						
Remeasurements on the net defined benefit liabilities	—	(430)	—	(430)	(425)	(855)
Fair value changes on available-for-sale financial assets — gross	—	719,139	—	719,139	1,163,894	1,883,033
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	—	(86,274)	—	(86,274)	(86,326)	(172,600)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	—	(158,216)	—	(158,216)	(269,322)	(427,538)
Cash flow hedges — net of tax	—	693	—	693	684	1,377
Currency translation differences	—	(1,186)	—	(1,186)	1,736	550
Total other comprehensive income	—	473,726	—	473,726	810,241	1,283,967
Total comprehensive income	—	473,726	629,002	1,102,728	1,073,932	2,176,660
Transaction with owners:						
Dividends to non-controlling interests	—	—	—	—	(273,774)	(273,774)
Dividends declared (note 15)	—	—	(278,300)	(278,300)	—	(278,300)
Establishment of a subsidiary with non-controlling interest	—	—	—	—	8,274	8,274
Non-controlling interest arising from business combination	—	—	—	—	173,236	173,236
Total transactions with owners	—	—	(278,300)	(278,300)	(92,264)	(370,564)
Balance at 30 June 2015	5,566,000	1,506,982	2,370,738	9,443,720	7,738,674	17,182,394

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Cash flows from operating activities:			
Cash generated from operations		943,748	735,465
Net (decrease)/increase in deposits from customers (*)		(748,202)	144,735
Net decrease/(increase) in loans to customers (*)		145,500	(3,000)
Interest paid		(308,859)	(165,817)
Interest income from restricted deposits pledged for borrowings		19,365	—
Income tax expense		(332,318)	(302,739)
Net cash (used in)/generated from operating activities		(280,766)	408,644
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		31,374	19,867
Proceeds from disposal of available-for-sale financial assets		1,600,389	327,243
Proceeds from disposal of financial assets at fair value through profit or loss		223,382	78,424
Proceeds from disposal of a subsidiary		—	422,659
Proceeds from partially disposal of a joint venture		488,405	—
Proceeds from disposal of an associate		—	587
Proceeds from disposal of intangible assets		885	178
Purchase of property, plant and equipment		(491,148)	(384,079)
Purchase of intangible assets		(20,322)	(9,067)
Purchase of available-for-sale financial assets		(1,573,577)	(280,331)
Purchase of financial assets at fair value through profit or loss		(130,091)	(96,395)
Loans granted to related parties		—	(3,200)
Loans received from related parties and third parties		91,103	—
Prepayment and deposits for acquisition of a subsidiary		(680,000)	—
Payment of bank deposits with maturities over 3 months		(450,000)	(210,000)
Receipt from bank deposits with maturities over 3 months		1,133,807	828,375
Increase in investments in associates		(4,368)	—
Interest received		34,084	77,985
Dividends received		190,693	99,764
Net cash outflow for business combination		(7,414,148)	(2,956,868)
Net cash used in from investing activities		(6,969,532)	(2,084,858)

UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Cash flows from financing activities:			
Capital contribution from non-controlling interests		22,739	8,274
Proceeds from borrowings	10	11,797,112	13,918,849
Repayments of borrowings		(1,168,898)	(7,338,484)
Dividends paid to non-controlling interests		(201,806)	(18,929)
Restricted deposits pledged for borrowings		—	(4,723,560)
Net cash generated from financing activities		10,449,147	1,846,150
Increase in cash and cash equivalents		3,198,849	169,936
Cash and cash equivalents at beginning of the period		5,040,230	5,876,801
Exchange gains on cash and cash equivalents		35,754	70,964
Cash and cash equivalents at end of the period		8,274,833	6,117,701

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

The notes on pages 35 to 64 are an integral part of these unaudited condensed

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1 GENERAL INFORMATION

Shanghai Jin Jiang International Hotels (Group) Company Limited (the “Company”), was established on 16 June 1995 and its holding company is Jin Jiang International Holdings Company Limited (“Jin Jiang International”), which is a wholly state-owned company directly under the administration and control of the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government (“Shanghai SASAC”).

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

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

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”). The share capital of the Company is RMB5,566,000,000.

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

The Group are principally engaged in investment and operation of hotels and related businesses (the “Hotel Related Business”), investment and operation of passenger transportation vehicles, logistics and related businesses (the “Vehicles and Logistics Business”) and investment and operation of travel agency and related businesses (the “Travel Agency Business”).

These unaudited condensed consolidated interim financial statements were approved for issue by the board (the “Board”) of directors (the “Director”) of the Company on 30 August 2016.

Key events

(a) Acquisition of 81.0034% equity interest in Keystone Lodging Holdings Limited (“Keystone”)

On 18 September 2015, Shanghai Jin Jiang International Hotels Development Company Limited (“Jin Jiang Hotels Development”, a subsidiary of the Company in which the Company holds 50.32% equity interest) entered into agreements (the “Acquisition Agreements”) to acquire 81.0034% equity interest in Keystone with 13 counterparties. Keystone and its subsidiaries (“Plateno Group”) are principally engaged in operating high-end, mid-class and selected service hotels in PRC.

On 26 February 2016, such 81.0034% equity interest in Keystone was transferred to Jin Jiang Hotels Development and the total closing consideration of the transaction was USD1,308,909,000 (equivalent to RMB8,554,920,000), subject to adjustment under the price adjustment mechanism set out in the Acquisition Agreements. As at 30 August 2016, the price adjustment has not been finalised. Based on the best estimation, the management assessed the consideration would be adjusted to USD1,236,424,800 (equivalent to RMB8,081,170,000).

Upon the completion of the transaction on 26 February 2016, Keystone became a subsidiary of the Group.

Further information is disclosed in note 17(a).

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

For the six months ended 30 June 2016

1 GENERAL INFORMATION (CONTINUED)

Key events (continued)

(b) Disposal of the entire equity interest in Hotel Acquisition Company ("HAC") after segregation of the retained assets

In 2010, HAC, a joint venture of Capital Gathering LLC ("CG", a wholly-owned subsidiary of the Company) acquired 100% equity interest of Interstate Hotels & Resorts, Inc. ("IHR Group"). The Group indirectly held 50% equity interest in IHR Group through HAC and accounted for IHR Group as a joint venture.

In 2016, pursuant to the "Equity Acquisition Agreement" among CG, another shareholder and an independent third party (the "Buyer"), the Buyer shall acquire all equity interests in HAC held by CG after segregation of the retained assets. The retained assets shall include 5 retained proprietary hotels, retained proprietary hotel entities, retained joint ventures, etc.. HAC established INCA HOTEL HOLDINGS COMPANY LLC ("IHHC") to hold all retained assets and undertake relevant responsibilities.

As at 3 May 2016, the transaction was completed and the gain of disposal was RMB313,929,000, subject to contingent payment set out in the "Equity Acquisition Agreement". Subsequently, CG holds 50% equity interest of IHHC, which holds the retained assets segregated from HAC.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by HKICPA.

As at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB6,676,735,000, which includes that the subsidiary Jin Jiang Hotels Development's current liability exceeded its current assets by RMB9,453,714,000. Jin Jiang International, the ultimate holding company of the Company, has confirmed its intention to provide continuous financial support for the continuing operation of Jin Jiang Hotels Development. In addition, the proposed private placing of Jin Jiang Hotels Development was completed in August 2016 (note 19(a)). The Directors of the Company have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its unaudited condensed consolidated interim financial statements.

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

For the six months ended 30 June 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

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

(a) New and amended standards adopted by the Group:

HKFRS 7 (Amendments) “Financial instruments” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7, ‘Disclosure — Offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 19 (Amendments) “Employee benefits” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

HKAS 34 (Amendments) “Interim financial reporting” is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

Amendments as mentioned above did not have a material effect on the Group’s operating results, financial position or comprehensive income.

(b) Standards, amendments and interpretations to existing standards effective in 2016 but not relevant to the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment activities: Application of the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Joint arrangements	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016

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

For the six months ended 30 June 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 12	Income taxes	1 January 2017
HKAS 7	Statement of cash flows	1 January 2017
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will apply the new standards and amendments of HKFRSs and HKASs described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

(d) Plateno Group's related significant accounting policies adopted by the Group

Since the Group acquired 81.0034% equity interest in Keystone, Plateno Group's related significant accounting policies adopted by the Group are as follows:

Intangible assets

The intangible assets of Plateno Group include the membership rights. Membership rights acquired in a business combination are recognised at fair value at the acquisition date, which is amortised over their estimated useful lives 20 years.

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

For the six months ended 30 June 2016

4 ESTIMATES

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015.

There have been no changes in the major risk management policies since the year end.

(b) Fair value estimation

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

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

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

For the six months ended 30 June 2016

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2016				
Available-for-sale financial assets				
— Equity securities	2,898,153	—	469,771	3,367,924
— Debenture securities	—	649,420	—	649,420
Financial assets at fair value through profit or loss				
— Equity securities	445	—	—	445
— Debenture securities	30,054	35,882	—	65,936
Total Assets	2,928,652	685,302	469,771	4,083,725
Derivative financial instruments				
— Interest rate swaps	—	(7,732)	—	(7,732)
Total Liabilities	—	(7,732)	—	(7,732)
As at 31 December 2015				
Available-for-sale financial assets				
— Equity securities	3,840,968	—	45,856	3,886,824
— Debenture securities	102,610	291,349	—	393,959
— Convertible bond	652	—	—	652
Financial assets at fair value through profit or loss				
— Equity securities	622	—	—	622
— Debenture securities	122,873	14,300	—	137,173
Total Assets	4,067,725	305,649	45,856	4,419,230
Derivative financial instruments				
— Interest rate swaps	—	(6,360)	—	(6,360)
Total Liabilities	—	(6,360)	—	(6,360)

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

For the six months ended 30 June 2016

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair value estimation (continued)

For the six months ended 30 June 2016, there were no material changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2016, there were no reclassifications of financial assets and financial liabilities.

Fair value measurements using quoted prices (Level 1)

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

Valuation techniques used to derive fair value (Level 2)

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

Fair value measurements using significant unobservable inputs (Level 3)

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

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

There were no other changes in valuation techniques during the six months ended 30 June 2016.

In preparing the unaudited consolidated interim financial statements, the significant judgements made by management in applying the valuation method for the financial instruments carried at fair value and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

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

For the six months ended 30 June 2016

6 TURNOVER AND SEGMENT INFORMATION

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

Upon the acquisition of 81.0034% equity interest in Keystone, the Board assessed the performance of Plateno Group as an individual business segment and named it as "Select Service Hotels — managed and operated by Plateno Group" segment.

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

- (1) Full Service Hotels: ownership, operation and management of full service hotels;
- (2) Select Service Hotels — managed and operated by Jin Jiang Metropolo: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in PRC and under the brands of Jin Jiang Metropolo;
- (3) Select Service Hotels — managed and operated by Groupe du Louvre ("GDL"): operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, mostly in Europe and under the brands of GDL;
- (4) Select Service Hotels — managed and operated by Plateno Group: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in PRC and under the brands of Plateno Group;
- (5) Food and Restaurants: operation of fast food or upscale restaurants, moon cake production and related investments, not including the food and beverage operation in Full Service Hotels and Select Service Hotels;
- (6) Passenger Transportation Vehicles and Logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;
- (7) Travel Agency: provision of travel agency and related services; and
- (8) Other Operations: intra-group financial services, training and education, and corporate function.

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

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

For the six months ended 30 June 2016

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)**(a) Turnover**

The Group's revenue which represents turnover for the six months ended 30 June 2016 is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Full Service Hotels	959,303	923,618
— Accommodation revenue	452,748	447,107
— Food and beverage sales	279,334	291,500
— Rendering of ancillary services	48,499	50,240
— Rental revenue	93,844	86,605
— Sales of hotel supplies	3,320	4,288
— Hotel management	81,558	43,878
Select Service Hotels — managed and operated by Jin Jiang Metropolo	1,330,950	1,295,369
— Accommodation revenue	961,321	945,563
— Food and beverage sales	75,145	81,360
— Rendering of ancillary services	15,975	19,068
— Rental revenue	23,817	26,424
— Hotel management, franchise and reservation distribution fee	183,449	166,115
— Revenue under customer royalty programme	35,213	41,035
— Others	36,030	15,804
Select Service Hotels — managed and operated by GDL	1,712,733	1,066,924
— Accommodation revenue	948,153	573,052
— Catering and sale of products	371,411	243,878
— Hotel management and franchise	388,051	240,020
— Others	5,118	9,974
Select Service Hotels — managed and operated by Plateno Group	1,202,678	—
— Accommodation revenue	728,820	—
— Rendering of ancillary services	156,526	—
— Hotel management and franchise	219,116	—
— Revenue under customer royalty programme	55,958	—
— Others	42,258	—
Food and Restaurants	168,344	172,031
Passenger Transportation Vehicles and Logistics	1,144,169	1,063,938
— Vehicle operating	580,255	586,970
— Trading of automobile	501,492	425,112
— Refrigerated logistics	50,475	39,487
— Others	11,947	12,369
Travel Agency	799,114	898,514
— Travel agency	781,882	881,126
— Others	17,232	17,388
Other Operations	36,336	34,466
	7,353,627	5,454,860

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

For the six months ended 30 June 2016

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(a) Turnover (continued)

The majority of the Group's sales are retail sales and no revenues from transactions with a single external customer account for 10% or more of the Group's revenue for the six months ended 30 June 2016 (30 June 2015: nil).

(b) Segment information

The segment results for the six months ended 30 June 2016 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels- managed and operated by Jin Jiang Metropolo RMB'000	Select Service Hotels- managed and operated by GDL RMB'000	Select Service Hotels-managed and operated by Plateno Group RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 6(a))	959,303	1,330,950	1,712,733	1,202,678	168,344	1,144,169	799,114	36,336	7,353,627
Inter-segment sales	3,475	973	—	—	3,820	634	31	22,427	31,360
Total gross segment sales	962,778	1,331,923	1,712,733	1,202,678	172,164	1,144,803	799,145	58,763	7,384,987
Profit for the period	321,868	70,529	50,946	24,271	74,611	153,132	50,207	86,502	832,066
Other income and gain (note 11)	342,921	18,756	33,113	13,147	48,274	51,197	70,886	283,254	861,548
Including: interest income (note 11)	1,038	1,364	611	4,331	44	7,836	4,216	21,090	40,530
Depreciation of property, plant and equipment (note 7)	(94,517)	(178,655)	(163,611)	(148,998)	(6,730)	(108,876)	(3,516)	(641)	(705,544)
Depreciation of investment properties (note 7)	(2,131)	—	—	—	—	(257)	(2,070)	—	(4,458)
Amortization of land use rights (note 7)	(7,845)	(20,138)	—	(931)	—	(540)	—	(116)	(29,570)
Amortization of intangible assets (note 7)	(1,072)	(4,540)	(16,751)	(35,907)	(861)	—	(274)	(39)	(59,444)
Provision for impairment of trade receivables, prepayments and other receivables (note 12)	(24)	(647)	(421)	(7,090)	—	(124)	—	—	(8,306)
Reversal of inventories write-down (note 12)	—	43	—	—	—	—	—	—	43
Finance costs — net	(67,721)	(12,943)	(73,210)	(25,104)	(267)	(1,830)	—	(102,711)	(283,786)
Share of results of joint ventures and associates	43,605	—	4,108	(1,393)	48,526	68,720	341	594	164,501
Income tax expense (note 13)	(96,410)	(26,270)	(48,232)	(17,897)	(1,253)	(16,381)	(8,960)	(30,321)	(245,724)
Capital expenditure	17,121	230,368	268,728	11,126,175	2,897	191,537	510	194	11,837,530

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

For the six months ended 30 June 2016

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

The segment results for the six months ended 30 June 2015 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels- managed and operated by Jin Jiang Metropolo RMB'000	Select Service Hotels-managed and operated by GDL RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
External sales (note 6(a))	923,618	1,295,369	1,066,924	172,031	1,063,938	898,514	34,466	5,454,860
Inter-segment sales	5,183	1,356	—	3,283	2,109	7	19,988	31,926
Total gross segment sales	928,801	1,296,725	1,066,924	175,314	1,066,047	898,521	54,454	5,486,786
Profit for the period	403,578	80,308	86,487	25,112	134,710	52,312	110,186	892,693
Other income and gain(note 11)	745,639	31,551	4,274	32,569	35,267	54,828	279,042	1,183,170
Including: interest income (note 11)	3,103	6,234	2,324	60	7,146	5,857	92,013	116,737
Depreciation of property, plant and equipment (note 7)	(116,197)	(186,674)	(73,828)	(4,029)	(109,479)	(4,018)	(564)	(494,789)
Depreciation of investment properties (note 7)	(716)	—	—	—	(257)	(2,070)	—	(3,043)
Amortization of land use rights (note 7)	(7,845)	(20,034)	—	—	(540)	—	(197)	(28,616)
Amortization of intangible assets (note 7)	(2,085)	(4,792)	(10,397)	(740)	—	(258)	(46)	(18,318)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables (note 12)	(93)	(1,015)	857	—	—	—	—	(251)
Reversal of inventories write-down (note 12)	—	41	—	—	—	—	—	41
Finance costs — net	(69,297)	(12,706)	(50,390)	—	(1,224)	—	(68,954)	(202,571)
Share of results of joint ventures and associates	2,934	—	5,869	14,523	70,589	203	(495)	93,623
Income tax expense (note 13)	(143,673)	(73,635)	(60,888)	(673)	(20,611)	(5,582)	(17,977)	(323,039)
Capital expenditure	31,528	199,522	10,117,244	7,781	108,592	706	13	10,465,386

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

For the six months ended 30 June 2016

6 TURNOVER AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (continued)

The segment assets as at 30 June 2016 are as follows:

	Select Service Hotels- managed and operated by		Select Service Hotels- managed and operated by	Select Service Hotels-managed and operated by Plateno	Food and Restaurants	Passenger Transportation	Travel Agency	Other Operations	The Group
	Full Service Hotels	Jin Jiang Metropolo	operated by GDL	Group		Vehicles and Logistics			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	4,906,793	6,212,688	12,716,082	13,697,395	318,431	3,841,477	1,696,326	12,418,629	55,807,821
Investments in joint ventures	949,806	—	—	—	—	373,566	—	1,789	1,325,161
Investments in associates	48,845	—	91,933	27,888	178,357	335,216	16,187	12,353	710,779
Total assets	5,905,444	6,212,688	12,808,015	13,725,283	496,788	4,550,259	1,712,513	12,432,771	57,843,761

The segment assets as at 31 December 2015 are as follows:

	Select Service Hotels- managed and operated by		Select Service Hotels-managed and operated by GDL	Food and Restaurants	Passenger Transportation	Travel Agency	Other Operations	The Group
	Full Service Hotels	Jin Jiang Metropolo	operated by		Vehicles and Logistics			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	4,456,595	6,301,541	12,163,891	126,339	4,008,057	1,728,367	11,244,108	40,028,898
Investments in joint ventures	1,158,186	—	—	—	390,523	—	1,788	1,550,497
Investments in associates	43,348	—	81,040	160,712	372,516	15,846	11,804	685,266
Total assets	5,658,129	6,301,541	12,244,931	287,051	4,771,096	1,744,213	11,257,700	42,264,661

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

Other income in the segment of "Full Service Hotels" for the six months ended 30 June 2016 mainly includes a gain on partially disposal of a joint venture of RMB313,929,000 (for the six months ended 30 June 2015: a gain on disposal of a subsidiary of RMB716,702,000). Other income in the segment of "Other Operations" for the six months ended 30 June 2016 mainly includes gains on disposal of available-for-sale financial assets of RMB209,292,000 (for the six months ended 30 June 2015: RMB166,076,000).

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 7), land use rights (note 7) and intangible assets (note 7), which include additions resulting from acquisition through business combination (note 17) and prepayment for capital expenditure.

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

For the six months ended 30 June 2016

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

	Property, plant and equipment	Investment properties	Land use rights	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2016	18,103,857	313,725	2,317,188	6,913,772
Additions	560,021	—	—	20,322
Additions resulting from acquisition through business combination (note 17)*	1,399,251	—	106,409	9,751,527
Transferred from property, plant and equipment to investment properties	(191,246)	191,246	—	—
Disposals	(211,734)	—	—	(1,022)
Exchange differences	192,941	—	—	261,882
At 30 June 2016	19,853,090	504,971	2,423,597	16,946,481
At 1 January 2015	13,302,496	313,725	2,317,188	526,816
Additions	378,784	—	—	9,067
Additions resulting from acquisition through business combination	3,901,069	—	—	6,176,466
Disposals	(128,117)	—	—	(390)
Exchange differences	(30,901)	—	—	(49,838)
At 30 June 2015	17,423,331	313,725	2,317,188	6,662,121

* The Intangible assets' additions resulting from acquisition through business combination also included the goodwill amounted to RMB7,464,000, related to the price adjustment on the acquisition of GDL. As at 30 August 2016, the price adjustment has not been finalised.

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

For the six months ended 30 June 2016

7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, LAND USE RIGHTS AND INTANGIBLE ASSETS (CONTINUED)**Accumulated depreciation, amortization and impairment**

	Property, plant and equipment RMB'000	Investment properties RMB'000	Land use rights RMB'000	Intangible assets RMB'000
At 1 January 2016	(7,117,878)	(97,966)	(412,407)	(142,664)
Depreciation and amortization charge for the period (note 12)	(705,544)	(4,458)	(29,570)	(59,444)
Transferred from property, plant and equipment to investment properties	92,622	(92,622)	—	—
Disposals	188,146	—	—	110
Exchange differences	(79,601)	—	—	(6,777)
At 30 June 2016	(7,622,255)	(195,046)	(441,977)	(208,775)
At 1 January 2015	(6,370,402)	(91,880)	(355,273)	(97,399)
Depreciation and amortization charge for the period (note 12)	(494,789)	(3,043)	(28,616)	(18,318)
Disposals	108,463	—	—	212
Exchange differences	2,895	—	—	118
At 30 June 2015	(6,753,833)	(94,923)	(383,889)	(115,387)
Net book amount				
At 30 June 2016	12,230,835	309,925	1,981,620	16,737,706
At 30 June 2015	10,669,498	218,802	1,933,299	6,546,734

The fair value of the investment properties is approximately RMB1,111,333,000 (31 December 2015: approximately RMB871,573,000).

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

For the six months ended 30 June 2016

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables	966,847	761,516
Less: provision for impairment of trade receivables	(110,103)	(104,209)
Trade receivables — net	856,744	657,307
Prepayments and deposits	963,905	487,034
Prepayments and deposits for acquisition of a subsidiary (note 19(b))	680,000	—
Loans to related parties by Finance Company (note 18(b))	642,500	788,000
Estimated price adjustment of Keystone to be received (note 17(a))	473,750	—
Other amounts due from related parties (note 18(b))	267,603	116,651
Interest receivables	206,187	128,829
Other prepaid and recoverable tax	162,043	131,757
Loans to related parties by the Group other than Finance Company (note 18(b))	131,500	209,000
Dividends receivables	52,179	6,630
Loans to third parties	42,859	—
Accrued rental revenue	42,380	38,062
Value-added tax (“VAT”) recoverable	7,149	7,642
Others	97,413	56,677
Less: provision for impairment of other receivables	(40,626)	(30,257)
Prepayments and other receivables — net	3,728,842	1,940,025
	4,585,586	2,597,332
Less: non-current portion of trade receivables, prepayments and other receivables	(1,044,189)	(265,640)
Current portion of trade receivables, prepayments and other receivables	3,541,397	2,331,692

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
0 to 3 months	728,227	506,763
3 months to 1 year	137,003	176,389
Over 1 year	101,617	78,364
	966,847	761,516

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

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

For the six months ended 30 June 2016

9 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables	1,442,665	843,842
Employee benefits payables	1,352,577	1,290,394
Deposits from related parties in Finance Company (note 18(b))	1,199,408	1,947,610
Advances from customers	1,026,446	636,290
Payables for purchases of property, plant and equipment, and intangible assets	473,078	392,430
Deposits from lessees and constructors	407,753	372,786
Other tax payables	309,777	288,875
Advances on behalf of the franchises	290,730	—
Other amounts due to related parties (note 18(b))	185,304	182,103
Defined benefit plan of GDL	175,506	161,863
Dividend payable to non-controlling interests	147,375	21,923
Accrued expenses	140,744	113,938
Deferred government grants	74,804	61,910
Marketing fund	73,956	57,878
Interests payable	57,407	25,007
Deferred payment of acquisition of subsidiaries	48,022	34,345
Deposits for private placing share	45,650	45,167
Deferred revenue for customer royalty programme	37,585	1,043
Payables related to the disposal of Shanghai Galaxy Hotel Co., Ltd ("Galaxy Hotel")	36,962	36,962
Provisions for other liabilities and charges	33,125	68,575
Others	153,430	76,018
	7,712,304	6,658,959
Less: non-current portion of trade payables, provisions and other payables	(1,264,424)	(1,135,670)
Current portion of trade payables, provisions and other payables	6,447,880	5,523,289

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
0 to 3 months	1,204,017	702,145
3 months to 1 year	185,138	129,555
Over 1 year	53,510	12,142
	1,442,665	843,842

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

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

For the six months ended 30 June 2016

10 BORROWINGS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings — secured	14,507,630	9,229,321
Bank borrowings — unsecured	1,860,972	2,006,014
Finance lease liabilities	177,323	178,251
	16,545,925	11,413,586
Less: current portion of long-term secured bank borrowings	(2,859,438)	(5,613)
current portion of long-term unsecured bank borrowings	(116,046)	(260,675)
current portion of long-term finance lease	(11,156)	(12,094)
	13,559,285	11,135,204
Borrowings included in current liabilities:		
Bank borrowings — secured	1,906,993	23,668
Bank borrowings — unsecured	10,581,887	4,848,039
Borrowings from related parties (note 18(b))	250,000	100,000
Current portion of long-term secured bank borrowings	2,859,438	5,613
Current portion of long-term unsecured bank borrowings	116,046	260,675
Current portion of long-term finance lease	11,156	12,094
	15,725,520	5,250,089

As at 30 June 2016, the secured bank borrowings included:

- (a) Bank borrowings of EUR1,289,484,000, equivalent to RMB9,509,943,000 (31 December 2015: EUR1,289,305,000, equivalent to RMB9,147,876,000), which were pledged by the bank deposits RMB4,723,560,000 and the ownership of a subsidiary, and guaranteed by Jin Jiang International;
- (b) Bank borrowings of Polish Zloty ("PLN") 48,946,000, equivalent to RMB77,687,000 (31 December 2015: PLN48,946,000, equivalent to RMB81,445,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;
- (c) Bank borrowings of RMB33,668,000 (31 December 2015: RMB23,668,000), which were guaranteed by a non-controlling shareholder of a subsidiary of the Group;
- (d) Bank borrowings of RMB8,000,000 (31 December 2015: nil), which were jointly guaranteed by the shareholders of a subsidiary of the Group;
- (e) Bank borrowings of RMB1,865,325,000 (31 December 2015: nil), which were pledged by the non-controlling equity interests of a subsidiary of the Group and guaranteed by Jin Jiang International; and

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

For the six months ended 30 June 2016

10 BORROWINGS (CONTINUED)

- (f) Bank borrowings of RMB4,920,000,000 (31 December 2015: nil), which were pledged by the equity interests in a subsidiary of the Group.

Finance lease liabilities with carrying amount of RMB177,323,000 (31 December 2015: RMB178,251,000) are effectively secured as the rights to the leased assets with carrying amount of RMB256,177,000 (31 December 2015: RMB282,038,000) revert to the lessor in the event of default.

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At beginning of the period	16,385,293	3,582,628
Bank borrowings additions resulting from business combination (note 17)	1,865,332	5,743,687
Proceeds from borrowings	11,797,112	13,918,849
Repayments of borrowings	(1,161,693)	(7,264,370)
Finance lease additions resulting from business combination	—	208,426
Payments of finance leases	(7,205)	(74,114)
Foreign exchange loss/(gain)	405,966	(11,973)
At end of the period	29,284,805	16,103,133

11 OTHER INCOME AND GAIN

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Gain on partially disposal of investment in a joint venture	313,929	—
Gain on disposal of available-for-sale financial assets	248,871	194,897
Dividend income	140,685	96,467
— Listed equity investments	88,032	55,439
— Unlisted equity investments	52,653	41,028
Government grants income (a)	41,127	36,926
Interest income	40,530	116,737
Gain on foreign exchange forward contract	21,582	732
Gain on disposal of property, plant and equipment	13,178	2,978
Gain on disposal of financial assets at fair value through profit or loss	471	3,189
Gain on disposal of investments in a subsidiary	—	716,702
Others	41,175	14,542
	861,548	1,183,170

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

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

For the six months ended 30 June 2016

12 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Employee benefit expenses	2,109,747	1,596,653
Changes in inventories	1,754,538	1,573,994
Depreciation of property, plant and equipment (note 7)	705,544	494,789
Operating leases — land and buildings	629,927	293,958
Utility cost and consumables	374,830	324,152
Repairs and maintenance	224,636	142,916
Business tax, property tax, VAT through a simplified method and other tax surcharges	217,606	193,642
Commissions paid to travel agencies	163,000	74,039
Advertising costs	98,827	78,712
Amortisation of intangible assets (note 7)	59,444	18,318
Consulting fee	52,559	35,580
Transportation expenses	41,784	17,089
Telecommunication expenses	35,351	9,395
Laundry costs	34,834	13,468
Amortisation of land use rights (note 7)	29,570	28,616
Transactions cost in relation to business combination	26,485	23,440
Auditors' remuneration	14,166	7,961
Provision for impairment of trade receivables, prepayments and other receivables	8,306	251
Depreciation of investment properties (note 7)	4,458	3,043
Entertainment expenses	4,177	2,352
Reversal of inventories to net realisable value	(43)	(41)
Others	375,395	267,335
	6,965,141	5,199,662

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

For the six months ended 30 June 2016

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	230,564	178,812
Overseas current corporate income tax	51,745	28,594
Deferred tax:		
Mainland China deferred income tax	(35,486)	83,339
Overseas deferred income tax	(1,099)	32,294
	245,724	323,039

Provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of Group companies operating in Mainland China for the six months ended 30 June 2016 (the six months ended 30 June 2015: 25%) as determined in accordance with the Corporate Income Tax Law of PRC and the Detail Implementation Regulations.

Hong Kong profits tax is provided at a rate of 16.5% on the estimated assessable profits of Group's subsidiaries incorporated in Hong Kong for the six months ended 30 June 2016 (the six months ended 30 June 2015: 16.5%). For the six months ended 30 June 2016, the Group's subsidiaries incorporated in Hong Kong did not have assessable profit and therefore has not provided for any Hong Kong profits tax (the six months ended 30 June 2015: nil).

GDL is mainly operated in France and subject to income tax at 34.43% for the six months ended 30 June 2016 (the six months ended 30 June 2015: 34.43%).

Certain subsidiaries of Plateno Group incorporated in Germany are subject to income tax rate of 15% for the six months ended 30 June 2016.

Certain subsidiaries of Plateno Group incorporated in Austria are subject to income tax rate of 25% for the six months ended 30 June 2016.

14 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
Profit attributable to shareholders of the Company (RMB'000)	552,614	629,002
Weighted average number of ordinary shares in issue (thousands)	5,566,000	5,566,000
Basic earnings per share (RMB cents)	9.93	11.30

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

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

For the six months ended 30 June 2016

15 DIVIDENDS

The final dividend for the year 2015 of RMB6.5 cents (2014 final dividend: RMB5.0 cents) per share, totalling RMB361,790,000 (2014 final dividend: RMB278,300,000) was paid subsequently in July and August 2016. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015 interim dividend: nil).

16 COMMITMENTS**(a) Capital commitments**

Capital expenditure at 30 June 2016 contracted but not yet incurred is as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Acquisition of property, plant and equipment	215,260	118,123

(b) Operating lease commitments

The Group leases various premises, offices and machinery and also leases out space in hotels under non-cancellable operating lease agreements. The rental revenue recognised and the lease expenditure expensed in the unaudited condensed consolidated interim income statement during the six months ended 30 June 2016 is disclosed in note 6(a) and note 12, respectively.

Leases with different lessees and lessors are negotiated for terms ranging from 1 year to 25 years with different renewal options, escalation clauses and restrictions on subleasing. When certain rental receipts and lease payments of properties are based on the higher of minimum guaranteed rentals or revenue level based rentals, the minimum guaranteed rentals have been used to arrive at the commitments below.

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Not later than 1 year	241,736	196,834
Later than 1 year and not later than 5 years	715,109	511,474
Later than 5 years	816,176	708,917
	1,773,021	1,417,225

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

For the six months ended 30 June 2016

16 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Not later than 1 year	1,222,286	540,482
Later than 1 year and not later than 5 years	4,633,713	2,254,060
Later than 5 years	4,437,275	3,702,892
	10,293,274	6,497,434

17 BUSINESS COMBINATIONS

(a) Acquisition of 81.0034% shares in Keystone

Pursuant to the note 1(a), upon the completion of the transaction on 26 February 2016, Keystone became a subsidiary of the Group. As a result of the acquisition, the Group is expected to increase its presence in the market of select service hotels. The goodwill of RMB5,644,223,000 arising from the acquisition is attributable to the acquired entity's workforce, acquired customer base and economies of scale expected from combining the operations of the Group and Plateno Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

If the acquisition had occurred on 1 January 2016, Group revenue would have been RMB7,852,858,000, and profit for the period would have been RMB682,365,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 January 2016, together with the consequential tax effects.

Following the information of acquisition of 81.0034% shares in Keystone as disclosed in note 1(a), details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	8,554,920
— Estimated price adjustment to be received (note 8)	(473,750)
Total purchase consideration	8,081,170

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

For the six months ended 30 June 2016

17 BUSINESS COMBINATIONS (CONTINUED)**(a) Acquisition of 81.0034% shares in Keystone (continued)**

The assets and liabilities as of 26 February 2016 arising from the acquisition are as follows:

	Fair values RMB'000
Property, plant and equipment	1,388,920
Land use right	106,409
Intangible assets (other than goodwill)	3,965,365
Investments in associates	28,530
Available-for-sale financial assets	400,603
Deferred income tax assets	96,613
Trade receivables, prepayments and other receivables — non-current portion	223,532
Inventories	29,206
Trade receivables, prepayments and other receivables — current portion	383,237
Cash and cash equivalents	1,279,661
Deferred income tax liabilities	(1,007,032)
Trade and other payables — non-current portion	(336,779)
Borrowings — current portion	(1,865,325)
Trade and other payables — current portion	(1,215,533)
Income tax payable	(28,527)
Total identifiable net assets	3,448,880
Less: Non-controlling interest	(1,011,933)
Share of net assets (81.0034%)	2,436,947
Add: Goodwill	5,644,223
Total purchase consideration	8,081,170
Total purchase consideration settled in cash for the period ended 30 June 2016	(8,554,920)
Cash and cash equivalents in the subsidiary acquired	1,279,661
Cash outflow of cash consideration on acquisition	(7,275,259)
Total transaction cost	26,485

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

For the six months ended 30 June 2016

17 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of 100% shares in Nordic Hotel AG Kiel GmbH and other 8 companies ("Nordic")

Pursuant to the equity interest agreement signed between GDL and Nordic, GDL acquired 100% equity interest shares in Nordic. Nordic is principally engaged in the operation of hotels in Germany.

In January 2016, the equity transfer was completed with the cash consideration of EUR20,500,000, equivalent to RMB145,452,000, subject to adjustment under the price adjustment mechanism set out in the equity interest agreement. As at 30 August 2016, the price adjustment has not been finalised.

Upon the completion of the transaction in January 2016, Nordic became subsidiaries of the Group. As a result of the acquisition, the Group is expected to increase its presence in the market of hotels in Germany.

Details of purchase consideration are as follows:

	RMB'000
Purchase consideration:	
— Cash paid	145,452

The assets and liabilities as at acquisition date are as follows:

	Fair values RMB'000
Property, plant and equipment	10,331
Intangible assets (other than goodwill)	709
Inventories	1,012
Trade receivables, prepayments and other receivables — current portion	33,506
Cash and cash equivalents	6,563
Trade and other payables — non-current portion	(274)
Borrowings — current portion	(7)
Trade and other payables — current portion	(40,154)
Total identifiable net assets	11,686
Share of net assets (100%)	11,686
Add: Goodwill	133,766
Total purchase consideration	145,452
Total purchase consideration settled in cash for the period ended 30 June 2016	(145,452)
Cash and cash equivalents in the subsidiary acquired	6,563
Cash outflow of cash consideration on acquisition	(138,889)

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

For the six months ended 30 June 2016

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

The Group had the following significant related party transactions during six months ended 30 June 2016:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Transactions with Jin Jiang International and its subsidiaries, joint ventures and associates		
— Provision of hotel services	12,698	13,981
— Interest income received	6,216	1,171
— Provision of other services	4,570	5,443
— Sales of hotel supplies	1,049	2,039
— Rental income received	952	1,766
— Provision of vehicle operating services	217	453
— Provision of food and beverage services	88	28
— Provision of management fees	—	543
	25,790	25,424
— Rental expenses paid	17,753	17,711
— Receipt of room reservation fee	6,085	3,177
— Interest expenses paid	4,543	5,009
— Receipt of travelling services	2,306	547
— Purchase of food and beverage	343	1,115
— Receipt of food and beverage services	239	391
	31,269	27,950

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

For the six months ended 30 June 2016

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Transactions with joint ventures and associates of the Group		
— Interest income received	9,953	9,726
— Management fees received	3,022	2,649
— Sales of vehicles	2,269	555
— Rental income received	1,424	812
— Provision of hotel services	—	33
	16,668	13,775
— Purchase of property, plant and equipment	66,396	48,738
— Interest expenses paid	3,814	3,526
— Receipt of maintenance services	747	1,114
— Rental expenses paid	470	495
— Receipt of travel services	36	7
	71,463	53,880

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

For the six months ended 30 June 2016

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Loans to related parties by Finance Company (note 8)		
— Jin Jiang International (i)	300,000	450,000
— Joint ventures of the Group (ii)	277,500	283,000
— Associates of the Group (iii)	55,000	55,000
— Subsidiaries, joint ventures and associates of Jin Jiang International (iv)	10,000	—
	642,500	788,000
Loans to related parties by the Group other than Finance Company (note 8)		
— Joint ventures of the Group (v)	122,500	200,000
— Associates of the Group (vi)	9,000	9,000
	131,500	209,000
Other amounts due from related parties (note 8)		
— Associates of the Group	159,674	46,556
— Joint ventures of the Group	73,672	55,988
— Subsidiaries, joint ventures and associates of Jin Jiang International	21,432	13,318
— Entities controlled by key management personnel	12,425	—
— Jin Jiang International	400	789
	267,603	116,651
Deposits from related parties in Finance Company (note 9)		
— Subsidiaries, joint ventures and associates of Jin Jiang International (vii)	(608,670)	(366,373)
— Jin Jiang International (viii)	(411,172)	(1,390,733)
— Joint ventures of the Group (ix)	(172,319)	(175,338)
— Associates of the Group (x)	(7,247)	(15,166)
	(1,199,408)	(1,947,610)

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

For the six months ended 30 June 2016

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Other amounts due to related parties (note 9)		
— Joint ventures of the Group	(94,994)	(85,760)
— Associates of the Group	(43,583)	(42,926)
— Jin Jiang International	(35,132)	(32,316)
— Subsidiaries, joint ventures and associates of Jin Jiang International	(10,768)	(21,101)
— Entities controlled by key management personnel	(827)	—
	(185,304)	(182,103)
Dividend payables to related parties		
— Jin Jiang International	(271,343)	—
Borrowings from related parties (note 10)		
— A subsidiary of Jin Jiang International (xi)	(250,000)	(100,000)

(c) Loan commitments and financial guarantees

Loan commitments		
— Jin Jiang International	200,000	50,000
— Joint ventures of the Group	18,000	247,000
— A subsidiary of Jin Jiang International	5,000	—
— Associates of the Group	1,000	—
	224,000	297,000
Financial guarantees provided to related parties		
— Joint ventures of the Group	12,000	848,681

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

For the six months ended 30 June 2016

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

- (i) The balance includes unsecured loans to Jin Jiang International of RMB300,000,000 as at 30 June 2016 (31 December 2015: RMB450,000,000) with effective interest rate of 3.48% (2015: 3.92%) per annum.
- (ii) The balance includes secured loans to a joint venture of RMB265,500,000 as at 30 June 2016 (31 December 2015: RMB265,500,000) with effective interest rate of 3.67% (2015: 4.93%) per annum which were guaranteed by its properties, and an unsecured loan to a joint venture of RMB12,000,000 as at 30 June 2016 (31 December 2015: RMB17,500,000) with effective interest rate of 3.92% (2015: 4.59%) per annum which was guaranteed by a subsidiary of the Group.
- (iii) The balance includes secured loans to an associate of the Group of RMB55,000,000 as at 30 June 2016 (31 December 2015: RMB55,000,000) with effective interest rate of 6.15% (2015: 6.15%) per annum which were guaranteed by its properties.
- (iv) The balance includes a unsecured loan to subsidiaries, joint ventures and associates of the Group of RMB10,000,000 as at 30 June 2016 (31 December 2015: nil) with effective interest rate of 4.59% (2015: nil) per annum.
- (v) The balance includes unsecured loans to joint ventures of RMB122,500,000 as at 30 June 2016 (31 December 2015: RMB200,000,000) with effective interest rate of 4.35% (2015: 4.79%) per annum.
- (vi) The balance includes unsecured loans to an associate of the Group of RMB9,000,000 as at 30 June 2016 (31 December 2015: RMB9,000,000) with effective interest rate of 4.85% (2015: 4.85%) per annum.
- (vii) The balance includes deposits from subsidiaries, joint ventures and associates of Jin Jiang International of RMB608,670,000 as at 30 June 2016 (31 December 2015: RMB366,373,000) with effective interest rate of 1.03% (2015: 2.40%) per annum.
- (viii) The balance includes deposits from Jin Jiang International of RMB411,172,000 as at 30 June 2016 (31 December 2015: RMB1,390,733,000) with effective interest rate of 0.39% (2015: 0.39%) per annum.
- (ix) The balance includes deposits from joint ventures of RMB172,319,000 as at 30 June 2016 (31 December 2015: RMB175,338,000) with effective interest rate of 4.42% (2015: 4.82%) per annum.
- (x) The balance includes deposits from associates of the Group of RMB7,247,000 as at 30 June 2016 (31 December 2015: RMB15,166,000) with effective interest rate of 0.61% (2015: 1.15%) per annum.
- (xi) The balance includes unsecured borrowings from a subsidiary of Jin Jiang International of RMB250,000,000 as at 30 June 2016 (31 December 2015: RMB100,000,000) with effective interest rate of 3.59% (2015: 5.40%) per annum.

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

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

For the six months ended 30 June 2016

18 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Salary and other allowances	842	1,001
Discretionary bonus	134	142
Retirement scheme contributions	93	188
	1,069	1,331

19 SUBSEQUENT EVENTS

(a) The proposed private placing of Jin Jiang Hotels Development

On an extraordinary general meeting of shareholders of Jin Jiang Hotels Development held on 27 November 2015, a private placing (the "Private Placing") was approved to issue 150,958,260 A Shares at a price of RMB29.93 per share to the Company and other 5 investors. Jin Jiang Hotels Development is a 50.32% subsidiary of the Company and a joint stock limited company with its A Shares and B Shares listed on the Shanghai Stock Exchange. The Private Placing is intended to raise total proceeds of not more than RMB4,518,180,800.

In April 2016, the Private Placing was adjusted to issue 153,418,700 A shares at a price of RMB29.45 per share.

On 8 July 2016, Jin Jiang Hotels Development received the "Reply of Approval relating to Permission for the Private Placing of Shares by Shanghai Jin Jiang International Hotels Development Company Limited" (Zheng Jian Xu Ke [2016] No. 1090) issued by the China Securities Regulatory Commission ("CSRC").

On 2 August 2016, Jin Jiang Hotels Development completed the Private Placing. After that, the Company maintains 50.32% shareholding in Jin Jiang Hotels Development.

(b) Acquisition of 80% equity interest of Vienna Hotels Group Co., Ltd. ("Vienna Hotels") and 80% equity interest of Shenzhen Baisuicun Restaurants Chain Co., Ltd. ("Baisuicun Restaurants")

On 28 April 2016, Jin Jiang Hotels Development, a subsidiary of the Company, entered into the Vienna Hotels Equity Transfer Agreement and Baisuicun Restaurants Equity Transfer Agreement with an independent third party (the "Transferor"), pursuant to which Jin Jiang Hotels Development agreed to acquire 80% equity interest of Vienna Hotels at a cash consideration of RMB1,748,800,000, and acquire 80% equity interest in Baisuicun Restaurants at a cash consideration of RMB800,000.

Jin Jiang Hotels Development paid the consideration of RMB680,000,000, RMB656,000,000 and RMB238,000,000 to the Transferor on 3 May 2016, on 4 July 2016 and 21 July 2016, respectively. On 1 July 2016, the closing of the above transactions has been completed, subject to adjustment under the price adjustment mechanism set out in the Vienna Hotels Equity Transfer Agreement and Baisuicun Restaurants Equity Transfer Agreement.

As at 30 August 2016, the consolidated financial statements of Vienna Hotels and Baisuicun Restaurants prepared in accordance with HKFRS are not available to the Group and the Group will assess the impact of the business combination on the Group's consolidated financial statements for the year ending 31 December 2016.

