Shanghai Jin Jiang International Hotels (Group) Company Limited*

上海錦江國際酒店(集團)股份有限公司

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

(Stock code: 02006)

2017 FINAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the final results of the Group for the year ended 31 December 2017. These results have been reviewed by the Audit Committee. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the final results announcement were consistent with the amounts set out in the audited consolidated financial statements of the Group for the year.

China's tourism industry continued to develop in 2017, with low-to-mid-end hotels embracing improved market sentiments, while middle-end hotels experienced surging growth. In a proactive move to adapt itself to the new normal in economic development, the Group persisted in the double-edged approach underpinned by "applications of capital and excellent operations" based on the strategy of "intensive domestic business development, global deployment and multinational operations", capitalising on development trends in the global hotel industry as it accelerated the process of intensive resource consolidation and the construction of sharing platforms to highlight innovation-driven development and advance brand innovation. In persistent adherence to the principle of "keeping the DNA unchanged, integrating back offices, realising complementary advantages, and procuring mutual development" with a strong focus on qualitative development, we have provided high-quality services to customers. Through intensive reforms, our asset efficiency has been steadily improved, while the general competitiveness of our principal business has been continuously enhanced with a further optimised profit mix.

During the Reporting Period, the Group realised sales revenue of approximately RMB19,758,908,000, representing an increase of approximately 16.1% as compared to the same period of last year. Operating profit of the Group amounted to approximately RMB2,178,385,000, representing an increase of approximately 0.4% as compared to the same period of last year. Earnings before interests, taxes, depreciation and amortisation ("EBITDA") of the Group amounted to approximately RMB4,468,154,000, representing an increase of approximately 8.5% as compared to the same period of last year. Profit attributable to shareholders of the Company amounted to approximately RMB760,770,000, representing an increase of approximately 0.3%, which was mainly attributable to the growth in operating results following the expansion of hotel operations. The Board has proposed a distribution of RMB8.0 cents (inclusive of tax) per share as dividends for the year ended 31 December 2017, which is unchanged as compared to the same period of last year.

As at the end of the Reporting Period, the Group held or managed a total of 6,794 hotels with approximately 680,000 rooms in aggregate in 68 countries over the world. Among the said hotels, a total of 5,495 self-owned or managed hotels were in operation in China with approximately 570,000 rooms in total. In addition, 2,707 hotels of the Group were under construction over the world with a total of approximately 290,000 rooms. 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 2017.

In February 2017, Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司) (the official name of our joint venture, Wehotel, as approved by the Industry and Commerce Department) was officially incorporated to build an online sharing economic platform for global hotels based on the mobile Internet. The membership system and reservation system were further integrated with the launch of the new "Jin Jiang Trip" (錦江旅行) APP. Currently, close to 140 million members have registered with the system.

In March 2017, Jin Jiang Hotels Development established Jin Jiang GDL Asia in a move to embark on intensive integration of the Select Service Hotels segment on all fronts.

In April 2017, the Company and Jin Jiang Capital transferred the 100% equity interests they held in Hubs1 to WeHotel, including 10% equity interests in Hubs1 transferred by the Company.

In October 2017, the Company secured 66.67% controlling interests in Shanghai Yangtze Hotel Limited ("Yangtze Hotel") through two equity acquisitions and completed relevant land grant procedures. The equity acquisition have enabled the Company to strengthen its operational control over Yangtze Hotel and enhanced its asset value, while facilitating the latter's sustainable operation.

In October 2017, Jin Jiang Hotels Development entered into an equity transfer agreement with Prototal Enterprises Limited, pursuant to which Jin Jiang Hotels Development acquired 12.0001% equity interests in Keystone held by Prototal Enterprises Limited for a cash consideration of approximately RMB1.2 billion. Following the completion of the transaction in January 2018, the percentage of Jin Jiang Hotels Development's shareholdings in Keystone increased from 81.0034% to 93.0035%.

In November 2017, Rainbow Hotel was renamed "Golden Tulip Shanghai Rainbow Hotel" in its official launch as the global flagship of the repositioned "Golden Tulip" brand. It took 6-month suspension of Rainbow Hotel to complete the refurbishment and renovation of the public area, partial guest rooms on the executive floor and the executive lounge at Golden Tulip Shanghai Rainbow Hotel. The further construction will be commenced shortly for the remaining guest rooms and floors.

To step up with the building of flagships for middle-end hotels, Campanile Shanghai Natural History Museum Hotel, Jin Jiang Metropolo Nanjing Hotel and Jin Jiang Metropolo South Hua Ting Hotel commenced operations during the Reporting Period. Meanwhile, the conversion of signature hotels for mid-market brands, such as Campanile Jin'an Hotel, Kyriad Hotel at Gonghe New Road, Jin Jiang Metropolo Luwan Liyuan Hotel, Vienna Hotel (Shanghai flagship) (formerly Jinsha Hotel) and Lavande + James Joyce Coffetel hotels (formerly Jin Jiang Inn (Huamu)), was progressing in a systematic manner according to detailed schedules, and these hotels are expected to come into operation successively during the first half of 2018.

During the Reporting Period, IHHC completed disposals of five self-owned hotels in the United States. Through the transaction, investment gains have been recorded after deduction of investment costs.

During the Reporting Period, the Group successfully completed major hospitality tasks relating to plenary meetings of the Municipal Committee, Municipal CPPCC Committee, CPC Congress, the Mayor's Consultative Conference and National Day celebrations with the deployment of "Jin Jiang Hotel Task Forces for Significant Hospitality Assignments" formed by our very best personnel selected from various subsidiaries, leveraging the Group's competitive edge in the industry chain for specific as well as general businesses. Our efforts have been widely commended by the community.

OPERATIONAL STATISTICS

	2017	2016 (Restated)
Average Occupancy Rate		
Full Service Hotels		
— 5-star Luxury Hotels	**74%**	73%
— 4-star Luxury Hotels	**73%**	72%
Select Service Hotels		
— Jin Jiang GDL Asia	**78%**	76%
— GDL	**64%**	61%
— Plateno Group	**81%**	83%
— Vienna Hotels	**89%**	89%
Average room rate *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**854**	821
— 4-star Luxury Hotels	**517**	497
Select Service Hotels		
— Jin Jiang GDL Asia	**190**	186
— GDL *(EUR/room)*	**57**	58
— Plateno Group	**158**	145
— Vienna Hotels	**245**	246
RevPAR *(RMB/room)*		
Full Service Hotels		
— 5-star Luxury Hotels	**630**	598
— 4-star Luxury Hotels	**375**	353
Select Service Hotels		
— Jin Jiang GDL Asia	**148**	142
— GDL *(EUR/room)*	**36**	35
— Plateno Group	**128**	120
— Vienna Hotels	**217**	219

Notes:

1. The policy of "replacing business tax with Value-added tax ("VAT")" has become applicable to the service industry in China with effect from May 2016. Hence, figures for the average room rate and RevPAR are no longer tax inclusive. The operational statistics for 2016 have been restated to be on the same basis as those for 2017.

2. Five-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.

3. Four-star Luxury Hotels include: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Rainbow Hotel (excluded due to suspension of business for refurbishment), Shanghai Hotel, Shanghai Jing An Hotel, Shanghai Sofitel Hotel, Jiangsu Nanjing Hotel, Wuxi Jin Jiang Grand Hotel, West Capital International Hotel and Kunming Jin Jiang Hotel.

4. Select Service Hotels, include the operational data of all operating chain hotels under the brands of: "Jin Jiang Metropolo", "Jin Jiang Inn", "Jinguang Inn", "Bestay Hotels Express", "Campanile (康鉑)", "Premiere Classe", "Campanile", "Kyriad", "Golden Tulip", "Sarovar", "Lavande", "James Joyce Coffetel", "IU", "7 Days Inn", "Pai", other brands under Plateno Group, "Venus Royal", "Vienna International", "Vienna Classic", "Vienna Hotels", "Vienna 3 Best" and other brands under Vienna Hotels.

5. The 2016 operating data of Plateno Group represent data for the period from March to December, and those of Vienna Hotels represent data for the period from July to December.

FINANCIAL HIGHLIGHTS

	2017	2016	2015	2014	2013
Items of Consolidated Income Statement *(RMB million)*					
Revenue	**19,759**	17,013	12,197	9,364	9,288
Profit attributable to shareholders of the Company	**761**	758	866	621	444
Earnings per share on profit attributable to shareholders of the Company *(RMB cents)*	**13.67**	13.63	15.55	11.16	7.97
Items of Consolidated Balance Sheet *(RMB million)*					
Total assets	**62,998**	56,771	42,298	24,163	21,836
Total liabilities	**42,194**	36,631	25,520	8,787	9,886
Total equity	**20,804**	20,140	16,778	15,376	11,950
Total equity attributable to the shareholders of the Company	**9,485**	9,357	9,296	8,619	7,566
Items of Consolidated Statement of Cash Flows *(RMB million)*					
Net cash generated from operating activities	**6,597**	1,146	2,464	(796)	2,044
NON-HKFRS Financial Information					
Proposed dividend *(RMB million)*	**445**	445	362	278	250
Proposed dividend per share *(RMB cents)*	**8.00**	8.00	6.50	5.00	4.50
Earnings before interests, taxes, depreciation and amortisation *(RMB million)*	**4,468**	4,118	3,398	2,647	2,360
Total equity per share *(RMB)*	**3.74**	3.62	3.01	2.76	2.15
Total equity per share attributable to the shareholders of the Company *(RMB)*	**1.70**	1.68	1.67	1.55	1.36
Gearing ratio	**37.8%**	43.9%	38.7%	14.8%	17.7%
Additions to non-current assets (other than financial instruments and deferred tax assets) *(RMB million)*	**3,647**	14,725	11,308	845	2,702

SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH HKFRS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 *RMB'000*	2016 *RMB'000*
Revenue	3	**19,758,908**	17,013,125
Cost of sales	4	**(14,949,609)**	(13,254,487)
Gross profit		**4,809,299**	3,758,638
Other income and gain	10	**786,010**	1,207,757
Selling and marketing expenses	4	**(1,112,808)**	(1,050,169)
Administrative expenses	4	**(2,114,141)**	(1,625,799)
Other expenses and losses	11	**(189,975)**	(119,939)
Operating profit		**2,178,385**	2,170,488
Finance income	12	**115,807**	178,565
Finance costs	12	**(692,005)**	(746,375)
Finance costs — net	12	**(576,198)**	(567,810)
Share of results of joint ventures and associates accounted for using the equity method		**359,770**	185,679
Profit before income tax		**1,961,957**	1,788,357
Income tax expense	5	**(407,996)**	(434,053)
Profit for the year		**1,553,961**	1,354,304
Attributable to:			
Shareholders of the Company		**760,770**	758,446
Non-controlling interests		**793,191**	595,858
		1,553,961	1,354,304
Earnings per share for profit attributable to shareholders of the Company during the year *(expressed in RMB cents per share)* — basic and diluted	6	**13.67**	13.63
Dividends	7	**445,280**	445,280

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**1,553,961**	1,354,304
Other comprehensive income:		
Items that will not be subsequently reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**(511)**	(4,320)
Items that may be subsequently reclassified to profit or loss		
Fair value changes on available-for-sale financial assets — gross	**(98,214)**	(528,930)
Transfer of fair value changes on disposal of available-for-sale financial assets — gross	**(175,726)**	(381,442)
Fair value changes on available-for-sale financial assets and transfer of fair value changes on disposal of available-for-sale financial assets — tax	**74,441**	264,036
Cash flow hedges	**967**	(78)
Currency translation differences	**48,003**	(3,028)
Total other comprehensive income for the year	**(151,040)**	(653,762)
Total comprehensive income for the year	**1,402,921**	700,542
Attributable to:		
Shareholders of the Company	**675,413**	449,093
Non-controlling interests	**727,508**	251,449
	1,402,921	700,542

CONSOLIDATED BALANCE SHEET
At 31 December 2017

	Note	**At 31 December 2017** *RMB'000*	At 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**12,541,050**	12,515,403
Investment properties		**290,195**	288,448
Land use rights		**3,296,355**	1,951,609
Intangible assets		**18,833,492**	18,259,164
Investments accounted for using the equity method		**1,909,749**	1,949,200
Available-for-sale financial assets		**3,508,065**	3,485,450
Deferred income tax assets		**762,739**	695,490
Trade receivables, prepayments and other receivables	8	**206,954**	434,024
Restricted cash		**—**	3,306,492
		41,348,599	42,885,280
Current assets			
Financial assets at fair value through profit or loss		**32,204**	60,924
Available-for-sale financial assets		**186,849**	182,022
Inventories		**209,153**	195,781
Trade receivables, prepayments and other receivables	8	**4,132,958**	2,877,760
Restricted cash		**420,387**	1,659,753
Bank deposits with maturities over 3 months		**4,560,632**	2,350,271
Cash and cash equivalents		**12,098,112**	6,559,042
		21,640,295	13,885,553
Assets classified as held for sale		**9,194**	—
		21,649,489	13,885,553
Total assets		**62,998,088**	56,770,833

CONSOLIDATED BALANCE SHEET (CONTINUED)
At 31 December 2017

	Note	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital	1	**5,566,000**	5,566,000
Reserves		**3,919,024**	3,790,960
		9,485,024	9,356,960
Non-controlling interests		**11,318,523**	10,783,115
Total equity		**20,803,547**	20,140,075
LIABILITIES			
Non-current liabilities			
Borrowings		**19,954,804**	16,388,796
Deferred income tax liabilities		**3,085,697**	3,141,998
Trade and other payables	9	**2,067,203**	927,987
		25,107,704	20,458,781
Current liabilities			
Borrowings		**3,828,870**	8,553,405
Derivative financial instruments		**4,391**	6,158
Income tax payable		**360,374**	279,457
Trade and other payables	9	**12,893,202**	7,332,957
		17,086,837	16,171,977
Total liabilities		**42,194,541**	36,630,758
Total equity and liabilities		**62,998,088**	56,770,833

NOTES TO THE SELECTED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2017

1 GENERAL INFORMATION

The Company was established on 16 June 1995 and its holding company is 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 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 Jin Jiang Investment and Jin Jiang Travel (the "Acquisition").

The Company is listed on the Main Board of 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 is 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 "Passenger Transportation Vehicles and Logistics Business") and investment and operation of travel agency and related businesses (the "Travel Agency Business").

These consolidated financial statements were approved for issue by the Board of the Company on 29 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New amendments of HKFRS adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017.

Amendments to Hong Kong Accounting Standards ("HKAS") 12 '*Income Taxes*' on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 '*Statement of Cash Flows*' introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendment to HKFRS 12, '*Disclosure of interest in other entities*' is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (paragraph B17 of HKFRS 12).

The adoption of the above new amendments did not have a material effect on the Group's operating results, financial position or comprehensive income.

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after	
HKFRS 1 (Amendment)	*First time adoption of HKFRS*	1 January 2018	
HKFRS 2 (Amendments)	*Classification and measurement of share-based payment transactions*	1 January 2018	
HKFRS 4 (Amendments)	*Insurance contracts*	1 January 2018	
HKFRS 9	*Financial instruments*	1 January 2018	(i)
HKFRS 15	*Revenue from contracts with customers*	1 January 2018	(ii)
HK (IFRIC) 22	*Foreign currency transactions and advance consideration*	1 January 2018	
HKAS 28 (Amendment)	*Investments in associates and joint ventures*	1 January 2018	
HKAS 40 (Amendments)	*Transfers of investment property*	1 January 2018	
HKFRS 16	*Leases*	1 January 2019	(iii)
HK (IFRIC) 23	*Uncertainty over income tax treatments*	1 January 2019	
Amendments to HKFRS 10 and HKAS 28	*Sale or contribution of assets between an investor and its associate or joint venture*	To be determined	
HKFRS 17	*Insurance contracts*	1 January 2021 or when apply HKFRS 15 and HKFRS 9	

(i) HKFRS 9, Financial Instruments

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The financial assets held by the Group include:

- equity instruments currently classified as available-for-sale financial assets for which a fair value through other comprehensive income election is available;
- equity investments currently measured at fair value through profit or loss which will continue to be measured on the same basis under HKFRS 9; and
- debt instruments currently classified as available-for-sale financial assets will satisfy the conditions for classification as at fair value through profit or loss.

Accordingly, the Group does not expect the new guidance will affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at fair value through other comprehensive income will no longer be transferred to profit or loss on sale, but will instead be reclassified below the line from the fair value through other comprehensive income reserve to retained earnings. During the 2017 financial year, RMB175,726,000 of such gains were recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to-date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15, Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

When applying HKFRS 15, revenue shall be recognised by applying following steps:

- identify the contract with customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Principal versus agent — HKFRS 15 requires that an agent's fee or commission shall be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. It will have an impact on the revenue recognition relating to the Travel Agency Business, but will not have a material impact on the Group's operating result.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As set out in Note 13(b), total non-cancellable operating lease commitments of the Group as at 31 December 2017 amounted to approximately RMB14,431,402,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations. According to the preliminary assessment, other than the assessment results of HKFRS 9, 15 and 16 stated above, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

3 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.

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

(1) Full Service Hotels: ownership, operation and management of full service hotels;

(2) Select Service Hotels — managed and operated in Mainland China: operation of self-owned select service hotels and provision of management and franchising to other parties to operate select service hotels, primarily in the PRC and under the brandnames of Jin Jiang GDL Asia, Plateno Group, or Vienna Hotels;

(3) Select Service Hotels — managed and operated overseas: 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 brandnames of GDL;

(4) 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;

(5) Passenger Transportation Vehicles and Logistics: vehicle operating, trading of automobiles, refrigerated logistics, freight forwarding and related services;

(6) Travel Agency: provision of travel agency and related services;

(7) 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 year.

(a) Segment revenue

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Full Service Hotels	**1,888,579**	1,947,430
— Accommodation revenue	**911,039**	936,251
— Food and beverage sales	**542,145**	567,065
— Rendering of ancillary services	**62,467**	75,075
— Rental revenue	**215,814**	208,294
— Sales of hotel supplies	**4,599**	7,113
— Hotel management	**152,515**	153,632
Select Service Hotels — managed and operated in Mainland China	**9,435,922**	6,888,083
— Accommodation revenue	**5,427,561**	4,380,908
— Food and beverage sales	**343,157**	255,209
— Rendering of ancillary services	**229,678**	101,639
— Rental revenue	**121,405**	71,019
— Sales of hotel supplies	**694,681**	488,376
— Hotel management and franchise	**2,278,318**	1,332,158
— Revenue under customer loyalty programme	**341,122**	258,774
Select Service Hotels — managed and operated overseas	**3,890,542**	3,494,131
— Accommodation revenue	**2,122,862**	1,939,986
— Catering and sale of products	**809,588**	746,578
— Hotel management and franchise	**942,450**	799,517
— Others	**15,642**	8,050
Food and Restaurants	**364,618**	352,080
Passenger Transportation Vehicles and Logistics	**2,368,287**	2,354,893
— Vehicle operating	**1,098,561**	1,150,171
— Trading of automobile	**1,117,401**	1,044,725
— Refrigerated logistics	**138,947**	136,506
— Others	**13,378**	23,491
Travel Agency	**1,709,978**	1,907,387
— Travel agency	**1,677,803**	1,874,468
— Others	**32,175**	32,919
Other Operations	**100,982**	69,121
	19,758,908	17,013,125

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 year ended 31 December 2017 and 2016.

(b) Other segment information

The segment results for the year ended 31 December 2017 are as follows:

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *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	**1,888,579**	**9,435,922**	**3,890,542**	**364,618**	**2,368,287**	**1,709,978**	**100,982**	**19,758,908**
Inter-segment sales	**7,229**	**2,973**	**—**	**7,666**	**459**	**207**	**47,903**	**66,437**
Total gross segment sales	**1,895,808**	**9,438,895**	**3,890,542**	**372,284**	**2,368,746**	**1,710,185**	**148,885**	**19,825,345**
Profit for the year	**176,768**	**681,648**	**300,759**	**153,057**	**305,877**	**64,545**	**(128,693)**	**1,553,961**
Other income and gain *(note 10)*	**147,863**	**111,496**	**23,174**	**63,321**	**84,307**	**120,751**	**235,098**	**786,010**
Including: interest income from bank deposits *(note 10)*	**14,096**	**31,818**	**1,025**	**350**	**11,061**	**8,656**	**82,241**	**149,247**
Depreciation of property, plant and equipment *(note 4)*	**(182,906)**	**(885,263)**	**(340,453)**	**(8,933)**	**(231,794)**	**(6,636)**	**(1,167)**	**(1,657,152)**
Impairment of property, plant and equipment *(note 4)*	**—**	**(33,975)**	**—**	**—**	**—**	**—**	**—**	**(33,975)**
Depreciation of investment properties *(note 4)*	**(4,976)**	**—**	**—**	**—**	**(513)**	**(4,140)**	**—**	**(9,629)**
Amortisation of land use rights *(note 4)*	**(24,141)**	**(40,158)**	**—**	**—**	**(1,340)**	**—**	**(312)**	**(65,951)**
Amortisation of intangible assets *(note 4)*	**(3,262)**	**(153,438)**	**(38,769)**	**(1,218)**	**—**	**(580)**	**—**	**(197,267)**
Impairment of intangible assets *(note 4)*	**—**	**(19,627)**	**—**					**(19,627)**
Provision for inventories write-down *(note 4)*	**(1,619)**	**(365)**	**—**	**—**	**—**	**—**	**—**	**(1,984)**
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 4)*	**(23,153)**	**(19,834)**	**(9,775)**	**—**	**(109)**	**99**	**—**	**(52,772)**
Finance costs — net *(note 12)*	**(156,668)**	**(56,015)**	**(134,710)**	**(1,315)**	**(939)**	**—**	**(226,551)**	**(576,198)**
Share of results of joint ventures and associates accounted for using the equity method	**104,905**	**(1,310)**	**(18,071)**	**120,585**	**170,866**	**(2,191)**	**(15,014)**	**359,770**
Income tax expense *(note 5)*	**(43,332)**	**(325,113)**	**41,383**	**(1,867)**	**(37,495)**	**(13,835)**	**(27,737)**	**(407,996)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**2,122,099**	**538,429**	**615,635**	**8,379**	**154,236**	**6,286**	**201,729**	**3,646,793**

The segment results for the year ended 31 December 2016 are as follows:

	Full Service Hotels *RMB'000*	Select Service Hotels — managed and operated in Mainland China *RMB'000*	Select Service Hotels — managed and operated overseas *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	1,947,430	6,888,083	3,494,131	352,080	2,354,893	1,907,387	69,121	17,013,125
Inter-segment sales	6,892	2,999	—	7,672	1,382	144	47,879	66,968
Total gross segment sales	1,954,322	6,891,082	3,494,131	359,752	2,356,275	1,907,531	117,000	17,080,093
Profit for the year	291,536	343,792	165,382	104,490	283,620	64,390	101,094	1,354,304
Other income and gain *(note 10)*	308,723	75,618	83,357	49,491	86,877	120,833	482,858	1,207,757
Including: interest income from bank deposits *(note 10)*	11,931	19,783	1,896	92	13,130	9,413	95,653	151,898
Depreciation of property, plant and equipment *(note 4)*	(153,134)	(782,329)	(310,660)	(7,150)	(226,823)	(6,918)	(1,298)	(1,488,312)
Impairment of property, plant and equipment *(note 4)*	(1,882)	(35,451)	—	—	—	—	—	(37,333)
Depreciation of investment properties *(note 4)*	(4,386)	—	—	—	(513)	(4,140)	—	(9,039)
Amortisation of land use rights *(note 4)*	(18,491)	(39,699)	—	—	(1,080)	—	(311)	(59,581)
Amortisation of intangible assets *(note 4)*	(2,837)	(125,450)	(34,203)	(980)	—	(560)	—	(164,030)
Impairment of intangible assets *(note 4)*	—	(3,741)	—	—	—	—	—	(3,741)
Provision for inventories write-down *(note 4)*	(443)	(73)	—	—	—	—	—	(516)
(Provision for)/reversal of impairment of trade receivables, prepayments and other receivables *(note 4)*	(782)	(14,521)	(8,061)	—	(2,393)	1,513	—	(24,244)
Finance costs — net *(note 12)*	(147,320)	(54,941)	(162,850)	(1,620)	(2,315)	—	(198,764)	(567,810)
Share of results of joint ventures and associates accounted for using the equity method	(60,428)	(2,002)	6,589	91,203	145,848	1,609	2,860	185,679
Income tax expense *(note 5)*	(103,393)	(198,028)	(33,184)	(1,870)	(36,385)	(12,402)	(48,791)	(434,053)
Additions to non-current assets (other than financial instruments and deferred tax assets)	46,887	13,797,474	561,356	23,285	290,729	851	4,123	14,724,705

The segment assets and liabilities as at 31 December 2017 are as follows:

	Full Service Hotels ***RMB'000***	**Select Service Hotels — managed and operated in Mainland China** ***RMB'000***	**Select Service Hotels — managed and operated overseas** ***RMB'000***	**Food and Restaurants** ***RMB'000***	**Passenger Transportation Vehicles and Logistics** ***RMB'000***	**Travel Agency** ***RMB'000***	**Other Operations** ***RMB'000***	**The Group** ***RMB'000***
Segment assets	**5,128,064**	**24,006,260**	**13,663,850**	**139,256**	**3,701,925**	**1,537,404**	**12,911,580**	**61,088,339**
Investments accounted for using the equity method	**694,748**	**48,031**	**59,310**	**249,040**	**781,541**	**2,150**	**74,929**	**1,909,749**
Total assets	**5,822,812**	**24,054,291**	**13,723,160**	**388,296**	**4,483,466**	**1,539,554**	**12,986,509**	**62,998,088**
Segment liabilities	**3,070,328**	**7,678,430**	**12,575,345**	**175,905**	**893,829**	**455,907**	**17,344,797**	**42,194,541**

The segment assets and liabilities as at 31 December 2016 are as follows:

	Full Service Hotels RMB'000	Select Service Hotels — managed and operated by Jin Jiang in Mainland China RMB'000	Select Service Hotels — managed and operated overseas RMB'000	Food and Restaurants RMB'000	Passenger Transportation Vehicles and Logistics RMB'000	Travel Agency RMB'000	Other Operations RMB'000	The Group RMB'000
Segment assets	4,554,496	22,109,605	12,600,026	195,327	3,618,979	1,591,858	10,151,342	54,821,633
Investments accounted for using the equity method	832,541	25,249	83,271	221,706	751,922	17,304	17,207	1,949,200
Total assets	5,387,037	22,134,854	12,683,297	417,033	4,370,901	1,609,162	10,168,549	56,770,833
Segment liabilities	1,678,481	6,913,265	11,829,093	149,218	949,550	494,578	14,616,573	36,630,758

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 consolidated income statement.

Profit for the year in the segment of "Full Service Hotels" for the year ended 31 December 2017 mainly includes the share of results of a joint venture, which disposed 5 hotel properties, RMB111,582,000 (for the year ended 31 December 2016: a gain on partial disposal of a joint venture of RMB280,115,000). Profit for the year in the segment of "Other Operations" for the year ended 31 December 2017 mainly includes gain on disposal of available-for-sale financial assets of RMB98,842,000 (for the year ended 31 December 2016: RMB302,871,000).

Revenue generated by regions, based on the locations of the business is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**15,699,210**	13,411,300
Overseas	**4,059,698**	3,601,825
Total	**19,758,908**	17,013,125

The total of non-current assets other than financial instruments and deferred income tax assets located in different regions is as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
The total of non-current assets other than financial instruments and deferred income tax assets		
— Mainland China	**25,918,722**	24,192,249
— Overseas	**10,993,748**	11,029,639
Financial instruments	**3,673,390**	6,967,902
Deferred income tax assets	**762,739**	695,490
	41,348,599	42,885,280

4 EXPENSES BY NATURE

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses	**5,946,835**	4,829,243
Changes in inventories	**3,977,493**	3,876,693
Operating leases — land and buildings	**1,879,718**	1,568,318
Depreciation of property, plant and equipment	**1,657,152**	1,488,312
Utility cost and consumables	**1,012,485**	979,433
Repairs and maintenance	**608,467**	550,037
Commissions paid to travel agencies	**376,744**	388,656
Advertising costs	**307,860**	250,408
Consulting fee	**269,857**	106,770
Business tax, property tax, VAT through a simplified method and other tax surcharges	**251,952**	366,864
Laundry costs	**225,636**	203,510
Amortisation of intangible assets	**197,267**	164,030
Transportation expenses	**121,112**	105,070
Telecommunication expenses	**95,374**	91,377
Amortisation of land use rights	**65,951**	59,581
Entertainment expenses	**54,222**	51,530
Impairment loss of property, plant and equipment and intangible assets	**53,602**	41,074
Provision for impairment of trade receivables, prepayments and other receivables	**52,772**	24,244
Pre-operation expenses	**46,156**	7,508
Auditors' remuneration	**31,416**	30,275
— Audit service	**27,967**	28,311
— Non-audit service	**3,449**	1,964
Depreciation of investment properties	**9,629**	9,039
Provision for inventories write-down	**1,984**	516
Others	**932,874**	737,967
	18,176,558	15,930,455

5 INCOME TAX EXPENSE

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Current tax:		
Mainland China current corporate income tax ("CIT")	**550,622**	392,511
Overseas current corporate tax	**126,818**	84,530
Deferred tax:		
Mainland China deferred income tax	**(248,863)**	(21,647)
Overseas deferred income tax	**(20,581)**	(21,341)
	407,996	434,053

Other than the subsidiaries registered in Tibet with preferential income tax rate of 15%, provision for Mainland China CIT is calculated based on the statutory income tax rate of 25% on the assessable income of the group companies operating in Mainland China for the year ended 31 December 2017 (2016: 25%) in accordance with the Corporate Income Tax Law of PRC and its Detail Implementation Regulations.

The Group's subsidiaries registered in Hong Kong are subject to a rate of 16.5% on the estimated assessable profits for the year ended 31 December 2017 (2016: 16.5%). For the year ended 31 December 2017, the Group's subsidiaries incorporated in Hong Kong did not have assessable profit and therefore have not provided for any Hong Kong profits tax.

GDL Group mainly operates in France and is subject to income tax at 34.43% for the year ended 31 December 2017 (2016: 34.43%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of 25% (2016: 25%) in the Mainland China as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Profit before income tax	**1,961,957**	1,788,357
Tax calculated at a tax rate of 25% (2016: 25%)	**490,489**	447,089
Effect of different taxation rates	**19,557**	7,991
Income not subject to tax	**(76,737)**	(39,864)
Expenses not deductible for tax purposes	**25,222**	27,861
Tax losses and tax credit for which no deferred income tax assets were recognised	**143,659**	96,588
Utilisation of previous unrecognised tax losses	**(22,716)**	(70,259)
Effect of exclusion of share of profit tax of joint ventures and associates	**(60,344)**	(49,692)
Changes in opening balance of deferred tax assets/liabilities due to adjustment in tax rate (i)	**(114,417)**	—
Others	**3,283**	14,339
	407,996	434,053

(i) According to the French Fiscal Law promulgated in 2017, the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019. The Group assessed the impact on the deferred tax assets and liabilities that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted. The reassessed deferred tax impact amounted to RMB114,417,000 was recognised as credit to in the "income tax expense".

6 EARNINGS PER SHARE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**760,770**	758,446
Weighted average number of ordinary shares in issue *(thousands)*	**5,566,000**	5,566,000
Basic earnings per share *(RMB cents)*	**13.67**	13.63

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

7 DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of RMB8.0 cents per share, totalling RMB445,280,000 (final dividend in respect of the year ended 31 December 2015: RMB6.5 cents per share, totalling RMB361,790,000) was paid in July 2017.

On 29 March 2018, the Directors recommended the payment of a final dividend of RMB8.0 cents per share, totalling RMB445,280,000 in respect of the year ended 31 December 2017. Such dividend is to be approved by the shareholders at the Annual General Meeting. The consolidated financial statements do not reflect this dividend payable.

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend of RMB8.0 cents (2016: RMB8.0 cents) per share	**445,280**	445,280

8 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**1,304,824**	999,476
Less: provision for impairment of trade receivables	**(173,837)**	(135,060)
Trade receivables — net	**1,130,987**	864,416
Loans to related parties by Finance Company	**1,134,500**	422,000
Prepayments and deposits	**1,093,976**	1,105,008
Interest receivables	**411,070**	359,670
Other amounts due from related parties	**245,262**	133,674
Other prepaid and recoverable tax	**241,679**	203,318
Accrued rental revenue	**54,317**	49,694
Loans to related parties by the Group other than Finance Company	**25,500**	130,820
Loans to third parties	**7,918**	28,422
VAT recoverable	**2,984**	3,157
Others	**72,242**	68,024
Less: provision for impairment of other receivables	**(80,523)**	(56,419)
Prepayments and other receivables — net	**3,208,925**	2,447,368
	4,339,912	3,311,784
Less: non-current portion of trade receivables, prepayments and other receivables	**(206,954)**	(434,024)
	4,132,958	2,877,760
Non-current portion of trade receivables, prepayments and other receivables	**206,954**	434,024

Ageing analysis of trade receivables based on invoice date at respective balance sheet dates are as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Less than 3 months	**802,859**	792,645
3 months to 1 year	**398,480**	97,567
Over 1 year	**103,485**	109,264
	1,304,824	999,476

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

9 TRADE AND OTHER PAYABLES

	At 31 December 2017 RMB'000	2016 RMB'000
Deposits from related parties in Finance Company	**5,361,707**	1,041,098
Trade payables	**1,830,731**	1,698,379
Employee benefit payables	**1,754,103**	1,572,740
Advances from customers	**1,395,344**	1,173,430
Payables for purchases of land use rights	**1,274,408**	—
Payables for purchases of property, plant and equipment, and intangible assets	**664,963**	634,678
Advances on behalf of the franchises	**613,253**	393,491
Deposits from lessees and constructors	**440,645**	395,797
Other tax payable	**346,950**	303,105
Accrued expenses	**303,359**	188,892
Other amounts due to related parties	**232,694**	167,155
Deferred government grants	**119,176**	50,123
Financial liabilities due to put options granted to holders of non-controlling interests	**99,136**	—
Marketing fund	**63,432**	43,361
Defined benefit plan of GDL	**59,113**	49,010
Provisions for other liabilities and charges	**58,598**	61,392
Deferred revenue for customer loyalty programme	**54,461**	47,721
Interest payable	**41,668**	54,283
Payables related to the disposal of Shanghai Galaxy Hotel Company Limited ("Galaxy Hotel")	**36,962**	36,962
Dividend payable to non-controlling interests	**21,797**	21,763
Deferred payment of acquisition of a subsidiary	**9,111**	187,642
Others	**178,794**	139,922
	14,960,405	8,260,944
Less: non-current portion of trade payables, provisions and other payables	**(2,067,203)**	(927,987)
Current portion of trade payables, provisions and other payables	**12,893,202**	7,332,957
Non-current portion of trade payables, provisions and other payables	**2,067,203**	927,987

Ageing analysis of trade payables based on invoice date at respective balance sheet dates are as follows:

	At 31 December 2017 RMB'000	2016 RMB'000
Less than 3 months	**1,648,880**	1,518,892
3 months to 1 year	**114,197**	117,283
Over 1 year	**67,654**	62,204
	1,830,731	1,698,379

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

10 OTHER INCOME AND GAIN

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Dividend income	**185,060**	144,516
— Unlisted equity investments	**119,924**	56,442
— Listed equity investments	**65,136**	88,074
Gain on disposal of available-for-sale financial assets	**175,726**	381,274
Interest income from bank deposits	**149,247**	151,898
Revaluation gain from remeasuring the equity interests previously held	**83,162**	—
Government grants income (i)	**70,220**	97,511
Disposal gain and revaluation gain from remeasuring equity interests in Guangzhou WoQu Lodging Co., Ltd. ("WoQu")	**28,807**	—
Gain on disposal of investment in associates	**25,175**	—
Gain on disposal of financial assets at fair value through profit or loss	**11,132**	35,287
Gain on disposal of property, plant and equipment	**10,060**	9,818
Gain on disposal of a subsidiary	**4,802**	—
Gain on partial disposal of investment in a joint venture	**—**	280,115
Gain on business combination	**—**	26,384
Others	**42,619**	80,954
	786,010	1,207,757

(i) Government grant income mainly represents fiscal subsidies granted by local governments to the Group without unfulfilled conditions.

11 OTHER EXPENSES AND LOSSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank charges	**68,200**	78,821
Foreign exchange loss — net	**48,931**	—
Loss on disposal of property, plant and equipment	**39,469**	5,639
Pending litigations	**19,827**	3,125
Impairment of available-for-sale financial assets	**100**	508
Loss on foreign exchanges forward contract	**—**	14,300
Impairment of investments in associates	**—**	4,859
Others	**13,448**	12,687
	189,975	119,939

12 FINANCE COSTS — NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance cost:		
Interest expenses	**692,399**	751,459
— Bank borrowings	**642,266**	743,911
— Borrowings from related parties	**44,625**	2,212
— Finance lease liabilities	**5,508**	5,336
Net foreign exchange gain on borrowings	**(394)**	(5,084)
Total finance costs	**692,005**	746,375
Finance income:		
Interest income		
— Interest income resulting from the deposits pledged for the borrowings	**(115,807)**	(178,565)
Total finance income	**(115,807)**	(178,565)
Finance costs — net	**576,198**	567,810

13 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for but not yet incurred is as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment	**244,109**	171,322

(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.

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

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Not later than 1 year	**205,383**	186,358
Later than 1 year and not later than 5 years	**556,003**	663,945
Later than 5 years	**495,937**	595,695
	1,257,323	1,445,998

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Not later than 1 year	**1,727,688**	1,718,799
Later than 1 year and not later than 5 years	**6,513,807**	6,466,977
Later than 5 years	**6,189,907**	6,862,189
	14,431,402	15,047,965

(c) Loan commitments

Loan commitments of RMB411,500,000 (31 December 2016: RMB451,500,000) represent undrawn loan facilities offered by Finance Company and granted to related parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Full Service Hotels

The operation and management 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 RMB1,888,579,000 to the Group's revenue, representing a decrease of approximately 3.0% as compared to the same period of last year, which was mainly attributable to the fact that operating revenue had ceased to be tax inclusive (which also affected other business segments) following the implementation of the policy of "replacing business tax with VAT" for the service industry in China with effect from May 2016 and the decrease in revenue resulting from the suspension of business at Rainbow Hotel for refurbishment.

As the Full Service Hotels in which the Group held equity interests were mainly located in the core districts of Shanghai, the market demand for these hotels continued to increase in tandem with the ongoing growth in business, convention and exhibition activities and tourism spending in Shanghai. Excluding the effect of the replacement of business tax by VAT, the Group's high Star-rating Full Service Hotels in Shanghai reported an approximately 7.0% year-on-year growth in RevPAR, reflecting an approximately 5.1% year-on-year growth in average room rate and an approximately 1.8% year-on-year growth in average Occupancy Rate.

Shanghai is the base of the Group's business of Full Service Hotels. Performance of the Group's Full Service Hotels in Shanghai is set out below:

	2017			2016		
	Group's Full Service Hotels in Shanghai			Group's Full Service Hotels in Shanghai		
	Average Occupancy Rate ***(%)***	**Average room rate** ***(RMB)***	**RevPAR** ***(RMB)***	Average Occupancy Rate *(%)*	Average room rate *(RMB)*	RevPAR *(RMB)*
5-star	**76.3%**	**890.13**	**679.16**	76.6%	845.09	647.53
4-star	**76.8%**	**603.58**	**463.36**	73.8%	575.91	424.84

Note: Full Service Hotels in Shanghai held by the Group (with equity interests) covered by the statistics in the above table include:

1. 5-star hotels: Jin Jiang Hotel, Peace Hotel, Jin Jiang Tower, Jin Jiang Tomson Hotel and Yangtze Hotel.

2. 4-star hotels: Park Hotel, Jian Guo Hotel, Cypress Hotel, Holiday Inn Downtown Shanghai, Shanghai Hotel, Shanghai Jing An Hotel and Shanghai Sofitel Hotel.

3. Excluding the effect of "replacing business tax with VAT", the average room rate and RevPAR were compared on the same basis.

As at the end of the Reporting Period, the Group owned and managed 100 Full Service Hotels which were in operation across the globe, offering approximately 30,000 guest rooms, among which 79 hotels with approximately 23,000 guest rooms were owned by third parties but managed by the Group.

The Group has commenced the operation and management of Full Service Hotel assets with a steady approach and has achieved notable results in its bid to drive the adjustment of asset mix and increase asset efficiency and value through vigorous efforts to innovate, transform and upgrade.

Select Service Hotels

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

During the Reporting Period, continuous growth in the business scale and revenue of Select Service Hotels contributed approximately RMB13,326,464,000 to the revenue of the Group, representing an increase of approximately 28.4% as compared to the same period of last year and accounting for approximately 67.5% of the Group's turnover.

As at the end of the Reporting Period, there were a total of 6,694 Select Service Hotels in operation offering a total of 649,632 guest rooms, comprising 1,220 Jin Jiang GDL Asia hotels in operation offering 143,388 guest rooms in aggregate; 1,295 GDL hotels in operation offering 110,317 guest rooms in aggregate; 3,425 Plateno Group hotels in operation offering 280,941 guest rooms in aggregate; and 754 Vienna Hotels in operation offering 114,986 guest rooms in aggregate.

As at the end of the Reporting Period, a total of 6,694 Select Service Hotels were in operation, comprising 62 Jin Jiang Metropolo hotels, 1,075 Jin Jiang Inn hotels, 28 Jinguang Inn hotels, 53 Bestay Hotels Express hotels, 2 Campanile (康鉑) hotels, 267 Premiere Classe hotels, 380 Campanile hotels, 261 Kyriad chain hotels, 310 Golden Tulip chain hotels, 77 Sarovar chain hotels, 277 Lavande hotels, 93 James Joyce Coffetel hotels, 169 IU hotels, 2,468 7 Days Inn chain hotels, 252 Pai hotels, 166 hotels under other brands of Plateno Group, 5 Venus Royal hotels, 230 Vienna International hotels, 179 Vienna Classic hotels, 254 Vienna Hotels, 84 Vienna 3 Best hotels and 2 hotels under other brands of Vienna Hotels.

Out of 6,694 Select Service Hotels in operation, 1,055 were self-managed hotels, accounting for approximately 16%, while 5,639 were franchised hotels, accounting for approximately 84%. Select Service Hotels in operation offered a total of 649,632 guest rooms, including 118,794 rooms or approximately 18% in self-managed hotels in operation and 530,838 rooms or approximately 82% in franchised hotels in operation.

During the Reporting Period, the Group committed full efforts to the creation of a global hotel sharing platform for finance, procurement and IT integration in accordance with the principle of "keeping the DNA unchanged, integrating back offices, realising complementary advantages, and procuring mutual development", in an vigorous move to drive back-office systems integration, complementary advantages and full synergies among Jin Jiang GDL Asia, GDL, Plateno Group and Vienna Hotels, so as to expedite the development of a regime for excellence in performance management and match advanced industry and international standards on all fronts.

Food and Restaurants

During the Reporting Period, the Group continued its development of food and restaurant operations through several food and restaurant chain companies invested by Jin Jiang Hotels Development, generating revenue of approximately RMB364,618,000 for the Group, which represented an increase of approximately 3.6% as compared to the same period of last year and accounting for approximately 1.8% of the Group's turnover.

During the Reporting Period, Jin Jiang Hotels Development made a major effort to develop the group catering business, managing 63 group catering restaurants as at the end of the Reporting Period, as compared to 55 at the end of last year. As at the end of the Reporting Period, Shanghai Kentucky Fried Chicken Company Limited, Shanghai Jin Ya Catering Management Co., Ltd. (上海錦亞餐飲管理有限公司) ("Jin Ya Catering", formerly known as Shanghai New Asia Café de Coral Company Limited) and "Shanghai Yoshinoya" had a total of 309, 18 and 9 outlets, respectively. "Chinoise Story" currently operates 2 feature restaurants, while 3 restaurants were managed by Shanghai Jinzhu Catering Management Co., Ltd.

We carried out the research and development of processed food with input from the national-grade chefs of Jin Jiang Hotels and started to extend our reach to e-commerce vendors, in addition to direct supplies to our hotels, in the marketing of food items under the Jin Jiang brand.

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,368,287,000, representing an increase of approximately 0.6% as compared to same period of last year and accounting for approximately 12.0% of the Group's turnover.

During the Reporting Period, Jin Jiang Automobile successfully completed more than 1,400 receptions in relation to important international events, including hospitality for important conferences including the meeting of the Shanghai Committee of the Chinese People Political Consultative Conference, meeting of The Asian Football Confederation, meeting of the BRICS finance ministers and central bank governors, the 29th Shanghai Mayor's Consultative Conference with international entrepreneurs and China Quality (Shanghai) Conference.

During the Reporting Period, Jin Jiang Automobile vigorously expanded its market shares by seizing market opportunities presented by conferences, exhibitions, tournaments, the cruise market and Shanghai Disneyland. Our coach bus service completed 39 assignments in connection with conferences, exhibitions and tournaments, including China International Skills Competition, East China Fair, the World Archery Championships, China Quality (Shanghai) Conference, International Youth Football Invitational Tournament, serving approximately 76,000 passengers with more than 1,688 coach bus outings. Reception services were provided to 25 cruises, serving approximately 50,000 passengers with 1,111 coach bus outings. There were a total of 1,538 chartered business limousines in operation, including 115 long-term chartered business limousines increased during the period, representing a net increase of more than 90 clients. In connection with the Shanghai Disneyland shuttle bus service, approximately 280,000 outings, including 4,560 extra outings on peak-season days, were provided inside the park to approximately 4 million passengers. The staff shuttle bus service operating outside the park completed approximately 29,000 outings, serving approximately 420,000 passengers.

Jin Jiang Cold was engaged in vigorous implementation of a 24-hour service model based on the transformation and upgrade of cold logistics. We sought to increase our business volume and expand the business of our self-managed warehouses by developing new customers, targeting medium-to-large-sized customers and conducting secondary marketing. Efforts were made to build an end-to-end supply chain model and explore opportunities for extending the industry chain. We intend to secure more customers requiring end-to-end supply chain services and possessing high added value via timely actions to adjust the customer mix, with a special emphasis on the catering industry.

JHJ Transportation reported year-on-year growth in its air freight export business following efforts in centralised procurement cost control and centralised cargo allocation. Trial e-commerce platforms were built at branch companies to solicit new customers online by matching with the systems of third-party websites. Gross profit growth for branch companies was reported through adjustments in the management model for branch companies, optimised operating processes and more rigorous appraisal efforts.

Travel Agency

For 2017, revenue from the travel agency amounted to approximately RMB1,709,978,000, representing a decrease of approximately 10.3% as compared to the same period of last year and accounting for approximately 8.7% of the Group's turnover.

During the Reporting Period, the number of outbound tourist groups and tourist receptions declined under the impact of global political and economic conditions. In view of this, the relevant departments of Jin Jiang Travel were stepping up with initiatives to transform, while actively developing new customers in the joint operations with foreign parties in a bid to overcome the effect of foreign exchange fluctuation. Furthermore, we were diversifying to integrated reception services for conventions and exhibitions, instead of merely receiving traditional inbound tours. In the meantime, we persisted in emphasising the three essential elements of products, channels and services in our principal tourism operations, making strong efforts to encourage product innovation while continuing to build a three-sided marketing network featuring the "mobile terminal, online direct marketing platform (call centre) and offline physical stores", in a bid to highlight our brand quintessence by enhancing the quality of our hospitality services.

During the Reporting Period, travel agencies under Jin Jiang Travel, an official tourism partner of the Shanghai Disney Resort, were actively engaged in various online marketing activities and offline planning to promote products relating to Shanghai Disney Resort.

During the Reporting Period, Jin Jiang Travel completed the organization of outbound tours for a number of government organisations and large enterprises with superb quality, leveraging its strengths in hospitality for major events. Assignments undertaken in 2017 included hospitality for delegations to Expo 2017 Astana in Kazakhstan, Xiaohe Fengcai (小荷風採) National Youth Dance Competition involving more than 2,000 guests, National Entrepreneurship Mass Innovation Week, Forum for CPC Academy Principals in Yangtze River Delta Region and the rehabilitation programme in Shanghai for outstanding policemen in the national security system.

In the meantime, the Group established incubation teams in close cooperation with WeHotel on the back of the superior resources of Jin Jiang International to explore an innovative marketing model involving the establishment a cross-organisational team headed by Jin Jiang Tours and supported by the technical teams of "WeHotel" and the business teams of "Jin Jiang Hotels".

Information Technology

In 2017, the Group made full efforts to build a global hotel sharing platform for finances, procurement and IT integration. Currently, planning for the global centre for shared financial planning and the European centre for shared financial services has been confirmed, while shared financial integration for the China region and shared financial services for Vienna Hotels have also come into operation. Schemes in relation to system planning, institutions and organisational structures of the global procurement platform have been completed, and smooth progress has also been reported in the formulation of new standards for procurement and consolidation of suppliers. By investing in the WeHotel platform, the consolidation of the Group's IT technologies has been accelerated in a further upgrade and advancement of its operational capabilities and levels.

FINANCIAL REVIEW

Revenue

The Group's financial information during the Reporting Period as compared to the same period in 2016 is set out as follows:

	12 months ended 31 December 2017		12 months ended 31 December 2016	
	RMB in million	***% of revenue***	*RMB in million*	*% of revenue*
Full Service Hotels	**1,888.6**	**9.5%**	1,947.4	11.5%
Select Service Hotels — managed and operated in Mainland China	**9,435.9**	**47.8%**	6,888.1	40.5%
Select Service Hotels — managed and operated overseas	**3,890.5**	**19.7%**	3,494.1	20.5%
Food and Restaurants	**364.6**	**1.8%**	352.1	2.1%
Passenger Transportation Vehicles and Logistics	**2,368.3**	**12.0%**	2,354.9	13.8%
Travel Agency	**1,710.0**	**8.7%**	1,907.4	11.2%
Other Operations	**101.0**	**0.5%**	69.1	0.4%
Total	**19,758.9**	**100.0%**	17,013.1	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 2016:

	12 months ended 31 December 2017		12 months ended 31 December 2016	
	RMB in million	***% of turnover***	*RMB in million*	*% of turnover*
Accommodation revenue	**911.1**	**48.3%**	936.2	48.1%
Food and beverage sales	**542.1**	**28.7%**	567.1	29.1%
Rendering of ancillary services	**62.5**	**3.3%**	75.1	3.8%
Rental revenue	**215.8**	**11.4%**	208.3	10.7%
Sales of hotel supplies	**4.6**	**0.2%**	7.1	0.4%
Hotel management	**152.5**	**8.1%**	153.6	7.9%
Total	**1,888.6**	**100.0%**	1,947.4	100.0%

Accommodation revenue

Accommodation revenue was mainly determined by the number of Available Rooms, Occupancy Rate and ADR of the Group's hotels. Accommodation revenue of the Full Service Hotels for the Reporting Period was approximately RMB911,039,000, representing a decrease of approximately 2.7% or approximately RMB25,212,000 as compared to the same period in 2016. The aforesaid change mainly reflected the impact of the implementation of the policy of "replacing business tax with VAT" which came into effect in May 2016 and the decrease in accommodation revenue due to the suspension of Rainbow Hotel for refurbishment. Excluding such factors, the Group's high Star-rating Full Service Hotels would have reported a year-on-year increase in accommodation revenue.

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 RMB542,145,000, representing a decrease of approximately 4.4% or approximately RMB24,920,000 from the same period of last year. The aforesaid change mainly reflected the impact of the conversion of certain catering premises at the Full Service Hotels to leased operations, the suspension of Rainbow Hotel for refurbishment and the implementation of the policy of "replacing business tax with VAT" upon the revenue from food and beverage sales. Meanwhile, the increase in mass-market food catering services and the sustained effect of government policies had a considerable impact on the sales of food and beverage and wedding catering services of the Full Service Hotels.

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 RMB62,467,000, representing a decrease of approximately 16.8% or approximately RMB12,608,000 from the same period of last year, which was mainly attributable to the decrease in revenue from certain hotel shopping malls.

Rental revenue

Rental revenue was mainly generated from the leasing of shops at the Group's Full Service Hotels for retail, exhibition and other purposes and the outsourcing lease of certain catering space. During the Reporting Period, rental revenue amounted to approximately RMB215,814,000, representing an increase of approximately 3.6% or approximately RMB7,520,000. The increase was mainly attributable to the increase in rents for third parties and the increase in area leased.

Sales of hotel supplies

Revenue from guest supplies and hotel products decreased by approximately RMB2,514,000 as compared to the same period of last year. Such decrease was mainly attributable to the consolidation of resources of the Group's procurement platform and the gradual adjustments in the business model of the Supplies Company.

Hotel management revenue

The revenue of hotel management was mainly generated from the management fees received for the provision of management services to Full Service Hotels not controlled by the Group. Management fee income of the hotel management business amounted to approximately RMB152,515,000 during the Reporting Period, representing a decrease of approximately 0.7% or approximately RMB1,117,000 as compared to the same period of last year, which was mainly due to the decrease of the one-off consulting service revenue.

Select Service Hotels — managed and operated in Mainland China

The Select Service Hotels business in the PRC mainly comprised the turnover from the Select Service Hotels managed and operated by the Group within the PRC. The revenue of Select Service Hotels in the PRC for the Reporting Period amounted to approximately RMB9,435,922,000, representing an increase of approximately RMB2,547,839,000 or approximately 37.0% as compared to the same period of last year.

The increase was mainly attributable to the consolidation of Plateno Group and Vienna Hotels into the financial statement of the Group since March and July 2016, respectively, and the revenue growth derived from newly added Select Service Hotel management projects.

Select Service Hotels — managed and operated overseas

The Select Service Hotels business managed and operated overseas mainly comprised the turnover from the Select Service Hotels managed and operated by the Group out of the PRC. The revenue of Select Service Hotels managed and operated overseas amounted to approximately RMB3,890,542,000 for the Reporting Period, representing an increase of approximately RMB396,411,000 or approximately 11.3% as compared to the same period of last year. The increase was mainly attributable to the revenue growth derived from newly added Select Service Hotel management projects under GDL.

Food and Restaurants

Revenue of food and restaurants segment was mainly derived from 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., Chinoise 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 RMB364,618,000, representing an increase of approximately RMB12,538,000, or approximately 3.6% as compared to the same period of last year. The increase in food and restaurant revenue for the Reporting Period was attributable to sustained growth in the group catering business of Shanghai Jin Jiang International Food Catering Management Co., Ltd. (managing 63 group catering restaurants during the Reporting Period versus 55 as in the same period of last year).

Passenger Transportation Vehicles and Logistics

During the Reporting Period, the revenue of passenger transportation vehicles and logistics was approximately RMB2,368,287,000, representing an increase of approximately 0.6% or approximately RMB13,394,000 as compared to same period of last year, reflecting primarily the increase in revenue from the vehicle and related trading businesses.

Travel Agency

During the Reporting Period, the revenue of travel agency was approximately RMB1,709,978,000, representing a decrease of approximately 10.3% or approximately RMB197,409,000 as compared to the same period of last year, reflecting mainly reduced outbound travel business due to global political and economic conditions.

Other Operations

In addition, the Group is also engaged in other operating business, including the provision of financial services via Finance Company and the provision of training services by Shanghai Jin Jiang International Management College (上海錦江國際管理專修學院). During the Reporting Period, revenue of other operations was approximately RMB100,982,000, representing an increase of approximately 46.1% as compared to the same period of last year, which was primarily due to the increase in interest income derived from deposits with banks and other financial institutions by the Finance Company.

Cost of Sales

Cost of sales for the Reporting Period amounted to approximately RMB14,949,609,000 (same period in 2016: approximately RMB13,254,487,000), representing an increase of approximately 12.8% as compared to the same period of last year. The increase reflected mainly time differences in relation to the consolidation of Plateno Group and Vienna Hotels into the financial statements of the Group and the growth in cost of sales attributable to newly added Select Service Hotel management projects.

Gross Profit

As a result of the factors described above, the Group recorded a gross profit of approximately RMB4,809,299,000 for the Reporting Period, representing an increase of approximately RMB1,050,661,000 or approximately 28.0% as compared to the same period of last year.

Other Income and Other Gain

Other income and other gain for the Reporting Period amounted to approximately RMB786,010,000 (same period in 2016: approximately RMB1,207,757,000), representing a decrease of approximately RMB421,747,000 or approximately 34.9% as compared to the same period of last year. The decrease was primarily due to a pre-tax investment gain of approximately RMB280,115,000 on the disposal of HAC hotel management business during the same period in 2016, as well as gain of approximately RMB175,726,000 (same period in 2016: approximately RMB381,274,000) on disposal of available-for-sale financial assets, including Changjiang Securities Company Limited and Shanghai Pudong Development Bank Co., Ltd. during the Reporting Period. Dividend received by the Group during the Reporting Period amounted to approximately RMB185,060,000 (same period in 2016: approximately RMB144,516,000).

Selling and Marketing Expenses

Selling and marketing expenses comprise primarily of labour costs, travel agent commissions and advertising fees, which amounted to approximately RMB1,112,808,000 during the Reporting Period (same period in 2016: approximately RMB1,050,169,000), representing an increase of approximately 6.0% as compared to the same period of last year, reflecting mainly the time differences in relation to the consolidation of Plateno Group and Vienna Hotels into the financial statements of the Group and the growth in selling and marketing expenses attributable to newly added Select Service Hotel management projects. Growth in expenses was also attributable to stronger advertising and promotion efforts for Select Service Hotels.

Administrative Expenses

Administrative expenses for the Reporting Period was approximately RMB2,114,141,000 (same period in 2016: approximately RMB1,625,799,000), representing an increase of approximately 30.0% as compared to the same period of last year, reflecting mainly the growth in administrative expenses resulting from newly added Select Service Hotel businesses of Plateno Group and Vienna Hotels and the expansion in scale of the Select Service Hotel business managed and operated by Jin Jiang GDL Asia and GDL. During the Reporting Period, the growth in administrative expenses was also attributable to the Group's effort to expedite the development of flagship hotels under middle-end brands.

Other Expenses and Other Losses

Other expenses and other losses consisted primarily of bank charges, exchange loss generated from operating activities, losses from the disposal of property, plant and equipment. For the Reporting Period, other expenses and losses amounted to approximately RMB189,975,000 (same period in 2016: approximately RMB119,939,000), representing an increase of approximately RMB70,036,000 as compared to the same period of last year, reflecting mainly the combined effect of other expenses and other losses in connection with newly added Select Service Hotel chain businesses of Plateno Group and Vienna Hotels during the Reporting Period.

Finance Costs — net

Finance costs — net comprises interest expenses in respect of the Group's bank borrowings and exchange to gain or loss generated from financing activities after deduction of the interest income of the relevant pledged deposits. During the Reporting Period, finance cost — net was approximately RMB576,198,000 (same period in 2016: approximately RMB567,810,000), representing an increase of approximately RMB8,388,000 or approximately 1.5% as compared to the same period of last year, reflecting mainly the new borrowings incurred by the Company in connection with its participation in Jin Jiang Hotels Development's private placing in August 2016. In the meantime, the partial repayment of bank loans by Jin Jiang Hotels Development during the Reporting Period also reduced interest expenses to a certain extent.

Share of Results of Joint Ventures and Associates Accounted for Using the Equity Method

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 associated companies including Shanghai Kentucky Fried Chicken Company Limited, Yangtze Hotel, Shanghai Pudong International Airport Transport Terminal Co. Ltd., Jiangsu Nanjing Long Distance Passenger Transport Group Company Limited and China Oriental International Travel & Transport Co., Ltd.. During the Reporting Period, share of results of joint ventures and associated companies was approximately RMB359,770,000 (same period in 2016: approximately RMB185,679,000). This primarily reflects the partial receipt of gains from the disposal of five self-owned hotels in the United States by IHHC and the year-on-year increase in the operating results of Shanghai Kentucky Fried Chicken Company Limited and Shanghai Pudong International Airport Transport Terminal Co. Ltd.

Taxation

The effective tax rate for the Reporting Period was approximately 20.8% (same period in 2016: approximately 24.3%). The effective tax rate decreased mainly because the effective income tax rate for GDL will decrease from 34.43% to 28.92% in 2019, and the Group adjusted the income tax expense accordingly after assessing the impact of the deferred tax assets and liabilities expected to apply to the period when the asset is realised or the liability is settled based on applicable tax rates in effect. In addition, the dividend income and share of results of joint ventures and associates not subject to taxation also increased 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 was approximately RMB760,770,000 (same period in 2016: approximately RMB758,446,000), representing an increase of approximately RMB2,324,000 or approximately 0.3%, reflecting mainly the combined effect of the growth in the business results of the expanded Selected Service Hotel business and the year-on-year decrease in income from available-for-sale financial assets.

GROUP DEBTS AND FINANCIAL CONDITIONS

Borrowings and pledge of assets

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities		
Bank borrowings — secured	**10,841,487**	14,456,995
Bank borrowings — unsecured	**4,773,794**	4,533,148
Borrowings from related parties	**4,401,150**	300,000
Finance lease liabilities	**179,304**	169,777
	20,195,735	19,459,920
Less: Current portion of long-term secured bank borrowings	**(223,961)**	(2,994,404)
Current portion of long-term unsecured bank borrowings	**(3,413)**	(65,269)
Current portion of long-term finance lease	**(13,557)**	(11,451)
	19,954,804	16,388,796
Borrowings included in current liabilities		
Bank borrowings — secured	**8,000**	928,000
Bank borrowings — unsecured	**3,549,939**	4,334,281
Borrowings from related parties	**30,000**	220,000
Current portion of long-term secured bank borrowings	**223,961**	2,994,404
Current portion of long-term unsecured bank borrowings	**3,413**	65,269
Current portion of long-term finance lease	**13,557**	11,451
	3,828,870	8,553,405

As at 31 December 2017, the secured bank borrowings included:

(a) Bank borrowings of EUR770,000,000, equivalent to RMB6,007,771,000, which were guaranteed by Jin Jiang International;

(b) Bank borrowings of Polish Zloty ("PLN") 48,946,000, equivalent to RMB74,716,000 (31 December 2016: PLN48,946,000, equivalent to RMB73,687,000), which were pledged by the property, plant and equipment of certain subsidiaries of GDL located in Poland;

(c) Bank borrowings of RMB8,000,000, which were guaranteed by a non-controlling shareholder of a subsidiary of the Group;

(d) Bank borrowings of RMB4,759,000,000 (31 December 2016: RMB4,920,000,000), which were pledged by the equity interests in a subsidiary of the Group.

As at 31 December 2016, the secured bank borrowings included:

(a) Bank borrowings of RMB920,000,000, which were pledged by the non-controlling interests of a subsidiary of the Group and guaranteed by Jin Jiang International;

(b) Bank borrowings of RMB8,000,000, which were jointly guaranteed by the shareholders of a subsidiary of the Group;

(c) Bank borrowings of EUR1,289,484,000, equivalent to RMB9,423,308,000, which were pledged by the bank deposits RMB4,723,560,000 and the equity interests in a subsidiary, and guaranteed by Jin Jiang International;

(d) Bank borrowings of RMB40,000,000, which were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

The Group has fulfilled all covenants under the remaining borrowing agreements. The maturity of the borrowings included in non-current liabilities is as follows:

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
Between 1 and 2 years	**4,578,338**	6,867,841
Between 2 and 5 years	**15,170,870**	9,265,630
Over 5 years	**205,596**	255,325
	19,954,804	16,388,796

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

	At 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**13,558,921**	15,216,204
EUR	**10,070,554**	9,577,728
Other foreign currencies	**154,199**	148,269
	23,783,674	24,942,201

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

	At 31 December	
	2017	2016
Borrowings denominated in RMB	**3.7954%**	4.7401%
Borrowings denominated in EUR	**1.2491%**	1.1412%
Borrowings denominated in other foreign currencies	**4.2253%**	4.3700%

Treasury Management and Interest Rate Risk Management

Cash and cash equivalents as at 31 December 2017 and 31 December 2016 amounted to approximately RMB12,098,112,000 and approximately RMB6,559,042,000.

The Group optimises the allocation of its deposit and loan structure based on market conditions, the status of its business development and its financial profile.

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 Group members were fulfilled through entrusted loans and self-operated loans, resulting in lower financing costs and greater efficiency in fund application.

Available-for-sale Financial Assets

Available-for-sale financial assets held by the Group included 53,000,000 shares in Changjiang Securities Company Limited (000783.SZ), 92,326,488 shares in Bank of Communications Co., Ltd. (601328.SH), 12,666,764 shares in Yu Yuan Trade Mart

(600655.SH), 25,000,000 shares in Pudong Development Bank Co., Ltd (600000.SH), 61,782,364 shares in Guotai Jun'an (601211.SH) and 17,593,034 shares in Shenwan Hongyuan (000166.SZ).

HUMAN RESOURCES AND TRAINING

As at the end of the Reporting Period, the Group had approximately 54,504 employees included in its consolidated financial statements. As of now, no share options scheme has been established by the Group.

The Group's training base provides professional training on various management and technical skills. The base provides the Group with management talents of all fields and nurtures industry elites, closely associating education and training with the actual requirements in hotel development. Exchange and training for mid-to-senior-level hotel management and the first session of "Voyage" training officially commenced during the Reporting Period. The first batch of trainees will further receive practical on-job training after completing aptitude training, with a view to building a team with international vision, innovative thinking, abilities in cross-cultural integration and excellent operational and management competence. Meanwhile, we leveraged on our advantageous position in the industry chain to consolidate the training resources of our hotel segment and facilitate cross-sharing of superior training programmes and resources of various brand management companies. Integrated training functions have been generated through the building of a mobile learning platform. Efforts have also been made to enhance the global mentality and ability to consolidate global resources on the part of mid-to-senior-level hotel management, as well as to drive a swift and steady pace of development for junior corporations.

During the Reporting Period, the Group adjusted its human resources structure and optimised its job positions and staff establishment to further enhance its market orientation.

SOCIAL RESPONSIBILITY

In the course of its development, the Group seeks to maximise not only its shareholders' value, but also its long-term corporate value. As such, social responsibility constitutes an essential component in the Group's strategic development.

While pursuing economic benefits and protecting shareholders' interests, the Group has also acted vigorously to protect the legal rights of its employees, customers and business partners. It has been actively involved in public charity programmes, such as those relating to environmental protection and community development, highlighting the characteristic of its operations as "safe, healthy, comfortable and professional" hotels to promote the Group's accord and harmony with the community as a whole and drive the co-fulfillment of economic benefits for the hotel, social benefits for the community and well-being for the eco-environment.

The Group places a strong emphasis on the interests of citizens in the community, as it seeks to foster a harmonious and stable environment for sustainable development. It has made strong endeavours to improve staff remuneration and benefits, while constantly perfecting the model for democratic participation in corporate management by junior staff. We have also sought further protection for the legal rights of staff through the staff representatives' assembly.

The Group has stringently complied with the relevant laws and regulations in 2017. The Group has disclosed its policies and performance relating to environmental and social matters in accordance with established systems of operational compliance, and the Company's Environmental, Social and Governance Report for 2017 has been compiled in compliance with the requirements under the Appendix 27 to the Listing Rules "Environmental, Social and Governance Reporting Guide". The Environmental, Social and Governance Report for 2017 of the Company will be set out in the 2017 annual report of the Company.

CORPORATE STRATEGIES AND OUTLOOK FOR FUTURE DEVELOPMENT

The uncertainties in the global economic recovery, slowdown in domestic macro-economic growth, periodic structural oversupply in the hotel industry and 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 introduction and implementation of government policies to promote the development of the tourism industry, as well as the stimulating effect of projects such as Shanghai Disneyland, broad prospects for future development still hold out for China's hotel and tourism industry. The Group will actively address any challenges and seize any opportunities that might arise.

The Group will adopt a philosophy of development emphasising innovation, coordination, eco-friendliness and sharing in line with the "13th Five Year Plan" planning, further entrench the supply-side reform, step up with the development of its core business, forge the "Jin Jiang" brand and advance the progress of international development by seeking prudent growth. We will make vigorous efforts to ensure proper integration relating to mergers and acquisitions, whiling seeking improvements in management standards and core competitiveness by expanding outside China to gain international exposures while introducing foreign experiences to our domestic operations. We will also further optimise our domestic as well as international business deployment and enhance our ability in multinational operations.

In the coming year, the Group will focus on qualitative development and drive transformation with improved quality and efficiency by attaining excellence in business performance. Innovation and transformation will be further expedited, as will the construction of the sharing platform. Vigorous efforts will be made to create exemplary flagship hotels for our proprietary high-end hotel brands and middle-end brands, step up with staff exchange and training sessions to develop a strong reserve of talents, as well as to enhance risk control and corporate governance.

The Group will seize the opportunity presented by the reform of state-owned assets and state-owned enterprises to enhance its development towards a market-oriented corporation and expedite the reforms of institutional system. We will explore 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. The Group will leverage on its strengths in specialisation, in a bid to foster a modern tourism service industry chain and a sharing economy platform centered on hotel operations. We will enhance asset liquidity and structural adjustments to further increase our overall asset return and enterprise value.

DIVIDENDS

On 29 March 2018, the Board proposed to declare a final dividend of RMB8.0 cents (inclusive of tax) per share or an aggregate of RMB445,280,000 for the year ended 31 December 2017. The dividend is expected to be paid no later than 15 August 2018.

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

The 10% corporate income tax will not be withheld from the final dividend payable to any natural person shareholders. The proposed final dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

For details of the resolutions to be considered and approved at the forthcoming annual general meeting, the book closure period of H share register, and the date of annual general meeting, please refer to the notice of 2017 annual general meeting to be issued by the Company in due course.

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

CORPORATE GOVERNANCE

The Board has reviewed its "Company Operation and Corporate Governance Guidelines" and is of the view that such guidelines have incorporated most of the principles and all of the code provisions of the "Corporate Governance Code" as set out in Appendix 14 to the Listing Rules. The Company has complied with the applicable code provisions of the Corporate Governance Code for the financial year ended 31 December 2017.

AUDIT COMMITTEE

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

The annual results have been reviewed by the Audit Committee. The committee has reviewed the accounting principles and practices adopted by the Company and conducted a discussion on matters in relation to the audit, risk management, internal controls and financial reporting, including the review of the consolidated financial statements for the year ended 31 December 2017 prepared in accordance with HKFRSs, together with the management of the Company. The figures in respect of the Group's consolidated financial statements for the year ended 31 December 2017, as set out in the preliminary announcement, have been agreed by the Company's auditor, PricewaterhouseCoopers.

REMUNERATION COMMITTEE

The Company has established a remuneration committee, the principal duty of which is to make recommendations to the Board in respect of the remuneration policy and structure formulated by the Company for the Directors and the senior management of the Company. The remuneration committee comprises Mr. Ji Gang (chairman), an independent non-executive Director, Ms. Guo Lijuan, an executive Director and Mr. Xie Hongbing, an independent non-executive Director.

NOMINATION COMMITTEE

The Company has established a nomination committee. The nomination committee of the Company comprises Mr. Yu Minliang (chairman), being the chairman of the Board and an executive Director, and Dr. Rui Mingjie and Dr. Tu Qiyu, two independent non-executive Directors. The major duties of the nomination committee include: (1) review the structure, number of members and diversity of composition of the Board at least annually, and make suggestions on any proposed changes of the Board in accordance with the corporate strategies of the Company; (2) identify candidates with appropriate qualifications to act as Directors, and select and nominate such candidates to act as Directors or make recommendations to the Board in this regard; (3) evaluate the independence of independent non-executive Directors; and (4) make suggestions to the Board on the appointment or re-appointment of Directors and the succession plan of Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2017, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"ADR"	room revenue divided by rooms in use
"Audit Committee"	the audit committee of the Company
"Available Rooms"	number of rooms available of each hotel after deducting Permanent House Use
"Board"	the board of Directors of the Company
"China" or "PRC"	The People's Republic of China
"Company"	Shanghai Jin Jiang International Hotels (Group) Company Limited
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the lawful currency of the European Union
"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
"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 or businesses which were consolidated into and operated by the Company upon its establishment
"HAC"	HOTEL ACQUISITION COMPANY, LLC
"Hubs1"	Hubs1 Interactive (Shanghai) Co., Ltd. (匯通百達網絡科技(上海)有限公司)

"IHHC"	INCA HOTEL HOLDINGS COMPANY LLC, a special-purpose entity under common control by the Company to hold all retained assets including 5 proprietary hotels in the United States and undertake relevant responsibilities
"JHJ Transportation"	JHJ International Transportation Co., Ltd.
"Jin Jiang Automobile"	Shanghai Jin Jiang Automobile Services Co., Ltd.
"Jin Jiang Capital"	Shanghai Jin Jiang Capital Management Company Limited
"Jin Jiang Cold"	Shanghai Jin Jiang International Cold Logistics Development Co., Ltd.
"Jin Jiang GDL Asia"	Jin Jiang GDL Asia Co., Ltd. (上海錦江盧浮亞洲酒店管理有限公司) (formerly known as Shanghai Jin Jiang Metropolo Hotel Management Company Limited)
"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 Holding Company Limited
"Jin Jiang Investment"	Shanghai Jin Jiang International Industrial Investment Company Limited
"Jin Jiang Tours"	Shanghai Jin Jiang Tours Co., Ltd
"Jin Jiang Travel"	Shanghai Jin Jiang International Travel Co., Ltd.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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 2017 to 31 December 2017
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplies Company"	Shanghai Jin Jiang International Hotel Supplies Company Limited (上海錦江國際酒店物品有限公司)
"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
"Xintiantian Company"	Shanghai Xintiantian Cold Logistics Co., Ltd
"WeHotel"	Shanghai Qi Cheng Network Technology Co., Ltd. (上海齊程網絡科技有限公司)

By Order of the Board
Shanghai Jin Jiang International Hotels (Group) Company Limited*
Zhang Qian
Executive Director and Chief Executive Officer

Shanghai, the PRC, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Yu Minliang, Ms. Guo Lijuan, Mr. Chen Liming, Mr. Zhang Qian and Mr. Han Min, and the independent non-executive Directors are Mr. Ji Gang, Dr. Rui Mingjie, Dr. Tu Qiyu, Dr. Xu Jianxin, Mr. Xie Hongbing and Dr. He Jianmin.

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